Cwm Taf Local Health Board

FOREWORD

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

Statutory background

The Local Health Board was established on 1 October 2009 following the merger of Cwm Taf NHS Trust, Rhondda Cynon Taf Local Health Board and Merthyr Tydfil Local Health Board.

The Welsh Health Specialised Services Committee(WHSSC) was established on 1 April 2010, responsible for the joint planning of specialised and tertiary services on behalf of Local Health Boards in Wales. The Committee is hosted by Cwm Taf Local Health Board.

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Statement of Comprehensive Net Expenditure, which shows the net operating cost incurred by the LHB which is funded by the 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.

The total figures in the financial statements include the transactions and balances of WHSSC, excluding those transactions between WHSSC and Cwm Taf.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Note	2012-13 £'000 Cwm Taf HB activities	2012-13 £'000 Total	2011-12 £'000 Cwm Taf HB activities	2011-12 £'000 Total
Expenditure on Primary Healthcare Services	3.1	**132,894**	**132,894**	137,656	137,656
Expenditure on healthcare from other providers	3.2	**121,540**	**645,933**	125,552	645,226
Expenditure on Hospital and Community Health Services	3.3	**417,850**	**421,047**	420,476	423,649
		672,284	**1,199,874**	683,684	1,206,531
Less: Miscellaneous Income	4	**75,460**	**603,050**	83,182	606,029
LHB net operating costs before interest and other gains and losses		**596,824**	**596,824**	600,502	600,502
Investment Income	8	**0**	**0**	0	0
Other (Gains) / Losses	9	**(12)**	**(12)**	(17)	(17)
Finance costs	10	**198**	**198**	219	219
Net operating costs for the financial year		**597,010**	**597,010**	600,704	600,704

Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2013 is as follows:

	2012-13 £000	2011-12 £000
Net operating costs for the financial year	597,010	600,704
Less Non-discretionary expenditure	2,967	3,343
Less Revenue consequences of Bringing PFI schemes onto SoFP	98	163
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	**593,945**	**597,198**
Revenue Resource Limit	593,962	597,204
Under / (over) spend against Revenue Resource Limit	**17**	6

The notes on pages 8 to 60 form part of these accounts

Other Comprehensive Net Expenditure

	2012-13 £'000	2011-12 £'000
Net gain / (loss) on revaluation of property, plant and equipment	(11,402)	8,447
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
(Gain) / loss on other reserves	0	0
Impairment and reversals	0	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0
Other comprehensive net expenditure for the year	(11,402)	8,447
Total comprehensive net expenditure for the year	**608,412**	**592,257**

Statement of Financial Position as at 31 March 2013

	Notes	31 March 2013 £'000 Cwm Taf HB activities	31 March 2013 £'000 Total	31 March 2012 £'000 Cwm Taf HB activities	31 March 2012 £'000 Total
Non-current assets					
Property, plant and equipment	11	**311,155**	**311,155**	360,232	360,232
Intangible assets	12	**0**	**0**	0	0
Trade and other receivables	15	**2,112**	**2,112**	5,192	5,192
Other financial assets	19	**0**	**0**	0	0
Other assets	20	**0**	**0**	0	0
Total non-current assets		**313,267**	**313,267**	365,424	365,424
Current assets					
Inventories	14	**3,582**	**3,582**	3,531	3,531
Trade and other receivables	15	**52,053**	**57,326**	36,829	41,815
Other financial assets	19	**0**	**0**	0	0
Other assets	20	**0**	**0**	0	0
Cash and cash equivalents	18	**203**	**376**	192	346
		55,838	**61,284**	40,552	45,692
Non-current assets classified as "Held for Sale"	11	**0**	**0**	210	210
Total current assets		**55,838**	**61,284**	40,762	45,902
Total assets		**369,105**	**374,551**	406,186	411,326
Current liabilities					
Trade and other payables	16	**58,374**	**75,662**	54,001	70,983
Other financial liabilities	22	**0**	**0**	0	0
Provisions	17	**43,487**	**43,487**	29,546	29,546
Other liabilities	21	**0**	**0**	0	0
Total current liabilities		**101,861**	**119,149**	83,547	100,529
Net current assets/ (liabilities)		**(46,023)**	**(57,865)**	(42,785)	(54,627)
Non-current liabilities					
Trade and other payables	16	**2,429**	**2,429**	2,591	2,591
Other financial liabilities	22	**0**	**0**	0	0
Provisions	17	**7,049**	**7,049**	12,053	12,053
Other liabiliities	21	**0**	**0**	0	0
Total non-current liabilities		**9,478**	**9,478**	14,644	14,644
Total assets employed		**257,766**	**245,924**	307,995	296,153
Financed by :					
Taxpayers' equity					
General Fund		**247,103**	**235,261**	284,490	272,648
Revaluation reserve		**10,663**	**10,663**	23,505	23,505
Total taxpayers' equity		**257,766**	**245,924**	307,995	296,153

