

## Powys Teaching 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

Powys Teaching Local Health Board was established under the Local Health Boards (Establishment) (Wales) Order 2003 (S.I. 2003/148 (W.18))

As a statutory body governed by Acts of Parliament the tLHB is responsible for :

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

Powys tLHB hosts the Community Health Councils in Wales. In addition, it is also responsible for hosting specific functions in respect of the accounts of the former Health Authorities most significantly in respect of clinical negligence. The tLHB also hosts the functions of National Institute for Social Care and Health Research (NISCHR) and Continuing Care Case Administration.

#### 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 tLHB which is funded by the Welsh Government. 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 Welsh Government and measures whether operational financial balance has been achieved in year.

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
Expenditure on Primary Healthcare Services	3.1	59,058	58,799
Expenditure on healthcare from other providers	3.2	139,521	128,213
Expenditure on Hospital and Community Health Services	3.3	74,898	70,078
		<u>273,477</u>	<u>257,090</u>
Less: Miscellaneous Income	4	14,154	14,451
<b>LHB net operating costs before interest and other gains and losses</b>		<b>259,323</b>	<b>242,639</b>
Investment Income	8	0	0
Other (Gains) / Losses	9	0	0
Finance costs	10	181	215
<b>Net operating costs for the financial year</b>		<b>259,504</b>	<b>242,854</b>

## Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2014 is as follows:

	2013-14 £000	2012-13 £000
Net operating costs for the financial year	259,504	242,854
Less Non-discretionary expenditure	-828	-175
Less Revenue consequences of Bringing PFI schemes onto SoFP	0	0
<b>Net operating costs less non-discretionary expenditure and revenue consequences of PFI</b>	<b>260,332</b>	<b>243,029</b>
Revenue Resource Limit	241,068	243,035
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>(19,264)</b>	<b>6</b>

The notes on pages 8 to 59 form part of these accounts

The tLHB has not met its duty to breakeven for 2013/14. Current guidance from Welsh Government is that plans will need to be in place to recover the deficit in future years.

On 31st March 2014, the tLHB submitted a three year plan running from 2014-15 to 2016-17 that showed expenditure to be significantly in excess of the anticipated resource limit over the three years. The Minister for Health & Social Services has confirmed that he is unable to approve the tLHB's three year integrated medium term plan and requested that the Board prepares a one year 'delivery agreement' plan which is being developed for agreement at Accountable Officer Level.

**Other Comprehensive Net Expenditure**

	<b>2013-14</b>	2012-13
	<b>£'000</b>	£'000
Net gain / (loss) on revaluation of property, plant and equipment	<b>837</b>	<b>(3,122)</b>
Net gain / (loss) on revaluation of intangibles	<b>0</b>	<b>0</b>
Net gain / (loss) on revaluation of available for sale financial assets	<b>0</b>	<b>0</b>
(Gain) / loss on other reserves	<b>0</b>	<b>0</b>
Impairment and reversals	<b>0</b>	<b>0</b>
Release of Reserves to Statement of Comprehensive Net Expenditure	<b>0</b>	<b>0</b>
Other comprehensive net expenditure for the year	<b>837</b>	<b>(3,122)</b>
<b>Total comprehensive net expenditure for the year</b>	<b>258,667</b>	<b>245,976</b>

**Statement of Financial Position as at 31 March 2014**

	31 March 2014	31 March 2013
Notes	£'000	£'000
<b>Non-current assets</b>		
Property, plant and equipment	11 60,189	62,628
Intangible assets	12 0	0
Trade and other receivables	15 26,244	7,722
Other financial assets	19 0	0
Other assets	20 0	0
<b>Total non-current assets</b>	<b>86,433</b>	<b>70,350</b>
<b>Current assets</b>		
Inventories	14 146	154
Trade and other receivables	15 10,268	14,242
Other financial assets	19 0	0
Other assets	20 0	0
Cash and cash equivalents	18 259	160
	<b>10,673</b>	<b>14,556</b>
Non-current assets classified as "Held for Sale"	11 0	0
<b>Total current assets</b>	<b>10,673</b>	<b>14,556</b>
<b>Total assets</b>	<b>97,106</b>	<b>84,906</b>
<b>Current liabilities</b>		
Trade and other payables	16 28,113	28,925
Other financial liabilities	22 0	0
Provisions	17 7,621	11,240
Other liabilities	21 0	0
<b>Total current liabilities</b>	<b>35,734</b>	<b>40,165</b>
<b>Net current assets/ (liabilities)</b>	<b>(25,061)</b>	<b>(25,609)</b>
<b>Non-current liabilities</b>		
Trade and other payables	16 0	0
Other financial liabilities	22 0	0
Provisions	17 33,309	14,735
Other liabilities	21 0	0
<b>Total non-current liabilities</b>	<b>33,309</b>	<b>14,735</b>
<b>Total assets employed</b>	<b>28,063</b>	<b>30,006</b>
<b>Financed by :</b>		
<b>Taxpayers' equity</b>		
General Fund	(1,453)	290
Revaluation reserve	29,516	29,716
<b>Total taxpayers' equity</b>	<b>28,063</b>	<b>30,006</b>

The financial statements on pages 2 to 7 and notes on pages 8 to 59 which form part of these accounts were approved by the Board on 25th June 2014 and signed on its behalf by:

Chief Executive: R Hudson

Date: 25/06/14

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2014**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2013-14</b>			
<b>Balance at 1 April 2013</b>	290	29,716	30,006
Net operating cost for the year	(259,504)	0	(259,504)
Net gain/(loss) on revaluation of property, plant and equipment	0	837	837
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	0	0	0
Release of reserves to SoCNE	1,037	(1,037)	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for 2013-14</b>	<b>(258,467)</b>	<b>(200)</b>	<b>(258,667)</b>
Net Welsh Government funding	256,724		256,724
<b>Balance at 31 March 2014</b>	<b>(1,453)</b>	29,516	<b>28,063</b>

The notes on pages 8 to 59 form part of these accounts

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2013**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2012-13</b>			
<b>Balance at 1 April 2012</b>	3,060	32,907	35,967
Net operating cost for the year	(242,854)		(242,854)
Net gain/(loss) on revaluation of property, plant and equipment	0	(3,122)	(3,122)
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	69	(69)	0
<b>Release of reserves to SoCNE</b>	0	0	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for 2012-13</b>	(242,785)	(3,191)	(245,976)
Net Welsh Government funding	240,015		240,015
<b>Balance at 31 March 2013</b>	290	29,716	30,006

The notes on pages 8 to 59 form part of these accounts

**Statement of Cash flows for year ended 31 March 2014**

	2013-14	2012-13
	£'000	£'000
<b>Cash Flows from operating activities</b>		
Net operating cost for the financial year	(259,504)	(242,854)
Movements in Working Capital	34 (15,112)	4,228
Other cash flow adjustments	35 27,603	7,809
Provisions utilised	17 (7,364)	(4,819)
<b>Net cash outflow from operating activities</b>	<b>(254,377)</b>	<b>(235,636)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(2,508)	(4,892)
Proceeds from disposal of property, plant and equipment	260	0
Purchase of intangible assets	0	0
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
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(2,248)</b>	<b>(4,892)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(256,625)</b>	<b>(240,528)</b>
<b>Cash flows from financing activities</b>		
Welsh Government funding (including capital)	256,724	240,015
Capital receipts surrendered	0	0
Capital grants received	0	0
Capital element of payments in respect of finance leases and on-SoFP	0	0
Cash transferred (to)/ from other NHS bodies	0	356
<b>Net financing</b>	<b>256,724</b>	<b>240,371</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>99</b>	<b>(157)</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2013</b>	<b>160</b>	<b>317</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2014</b>	<b>259</b>	<b>160</b>

The notes on pages 8 to 59 form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2013-14 Local Health Board Manual for Accounts and 2013-14 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 teaching Local Health Board (tLHB) 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 (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Welsh Government 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 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 Government is credited to the general fund.

- Miscellaneous income is income which relates directly to the operating activities of the tLHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the tLHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the tLHB 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 tLHB 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 tLHBs 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.

### **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 tLHB;
- 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 tLHB's 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.

In 2012-13 a formal revaluation exercise was applied to land and properties. Land and buildings have been indexed with indices supplied by the District Valuation Office. 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 historic 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. 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. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE.

### **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 tLHB's 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 tLHB; 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 assets under construction and properties held for sales 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 tLHB expects to obtain economic benefits or service potential from the asset. This is specific to the tLHB 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 tLHB 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.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

### **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 there from 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**

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

### **1.11 Government grants**

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the grant preclude immediate recognition of the gain.

### **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, is 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 tLHB 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 tLHB'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**

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

#### **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. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

#### **1.16 Provisions**

Provisions are recognised when the tLHB has a present legal or constructive obligation as a result of a past event, it is probable that the tLHB 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 end of the reporting period, 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 the discount rate supplied by HM Treasury.

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 tLHB 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 tLHB 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 Government. The Welsh Risk Pool is hosted by Velindre NHS Trust.

### **1.18 Financial assets**

Financial assets are recognised on the Statement of Financial Position when the tLHB 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 SoCNE. 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 SoCNE 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 tLHB assesses whether any financial assets, other than those held at 'fair value through profit and loss' 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 tLHB 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 Value Added Tax**

Most of the activities of the tLHB 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.

### **1.21 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.

### **1.22 Third party assets**

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

### 1.23 Losses and Special Payments

Losses and special payments are items that the Welsh 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 SoCNE 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.

The tLHB accounts for all losses and special payments gross (including assistance from the WRP). The tLHB accrues or provides for the best estimate of future payouts for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

### 1.24 Pooled budget

The tLHB has entered into a pooled budget with Powys County Council. Under the arrangements funds are pooled in accordance with S31 of the NHS (Wales) Act 2006 for funded Nursing Care activities and S33 of the NHS (Wales) Act 2006 for the provision of community equipment and information technology services.

The pooled budgets are hosted by Powys County Council. Payments for services provided are accounted for as Miscellaneous Income. The tLHB accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

### 1.25 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the tLHB'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.

### 1.26 Key sources of estimation uncertainty

The determination of the carrying values of some assets and liabilities may require estimation of the effects of future uncertain events. In respect of the tLHB:

- primary care expenditure includes estimates for liabilities where the value of actual liabilities was not available at the time of producing the financial statements. The most significant areas relate to GMS Enhanced Services, GMS Quality Outcome Framework and Prescribing; and
- £32M has been provided within Note 17 in respect of potential clinical negligence claims, personal injury claims and defence costs. These provisions are based on the advice of the NHS Wales Shared Services Partnership - Legal and Risk Services. The nature of such claims could be subject to change in future periods.



### **1.27 Private Finance Initiative (PFI) transactions**

The tLHB does not have any Private Finance Initiative transactions.

### **1.28 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.

### **1.29 Carbon Reduction Commitment Scheme**

The tLHB is not a member of the Carbon Reduction Commitment Scheme.

Carbon Reduction Commitment Scheme allowances are accounted for as government grant funded intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be measured initially at cost. Scheme assets in respect of allowances shall be valued at fair value where there is evidence of an active market.

### **1.30 Absorption accounting**

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

### **1.31 Accounting standards that have been issued but not yet been adopted.**

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year:

IFRS 9 Financial Instruments - subject to consultation  
IFRS 10 Consolidated Financial Statements - subject to consultation  
IFRS 11 Joint Arrangements - subject to consultation  
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation  
IFRS 13 Fair Value Measurement - subject to consultation  
IPSAS 32 - Service Concession Arrangement - subject to consultation

### **1.32 Accounting standards issued that have been adopted early**

There are no Accounting Standards issued that have been adopted early.

### 1.33 Charities

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the tLHB has established that as the tLHB is the corporate trustee of the linked NHS Charity 'Powys Teaching Local Health Board Charitable Fund and Other Related Charities', it is considered for accounting standards compliance to have control of this Charity as a subsidiary and therefore is required to consolidate the results of this Charity within the statutory accounts of the tLHB. The determination of control is an accounting standards test of control and there has been no change to the operation of Powys Teaching Local Health Board Charitable Fund and Other Related Charities or its independence in its management of charitable funds.

However, the tLHB has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will disclose the Charitable Accounts of Local Health Boards in the Welsh Government Consolidated Accounts. Details of the transactions with the charity are included in the related parties' notes.

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## 2. Achievement of Operational Financial Balance

### 2.1 Revenue Resource Limit

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

### 2.2 Capital Resource Limit

2013-14	2012-13
£000	£000

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

<b>Gross capital expenditure</b>	<b>2,355</b>	<b>4,258</b>
Add: Losses on disposal of donated assets	<b>0</b>	<b>0</b>
Less NBV of property, plant and equipment and intangible assets disposed	<b>(260)</b>	<b>(356)</b>
Less capital grants received	<b>0</b>	<b>0</b>
Less donations received	<b>(87)</b>	<b>(23)</b>
<b>Charge against Capital Resource Limit</b>	<b>2,008</b>	<b>3,879</b>
Capital Resource Limit	<b>2,012</b>	<b>3,883</b>
<b>(Over) / Underspend against Capital Resource Limit</b>	<b>4</b>	<b>4</b>

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2013-14 Total £'000	2012-13 £'000
General Medical Services	32,204		32,204	31,430
Pharmaceutical Services	4,459	(1,779)	2,680	3,280
General Dental Services	7,238		7,238	7,196
General Ophthalmic Services	0	951	951	898
Other Primary Health Care expenditure	83		83	513
Prescribed drugs and appliances	15,902		15,902	15,482
<b>Total</b>	<b>59,886</b>	<b>-828</b>	<b>59,058</b>	<b>58,799</b>

The negative non cash limited balance on Pharmaceutical services relates to prescriptions for Powys residents being dispensed by non Powys pharmacies. The effect of this is a net outflow for Powys tLHB.

#### 3.2 Expenditure on healthcare from other providers

	2013-14 £'000	2012-13 £'000
Goods and services from other NHS Wales Health Boards	42,648	39,623
Goods and services from other NHS Wales Trusts	1,339	1,287
Goods and services from other non Welsh NHS bodies	49,177	45,332
Goods and services from WHSSC	28,743	27,252
Local Authorities	1,603	1,816
Voluntary organisations	1,843	1,761
NHS Funded Nursing Care	1,925	1,863
Continuing Care	10,193	9,098
Private providers	2,050	181
Specific projects funded by the Welsh Government	0	0
Other	0	0
<b>Total</b>	<b>139,521</b>	<b>128,213</b>

The 7 Health Boards in Wales have established the Welsh Health Specialist Services Commission (WHSSC) which, through the operational management of Cwm Taf Health Board secures the provision of highly specialised healthcare for the whole of Wales. These arrangements include funding of services operated through a risk sharing agreement. The tLHB amount of this risk sharing arrangement for the year ended 31st March 2014 is £28.738M

The significant increase in Private Providers mainly relates to expenditure for the placement of mental health secure patients within a private setting due to reduction of beds available within one of the tLHB's providers (£1.7M).

Continuing Care increased costs are associated with an increase in mental health placements arising during the year

The most significant increase in costs associated with non Welsh NHS bodies is with the Health Board contract with Shrewsbury and Telford NHS Trust, whereby previous successful financial challenges under the terms of the contract are no longer available.

**3.3 Expenditure on Hospital and Community Health Services**

	2013-14 £'000	2012-13 £'000
Directors' costs	1,021	960
Staff costs	51,346	51,661
Supplies and services - clinical	4,684	3,765
Supplies and services - general	1,261	1,005
Consultancy Services	2,709	987
Establishment	2,464	2,533
Transport	823	643
Premises	3,696	4,166
External Contractors	0	0
Depreciation	2,574	2,317
Amortisation	0	0
Fixed asset impairments and reversals (Property, plant & equipment)	2,797	1,354
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	0	0
Audit fees	262	277
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	129	48
Research and Development	0	0
Other operating expenses	1,132	362
<b>Total</b>	<b>74,898</b>	<b>70,078</b>

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

	2013-14 £000	2012-13 £000
<b>Increase/(decrease) in provision for future payments:</b>	<b>£000</b>	<b>£000</b>
Clinical negligence	20,627	3,555
Personal injury	281	108
All other losses and special payments	6	0
Defence legal fees and other administrative costs	46	(21)
Gross increase/(decrease) in provision for future payments	<b>20,960</b>	<b>3,642</b>
Premium for other insurance arrangements	0	0
Irrecoverable debts	15	13
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(20,846)</b>	<b>(3,607)</b>
<b>Total</b>	<b>129</b>	<b>48</b>

The significant increase of the clinical negligence provision relates to an increase in the probable liabilities of the former Health Authorities in respect of Medical Negligence and Personal Injury Claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust). All payments relating to these claims will be reimbursed to Powys tLHB by the Welsh Risk pool, which is reflected in note 3.4 above.

Personal injury includes £0.067M (2012-13 £0.020M) in respect of permanent injury benefits.

Losses and Special Payments arising from clinical redress in 2013/14 was £0.006M (2012/13 was £0.000M)

Consultancy Services expenditure is mostly associated with the cost of delivering specialist projects within the hosted function of the National Institute of Social Care and Health Research (NISCHR) of £2.410M (2012/13 £0.812M)

#### 4. Miscellaneous Income

	2013-14 £'000	2012-13 £'000
Local Health Boards	2,857	2,636
WHSSC	73	159
NHS trusts	0	0
Strategic health authorities and primary care trusts	397	513
Foundation Trusts	0	0
Local authorities	0	0
Welsh Government	6,153	4,983
Non NHS:		
Prescription charge income	0	(3)
Dental fee income	1,774	1,778
Private patient income	6	18
Overseas patients (non-reciprocal)	0	0
Injury Costs Recovery (ICR) Scheme	48	48
Other income from activities	1,474	1,321
Patient transport services	31	33
Education, training and research	103	126
Charitable and other contributions to expenditure	0	0
Receipt of donated assets	87	23
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	0	0
NWSSP, 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	97	101
Other income:		
Provision of laundry, pathology, payroll services	0	0
Accommodation and catering charges	91	106
Mortuary fees	18	15
Staff payments for use of cars	0	0
Business Unit	0	0
Other	945	2,594
<b>Total</b>	<b>14,154</b>	<b>14,451</b>

Welsh Government Miscellaneous Income has increased due to the increase in funding received on behalf of the hosted functions administering Continuing Health Care Retrospective Claims and the National Institute for Social Care and Health Research (NISCHR) within the tLHB.

Other Income has decreased due to the transfer of the Contractor Services hosted function to the NHS Wales Shared Services Partnership (hosted by Velindre NHS Trust) on 1st June 2012. The tLHB during 2012/13 received an amount of income for the period 1st April 2012 to 30th June 2012 prior to the transfer of these services of £1.400M.

## 5. Employee benefits and staff numbers

5.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2012-13
	£000	£000	£000	£000	£000
Salaries and wages	43,653	375	326	44,354	44,603
Social security costs	2,828	0	0	2,828	2,856
Employer contributions to NHS Pension Scheme	5,185	0	0	5,185	5,162
Other pension costs	0	0	0	0	0
Other employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
<b>Total</b>	<b>51,666</b>	<b>375</b>	<b>326</b>	<b>52,367</b>	<b>52,621</b>
Charged to capital				68	74
Charged to revenue				52,299	52,547
				<b>52,367</b>	<b>52,621</b>

### 5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2012-13
	Number	Number	Number	Number	Number
Medical and dental	21	0	2	23	24
Ambulance staff	0	0	0	0	0
Administrative and estates	405	3	1	409	435
Healthcare assistants and other support staff	347	0	0	347	364
Nursing, midwifery and health visiting staff	429	5	0	434	432
Nursing, midwifery and health visiting learners	2	0	0	2	0
Scientific, therapeutic and technical staff	127	0	0	127	126
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
<b>Total</b>	<b>1,331</b>	<b>8</b>	<b>3</b>	<b>1,342</b>	<b>1,381</b>

The decrease in WTE between years is mostly attributable to 2012/13 figures including 3 months of Contractor Services Staff prior to their transfer.

### 5.3. Retirements due to ill-health

During 2013-14 there were 2 early retirements from the LHB agreed on the grounds of ill-health (In 2012-13 there were two). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £246,295.41 (2012-13: £27,761.80).

5.4 Employee benefits	2013-14	2012-13
	£000	£000
	0	0
	0	0
	0	0

### 5.5 Reporting of other compensation schemes - exit packages

Exit package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
	Number	Number
	2013-14	2012-13
<£10,000	0	4
£10,000 to £25,000	0	9
£25,000 to £50,000	1	7
£50,000 to £100,000	0	4
£100,000 to £150,000	0	0
£150,000 to £200,000	0	0
£200,000+	0	0
Total number of exit packages by type	<b>1</b>	<b>24</b>
Total resource cost £	41,420	689,142



## 5.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the tLHB in the financial year 2013-14 was £145,000 - £150,000 (2012-13, £135,000 - £140,000). This was 5.7 times (2012-13, 5.4) the median remuneration of the workforce, which was £25,839 (2012-13, £25,609)

In 2013-14, 1 (2012-13, 1) employee received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £1,500 to £161,500 (2012-13 £700 to £161,000).

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Overtime payments should be included for the calculation of both elements of the relationship.

## 5.7 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.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

### a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

## 5.7 Pensions costs (cont)

### b) 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.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while future scheme terms are developed as part of the reforms to public service pension provision due to be implemented in 2015.

The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and after consideration of the advice of the Scheme Actuary. A formal valuation for funding purposes as at March 2012 is currently close to completion and will be used to inform the contribution rates applicable from 1 April 2015.

### 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 "defined benefit" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three 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 (Increase) Act 1971, and are based on changes in inflation in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used as the measure of inflation and replaced the Retail Prices Index (RPI).

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 is payable.

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 employer.

Members can purchase additional pension in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

### d) Other Pensions Disclosure National Employment Savings Trust (NEST)

NEST is a not-for-profit workplace pension scheme established by law to support the introduction of automatic enrolment providing defined contribution pension schemes. NEST was established by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing. Currently, the legal minimum contribution level is 2 per cent of a jobholder's qualifying earnings for employers whose legal duties have started. Of this the employer needs to pay at least 1 per cent, though they can pay more if they elect to do so. By 2018 the minimum contribution will rise to 8 per cent of qualifying earnings, of which the employer must pay at least 3 per cent.

The National Employment Savings Trust has an annual contribution limit. It is reviewed annually and adjusted in line with average earnings. The annual contribution limit is currently up to £4,500 for the 2013/14 tax year.

The annual contribution limit includes member contributions, money from their employer and any tax relief. It also includes any money paid in by someone else on behalf of the member, such as a member's partner or spouse.

## 6. Operating leases

### LHB as lessee

The Teaching Local Health Board has the following operating leases:

- various short term leases on properties at fixed rentals subject to periodic review
- vehicle leases are generally for a period of three years.

<b>Payments recognised as an expense</b>	<b>2013-14</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	623	700
Contingent rents	0	0
Sub-lease payments	0	0
<b>Total</b>	<b>623</b>	<b>700</b>

### **Total future minimum lease payments**

<b>Payable</b>	<b>£000</b>	<b>£000</b>
Not later than one year	571	545
Between one and five years	431	461
After 5 years	25	34
<b>Total</b>	<b>1,027</b>	<b>1,040</b>

There are no future sublease payments expected to be received.

### LHB as lessor

<b>Rental revenue</b>	<b>£000</b>	<b>£000</b>
Rent	226	219
Contingent rents	0	0
<b>Total revenue rental</b>	<b>226</b>	<b>219</b>

### **Total future minimum lease payments**

<b>Receivable</b>	<b>£000</b>	<b>£000</b>
Not later than one year	226	216
Between one and five years	119	136
After 5 years	149	149
<b>Total</b>	<b>494</b>	<b>501</b>

## 7. Public Sector Payment Policy - Measure of Compliance

### 7.1 Prompt payment code - measure of compliance

The Welsh Government requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government 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.

	2013-14	2013-14	2012-13	2012-13
NHS	Number	£000	Number	£000
Total bills paid	2,779	123,657	2,381	113,689
Total bills paid within target	2,422	120,318	1,889	110,277
Percentage of bills paid within target	87.2%	97.3%	79.3%	97.0%
<b>Non-NHS</b>				
Total bills paid	31,306	84,016	63,515	36,484
Total bills paid within target	29,161	82,892	60,453	34,763
Percentage of bills paid within target	93.1%	98.7%	95.2%	95.3%
<b>Total</b>				
Total bills paid	34,085	207,673	65,896	150,173
Total bills paid within target	31,583	203,210	62,342	145,040
Percentage of bills paid within target	92.7%	97.9%	94.6%	96.6%

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

	2013-14	2012-13
	£	£
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
<b>Total</b>	<b>0</b>	<b>0</b>

The tLHB has not met the administrative target of payment of 95% of the number of non-nhs creditors within 30 days this year. The tLHB has seen a decrease in achievement of this target during 2013/14 due to new methodology being implemented during the year (backdated to 1st April 2013) which has seen a change in the calculation for contractor services transactions which were previously recorded as individual payments are now only included as one payment if paid together in one payment. (ie one payment recorded - even if there are numerous transactions within that payment made). This new methodology has been implemented on an All-Wales basis to ensure consistency of calculation for NHS Wales.

## 8. Investment Income

	2013-14 £000	2012-13 £000
<b>Rental revenue :</b>		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue :</b>		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 9. Other gains and losses

	2013-14 £000	2012-13 £000
Gain/(loss) on disposal of property, plant and equipment	0	0
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	0
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
<b>Total</b>	<b>0</b>	<b>0</b>

## 10. Finance costs

	2013-14 £000	2012-13 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts		
main finance cost	0	0
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>0</b>	<b>0</b>
Provisions unwinding of discount	181	215
Other finance costs	0	0
<b>Total</b>	<b>181</b>	<b>215</b>

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings on account £000	Assets under construction & £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2013</b>	13,738	45,559	650	2,209	5,751	471	3,342	0	71,720
Indexation	0	856	13	0	0	0	0	0	869
Additions - purchased	0	1,587	0	325	213	0	143	0	2,268
Additions - donated	0	16	0	0	71	0	0	0	87
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	1,463	0	(1,463)	0	0	0	0	0
Revaluations	0	(182)	0	0	0	0	0	0	(182)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	(290)	(2,478)	0	0	(29)	0	0	0	(2,797)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	(160)	(232)	0	0	(1,209)	0	(843)	0	(2,444)
<b>At 31 March 2014</b>	<b>13,288</b>	<b>46,589</b>	<b>663</b>	<b>1,071</b>	<b>4,797</b>	<b>471</b>	<b>2,642</b>	<b>0</b>	<b>69,521</b>
<b>Depreciation at 1 April 2013</b>	0	1,731	20	0	4,295	377	2,669	0	9,092
Indexation	0	32	0	0	0	0	0	0	32
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(182)	0	0	0	0	0	0	(182)
Reversal of impairments	0	0	0	0	0	0	0	0	0
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	(133)	0	0	(1,208)	0	(843)	0	(2,184)
Provided during the year	0	1,849	21	0	417	34	253	0	2,574
<b>At 31 March 2014</b>	<b>0</b>	<b>3,297</b>	<b>41</b>	<b>0</b>	<b>3,504</b>	<b>411</b>	<b>2,079</b>	<b>0</b>	<b>9,332</b>
<b>Net book value at 1 April 2013</b>	<b>13,738</b>	<b>43,828</b>	<b>630</b>	<b>2,209</b>	<b>1,456</b>	<b>94</b>	<b>673</b>	<b>0</b>	<b>62,628</b>
<b>Net book value at 31 March 2014</b>	<b>13,288</b>	<b>43,292</b>	<b>622</b>	<b>1,071</b>	<b>1,293</b>	<b>60</b>	<b>563</b>	<b>0</b>	<b>60,189</b>
<b>Net book value at 31 March 2014 comprises :</b>									
Purchased	13,288	41,088	622	1,071	1,010	60	563	0	57,702
Donated	0	2,204	0	0	283	0	0	0	2,487
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>13,288</b>	<b>43,292</b>	<b>622</b>	<b>1,071</b>	<b>1,293</b>	<b>60</b>	<b>563</b>	<b>0</b>	<b>60,189</b>
<b>Asset financing :</b>									
Owned	13,288	43,292	622	1,071	1,293	60	563	0	60,189
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>13,288</b>	<b>43,292</b>	<b>622</b>	<b>1,071</b>	<b>1,293</b>	<b>60</b>	<b>563</b>	<b>0</b>	<b>60,189</b>

The net book value of land, buildings and dwellings at 31 March 2014 comprises :

Freehold	£000	57,202
Long Leasehold	0	0
Short Leasehold	0	0
		<b>57,202</b>

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Assets under construction & Dwellings on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000	
<b>Cost or valuation at 1 April 2012</b>	15,525	50,615	728	1,816	5,800	471	4,077	577	79,609
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	2,593	0	1,306	202	0	134	0	4,235
Additions - donated	0	0	0	0	23	0	0	0	23
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	(486)	(508)	(994)
Reclassifications	0	881	0	(959)	78	0	0	0	0
Revaluations	(1,787)	(7,176)	(78)	46	0	0	0	0	(8,995)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	(1,354)	0	0	0	0	0	0	(1,354)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(352)	0	(383)	(69)	(804)
<b>At 31 March 2013</b>	<b>13,738</b>	<b>45,559</b>	<b>650</b>	<b>2,209</b>	<b>5,751</b>	<b>471</b>	<b>3,342</b>	<b>0</b>	<b>71,720</b>
<b>Depreciation at 1 April 2012</b>	0	5,802	71	0	4,319	344	3,238	316	14,090
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	(391)	(247)	(638)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(5,802)	(71)	0	0	0	0	0	(5,873)
Reversal of impairments	0	0	0	0	0	0	0	0	0
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	(352)	0	(383)	(69)	(804)
Provided during the year	0	1,731	20	0	328	33	205	0	2,317
<b>At 31 March 2013</b>	<b>0</b>	<b>1,731</b>	<b>20</b>	<b>0</b>	<b>4,295</b>	<b>377</b>	<b>2,669</b>	<b>0</b>	<b>9,092</b>
<b>Net book value at 1 April 2012</b>	<b>15,525</b>	<b>44,813</b>	<b>657</b>	<b>1,816</b>	<b>1,481</b>	<b>127</b>	<b>839</b>	<b>261</b>	<b>65,519</b>
<b>Net book value at 31 March 2013</b>	<b>13,738</b>	<b>43,828</b>	<b>630</b>	<b>2,209</b>	<b>1,456</b>	<b>94</b>	<b>673</b>	<b>0</b>	<b>62,628</b>
<b>Net book value at 31 March 2013 comprises :</b>									
Purchased	13,738	40,793	630	2,209	1,192	94	673	0	59,329
Donated	0	3,035	0	0	264	0	0	0	3,299
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>13,738</b>	<b>43,828</b>	<b>630</b>	<b>2,209</b>	<b>1,456</b>	<b>94</b>	<b>673</b>	<b>0</b>	<b>62,628</b>
<b>Asset financing :</b>									
Owned	13,738	43,828	630	2,209	1,456	94	673	0	62,628
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>13,738</b>	<b>43,828</b>	<b>630</b>	<b>2,209</b>	<b>1,456</b>	<b>94</b>	<b>673</b>	<b>0</b>	<b>62,628</b>

The net book value of land, buildings and dwellings at 31 March 2013 comprises :

	£000
Freehold	58,196
Long Leasehold	0
Short Leasehold	0
	<b>58,196</b>

**11. Property, plant and equipment (continued.)**

- i) Assets donated in the year were purchased from funds donated by the public and charitable organisations and from funds provided by associations linked to specific hospitals.
  