The financial statements on pages 2 to 7 were approved by the Board on 5th June 2013 and signed on its behalf by:

Chief Executive: Mrs A Williams

Date: 5th June 2013

The notes on pages 8 to 60 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
Changes in taxpayers' equity for 2012-13			
Balance at 1 April 2012	272,648	23,505	**296,153**
Net operating cost for the year	(597,010)		**(597,010)**
Net gain/(loss) on revaluation of property, plant and equipment	0	(11,402)	**(11,402)**
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	1,440	(1,440)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to NHS Trusts	0	0	**0**
Total recognised income and expense for 2012-13	(595,570)	(12,842)	**(608,412)**
Net Welsh Government funding	**558,183**		**558,183**
Balance at 31 March 2013	235,261	10,663	**245,924**

The notes on pages 8 to 60 form part of these accounts

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2012

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2011-12			
Balance at 1 April 2011	282,320	15,780	**298,100**
Net operating cost for the year	(600,704)		**(600,704)**
Net gain/(loss) on revaluation of property, plant and equipment	0	8,447	**8,447**
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	722	(722)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to other bodies	0	0	**0**
Total recognised income and expense for 2011-12	(599,982)	7,725	**(592,257)**
Net Welsh Government funding	**590,310**		**590,310**
Balance at 31 March 2012	272,648	23,505	**296,153**

The notes on pages 8 to 60 form part of these accounts

Statement of Cash flows for year ended 31 March 2013

	notes	2012-13 £'000 Cwm Taf HB activities	2012-13 £'000 Total	2011-12 £'000 Cwm Taf HB activities	2011-12 £'000 Total
Cash Flows from operating activities					
Net operating cost for the financial year		**(597,010)**	**(597,010)**	(600,704)	(600,704)
Movements in Working Capital	34	**(10,963)**	**(10,944)**	744	(807)
Other cash flow adjustments	35	**86,605**	**86,605**	76,335	76,335
Provisions utilised	17	**(10,541)**	**(10,541)**	(8,826)	(8,826)
Net cash outflow from operating activities		**(531,909)**	**(531,890)**	(532,451)	(534,002)
Cash Flows from investing activities					
Purchase of property, plant and equipment		**(26,729)**	**(26,729)**	(58,386)	(58,386)
Proceeds from disposal of property, plant and equipment		**622**	**622**	24	24
Purchase of intangible assets		**0**	**0**	0	0
Proceeds from disposal of intangible assets		**0**	**0**	0	0
Payment for other financial assets		**0**	**0**	0	0
Proceeds from disposal of other financial assets		**0**	**0**	0	0
Payment for other assets		**0**	**0**	0	0
Proceeds from disposal of other assets		**0**	**0**	0	0
Net cash inflow/(outflow) from investing activities		**(26,107)**	**(26,107)**	(58,362)	(58,362)
Net cash inflow/(outflow) before financing		**(558,016)**	**(557,997)**	(590,813)	(592,364)
Cash flows from financing activities					
Welsh Government funding (including capital)		**558,183**	**558,183**	590,310	590,310
Capital receipts surrendered		**0**	**0**	0	0
Capital grants received		**0**	**0**	0	0
Capital element of payments in respect of finance leases and on-SoFP		**(156)**	**(156)**	(145)	(145)
Cash transferred (to)/ from other NHS bodies		**0**	**0**	0	0
Net financing		**558,027**	**558,027**	590,165	590,165
Net increase/(decrease) in cash and cash equivalents		**11**	**30**	(648)	(2,199)
Cash and cash equivalents (and bank overdrafts) at 1 April 2012		**192**	**346**	840	2,545
Cash and cash equivalents (and bank overdrafts) at 31 March 2013		**203**	**376**	192	346