- ii) Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Land and buildings are restated to current value using professional valuations carried out by the District Valuers of the Inland Revenue at 5 yearly intervals and in the intervening years by the use of indices provided from the District Valuer via the Welsh Government. The valuations are carried out primarily on the basis of Modern Equivalent Asset cost for specialised operational property and existing use value for non-specialised operational property. For non-operational properties the valuations are carried out at open market value. A valuation exercise was last undertaken during the 2012/13 financial year
  
- iii) Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Equipment is depreciated on current cost evenly over the estimated useful life of the asset.
  
- iv) There is considered to be no material difference between the open market value of properties and the existing use value at which they are held.



**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
<b>Balance brought forward 1 April 2013</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less 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	0	0	0	0	0	0
<b>Balance carried forward 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance brought forward 1 April 2012</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less 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	0	0	0	0	0	0
<b>Balance carried forward 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**12. Intangible non-current assets (continued)**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2013</b>	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation at 1 April 2013</b>	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Amortisation at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2013</b>							
Purchased	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**12. Intangible non-current assets (continued)**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Developmen t expenditure- internally	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2012</b>	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation at 1 April 2012</b>	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Amortisation at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2013</b>							
Purchased	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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### 13 . Impairments

	2013-14	Intangible	2012-13	Intangible
	Property, plant & equipment £000	assets £000	Property, plant & equipment £000	assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	0	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	0	0	0	0
Others (specify)	2,797	0	4,476	0
<b>Total of all impairments</b>	<b>2,797</b>	<b>0</b>	<b>4,476</b>	<b>0</b>
<b>Analysis of impairments charged to reserves in year :</b>				
Charged to the Statement of Comprehensive Net Expenditure	2,797	0	1,354	0
Charged to Revaluation Reserve	0	0	3,122	0
	<b>2,797</b>	<b>0</b>	<b>4,476</b>	<b>0</b>

Within the healthcare segment of the tLHB, there have been four impairments in year totalling £2.797M charged to the Statement of Comprehensive Net Expenditure.

The first impairment relates to the valuation downwards of Land and Buildings held by the tLHB on the Builth Hospital site. This impairment occurred as a result of the valuation exercise within year for disposal purposes with £1.789M to be charged to the Statement of Comprehensive Net Expenditure

The second impairment occurred as a result of the initial valuation for the bringing into use of the newly refurbished Hafren Ward and associated works around the Bronllys Hospital site as part of the planned programme of works to move administrative office accomodation from the Mansion House (£0.543M).

The third impairment occurred as a result of the bringing into use of the theatre refurbishment at Brecon War Memorial Hospital (£0.436M).

The fourth impairment occurred as a result of the the X-Ray refurbishment at Brecon which led to a small equipment impairment (£0.029M).

## 14.1 Inventories

	<b>31 March</b>	31 March
	<b>2014</b>	2013
	<b>£000</b>	£000
Drugs	77	55
Consumables	21	58
Energy	38	38
Work in progress	0	0
Other	10	3
<b>Total</b>	<b>146</b>	<b>154</b>
Of which held at realisable value	0	0

## 14.2 Inventories recognised in expenses

	<b>31 March</b>	31 March
	<b>2014</b>	2013
	<b>£000</b>	£000
Inventories recognised as an expense in the period	154	155
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>154</b>	<b>155</b>

**15. Trade and other Receivables**

<b>Current</b>	<b>31 March 2014 £000</b>	31 March 2013 £000
Welsh Government	170	601
WHSSC	109	33
Welsh Health Boards	1,315	1,387
Welsh NHS Trusts	192	219
Non - Welsh Trusts	229	95
Other NHS	0	0
Welsh Risk Pool	5,124	8,826
Local Authorities	533	373
Capital debtors	16	0
Other debtors	2,145	2,132
Provision for irrecoverable debts	(201)	(187)
Pension Prepayments	0	0
Other prepayments and accrued income	636	763
<b>Sub total</b>	<b>10,268</b>	<b>14,242</b>
<b>Non-current</b>		
Welsh Government	0	0
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	26,244	7,722
Local Authorities	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
<b>Sub total</b>	<b>26,244</b>	<b>7,722</b>
<b>Total</b>	<b>36,512</b>	<b>21,964</b>
<b>Receivables past their due date but not impaired</b>		
By up to three months	315	258
By three to six months	114	57
By more than six months	357	139
	<b>786</b>	<b>454</b>
<b>Provision for impairment of receivables</b>		
Balance at 1 April	(187)	(173)
Transfer to other NHS Wales body	0	0
Amount written off during the year	0	0
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	(14)	(14)
Bad debts recovered during year	0	0
Balance at 31 March	<b>(201)</b>	<b>(187)</b>
In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies		
<b>Receivables VAT</b>		
Trade receivables	0	0
Other	0	0
Total	<b>0</b>	<b>0</b>

**16. Trade and other payables**

<b>Current</b>	<b>31 March 2014 £000</b>	<b>31 March 2013 £000</b>
Welsh Government	1	0
WHSSC	888	162
Welsh Health Boards	5,084	5,651
Welsh NHS Trusts	190	286
Other NHS	3,045	3,339
Taxation and social security payable / refunds	450	479
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	463	462
Non-NHS creditors	3,520	4,368
Local Authorities	1,021	435
Capital Creditors	652	876
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	694	658
Accruals	12,097	12,121
Deferred Income:		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	8	88
<b>Total</b>	<b>28,113</b>	<b>28,925</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	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	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	0	0
Accruals	0	0
Deferred Income :		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.



17. Provisions

	At 1 April 2013	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 2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	8,575	0	0	1,465	4,073	(5,548)	(3,626)	0	4,939
Personal injury	175	0	0	(22)	277	(337)	0	17	110
All other losses and special payments	0	0	0	0	6	(6)	0	0	0
Defence legal fees and other administration	142	0	0	151	65	(118)	(155)		85
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	739			60	679	(747)	(151)	164	744
Restructuring	0			0	0	0	0	0	0
Other	1,609		0	0	1,128	(516)	(478)		1,743
<b>Total</b>	<b>11,240</b>	<b>0</b>	<b>0</b>	<b>1,654</b>	<b>6,228</b>	<b>(7,272)</b>	<b>(4,410)</b>	<b>181</b>	<b>7,621</b>
<b>Non Current</b>									
Clinical negligence	6,928	0	0	(1,465)	25,037	(80)	(4,857)	0	25,563
Personal injury	672	0	0	22	6	0	(2)	0	698
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	794	0	0	(151)	136	(12)	0		767
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	6,341			(60)	0	0	0	0	6,281
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>14,735</b>	<b>0</b>	<b>0</b>	<b>(1,654)</b>	<b>25,179</b>	<b>(92)</b>	<b>(4,859)</b>	<b>0</b>	<b>33,309</b>
<b>TOTAL</b>									
Clinical negligence	15,503	0	0	0	29,110	(5,628)	(8,483)	0	30,502
Personal injury	847	0	0	0	283	(337)	(2)	17	808
All other losses and special payments	0	0	0	0	6	(6)	0	0	0
Defence legal fees and other administration	936	0	0	0	201	(130)	(155)		852
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	7,080			0	679	(747)	(151)	164	7,025
Restructuring	0			0	0	0	0	0	0
Other	1,609		0	0	1,128	(516)	(478)		1,743
<b>Total</b>	<b>25,975</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,407</b>	<b>(7,364)</b>	<b>(9,269)</b>	<b>181</b>	<b>40,930</b>

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015 and 31 March 2020	Between 1 April 2020 and 31 March 2025	Thereafter	Total
					£000
Clinical negligence	4,939	25,563	0	0	30,502
Personal injury	110	150	157	391	808
All other losses and special payments	0	0	0	0	0
Defence legal fees and other administration	85	767	0	0	852
Pensions relating to former directors	0	0	0	0	0
Pensions relating to other staff	744	2,756	2,057	1,468	7,025
Restructuring	0	0	0	0	0
Other	1,743	0	0	0	1,743
<b>Total</b>	<b>7,621</b>	<b>29,236</b>	<b>2,214</b>	<b>1,859</b>	<b>40,930</b>

The tLHB estimates that in 2014/15 it will receive £6.108M and in 2015-16 and beyond £26.282M from the Welsh Risk Pool in respect of Losses and Special Payments

£31.329M of provision relates to the probable liabilities of the former Health Authorities in respect of Medical Negligence and Personal Injury Claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust)

A significant amount of the arising in year figure in the clinical negligence provision relates to a total of eight cases having their probability increased from Remote/Possible to Probable/Certain during the year. There is also one case in which probability has decreased from Probable to Possible in year creating a significant reversed/unused provision of £4.857M. There were also two cases settled in year at a lower amount than provided for which has resulted in a reversal of provision of £3.463M.

Contingent Liabilities are directly linked to these claims.

Also included within 'other' at 31st March 2013 is £1.698M relating to retrospective continuing health care claims (2012/13 £1.458M)

17. Provisions (continued)

	At 1 April 2012	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 2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	13,895	0	0	657	2,390	(3,231)	(5,136)	0	8,575
Personal injury	156	0	0	1	102	(100)	(4)	20	175
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	327	0	0	(8)	64	(91)	(150)		142
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	726			573	0	(756)	0	196	739
Restructuring	0			0	0	0	0	0	0
Other	2,571		0	0	967	(613)	(1,316)		1,609
<b>Total</b>	<b>17,675</b>	<b>0</b>	<b>0</b>	<b>1,223</b>	<b>3,523</b>	<b>(4,791)</b>	<b>(6,606)</b>	<b>216</b>	<b>11,240</b>
<b>Non Current</b>									
Clinical negligence	1,284	0	0	(657)	6,321	0	(20)	0	6,928
Personal injury	663	0	0	(1)	10	0	0	0	672
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	749	0	0	8	65	(28)	0		794
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	6,262			(573)	815	0	(163)	0	6,341
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>8,958</b>	<b>0</b>	<b>0</b>	<b>(1,223)</b>	<b>7,211</b>	<b>(28)</b>	<b>(183)</b>	<b>0</b>	<b>14,735</b>
<b>TOTAL</b>									
Clinical negligence	15,179	0	0	0	8,711	(3,231)	(5,156)	0	15,503
Personal injury	819	0	0	0	112	(100)	(4)	20	847
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	1,076	0	0	0	129	(119)	(150)		936
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	6,988			0	815	(756)	(163)	196	7,080
Restructuring	0			0	0	0	0	0	0
Other	2,571		0	0	967	(613)	(1,316)		1,609
<b>Total</b>	<b>26,633</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,734</b>	<b>(4,819)</b>	<b>(6,789)</b>	<b>216</b>	<b>25,975</b>

## 18. Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	160	317
Net change in cash and cash equivalent balances	99	(157)
Balance at 31 March	<u>259</u>	<u>160</u>
Made up of:		
Cash held at GBS	241	126
Commercial banks and cash in hand	18	34
Current Investments	0	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<u>259</u>	160
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<u>259</u>	<u>160</u>

## 19. Other Financial Assets

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
<b>Financial assets</b>				
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	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

## 20. Other assets

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Carbon Reduction Commitment Scheme	0	0	0	0
Other assets	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

## 21. Other liabilities

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Lease incentives	0	0	0	0
PFI asset -deferred credit	0	0	0	0
Other [specify]	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

## 22. Other financial liabilities

Financial liabilities	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £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

Total value of transactions with Board members and key senior staff in 2013-2014

Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
£	£	£	£
0	0	0	0

During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Powys tLHB

There have been no related party transactions with Welsh Ministers.

"The Welsh Government is regarded as a related party. During the year Powys teaching Local Health Board has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body, namely:

	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£000	£000	£000	£000
Welsh Government	10	263,637	1	170
Abertawe Bro Morgannwg University Local Health Board	10,830	1,369	435	198
Aneurin Bevan University Local Health Board	20,013	929	2,519	721
Betsi Cadwaladr University Local Health Board	5,419	697	774	200
Cardiff & Vale University Local Health Board	2,260	38	365	2
Cwm Taf University Local Health Board	1,511	34	421	18
Hywel Dda University Local Health Board	7,923	620	570	174
Public Health Wales NHS Trust	128	217	6	31
Velindre NHS Trust	1,997	383	114	99
Welsh Ambulance Services NHS Trust	521	68	70	62
WHSSC (Hosted by Cwm Taf University Local Health Board)	28,876	208	888	109

A number of the tLHB's Board members had interests in related parties during this year as follows:

Name	Details	Interests
Councillor Rosemarie Harris	Independent Member	Councillor, Powys County Council
Councillor Melanie Davies	Independent Member	Councillor, Powys County Council
Gloria Jones-Powell	Independent Member	Trustee/Director - Powys Association of Voluntary Organisations Vice President - Powys Carers Service
Amanda Lewis	Associate Member	Strategic Director of People, Powys County Council
Jeremy Patterson	Associate Member	Chief Executive - Powys County Council

The value of transactions with these bodies are as follows:

Powys Associations of Voluntary Organisations	£0.131M
Powys County Council	£5.170M

Powys tLHB has hosted the following functions on behalf of NHS Wales on which it receives income from the Welsh Government and other LHB's:

- Residual Clinical Negligence
- Community Health Councils
- Continuing Care Case Administration
- National Institute for Social Care and Health Research (NISCHR)

Powys tLHB also has material transactions with English NHS Trusts with whom it commissions healthcare including;

- Shrewsbury and Telford NHS Trust
- Wye Valley NHS Trust
- The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust

Powys tLHB has also received items donated from the Powys tLHB Charitable Fund, for which the Board is the Corporate Trustee.

## 24. Third Party assets

The tLHB held £40.00 cash at bank and in hand at 31 March 2013 (31 March 2012: £253.00) which relates to monies held by the tLHB on behalf of patients. This has been excluded from cash and cash equivalents figure reported in the accounts.