The notes on pages 8 to 60 form part of these accounts

Notes to the Accounts

1. Accounting policies
The accounts have been prepared in accordance with the 2012-13 Local Health Board Manual for Accounts and 2012-13 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

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

1.2 Acquisitions and discontinued operations
Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income and funding
• The main source of funding for the Local Health Boards (LHBs) are allocations (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 LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.
•Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits
Short-term employee benefits
Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

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

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

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

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

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

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

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

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

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

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

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

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

Land and buildings have been indexed with indices supplied by the District Valuation Office. 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 expernditure 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 otem 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 LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

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

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

1.8 Depreciation, amortisation and impairments
Freehold land and 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 LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

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

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

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

1.14 Inventories
Inventories are valued at the lower of cost and net realisable value using the [first-in first-out/weighted average] 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 LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using 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 LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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

1.17 Clinical negligence costs
The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool was hosted by Betsi Cadwaladr University Local Health Board until 31 May 2012 and from 1 June 2012 by Velindre NHS Trust.

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

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

1.18.2 Financial assets at fair value through SoCNE
Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the 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 LHB 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 LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.19.1 Financial liabilities are initially recognised at fair value.

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

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

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

1.19.3 Other financial liabilities

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

1.20 Value Added Tax

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

1.21 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 LHB 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 operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

1.24 Pooled budget
The LHB has entered into a pooled budget arrangement and funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006.

The LHB 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. Details of Pooled Budgets are provided in Note 31 to the Accounts.

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

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

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

Significant estimations are made in relation to on going clinical neglience and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool.

Significant estimations are also made for continuing care costs resulting from claims post 1 April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.

Estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilitities are adjusted in the following reporting period.

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

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

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

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

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

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

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

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

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

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

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

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

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

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

1.30 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.

1.31 Carbon Reduction Commitment Scheme

The Local Health Board is not a member of the Carbon Reduction Commitment Scheme.

1.32 Absorption accounting
Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. The FReM was amended in 2012-13 to provide for transfer by absorption accounting, it does not require retrospective adoption so prior year transactions have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

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.

1.33 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 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, 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

1.34 Accounting standards issued that have been adopted early.
None

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The results reporting whether the LHB has achieved Operational Financial Balance are shown on the face of the Statement of Comprehensive Net Expenditure. This shows Cwm Taf Local Health Board remained within its Revenue Resource Limit achieving an underspend of £17k.

2.2 Capital Resource Limit	**2012-13**	2011-12
	£000	£000
The LHB is required to keep within its Capital Resource Limit :		
Gross capital expenditure	**28,180**	60,870
Add: Losses on disposal of donated assets	**0**	0
Less NBV of property, plant and equipment and intangible assets disposed	**(610)**	(7)
Less capital grants received	**0**	0
Less donations received	**(19)**	(31)
Charge against Capital Resource Limit	**27,551**	60,832
Capital Resource Limit	**27,601**	60,835
(Over) / Underspend against Capital Resource Limit	**50**	3