## 25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
<b>2013-14 :</b>				
Welsh Government	170	0	1	0
Welsh Local Health Boards	1,315	0	5,084	0
Welsh NHS Trusts	192	0	190	0
Welsh Health Special Services Committee	109	0	888	0
All English Health Bodies	229	0	3,045	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
<b>Sub total</b>	<b>2,015</b>	<b>0</b>	<b>9,208</b>	<b>0</b>
Other Central Government Bodies				
Other Government Departments	0	0	913	0
Revenue & Customs	98	0	0	0
Local Authorities	533	0	1,021	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	7,622	26,244	16,971	0
<b>TOTAL</b>	<b>10,268</b>	<b>26,244</b>	<b>28,113</b>	<b>0</b>
<b>2012-13 :</b>				
Welsh Government	601	0	0	0
Welsh Local Health Boards	1,387	0	5,651	0
Welsh NHS Trusts	219	0	286	0
Welsh Health Special Services Committee	33	0	162	0
All English Health Bodies	95	0	3,339	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
<b>Sub total</b>	<b>2,335</b>	<b>0</b>	<b>9,438</b>	<b>0</b>
Other Central Government Bodies				
Other Government Departments	0	0	941	0
Revenue & Customs	183	0	0	0
Local Authorities	373	0	435	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	11,351	7,722	18,111	0
<b>TOTAL</b>	<b>14,242</b>	<b>7,722</b>	<b>28,925</b>	<b>0</b>

## 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

	<b>Amounts paid out during period to 31 March 2014</b>		<b>Approved to write-off to 31 March 2014</b>	
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
Clinical neglig	8	5,627,536	0	0
Personal inju	5	294,266	0	0
All other loss	3	6,233	0	0
<b>Total</b>	<b>16</b>	<b>5,928,035</b>	<b>0</b>	<b>0</b>

Analysis of cases which exceed £300,000 and all other cases

		<b>Amounts paid out in year £</b>	<b>Cumulative amount £</b>	<b>Approved to write-off in year £</b>
<b>Cases exceeding £300,000</b>				
<b>Case Ref</b>	<b>Case Type</b>	<b>0</b>	<b>0</b>	<b>0</b>
MN/030/0213/ES	Clinical Negligence	527,135	12,432,101	0
MN/030/0218/ES	Clinical Negligence	912,001	1,024,951	0
MN/030/0303/AW	Clinical Negligence	3,325,000	4,075,000	0
MN/030/0732/MH	Clinical Negligence	560,400	560,400	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
<b>Sub-total</b>		<b>5,324,536</b>	<b>18,092,452</b>	<b>0</b>
<b>All other cases</b>		<b>603,499</b>	<b>767,008</b>	<b>0</b>
<b>Total cases</b>		<b>5,928,035</b>	<b>18,859,460</b>	<b>0</b>

## 27. Contingencies

### 27.1 Contingent liabilities

	2013-14 £'000	2012-13 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	27,123	33,435
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	0	0
Continuing Health Care costs	250	2,212
Other	0	0
Total value of disputed claims	<u>27,373</u>	<u>35,647</u>
Amounts recovered in the event of claims being successful	27,000	30,370
Net contingent liability	<u>373</u>	<u>5,277</u>

Legal Claims for alleged medical or employer negligence: £27.000M of the £27.123M relate solely to the former Health Authorities in respect of Medical Negligence and Personal Injury Claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust). Legal advice has established that these claims are not likely to result in payments. In the unlikely event that amounts are payable, all payments will be reimbursed to Powys tLHB by the Welsh Risk Pool.

Uncertainties surrounding Continuing Healthcare Cost Liabilities: Liabilities for continuing care costs continue to be a significant financial issue for the tLHB. Powys tLHB is responsible for post 1/4/2013 costs and the financial statement include the following amounts relating to those uncertain continuing healthcare costs: Note 17 contains the £1.698M provision made for probable continuing care costs relating to 36 claims received. Note 27.1 sets out the £0.250M contingent liability for possible continuing care costs relating to 10 claims received together with any possible liability over and above the assumed cases in Note 17. Any continuing health claims which relate to pre 1/4/2003 are included within the Welsh Government Resource Accounts. Further to the publication by Welsh Government on 1st May 2014 of new cut-off dates for the assessment of eligibility of Continuing NHS Healthcare cases during the period 1 April 2003 to 31 July 2013, further contingent liabilities in addition to those disclosed above as 'CHC' may arise. It is not possible at the time of the preparation of these accounts to quantify the potential further contingent liabilities which may arise.

### 27.2 Contingent assets

	2013-14 £'000	2012-13 £'000
	0	0
	0	0
	0	0
	<u>0</u>	<u>0</u>

## 28. Capital commitments

	2013-14 £'000	2012-13 £'000
Contracted capital commitments at 31 March		
Property, plant and equipment	210	258
Intangible assets	0	0
	<u>210</u>	<u>258</u>



**29. Finance leases**

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

The Teaching Local Health Board has no Finance Lease arrangements in operation

**Amounts payable under finance leases:**

<b>Land</b>	<b>31 March 2014 £000</b>	<b>31 March 2013 £000</b>
<b>Minimum lease payments</b>		
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
	<u>0</u>	<u>0</u>
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>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
	<u>0</u>	<u>0</u>
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:**

<b>Buildings</b>	<b>31 March 2014 £000</b>	31 March 2013 £000
<b>Minimum lease payments</b>		
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
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>

**Other**

	<b>31 March 2014 £000</b>	31 March 2013 £000
<b>Minimum lease payments</b>		
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
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>

**29.2 Finance leases obligations (as lessor) continued**

The Teaching Local Health Board has no Finance Lease arrangements in operation

**Amounts receivable under finance leases:**

	<b>31 March</b>	31 March
	<b>2014</b>	2013
	<b>£000</b>	£000
<b>Minimum lease payments</b>		
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>
 <b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	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>

**30. Private Finance Initiative contracts**

**30.1 PFI schemes off-Statement of Financial Position**

*The Teaching Local Health Board has no Private Finance Initiative Contracts in operation*

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2014 £000	31 March 2013 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	<u>0</u>	<u>0</u>
Total estimated capital value of off-SoFP PFI contracts	0	0

**30.2 PFI schemes on-Statement of Financial Position**

*The Teaching Local Health Board has no Private Finance Initiative Contracts in operation*

**Total obligations for on-Statement of Financial Position PFI contracts due:**

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2014 £000	31 March 2014 £000	31 March 2014 £000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	<u>0</u>	<u>0</u>	<u>0</u>

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2013 £000	31 March 2013 £000	31 March 2013 £000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	<u>0</u>	<u>0</u>	<u>0</u>

Total present value of obligations for on-SoFP PFI contract 0

**30.3 Charges to expenditure**

	<b>2013-14</b>	2012-13
	<b>£000</b>	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	0	0
Total expense for Off Balance sheet PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	<u>0</u>	<u>0</u>

The LHB is committed to the following annual charges

	<b>31 March 2014</b>	31 March 2013
	<b>£000</b>	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.

**30.4 Number of PFI contracts**

	<b>Number of on SoFP PFI contracts</b>	<b>Number of off SoFP PFI contracts</b>
Number of PFI contracts	0	0
Number of PFI contracts which individually have a total commitment > £500m	0	0

**Please list:**

<b>PFI Contract</b>	<b>On /off statement of financial position</b>

**30.5 The LHB has no Public Private Partnerships**

**31. Pooled budgets**

**A Funded Nursing Care**

Powys Teaching Local Health Board and Powys County Council have entered into a partnership agreement in accordance with Section 31 of the Health Act 1999. The health related function which is subject to these arrangements is the provision of care by a registered nurse in care homes, which is a service provided by the NHS Body under section 2 of the National Health Service Act 1977. In accordance with the Social Care Act 2001 Section 49 care from a registered nurse is funded by the NHS regardless of the setting in which it is delivered. ( Circular 12/2003)

The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Government Guidance NHS Funded Nursing Care 2004. The Budget set for 2013/14 for free nursing care was £1,924,879.

Gross Funding	Staff £	Other £	Total £
Powys County Council	0	1,064,557	1,064,557
Powys Teaching Local Health Board	0	798,530	798,530
<b>Total Funding</b>	<b>0</b>	<b>1,863,087</b>	<b>1,863,087</b>
<b>Expenditure</b>			
Monies spent in accordance with Pooled budget arrangement	0 *	1,924,879	1,924,879
<b>Total Expenditure</b>	<b>0</b>	<b>1,924,879</b>	<b>1,924,879</b>
<b>Net under/(over) spend</b>	<b>0</b>	<b>(61,792)</b>	<b>(61,792)</b>
*The tLHB employs 5 nurse assessors plus travel over and above allocation			
The above memorandum account is subject to the financial statements of the Powys County Council (the Host).			

**B Provision of Community Equipment**

Powys Teaching Local Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of community equipment in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the host partner for the purposes of the Regulations. The purpose of the agreement is to facilitate the provision of a community equipment service and the development of this service in Powys. The service is provided from a pooled fund and is within the tLHB's and the Council's powers. The tLHB contribution to the community equipment pooled budget was £400,172 in 2012-2013, this has now increased to £583,500 for 2013-2014 inclusive of VAT.

Gross Funding	Powys County Council £	Powys tLHB Funding £	Expenditure £	Total £
Original funding	458,500	583,500		1,042,000
additional Grant funding	0	0		0
rental income	15,000	0		15,000
<b>Total Funding</b>	<b>473,500</b>	<b>583,500</b>		<b>1,057,000</b>
<b>Expenditure</b>				
Monies spent in accordance with Pooled budget arrangement			1,246,416	1,246,416
<b>Total Expenditure</b>	<b>0</b>	<b>0</b>	<b>1,246,416</b>	<b>1,246,416</b>
<b>Net under/(over) spend</b>	<b>473,500</b>	<b>583,500</b>	<b>1,057,000</b>	<b>(189,416)</b>
<i>Share of deficit before VAT</i>	<i>(69,456)</i>	<i>(88,391)</i>		<i>(157,847)</i>
<i>VAT on Health Board %share @20%</i>	<i>(13,891)</i>	<i>(17,678)</i>		<i>(31,569)</i>
<b>Total Deficit accrued in ledger</b>	<b>(83,347)</b>	<b>(106,070)</b>		<b>(189,416)</b>
The above memorandum account is subject to independent audit .				

**C Provision of Section 33 Joint Agreement for the provision of IT Services**

Powys Teaching Local Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of IT services in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the host partner for the purposes of the Regulations. The purpose of the agreement is to facilitate the provision of a shared IT service and the development of this service in Powys. The service is provided from a pooled fund and is within the tLHB's and the Council's powers. The tLHB contribution to the IT pooled budget in 2013/14 was £405,000 (2012/13: £405,000)

Gross Funding	Total £
Powys County Council	839,000
Powys Teaching Local Health Board	405,000
<b>Total Funding</b>	<b>1,244,000</b>
<b>Expenditure</b>	
Monies spent in accordance with Pooled budget arrangement	1,188,000
<b>Total Expenditure</b>	<b>1,188,000</b>
<b>Net under/(over) spend</b>	<b>56,000</b>
The above memorandum account is subject to the financial statements audit of the Powys County Council (the Host).	

### 32. Financial Instruments

<b>Financial assets</b>	<b>At "fair value" through SoCNE</b>	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Embedded derivatives	0	0	0	0
NHS receivables	2,015	0	0	2,015
Cash at bank and in hand	259	0	0	259
Other financial assets	2,580	0	0	2,580
<b>Total at 31 March 2014</b>	<b>4,854</b>	<b>0</b>	<b>0</b>	<b>4,854</b>

<b>Financial liabilities</b>	<b>At "fair value" through SoCNE</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	26,506	0	26,506
<b>Total at 31 March 2014</b>	<b>26,506</b>	<b>0</b>	<b>26,506</b>

<b>Financial assets</b>	<b>At "fair value" through SoCNE</b>	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Embedded derivatives	0	0	0	0
NHS receivables	2,335	0	0	2,335
Cash at bank and in hand	160	0	0	160
Other financial assets	2,322	0	0	2,322
<b>Total at 31 March 2013</b>	<b>4,817</b>	<b>0</b>	<b>0</b>	<b>4,817</b>

<b>Financial liabilities</b>	<b>At "fair value" through SoCNE</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	27,326	0	27,326
<b>Total at 31 March 2013</b>	<b>27,326</b>	<b>0</b>	<b>27,326</b>

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The LHB has no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

### **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 tLHB 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 tLHB 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 tLHB in undertaking its activities.

#### **Currency risk**

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

#### **Interest rate risk**

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

#### **Credit risk**

Because the majority of the tLHB's funding derives from funds voted by the Welsh Government the tLHB has low exposure to credit risk.

#### **Liquidity risk**

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



### 34. Movements in working capital

	2013-14	2012-13
	£000	£000
(Increase)/decrease in inventories	8	1
(Increase)/decrease in trade and other receivables - non - current	(18,522)	(5,695)
(Increase)/decrease in trade and other receivables - current	3,974	5,810
(Increase)/decrease in other current assets	0	0
(Increase)/decrease in trade and other payables - non - current	0	0
(Increase)/decrease in trade and other payables - current	(812)	3,455
Increase/(decrease) in other current liabilities	0	0
<b>Total</b>	<b>(15,352)</b>	<b>3,571</b>
Adjustment for accrual movements in fixed assets -creditors	224	657
Adjustment for accrual movements in fixed assets -debtors	16	0
Other adjustments	0	0
	<b>(15,112)</b>	<b>4,228</b>

### 35. Other cash flow adjustments

	2013-14	2012-13
	£000	£000
Depreciation	2,574	2,317
Amortisation	0	0
(Gains)/Loss on Disposal	0	0
Impairments and reversals	2,797	1,354
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	(87)	(23)
Government Grant assets received credited to revenue but non-ca	0	0
Non-cash movements in provisions	22,319	4,161
<b>Total</b>	<b>27,603</b>	<b>7,809</b>

### 36. Cash flow relating to exceptional items

There are no exceptional items

### **37. Events after the Reporting Period**

There are no events after the Reporting Period to be declared.

### 38. Operating segments

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

	Note	Total Powys "Health" £'000	Total Residual Clinical Negligence £'000	Total Community Health Councils £'000	Consolidation Adjustments £'000	Total £'000
Services	3.1	59,058	0	0		59,058
Expenditure on healthcare from other providers	3.2	139,521	0	0		139,521
Expenditure on Hospital and Community Health Services	3.3	70,965	25	4,000	(92)	74,898
		<b>269,544</b>	<b>25</b>	<b>4,000</b>	<b>(92)</b>	<b>273,477</b>
Less: Miscellaneous Income	4	14,095	0	151	(92)	14,154
<b>tLHB net operating costs before interest and other gains and losses</b>		<b>255,449</b>	<b>25</b>	<b>3,849</b>	<b>0</b>	<b>259,323</b>
Investment Income	8	0	0	0		0
Other (Gains) / Losses	9	0	0	0		0
Finance costs	10	177	0	4		181
<b>tLHB Net Operating Costs</b>		<b>255,626</b>	<b>25</b>	<b>3,853</b>	<b>0</b>	<b>259,504</b>
Less Non Discretionary Expenditure		(828)				(828)
Revenue Resource Limit		237,211	25	3,832		241,068
<b>Under / (over) spend against Revenue Resource Limit</b>		<b>(19,243)</b>	<b>0</b>	<b>(21)</b>	<b>0</b>	<b>(19,264)</b>

Contained within the Powys Health Segment above is income and expenditure relating to the two hosted functions:

	<u>Income £'000s</u>	<u>Expenditure £'000s</u>
National Institute for Social Care and Health Research (NISCHR)	4,420	4,420
Continuing Care Case Administration	1,526	1,526

**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 Welsh Government.

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: 25/06/2014      R Hudson 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, direct that these accounts give a true and fair view of the state of affairs of the tLHB 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: M. Evans

Dated: 25/06/2014

Chief Executive: R Hudson

Dated: 25/06/2014

Director of Finance: R Richards

Dated: 25/06/2014

**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 2011 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 Government and detailed in the NHS Wales LHB Manual for Accounts;

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

**FORM AND CONTENT**

3. The account of the LHB for the year ended 31 March 2011 and subsequent years shall comprise a statement of comprehensive net expenditure, 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 2011 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 :

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

## **Powys tLHB Annual Governance Statement**

### **1 - Scope of Responsibility**

The Board is accountable for Governance and Internal Control. As Accountable Officer and Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports the 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. These are carried out in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

In addition to the functions relating to the health and well being of the population of Powys, the Teaching Local Health Board (tLHB) is also accountable for the Community Health Councils in Wales and clinical negligence claims of the former Health Authorities in Wales. The tLHB also hosts functions of Continuing Care Case Administration and National Institute of Social and Health Care Research (NISCHR) for which it receives funding from the Welsh Government

As Accountable Officer I have a prescribed accountable link to the Director General, NHS Wales, for the delivery of key regulatory and performance measures against which the organisation is assessed. These have taken the form of meetings between our Executive Teams (Health Board and Welsh Government) and individual performance review with the Director General based on agreed objectives. At these, achievements and risks to performance targets are discussed and action to address adverse performance and their associated impacts are agreed.

### **2 - Governance of the tLHB**

#### **2.1 The Board**

The principal role of the tLHB Board is to exercise strong leadership, direction and control, including:-

- Setting the strategic direction of the organisation;
- Establishing and upholding the governance and accountability framework, including its values and standards of behaviour;
- Ensuring delivery of the aims and objectives of the organisation through effective challenge and scrutiny of tLHB performance across all areas of responsibility.

The Board functions as a corporate decision making body, Executive Directors and Independent Members being full and equal members and sharing corporate responsibility for all the decisions of the Board.

The Board is supported by the Corporate Governance Manager, who acts as principle advisor on all aspects of corporate governance within the Health Board.



All Health Boards in Wales must agree Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the LHB (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice, and, together with the adoption of

- Scheme of matters reserved to the Board;
- Scheme of delegations to officers and others; and
- Standing Financial Instructions,

They provide the regulatory framework for the business conduct of the Health Board and define - its 'ways of working'. These documents, together with the range of corporate policies set by the Board make up the Governance Framework.

Although as Chief Executive I retain accountability, the Scheme of Delegation as approved by the Board reflects the responsibilities and accountabilities delegated to Executive Directors for the delivery of the Health Board's objectives, whilst ensuring that high standards of public accountability, probity and performance are maintained.

The governance structure of the Health Board accords with the Welsh Government's Governance e-manual & Citizen Centred Governance Principles in that the seven principles together with their key objectives provide the regulatory framework for the business conduct of the tLHB and define its 'ways of working'. These arrangements support the principles included in H M Treasury's "Corporate Governance in Central Government Departments: Code of good practice 2011".

The Board has been constituted to comply with the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009. In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of Champion roles where they act as ambassadors for these matters.

The Board Members and their role as champions and on the board's committees are set out in **Appendix 1**.

During 2013/14, the Board received a number of documents/strategies for approval, discussion documents to inform the strategic direction of the organisation and documents providing the Board with assurances in respect of its work. The key documents approved by the Board (April 2013) were the Annual Plan 2013/14 and the 3-Year Plan 2013-16. The Annual Plan articulated the organisation's ambitions and high-level strategic objectives for 2013/14. The 3-year Plan set out the strategic vision and direction of the organisation.

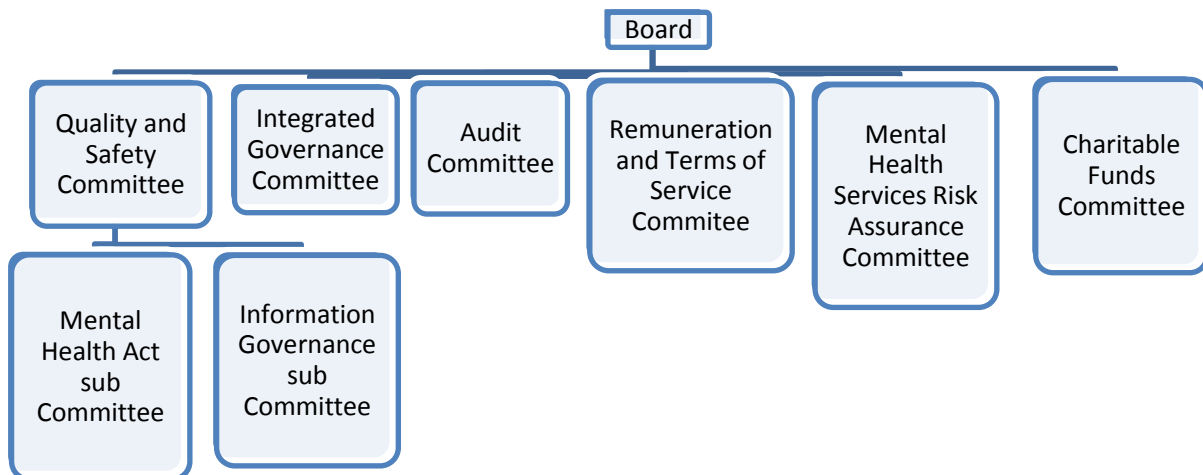
The Board, functioning as a corporate decision making body, has regularly considered assurance reports on the financial position, integrated performance and risks, whilst also receiving updates on key issues such as Public Health Initiatives, Mental Health Services and Stroke Services. It also received regular assurance reports, via the Quality and Safety Committee, which provided a progress update in relation to innovations and interventions which have resulted in an improvement in the quality and safety of care delivered by services across the Health Board at all levels of the organisation.

The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives and has been supported in this role by the work of its main assurance committees.

## 2.2. The Committees of the Board

During 2013/14 there were 6 Board Committees and sub-Committees in the discharge of functions as set out in diagram 1 below:

**Diagram 1 Committees of the Board**



### Quality & Safety Committee

The Committee plays a pivotal role in providing advice and assurance to the Board in relation to its responsibilities with regard to the quality and safety of healthcare. The Committee is supported by a comprehensive sub-committee structure. It provides scrutiny on the arrangements for safeguarding and improving the quality and safety of patient centred healthcare in accordance with its stated objectives and the requirements and standards determined for the NHS in Wales. It aims to do this through providing evidence based and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the quality and safety of healthcare.

The Quality & Safety Committee approved its Workplan for 2013/14 in July 2013.

The Chair of the Quality and Safety Committee prepared an Annual Report for 2012/13 (June 2013). The purpose of which is to provide the Board and the public with assurance that the organisation has effective arrangements in place for the delivery of safe and high quality services for its population and that, where these arrangements are not effective, action is identified to make the required improvements.

#### Integrated Governance Committee

Chairs of the Board's Assurance Committees (Quality & Safety and Audit) come together with the Board's Vice Chair and an additional Independent Member as the Integrated Governance Committee. This Committee provides the Board with assurance in respect of the organisation's performance against delivery of its strategic objectives and maintains an oversight of the work of the Board's Assurance Committees, ensuring integration of governance work across all business of the tLHB and all issues which fall outside or between the work of the Committees are addressed.

During the latter part of 2013/14, the Integrated Governance Committee began discussions regarding its future workplan and commenced a programme of assurance mapping to identify any gaps in assurance at Board level. The Board will consider its future assurance model upon conclusion of this work during 2014/15.

#### Audit Committee

The Audit Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. It undertakes these duties by providing advice and assurance to the Board on the effectiveness of arrangements in place around strategic governance, assurance framework and processes for risk management and internal control. The Committee independently monitors, reviews and reports to the Board on the processes of governance and where appropriate, facilitates and supports the attainment of effective processes. In discharging its duties, the Audit Committee, working to an agreed annual work programme, reviewed the following areas:

- Internal financial control matters, such as safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information;
- Adequacy of disclosure statements which are supported by the Head of Internal Audit Opinion and other opinions;
- The adequacy of relevant policies, legality issues and the Codes of Conduct, underpinned by review of the Health Board's Hospitality Register and Single Tender Actions summary;
- The policies and procedures related to fraud and corruption, together with information on particular cases and outcomes;
- That the system for risk management is robust in identifying and mitigating risks.

In providing the above assurance to the Board, the Audit Committee has specifically:

- Approved risk based Internal Audit plans and considered the opinions given on reports with Executive/Assistant Directors held to account where appropriate;
- Considered the Head of internal Audit Opinion for 2013/14 on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes;
- Discussed and approved for recommendation to the Board, the Health Board's audited financial statements and Auditor General's Opinion.
- Received reports on areas of focus by Wales Audit Office under their structured assessment programme and sought assurance on issues which required further improvement

The Audit Committee approved its Workplan for 2013/14 in July 2013.

#### Remuneration and Terms of Service Committee

The purpose of the Remuneration & Terms of Service Committee is to provide advice to the Board on remuneration and terms of service for the Chief Executive, Executive Directors and other senior staff within the framework set by the Welsh Government; and assurance to the Board in relation to the tLHB's arrangements for the remuneration and terms of service, including contractual arrangements, for *all staff*, in accordance with the requirements and standards determined for the NHS in Wales. During 2013, the Committee approved appointments for a new Chief Executive and a new Director of Workforce and Organisational Development.

#### Mental Health Services Risk Assurance Committee

At its meeting on 16 October 2013, the Board received an update from the Director of Nursing in respect of the need for improvements in the provision of Mental Health Services in the North of Powys. As a result of these discussions, the tLHB Chairman agreed that a Mental Health Services Assurance Committee should be established to provide the Board with assurances in respect of the issues, until such time that the Board is assured that matters are resolved. Subsequently, the Board approved the establishment of a Mental Health Services Risk Assurance Committee in December 2013.

#### Charitable Funds Committee

Powys Teaching Local Health Board was appointed as corporate trustee of the charitable funds by virtue of the *Local Health Boards (Establishment and Dissolution) (Wales) Order 2009* and the *Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009* and that its Board serves as its agent in the administration of the charitable funds held by the tLHB. The purpose of the Charitable Funds Committee is to make and monitor arrangements for the control and management of the tLHB's Charitable Funds. The Director of Finance has prime responsibility for the tLHB's Charitable Funds as defined in the tLHB's Standing Financial Instructions. The Committee recommended to the Board for approval the Charitable Funds Annual Report and Accounts for the year ended 31 March 2013 in December 2013.

Table 1 below sets out the schedules of dates by which the board and its committees met. All meetings were quorate, however, had there been any meetings which were inquorate, escalation arrangements were in place to ensure that any matters of significant concern that could not be brought to the attention of the Committee, could be raised with the tLHB Chair.

Table 1 Schedule of Meetings 2013/14

<b>Board</b>	24 April		19 June			4 Sept	16 Oct		18 Dec		19 Feb	
<b>Audit</b>	2 April	7 May	4 June	2 July		3 Sept		5 Nov		21 Jan		
<b>Charitable Funds</b>						3 Sept		5 Nov		21 Jan		
<b>Quality &amp; Safety</b>		16 May		11 July		12 Sept		14 Nov			18 Feb	
<b>Integrated Governance</b>		16 May		11 July				27 Nov			11 Feb	
<b>RATS</b>		2 May		10 July	1 Aug		16 Oct				4 Feb	
<b>Mental Health Risk</b>								20 Nov	12 Dec		19 Feb	20 Mar

### 2.3 Other Delegated committees

Within the board's scheme of delegation, it uses committee and boards hosted by other organisations within which the tLHB are full members. These committees and boards are used to discharge a range of functions delivered on behalf of the Health Board and as set out below.

#### WHSSC

The tLHB continues to work as part of the Welsh Health Specialised Services Joint Committee. The Joint Committee was established in April 2010 for the purpose of jointly exercising those functions relating to the planning and securing of certain specialised and tertiary services on a national all-Wales basis, on behalf of each of the seven LHBs in Wales.

### NWSSP

A Shared Services Partnership Committee (SSPC) has been established under Velindre NHS Trust which is responsible for exercising Velindre's shared services functions including the management and provision of Shared Services to the NHS in Wales. The *Velindre National Health Service Trust Shared Services Committee (Wales) Regulations 2012* provide that the committee be comprised of the chief officers of each Local Health Board and NHS Trusts in Wales (or their nominated representative), the Director of Shared Services together with a Chair who is to be appointed by the Committee in accordance with the SSPC Standing Orders. This is to ensure that the views of all NHS organisations are taken into account when making decisions in respect of shared services activities. A Memorandum of Co-operation is in place between all Local Health Boards and NHS Trusts in Wales setting out the obligations of the NHS bodies to participate in the SSPC and to take collective responsibility for the delivery of those services. It is considered important to ensure that responsibility for the exercise of the shared services functions does not rest with the Board of Velindre NHS Trust but is a shared responsibility of all NHS bodies in Wales in order to ensure that notwithstanding the fact that Velindre NHS Trust is providing the legal framework for the exercise of the shared services functions. Powys tLHB's Audit Committee considers internal audit reports in relation to the controls in place to deliver those services provided on its behalf, as well as taking assurances from the Head of Internal Audit's Annual Opinion in respect of the NHS Wales Shared Services Partnership.

### Joint Partnership Board

Within its Scheme of Delegation, the Board has delegated powers to the 'Joint Partnership Board' – a delegated function of Powys teaching Health Board and Powys County Council. The Joint Partnership Board (JPB) is responsible for the management of the partnership arrangements established under the Section 33 Agreement, tracking delivery of individual partnership scheme aims and objectives within defined resources and approving any changes to scope. Membership of the JPB includes the Chief Executives of the two organisations, a member of the Powys County Council Cabinet and an Executive Officer of the Health Board. The JPB operates within its determined Terms of Reference and Operating Arrangements and reports to each Board respectively.

## **2.4 Advisory Groups**

In support of the Board, the teaching Health Board is also required to have three Advisory Groups. These are:-

- Stakeholder Reference Group
- Local Partnership Forum
- Healthcare Professionals' Forum

### Stakeholder Reference Group (SRG)

The SRG's role is to provide independent advice on any aspect of tLHB business, which may include:

- early engagement and involvement in the determination of the tLHB's overall strategic direction;

- provision of advice on specific service proposals prior to formal consultation; as well as feedback on the impact of the tLHB's operations on the communities it serves.
- feedback on the impact of the tLHB's operations on the communities it serves.

#### Local Partnership Forum (LPF)

The LPF's role is to provide a formal mechanism where the tLHB, as employer, and trade unions/professional bodies representing tLHB employees work together to improve health services for the citizens served by the tLHB - achieved through a regular and timely process of consultation, negotiation and communication.