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited	Non-cash limited	2012-13 Total	2011-12
	£'000	£'000	£'000	£'000
General Medical Services	43,832		**43,832**	44,164
Pharmaceutical Services	17,565	(421)	**17,144**	17,396
General Dental Services	15,652		**15,652**	15,557
General Ophthalmic Services	0	3,388	**3,388**	3,463
Other Primary Health Care expenditure	160		**160**	1,766
Prescribed drugs and appliances	52,718		**52,718**	55,310
Total	**129,927**	**2,967**	**132,894**	137,656

Included within Note 3.1 General Medical Services are staff costs of £3.597m (2011-12:£3.445m)

3.2 Expenditure on healthcare from other providers	2012-13	2012-13	2011-12	2011-12
	£'000	£'000	£'000	£'000
	Cwm Taf HB activities	Total	Cwm Taf HB activities	Total
Goods and services from other NHS Wales Health Boards	**26,631**	**321,825**	27,891	321,875
Goods and services from other NHS Wales Trusts	**8,434**	**154,436**	8,145	151,056
Goods and services from other non Welsh NHS bodies	**699**	**109,887**	888	109,283
Goods and services from WHSSC	**52,928**	**0**	52,968	0
Local Authorities	**205**	**227**	194	194
Voluntary organisations	**1,837**	**6,428**	1,864	5,532
NHS Funded Nursing Care	**3,399**	**3,399**	3,283	3,283
Continuing Care	**26,546**	**26,432**	28,234	28,234
Private providers	**786**	**23,224**	1,906	25,590
Specific projects funded by the Welsh Government	**0**	**0**	0	0
Public Health Wales	**0**	**0**	0	0
NWSSP, Business Services Centre / Business Services Partnership	**7**	**7**	46	46
Other	**68**	**68**	133	133
Total	**121,540**	**645,933**	125,552	645,226

3.3 Expenditure on Hospital and Community Health Services	2012-13 £'000 Cwm Taf HB activities	2012-13 £'000 Total	2011-12 £'000 Cwm Taf HB activities	2011-12 £'000 Total
Directors' costs	**1,642**	**1,642**	1,668	1,668
Staff costs	**281,028**	**283,862**	282,826	285,650
Supplies and services - clinical	**38,092**	**38,092**	38,053	38,053
Supplies and services - general	**4,868**	**4,868**	4,601	4,601
Consultancy Services	**524**	**555**	522	539
Establishment	**6,024**	**6,125**	6,041	6,165
Transport	**647**	**647**	635	635
Premises	**14,129**	**14,311**	12,143	12,298
External Contractors	**12**	**12**	50	50
Depreciation	**13,614**	**13,614**	14,437	14,437
Amortisation	**0**	**0**	0	0
Fixed asset impairments and reversals (Property, plant & equipment	**51,771**	**51,771**	53,717	53,717
Fixed asset impairments and reversals (Intangible assets)	**0**	**0**	0	0
Impairments & reversals of financial assets	**0**	**0**	0	0
Impairments & reversals of non-current assets held for sale	**70**	**70**	0	0
Audit fees	**446**	**495**	495	544
Other auditors' remuneration	**0**	**0**	0	0
Losses, special payments and irrecoverable debts	**2,929**	**2,929**	3,776	3,776
Research and Development	**0**	**0**	0	0
Other operating expenses	**2,054**	**2,054**	1,512	1,516
Total	**417,850**	**421,047**	420,476	423,649

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

Increase/(decrease) in provision for future payments:	**2012-13 £000**	2011-12 £000
Clinical negligence	**20,926**	4,023
Personal injury	**1,527**	936
All other losses and special payments	**708**	2,672
Defence legal fees and other administrative costs	**442**	518
Gross increase/(decrease) in provision for future payments	**23,603**	**8,149**
Premium for other insurance arrangements	**0**	0
Irrecoverable debts	**90**	(83)
Less: income received/ due from Welsh Risk Pool	**(20,764)**	(4,290)
Total	**2,929**	**3,776**

Personal injury includes £393,796 (2011-12 £242,045) in respect of permanent injury benefits.
Clinical negligence includes 36 cases totalling £85,848 (2011-12 cases 24 totalling £116,584) in respect of provisions for clinical redress payments.