#### Healthcare Professionals' Forum (HPF)

The HPF's role is to provide a balanced, multi disciplinary view of healthcare professional issues to advise the Board on local strategy and delivery. Its role does not include consideration of healthcare professional terms and conditions of service.

Excluding the Healthcare Professionals' Forum, which is yet to be established, these Advisory Groups are fully established and operating in accordance with Standing Orders. I can confirm that, other than the need to establish its Healthcare Professionals' Forum, the Health Board is fully compliant with the required Governance Framework for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

### **3. The system of internal control**

The system of internal control in operation within the Health Board is designed to manage risk to a reasonable level rather than eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies and objectives of the health board, 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 for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

### **4. Capacity to handle risk**

In safeguarding residents within Powys, the tLHB has continued its commitment to improving fundamental safety and quality standards. The overall responsibility for the management of risk lies with the Chief Executive Officer (CEO) as Accounting Officer for the Health Board. The Director of Therapies and Health Science, Quality and Safety has delegated risk management responsibilities and leads Risk Management on behalf of the CEO.

All activities are risk assessed and any identified risks are documented and high level risks are publicly available via our publication scheme.

The role of the Risk Management Committee is to oversee delivery and implementation of the Board's Risk Management Strategy, ensuring that effective systems and processes are embedded throughout the organisation and should therefore be taken forward by management. The Risk Management Strategy was updated and approved by the Board in December 2013 and subsequently presented to the Board of Directors together with a supporting implementation plan in January 2014.

In terms of assurance to the Board in respect of risk management, the Audit Committee has maintained its role in providing the Board with assurance in respect of the effectiveness of the organisation's system of good governance, risk management and internal control (both clinical and non-clinical) supporting the achievement of the organisation's objectives. Therefore the Chair of the Risk Management Committee has provided reports to the Audit Committee on the Committee's work and assurances in respect of risk management arrangements.

The Risk Management Committee has continued to evolve, and all areas are now reporting risks scoring above 15 or new and amended risks, these are discussed by the Risk Management Committee for assessment and decision whether they go on the Corporate Risk Register.

The Board of Directors have been mindful of the fact that stakeholder and public perception of risk and their confidence in the ability of the tLHB to identify and mitigate risk successfully can change rapidly. To support this, the Board of Director's attitude to risk has been communicated to the whole organisation and applied in all decision making. The Corporate Risk Register is publicly available twice a year, via our Publication Scheme.

The Audit Committee received assurances on the robustness of risk management systems and processes in September 2013 and January 2014.

The top risks on the corporate risk register agreed in November 2013 are available via the internet at: <http://www.wales.nhs.uk/sitesplus/867/page/62605>.

Throughout 2013-2014, we have improved our reporting of all types of risks and their subsequent management and improvement actions. Two key risk areas addressed in year include:

- Estates compliance – a group has been established chaired by the Chief Executive Officer, its aim to provide a platform for the periodic reporting of compliance risk and progress towards overall compliance of the estate as highlighted through internal audit reports and other assurance mechanisms.
- Escalation arrangements relating to mental health services provided to Powys residents in the north of the county have been put in place strengthening commissioning and governance arrangements across all providers and the Board at their February 2014 meeting agreed and approved a strategic way forward.

In view of our financial position being noted as the highest risk to the organisation, the Health Board had already put controls processes in place and also during 2013/14 commissioned 2 independent reviews of the financial position and the internal processes to support.

The reviews were complete by September 2013 and received by the full board. Their recommendations have been taken into consideration in revising our programme management arrangements and in preparing our financial plans going forward.



## **5. The control framework**

The Health Board draws upon a range of processes to operate its controls framework. The key features of our arrangements and areas for improvement are set out in the section that follows.

### **5.1 The Quality Assurance Framework**

Work is underway in respect of an emerging Quality Assurance Framework. Powys tLHB recognises that it needs to strengthen its approach to receiving assurances regarding the quality and safety of all services secured and provided for Powys residents. *Safe Care Compassionate Care, the National Governance Framework to Enable High Quality Care in NHS Wales* (Welsh Government, 2013) provides the enabling framework to support the development of systems and processes that should underpin a robust Quality Assurance Framework. In developing the model for the framework, account has been taken of the recommendations of the *Francis Report* and the subsequent report *Delivering Safe Care, Compassionate Care: Learning for Wales from The Report of the Mid Staffordshire NHS Foundation trust Public Inquiry* (Welsh Government, 2013), which support a review of the approach taken to commissioning for high quality and safe services.

### **5.2 Corporate Governance**

The tLHB reviewed compliance with its standing orders during 2013/14 and areas for improvement were monitored by the Audit Committee. In reviewing its governance arrangements and taking into account its assessment against the Governance & Accountability Module, the Health Board is clear that it is operating in accordance with the relevant principles of the Corporate Governance Code of Good practice 2011 (HM Treasury).

### **5.3 Welsh Risk Pool Services (WRPS) Assessment**

In 2013 the annual Welsh Risk Pool Services (WRPS) Assessment process changed to further align it with issues inherent within claims. The new approach involves a rolling programme of review in high risk areas placing greater emphasis on the patient pathway and implementation of documented arrangements. For the period 2013/14 the assessment was undertaken in respect of the surgical pathway and considered surgical patients from preoperative assessment through to post operative follow up.

The assessment comprised a documentation review and focused on implementation through staff interviews, whose role involves management and treatment of patients on surgical wards, to gauge awareness of the documented arrangements and the extent of their implementation.

Powys Teaching Local Health Board's overall compliance was 94%, based on a breakdown score of 100% for documentation and 89% for interviews. Significant good practice was identified and few recommendations made.

In May 2013, the revised Concerns and Compensation Claims Management Standard was formally assessed. This was the first year Powys tLHB had been involved in this process, as previously the Welsh Risk Pool had managed all compensation claims on Powys' behalf; the responsibility transferring back in June 2012.

Powys scored 56% in May 2013, a reduction from the previous mock assessment score of 70%. Identified areas for improvement included policies and procedures for concerns and compensation claims management, compliance with the Regulations in respect of timeframes, content of responses and the learning and sharing of lessons.

An action plan identifying areas of improvement is currently being progressed but its implementation has been delayed by exceptional capacity issues that have impacted the team.

The final reports are reported to the Risk Management Committee, Board of Directors, Audit Committee, Quality & Safety Committee and the Board.

#### **5.4 Standards for Health Services in Wales**

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. Internal Audit have tested the extent to which the organisation has embedded the Standards for Health Services for the period 2013/14 and their draft report demonstrates 'reasonable assurance'.

The overarching 'Governance and Accountability Module' complements the service specific standards and is focused at organisational level. 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 Board has completed the Governance & Accountability assessment module and has:

- openly assessed its performance using the maturity matrix
- put plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risk

The outcome of the Governance and Accountability self assessment is set out in the table below; this has been reviewed by Internal Audit and the outcome for 2013/14 is:

Powys Teaching Local Health Board					
<b>Governance and Accountability Module</b>	do not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve.	are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	are developing plans and processes and can demonstrate progress with some of their key areas for improvement.	have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the Direction				X	
Enabling Delivery			X		
Delivering results achieving excellence			X		
Overall Maturity Level			X		

The priorities identified for improvement by the Board for 2013/14 were mapped to the organisation’s three year plan to ensure they were addressed. These improvement priorities and their RAG rating for 2013/14 are set out in **Appendix 2**. This demonstrates that progress has been made across all planned improvement actions.

The completed self –assessment for 2012/13 was formally presented to a public Board meeting in April 2013. The completed version for 2013/14 was presented in May 2014 following review of the priorities for improvement for the coming year.

Within the organisation, all teams are expected to adhere to the principles set out in the 26 standards of *Standards for Health Services in Wales*. The Standards for Health Services Steering Group, accountable to the Quality and Safety Committee, provides a focus for the organisation in how this is approached, and to support teams across the organisation to embed the standards into everyday working. This also follows a self-assessment process, in which teams are asked to identify improvement actions to support them to meet the standard in full.

**5.5 Governance and Assurance relating to quality of care**

The outcome of quality and safety activity is reported through the Improving Patients involvement and Experience Committee, Risk Management Committee, Corporate Health & Safety Committee and the Infection Prevention and Control Committee and assurance provided to the Board through the Audit Committee and Quality and Safety Committee.

The Board approved the publication of the **Annual Quality Statement 2012/13 (AQS)** on 4 September 2013, this set out what the tLHB had achieved during 2012/13 and what the priorities for service improvement were for 2013/14. This provided the organisation the opportunity to reflect on work and demonstrate the commitment towards evidence-based quality improvement going forward.

The AQS can be accessed at: <http://www.wales.nhs.uk/sitesplus/867/page/69625>

The following sections set out the range of work the Health Board has focussed on over the past year in order to ensure sound governance and assurance around the quality of care to patients.

- The Board had been an enthusiastic participant in the **1000 Lives Plus Patient Safety Programme** and achieved success in a number of safety and quality improvement areas.
- The Board continues to strengthen its own capacity for quality improvement. Already, 31.5% of staff have undertaken the **Bronze Level Improving Quality Together (IQT)** course, the highest percentage of staff involvement of any Health Board in Wales.
- We have delivered Francis presentations to 76.4% of staff across all sites. The feedback from the discussions have informed further actions by the teaching Local Health Board.
- The ‘concerns’ team has continued to embed ‘**Putting Things Right**’ across the organisation, however, exceptional circumstances affecting capacity in the latter 6 months due to long term sickness of key staff has impacted on compliance statistics in year. Independent reviews of the Patient Experience/ Concerns team were undertaken in May 2013. The reviews reported in July 2013 and both short term and long term recommendations were identified and improvements are currently being implemented.
- The **Fundamentals of Care** Audit continually reports high levels of compliance. The results for this last year have reflected similarities in the findings of the NHS Wales survey. The combined results for all user experience survey questions demonstrate that the patients surveyed were satisfied with the standards of care that they received from Powys teaching Local Health Board, with 98% stating either always or usually.
- The **Medical Devices** work programme has continued throughout 2013-2014. The new McKinley syringe drivers were introduced in September 2013 in support of the Rapid Response Report on ambulatory syringe drivers promoting patient safety. Going forward we are placing greater emphasis on contracts and their renewal dates, particularly from a patient safety perspective to ensure that our medical equipment is serviced appropriately for patient’s use, alongside reinforcing the responsibility and accountability for medical devices at Locality and Service Directorate level.
- The teaching Health Board continues to work in partnership, particularly with Powys County Council in **safeguarding children and young people and vulnerable adults**. The tLHB plays its full role in the Powys Safeguarding Children’s Board and the Powys Adult Protection Committee. The tLHB is working in partnership to progress the regionalisation agenda set out in the Social Services and Wellbeing (Wales) Bill. The infrastructure in the tLHB has been strengthened in order to improve the way in which all staff work with each other to protect vulnerable people whether in a hospital or community setting. A recent inspection from CSSIW Looked After Children (LAC) Inspection evidenced that there was good multi agency working between social care workers, the LAC education co-coordinators, LAC nurses and housing officers.
- **Care Home Governance** work continues to progress. Following the care homes (with nursing) joint services contract monitoring visit in 2012/13, improvement action plans were developed. These were reviewed later in the year and overall the majority of homes had achieved over 70% of the actions. Systems are being developed to strengthen the pre contract checks with the development of a data base. Care home staff are encouraged to join training where ever possible such as Tissue Viability, Nursing Conference and NEWS training.

- Powys tLHB agreed to a consensual audit by the Information Commissioner's Office (ICO) of its processing of personal data. The audit took place during October 2013 and covered '**Data protection governance, security of personal data and data sharing**'. The ICO issued their final audit report giving an overall conclusion of 'Limited Assurance' and their published Executive Summary report ([http://ico.org.uk/what\\_we\\_cover/audits\\_advisory\\_visits\\_and\\_self\\_assessments/audits](http://ico.org.uk/what_we_cover/audits_advisory_visits_and_self_assessments/audits)) was supplemented by a response from Powys to key 'Areas for Improvement' identified within the report, these were:
  - Representation/ attendance at Integrated Governance related committees
  - Information Asset Register and Data Mapping
  - Data Sharing
  - Training

The teaching Local Health Board is taking actions in respect of the recommendations. The follow-up ICO audit process is based on an update of the agreed action plan in 6 months' time (July 2014). Of the initial 42 recommendations, 18 have been completed and a further 24 are being progressed.

- During the year there have been no lapses in data security reported other than trivial ones.

Continuing to ensure **the quality of care for treatment outside of Powys**, internal work has progressed on strengthening the quality assurance framework. A draft proposed model for a quality assurance framework for Powys in respect of both provided and commissioned services was presented to the Quality & Safety Committee in November 2013 and included in the January 2014 Board Development Session. Examples of how we have worked with other NHS organisations who care for our patients include:

- Powys observer representation on the panel involved in the rapid response review into the quality of care and treatment provided by Wye Valley NHS Trust
- Going forward into 2014/15 representation on the Wye Valley NHS Trust Clinical Review Forum aimed at supporting and monitoring the quality of services provided by the Trust
- Discussions ongoing with Herefordshire Clinical Commissioning Group to explore how we can share information across commissioners to help provide assurance and minimise duplication
- Formal links with the Director of Nursing, Shrewsbury and Telford Hospital NHS Trust to develop and agree a data set to provide assurance
- Updating of the Quality and Patient Safety Assurance LTA schedules in readiness for 2014/15

With regard to **quality governance arrangements within a primary care** setting:

- GP practices have completed and continue to participate in the General Practice clinical governance self- assessment tool kit and our uptake rates continue to be the best in Wales. The self -assessment is discussed at annual Practice Review Visits and where a practice's self -assessment score requires improvement, the tLHB offers guidance, training and support to help them progress/improve through the levels.

- Dental practices are required to participate in an annual Quality Self Assessment, The results of the survey are analysed by the All Wales Dental Public Health Team and areas that require improvement are picked up through a local traffic light dashboard by the tLHB who offer guidance and support to help them progress/improve through the levels.
- GP practices complete annual audits linked to enhanced elements of care that they provide. Clinical outcomes are reviewed by the tLHB to ensure a quality service is being provided and learning outcomes are shared across the tLHB.

A review of **General Practice access** has been completed. The review looked at the total appointments being offered per week within each of the Practices. The access position within tLHB has improved within the past 12 months as additional practices are now offering increased appointments towards the end of the day. The review identified that improvement needs to be progressed in relation to non urgent appointment availability after 5:30pm in some practices. This work is currently being progressed as part of a wider access discussion through GP cluster forums with a view to improving access where possible.

## **5.6 Other control frameworks**

### **5.6.1 Equality, Diversity and Human Rights.**

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

### **5.6.2 Employment**

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

### **5.6.3 Sustainability**

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.

The tLHB has assessed its key sustainability objectives in respect of:

- Promoting health and well-being
- Undertaking more activity in Powys and reducing the need for out of county travel for residents
- Achieving ISO 14001 accreditation
- Reducing energy consumption
- A Sustainability Committee, of the Board of Directors, has been agreed as the vehicle for setting, delivery and review of sustainability targets

#### **5.6.4 National Health Service Finance Wales Act 2014**

Further to the National Health Service Finance (Wales) Act 2014 becoming law in Wales from 27<sup>th</sup> January 2014, new duties with regard to operational planning were placed upon the Local Health Boards. The legislative changes are effected to section 175 of the NHS Wales Act 2006. The majority of changes introduced by the Finance Act impact upon 2014/15 and future years. However, in order to comply with the planning duties it is a requirement that LHBs have a plan prepared in accordance with the guidance issued in place by the end of the 2013/14 financial year for 2014/15 and subsequent years required to be covered by the planning guidance.

Powys teaching Local Health Board submitted its Integrated Medium Term Plan to Welsh Government in accordance with the required timetable by 31st March 2014 subject to full Board approval which took place on 16th April 2014.

Of main concern is the Health Board's very significant financial pressure. The independent reviews commissioned during the year had given external validation that financial balance within the current resource environment would be highly unlikely. The Health Board will continue its dialogue with Welsh Government regarding its financial position.

#### **5.6.5 Ministerial Directions**

A number of Ministerial Directions have been issued within the year which relate to tLHB operations. They are as follows:

Updates and amendments to Primary Care Fees and Charges:

- Directions to Local Health Boards as to the statement of Financial Entitlements (Amendment) Directions 2013 (2013 No.60) – These Directions implement the new Dispensing Doctors Feescales from 1<sup>st</sup> October 2013 and again from 1 April 2014.
- Directions to Local Health boards as the General Dental Services Statement of Financial Entitlements (Amendment) Directions 2013 (2013, No 11). These Directions uplift NHS dental contract payments for 2013/14.
- Directions to Local Health Boards as the Personal Dental Services Statement of Financial Entitlements (Amendment) Directions 2013 (2013, No.10). These Directions uplift NHS dental contract payments for 2013/14.
- Directions to Local Health Boards as the Statement of Financial Entitlements Directions 2013 (2013 No.8). These Directions formally implement the changes to the General Medical Services Contract for 2013/14
- The Pharmaceutical Services (Fees for Applications) (Wales) Directions (2013 No.9) – These Directions require LHB's to charge a specified fee for applications for inclusion in or amendment to a pharmaceutical list.
- The Primary Medical Services (Directed Enhanced Services) (Wales Amendment) Directions 2013 (2013 No.4) – The amendment Directions update the severe mental illness scheme contained within the Primary Medical Services (Directed Enhanced Services) (Wales) Directions 2007.

Updates and amendments to Hospital Related Services:

- National Health Service (Cross-Border Healthcare) (Wales) Directions 2013 (2013 No.26) – These Directions require Local Health Boards to provide information to and consider applications made by resident patients relating to Cross Border Healthcare and Patient Mobility.
  - National Health Service (Reimbursement of the cost of EEA Treatment) (Wales) (Amendment) Directions 2013 (2013 No.25 No. W.25) – These Directions require Local Health Boards to implement regulations relating to Cross Border Healthcare and Patient Mobility.
-

- Directions to Local Health Boards 2013 (2013 No. 3) – These Directions set out the maximum patient charge that patients have to pay for purchasing expensive lenses via the hospital eye service.

The following link is provided to the Ministerial Directions issued for further reference on their contents:

<http://wales.gov.uk/legislation/subordinate/nonsi/nhswales/2013/?lang=en>

## 6. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review 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 external auditors in their audit letter and other reports.

The information that follows presents the summary information used to inform my review of effectiveness.

### 6.1 Head of Internal Audit Opinion

Internal Audit provide me and the Board through the Audit Committee with a flow of assurance on the system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with the public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit Committee and is focussed on significant risk areas and local improvement priorities.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement

The Head of Internal Audit has concluded

*In my opinion the Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.*

Our internal audit work is designed to evaluate the effectiveness of governance, risk management and control processes across the Health Board as a whole. This is a common feature of every assurance review we undertake as this tests how well the systems and processes designed to keep the Health Board on track are working.

I have reviewed the individual assurance ratings for each assignment and plotted these within the assurance domains. This has led me to conclude an opinion of reasonable assurance for the primary assurance domains of Corporate governance, risk management and regulatory compliance; Financial governance and management; and Clinical governance quality and safety.

It is however the collective audit evidence gained from across the eight domains which has led to the overall assurance rating of limited assurance, even though there are no significant issues within the primary assurance domains. The wording for the limited assurance opinion is standard and reflects that our internal audit work is designed to evaluate the effectiveness of governance, risk management and control processes across the Health Board as a whole.



**6.2. Internal Audit Assurance domains**

The strategic and operational audit plans for 2013/14 were based upon locally determined risks and priorities but structured for the first time around eight key assurance domains. The planning of our audit work in this new format allows audit results to be similarly aggregated for reporting purposes. The overall assessment across these assurance domains is summarised in Table 3 below.

**Table 3 Audit summary by assurance domain**

<b>Corporate governance, risk management and regulatory compliance</b>	<ul style="list-style-type: none"> <li>• review of the governance and accountability module and assessment against standards for health services indicate that corporate processes are proving effective. Risk management audit has identified improvement required in the use of Datix.</li> </ul>
<b>Strategic planning performance management and reporting</b>	<ul style="list-style-type: none"> <li>• Only one audit undertaken on performance management in this domain. Do not consider that enough work has been undertaken to rate this domain.</li> </ul>
<b>Financial governance and management</b>	<ul style="list-style-type: none"> <li>• The audits of the Health Board and NWSSP managed financial systems have confirmed that a generally sound system of internal financial control is in place with 5 of the financial audit reviews providing substantial assurance, 3 with reasonable assurance and 1 providing limited assurance .</li> </ul>
<b>Clinical governance quality and safety</b>	<ul style="list-style-type: none"> <li>• Improvements made in the area of CHC identified through follow up. Medicines Management was reasonable assurance and AQS was consistent with WG guidance. Improvement required in putting things right.</li> </ul>
<b>Information governance and security</b>	<ul style="list-style-type: none"> <li>• no audits were undertaken on information governance and security and therefore the domain cannot be rated</li> </ul>
<b>Operational service and functional management</b>	<ul style="list-style-type: none"> <li>• audit of North locality was limited assurance and limited progress made in follow up of last year's limited assurance locality review.</li> </ul>
<b>Workforce management</b>	<ul style="list-style-type: none"> <li>• positive reports on PADR, e-expenses, NWSSP Payroll. However, improvements required in payroll Health Board controls. We were also directed by management to review job evaluation as a result of issues identified during 2013/14.</li> </ul>
<b>Capital and estates management</b>	<ul style="list-style-type: none"> <li>• Pre-dominance of limited assurance reports in addition to a no assurance report issued in respect of fire precautions.</li> </ul>

**6.3. Internal Audit Reports with limited or no assurance**

The following reports were issues with limited assurance

**Table 4 Internal Audit reports with limited assurance**

<b>Review</b>	<b>Management response</b>
Putting things Right – Complaints, Incidents and Redress	The existing action plan will be reviewed and updated to include recommendations. This will be aligned with recommendations from the Welsh Risk Pool assessment of Putting Things Right supporting the identification of one set of areas for improvement throughout 2014/15. Additional to this the Concerns/ Patient Experience team restructure is now complete and will embed going forward into 2014/15.
Locality Review (North) – Newtown Hospital	The timely review of Policies and Procedures and their implementation locally was highlighted as the key findings within this report. As a result the Executive Team is strengthening its governance around Policies within the organisation by introducing dedicated resource to oversee this on a corporate basis, to ensure policies are updated and reviewed as required. An action plan is being implemented by the locality to address the recommendations raised.
Asset Management Follow up	Although progress could be shown during the review, with many of the original recommendations partially implemented, there are still some actions to be delivered over the coming 6 months to achieve full compliance with the recommendations raised. These mostly relate to improvement regarding the regular update and completeness of information within the Datix Asset Register particularly for maintenance details, transfers and loans of equipment. A full verification exercise has been undertaken of all assets held on the Fixed Asset Register since the audit, and further work is ongoing within the localities in updating the maintenance detail for assets.
Payroll related processes (Health Board)	Since the publication of the draft audit a workshop has been held with Shared Services to agree a plan to address the identified actions. In addition a customer liaison group has been established to monitor key performance indicators. A revised approach to policy approval and development has been implemented to ensure any outdated policies are reviewed in a timely way to prevent polices being out of date. In addition the Workforce & Organisational Development team are reviewing the implementation of Self Service to ensure wherever possible transactions are completed electronically.
Asbestos	The main outstanding action is the availability of the asbestos register through the MiCAD system. The tLHB has a management plan in place agreed with Health and Safety Executive. Paper versions of the register are available locally, the whole estate is in the process of being routinely re-assessed for Asbestos
Estates Assurance – Environmental	The tLHB currently lacks the organisational capacity and expertise to address the full recommendations of this and related reports. This is being addressed through a review of the Estates and Works workforce.
Llandrindod Wells Development	The Llandrindod Wells Project Board has actions in place to address the recommendations of this report.
Follow up Estates Assurance	Audit committee has agreed a risk based approach to prioritisation and taking forward estates related recommendations with a focus on Estates Compliance.

The following reports were issued with no assurance

**Table 5 Internal Audit reports with no assurance**

<b>Review</b>	<b>Management response</b>
Fire Precautions	The management of fire safety has been escalated in the organisation led by the Estates Compliance Committee chaired by the Chief Executive. A new fire policy has been agreed and a fire management plan is being progressed, supported by additional management resource.

### **3.4.2 External Audit**

The Wales Audit Office undertook a Structured Assessment of the organisation during 2013. The process of which is to review corporate arrangements for governance (including quality governance and arrangements for measuring and improving patient/user experience), management of resources and financial management.

The 2013 review concluded that the tLHB has made some progress in addressing the areas for development identified in the 2012 structured assessment, although specific challenges still remain. The report concluded:

- the current financial position of the Health Board is unsustainable, given its current configuration and commissioning model;
- the overall revenue is no longer sufficient to meet current and expected future demand for healthcare services.
- The Health Board's governance arrangements have improved, but as financial pressures increase, so do risks to service, which makes it more important that governance arrangements are strengthened further.
- The board's quality governance arrangements are continuing to improve. Further developments are needed however, particularly around the flow of assurances into the Quality and Safety Committee and from this committee to the Board
- The Health Board has reasonable arrangements to capture and learn from information on user experience, incidents, complaints and staff concerns however the central team is under significant pressure, policies and procedures are not yet formalised, and the sharing of lessons learnt could be improved further.

The performance audit work has identified good overall performance and opportunities to improve in a number of key areas.

### 3.4.3 Counter Fraud and Post Payment Verification

The Audit Committee continue to receive regular reviews of counter fraud and post payment verification activity.

The Counter Fraud resource during 2013/14 equated to 54.4 days, this was reduced from the planned 139 days due to sickness absence. However, during 2013/14 progress has been made in respect of the following;

- Continuity of service provided by the former nominated Lead Local Counter Fraud Officer (LCFS) for Powys teaching Local Health Board, with enhanced input from HDUHB
- A number of investigations have been successfully completed by the Counter Fraud Wales Service resulting in the successful prosecution of a dental practitioner.
- Particularly notable is the areas of increased referrals and contact from staff and contractors for advice and guidance.
- A number of successful outcomes have also been achieved in relation to detection, prevention and deterrent activity.
- Liaison has resulted in improved policies and procedures to prevent and deter fraudulent activity, sharing best practice /policy guidance, thereby reducing resource time in the creation of new documentation.
- The requirements of the WG Directions 2006 have been achieved and the provision of information for NHS Protect completed to facilitate national statistical monitoring.
- Continued liaison with related NHS and policing bodies has been achieved during the year, this can be evidenced in relation to the Local Intelligence Network which monitors and addresses pharmacy related risks. The outcome of this interaction has resulted in improved networking and information sharing practices both internal and external to the Health Board.

The NHS Protect Quality Inspection Assessment has been deferred for 2013/14 in view of unforeseen circumstances. However the Lead LCFS has retained close contact with the assessors to ensure the new guidance is applied.

The aim of the Post Payment Verification process is to ensure propriety of payments of public monies by the tLHB. The rolling 3 year programme continued as planned in 2013/14. Recoveries for overpayment have been achieved and learning outcomes shared with practices. Our benchmarking information identifies that there are no significant risk areas within Powys compared to the rest of Wales.

## 6.4 Data Quality for Corporate Reporting

WHC (2007)018 notified the service that PEDW was to be considered the definitive source of APC activity for all corporate reporting and the continued provision of high quality data is essential for PEDW to be relied upon to support such reporting processes. A programme of Data Accreditation was initiated via the Information Quality Programme that comprehensively examined provider performance across a range of issues relating to the collection, reporting and use of APC and outpatient activity information. Each organisation in Wales is required to ensure all data submissions conform to national data validity standards. In order to ensure that our data conforms to national standards the information team use the Validation at Source Service developed and run by NWIS to improve the quality of monthly data extracts. All dataset are submitted using this service. Where records fail to be loaded the information department contacts the department concerned stating the error with the data and requests that the record be updated to ensure that the record is fit for purpose. The record is updated within the main PAS system (Myrddin) and the data is resubmitted. Data validity performance monitoring reports are produced each month by NHS Wales Informatics Service Information Standards team and monitored against data validity standards. The Head of Information monitors these reports each month and will escalate any issues with data quality.

The information data warehouse holds national PEDW data for all Powys residents and reports are developed using this base data. To ensure consistency in reporting the information team are part of the All Wales Methodologies Group which look at developing and agreeing national standards for reporting. The Methodologies group has prioritised tier 1 targets and approval is sought from WGSBI.

## 7. Overall conclusion for 2013/14

Taking into consideration the issues presented in this statement, my conclusions on 2013/14 are as follows;

- Budgetary Control is effective and financial controls are generally sound with areas of weakness only within asset management which we will address in 2014/15.
- Governance and assurance is generally sound, further improvement will be made in 2014/15 through the introduction of the assurance dashboard
- Risk Management is generally sound, improvements noted within the past year

- Clinical Quality and Safety has been demonstrated to be generally sound through the oversight of the Quality and Safety Committee.
- Controls in place under the remit of NHS Wales Shared Services Partnership are generally sound but with improvements required in recruitment
- There are areas which require focussed improvement as highlighted through our internal audit and other reviews and these are around
  - local hospital controls,
  - capital and estates,
  - information governance,
  - use of datix,
  - payroll

We have developed improvement plans for implementation within 2014/15, although capital and estates issues are likely to take a longer time frame to fully implement and our approach will consider the appropriate management of risk during the next period rather than necessarily full resolution of issues identified.

## **8. Looking forward**

Our financial position remains of significant concern. The independent reviews commissioned during 2013/14 identified that there was limited scope for further cost reductions over the short and medium term and as such the Health Board reported a year end deficit position of £19.2M.

We submitted our Integrated Medium Term Plan to Welsh Government within the required deadline of 31<sup>st</sup> March covering the period 2014/15 – 2016/17 which identified that our transformation programmes scoped to date would broadly limit the impact of zero growth funding but would not eradicate what is now considered to be a structural underlying deficit.

We have commissioned independent support during 2014/15 to further test our assumptions around cost and service solutions to demand and capacity going forward. We will also be taking a considered review of our approach to commissioning during the year with a view to ensuring we are structurally fit and have the right capacity / capability to meet the ongoing challenge of securing healthcare to the Powys population within the resources provided by Welsh Government.

Welsh Government to date have advised that they cannot approve our three year plan in view of the financial position and the various national reviews under consideration i.e. Williams and the Mid Wales Review. Instead we will be providing at their request an annual plan for their consideration by 2<sup>nd</sup> June 2014.

This remains a key area of discussion with Welsh Government in 2014/15 in determining the appropriate way forward.

Signed by  
Chief Executive: R. Hudson  
Date: 25/06/14

**Annual Governance Statement - Appendix 1**

**Board Members 2013/14**

NAME	POSITION	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES
Mel Evans	Chair	(Chair) RATS	N/A
Jo Mussen	Vice Chair	Quality & Safety Committee RATS Integrated Governance Committee (Chair) Mental Health Act Sub – Committee	Mental Health, Older People, POVA
Gloria Jones Powell	Independent Member (Third Sector)	(Chair) Quality & Safety Committee Audit Committee Integrated Governance Committee	Children & Young People
Andrew Leonard	Independent Member (Community)	Audit Committee (Chair) Charitable Funds Mental Health Act Sub – Committee	Design, Sustainable Development
Roger Eagle	Independent Member (Legal)	(Vice Chair) Audit Committee RATS (Chair) Integrated Governance Committee Mental Health Act Sub-Committee	Complaints
Paul Dummer	Independent Member (University)	(Vice Chair) Quality & Safety Committee	Welsh language, Equalities
Gareth Jones	Independent Member (Finance)	Quality & Safety Committee (Chair) Audit Committee Charitable Funds Committee RATS Integrated Governance Committee	N/A
Rosemarie Harris (to June 2013)	Independent Member (Local Authority)	Audit Committee	Cancer
Melanie Davies (December 2013 onwards)	Independent Member (Local Authority)	Quality and Safety Committee	N/A
Gyles Palmer	Independent Member (Capital & Estates)	Charitable Funds Committee Information Governance sub-Committee	Cleanliness
Mark Baird	Independent Member (Information, Communications & Technology)	Audit Committee Quality & Safety Committee (Chair) Information Governance sub-Committee	Violence & Aggression
Alan Austin	Associate Member, (Chair) Stakeholder Reference Group		N/A

NAME	POSITION	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES
Amanda Lewis	Associate Member, Strategic Director for People - Powys County Council		N/A
Jeremy Patterson	Associate Member, CEO, Powys County Council		NA
Dr Doug Paton	Associate Member, GP		NA
Andrew Cottom (to – November 2013)	Chief Executive		N/A
Bob Hudson (November 2013 onwards)	Chief Executive		N/A
Rebecca Richards	Executive Director of Finance	Charitable Funds Committee	N/A
Brendan Lloyd	Executive Medical Director		N/A
Carol Shillabeer	Executive Director of Nursing	Charitable Funds Committee	N/A
Bruce Whitear (Interim appointment)	Interim Director of Planning		N/A
Sumina Azam (Interim appointment) (to -June 2013)	Interim Director of Public Health		N/A
Catherine Woodward	Executive Director of Public Health & Strategic Planning		N/A
Amanda Smith	Executive Director of Therapies & Health Sciences		N/A
Joanna Davies (to – June 2013)	Executive Director of Workforce & OD		N/A
Julie Rowles (March 2014 onwards)	Executive Director of Workforce & OD		N/A



**Annual Governance Statement - Appendix 2**

Improvement priorities and progress made in 2013/14	Progress – RAG Rated
<b>Improvement priorities identified in Module 1</b>	
1. A full strategic approach to engagement is to be developed, identifying areas where the voice of the people should be stronger and sustaining high levels where this exists	Engagement continues however a Board level strategy is yet to be developed.
2. Developing and implementing an organisational behaviour framework as part of the team coaching work	Framework yet to be developed. Aston team coaching cascading throughout the organisation.
3. Continuing to develop partnership working with staff and their representatives	Local Partnership Forum meetings continue. Francis staff engagement events held.
4. Embedding values of equality and diversity through strengthening the implementation of Equality Impact Assessment and monitoring impact on patients	The new localised Equality Impact Assessment policy was approved in July 2013. This incorporates best practice guidance provided by the NHS Centre for Equality and Human Rights and includes an easy guide on how to undertake an Equality Impact Assessment. The process has been demystified and outcome reporting simplified, again modelled on best practice. Roll out of the policy is well underway and has targeted training and awareness raising. Monitoring the impact on patients is in its infancy but feedback from stakeholder events such as How Fair is Powys and the information gleaned from the increasingly commissioned patient satisfaction surveys are assisting with this. The new communications/ engagement hub will further help with this aspect.
5. Further work is to take place to demonstrate how UN Rights of the Child are being considered and applied	There is a safeguarding training strategy which ensures that the UN Rights of the child is included in the training delivered in Powys. e.g. Level 3 training for frontline staff includes UN Rights of the child.  The Children's Rights legislation from Welsh Government has been circulated via Powys announcements to all staff and will be the base for future legislation policy and practice.
6. Strengthen the planning and commissioning processes through development of a 3 year rolling plan that incorporates national planning priorities and demonstrates that the views of the citizens have been considered	3 Year Plan approved by Board
7. Strengthen strategic joint planning through a review of partnership arrangements under the Local Service Board	Review undertaken and revised partnership arrangements in place. LSB One Plan developed for 2014 onwards.
<b>Theme 2 – Enabling Delivery</b>	
1. Executive Directors working to fully delegate appropriate accountability to Teams and Locality and Directorate Managers, ensuring cohesion between teams (Supported by Team Based Working)	Board level Scheme of Delegation in place. Accountability Frameworks for localities yet to be developed.
2. Develop a forward estates strategy	Significant work undertaken to improve estates compliance. A draft overarching Strategy is in place and will be finalised in the near future.
3. Ensure that the Programme Office is fully functioning to support Transformation Programmes such as Information Services and the clinical change programmes	PMO established. Work underway to ensure required capacity within PMO to support required change agenda.
4. Action plans to achieve key audit recommendations to be overseen by re-established Information Governance Committee	Information Governance Committee established. Recommendations used as the basis of Committee work plan.
5. To adopt an ongoing approach which links the annual governance statement more closely to corporate priorities	Development of an assurance framework underway. Further work required to strengthen strategic risk management to inform corporate planning and performance management.
6. Fully participate in development and application of new Workforce Tools to ensure vigour is applied to determining safe staffing levels	Organisational Professional Nursing & Midwifery Staffing Standard Operating Procedures approved in March 2014 for implementation going forward.
7. Continue to strengthen the approach for management of Board level risk.	As for (5) above
8. Further work will be undertaken to build capacity for integrated planning across service, finance and workforce	The tLHB undertook an engagement process with staff to build its approach to integrated planning and deliver the Integrated Medium Term Plan. This was supported by investing in PMO capacity and a demand and capacity modelling project has been commissioned to further strengthen the tLHB's approach. The tLHB has also strengthened its information team to inform planning, and undertaken a Transformation Project on information to underpin planning.

**Annual Governance Statement - Appendix 2**

**Improvement priorities and progress made in 2013/14**

<b>Theme 3 – Delivering Results, Achieving Excellence</b>	
1. Development of an Assurance Framework which will determine all legal and other requirements placed upon the teaching Local Health Board and outline the sources of assurance available to the Board in satisfying itself that all are delivered.	Mapping exercise undertaken to determine assurance requirements. Work underway to identify assurance sources and gaps.
2. Development of a Quality Assurance Framework to provide greater robustness in the reporting of information relating to quality of service provision required from external providers. This will inform the Locality based contract review process and will be included in the Annual Quality Statement to be published from September 2013	The Quality Assurance Framework is being established as part of the overarching Powys tLHB organisational performance framework and supported by Powys tLHB commissioning management arrangements.
3. Establish a consistent and systematic approach to reporting and learning from clinical audit across all services	Powys tHB has developed an Audit strategy based on the best practice principles laid out in NHS Wales Audit Committee Handbook. The Strategy and six month Audit plan have been presented to the Quality and Safety Committee. The tLHB participated in every audit for which it qualified on the National Clinical Audit and Outcome Review Plan and was unique in achieving 100% GP participation in the National Diabetes Audit.
4. Further develop consistency in approach and a systemic reporting mechanisms for QI (1000 Lives Plus) reporting	The Nursing Director brought regular reports on the 1000 Lives Plus workstreams to the Quality and Safety Committee up to the closure of the 1000 Lives Plus Programme in October 2013.
5. Further develop the Integrated Performance Report and supporting infrastructure to ensure focus and information have direct alignment with the Annual Plan	Development of Integrated Performance Report undertaken. Further work required in developing performance framework.
6. Further develop an internal communications strategy, to systematically gain, record and act on the views of staff	The Workforce and Organisational Development Director is in the process of commissioning a review on Communication for the Health Board. A working group is being set up to progress the feedback from the Francis Presentations and the links with the Staff Survey.
7. Participating in the national programme of work to build the skills of the workforce in quality improvement methodology	Powys tLHB became the first organisation in Wales to achieve 25% of Staff qualified to Bronze level under the national scheme to bring quality improvement skills to the workforce.
8. Development of a Board Business Cycle to determine reporting requirements of the Board	Work is underway to develop the Board Assurance Framework; once all assurance requirements are identified a business cycle can be produced.
9. Surveying the reactions of users of external services	The NHS service user experience framework and core question surveys have been implemented Powys-wide. Further work is underway to map patient experience activity. Work on walkabouts is progressing to include peer reviews.
10. In light of the Francis Review, national work on professionalism to be considered and applied where appropriate – expand beyond nursing into other groups	All professional groups engaged in learning from Francis with over 75% of all staff participating in specific engagement sessions. Included strengthening awareness of professional responsibilities to ensure standards met both as individual professional and as part of multidisciplinary team.

## **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 Powys Teaching Local Health Board for the year ended 31st March 2014 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 the 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 60 and 61, 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 Powys Teaching 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 Powys Teaching Local Health Board as at 31st March 2014 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

### *Basis for qualified opinion on regularity*

Powys Teaching Local Health Board has breached its revenue resource limit by sending £19.264 million over the amount that it was authorised to spend in the year. This spend constitutes irregular expenditure.

### *Qualified opinion on regularity*

In my opinion, except for the irregular expenditure of £19.264 million in the year, explained in the paragraph above, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

## 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 Annual Governance Statement 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

## The Report of the Auditor General for Wales to the National Assembly for Wales

- Please see my report on pages 93 to 94.

Huw Vaughan Thomas  
Auditor General for Wales  
26th June 2014

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Report of the Auditor General to the National Assembly for Wales

### Introduction

Under Section 61 of the Public Audit (Wales) Act 2004, I am required to examine, certify and report on the annual financial statements of Powys Teaching Health Board (the Health Board).

My audit certificate on pages 91 to 92 contains my opinion that the financial statements give a “true and fair view” in accordance with the National Health Service (Wales) Act 2006 and directions made there under by the Welsh Ministers.

It also includes my opinion on whether the expenditure and income shown in the financial statements have been applied to the purposes intended by the National Assembly for Wales and whether the financial transactions conform with the authorities that govern them. This is known as my “regularity” opinion. This year I have qualified my regularity opinion on the basis that the Health Board has breached its resource limit. I explain this below.

The financial regime within which each local health board (LHB) is required to operate, prescribes a formal annual “resource limit”. This is a statutory net expenditure limit, requiring each LHB to function strictly within the resource limit that is set for it by the Welsh Government for that financial year.

Where an LHB’s net expenditure exceeds the resource limit, that expenditure is deemed to be unauthorised and is therefore irregular. In such circumstances, I am required to qualify my regularity opinion, irrespective of the value of the excess spend.

For the 2013-14 financial year, the Health Board incurred net expenditure of £260.3 million. Its final resource limit was £241.1 million.

This meant that the Health Board has exceeded its resource limit by £19.2 million.

So whilst my ‘true and fair view’ opinion was unqualified, I have qualified my ‘regularity’ opinion on the financial statements of the Health Board for the year ended 31 March 2014.

I have decided to issue a narrative report alongside my audit certificate to explain the basis of this qualification of my audit opinion and to provide further details about the financial position and the planning arrangements of the Health Board.

### Financial pressures and additional funding received in year

Current financial pressures across the NHS are well known. The total funding for Welsh Health Services in 2013-14 showed only a very small real terms increase of 0.06% from the previous year, however individual health board allocations do not necessarily mirror this position.

Based on an initial resource allocation of £230.4 million, the Health Board estimated its 2013-14 funding gap to be £17.6 million (including repayment of the £4.2 million brokerage received in 2012-13). The Health Board’s 2013-14 Financial Plan, approved in April 2013 also recognised that this funding gap was based on expenditure that included a savings programme of £9.9 million.

Throughout the year, both the Health Board and Welsh Government paid close attention to the monthly reported outturn and to the forecast year end position. Forecasts were regularly updated and as is usual, various adjustments to the Health Board’s resource limit were made by the Welsh Government to reflect specific agreed activities undertaken and their costs. The net effect of these adjustments after the first six months of the year was forecast year end deficit of £24.0 million.

In October 2013, the Minister for Health and Social Services announced additional resource funding of £150 million to 'meet new demands and pressures in the current financial year'. The Health Board's share of this was £5.9 million, with £4.4 million contributing to a decrease in its forecast year end deficit at month seven to £20.0 million and £1.5 million contributing to other costs. However this, combined with the savings made from cost improvement and avoidance plans, was not sufficient to prevent it from failing its resource limit at year end by an overspend of £19.2 million.

As detailed above, the Health Board failed to meet its resource limit and as a result I have qualified my regularity opinion.

## **Financial Planning and Implications for 2014-15**

The new NHS Finance (Wales) Act 2014 which takes effect from 1st April 2014, amends the NHS (Wales) Act 2006 and gives additional resource flexibility to LHBs (subject to formal approval of their plans by the Welsh Ministers), by allowing them to balance their income with their expenditure over a three-year rolling period (instead of a one year period) starting with the 2014-15 financial year (as year 1 of the new arrangements). The 2014 Act also brings three year medium term planning onto a more formal footing by making it a statutory duty.

The statutory duty to compile a rolling three year integrated medium term plan, starting from 2014-15, approved annually by the Welsh Government is an essential foundation to the delivery of sustainable quality health services. On 31 March 2014, the Health Board submitted a three year plan running from 2014-15 to 2016-17 that showed expenditure to be significantly in excess of the anticipated resource limit over the three years. If the requirement to recover the excess spend incurred in 2013-14 is also taken into account, the potential financial gap over the three year period is in excess of £84.0 million.

As at the date of this report, the Minister for Health & Social Services has confirmed that he is unable to approve the Health Board's three year integrated medium term plan and the Health Board is required to undertake further work. For 2014-15, a one year 'delivery agreement' plan is being developed for agreement at Accountable Officer level.

I intend to publish a report on the performance of and outlook for the NHS later this year, which will consider these issues in more detail across the entirety of NHS Wales. In addition I will be monitoring the Health Board's financial performance as the 2014-15 year progresses.

Huw Vaughan Thomas  
Auditor General for Wales  
26th June 2014

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