4. Miscellaneous Income

	2012-13 £'000 Cwm Taf HB activities	2012-13 £'000 Total	2011-12 £'000 Cwm Taf HB activities	2011-12 £'000 Total
Local Health Boards	33,776	567,802	36,415	567,095
WHSSC	6,442	0	7,836	0
NHS trusts	3,092	3,098	2,805	2,805
Strategic health authorities and primary care trusts	412	412	323	323
Foundation Trusts	0	0	0	0
Local authorities	4,707	4,707	4,493	4,493
Welsh Government	2,042	2,042	2,503	2,503
Non NHS:				
Prescription charge income	0	0	0	0
Dental fee income	3,119	3,119	3,194	3,194
Private patient income	91	91	119	119
Overseas patients (non-reciprocal)	1	1	2	2
Injury Costs Recovery (ICR) Scheme	1,844	1,844	2,215	2,215
Other income from activities	417	417	373	376
Patient transport services	0	0	0	0
Education, training and research	9,991	9,991	10,294	10,294
Charitable and other contributions to expenditure	283	283	390	390
Receipt of donated assets	19	19	31	31
Receipt of Government granted assets	0	0	0	0
Non-patient care income generation schemes	484	484	529	529
NWSSP, Business Services Centre / Business Services Partnership	0	0	0	0
Deferred income released to revenue	0	0	0	0
Contingent rental income from finance leases	0	0	0	0
Rental income from operating leases	0	0	0	0
Other income:				
Provision of laundry, pathology, payroll services	1,034	1,034	920	920
Accommodation and catering charges	2,132	2,132	1,800	1,800
Mortuary fees	134	134	121	121
Staff payments for use of cars	479	479	493	493
Business Unit	600	600	3,810	3,810
Other	4,361	4,361	4,516	4,516
Total	**75,460**	**603,050**	83,182	606,029

ICR Income is subject to a provision for impairment of 12.6% to reflect expected rates of collection.

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12
	£000	£000	£000	£000	£000
Salaries and wages	240,876	736	3,993	**245,605**	248,091
Social security costs	18,319	39	0	**18,358**	18,462
Employer contributions to NHS Pension Scheme	31,095	56	0	**31,151**	31,621
Other pension costs	0	0	0	**0**	0
Other employment benefits	0	0	0	**0**	0
Termination benefits	0	0	0	**0**	0
Total	290,290	831	3,993	**295,114**	298,174
Charged to capital				**1,152**	899
Charged to revenue				**293,962**	297,275
				295,114	298,174

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12
	Number	Number	Number	Number	Number
Medical and dental	634	0	21	**655**	651
Ambulance staff	0	0	0	**0**	0
Administrative and estates	1,440	2	4	**1,446**	1,507
Healthcare assistants and other support staff	1,707	0	0	**1,707**	1,769
Nursing, midwifery and health visiting staff	2,324	0	20	**2,344**	2,350
Nursing, midwifery and health visiting learners	17	0	0	**17**	22
Scientific, therapeutic and technical staff	920	0	0	**920**	924
Social care staff	0	0	0	**0**	0
Other	3	0	0	**3**	0
Total	**7,045**	**2**	**45**	**7,092**	7,223

5.3. Retirements due to ill-health

During 2012-13 there were 19 early retirements from the LHB agreed on the grounds of ill-health (2011-12,19).
The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £788,325 (2011-12: £1,051,676)

5.4 Employee benefits	2012-13 £000	2011-12 £000
	0	0
	0	0
	0	0

5.5 Reporting of other compensation schemes - exit packages

	Total number of exit packages by cost band	Total number of exit packages by cost band
	Number	Number
	2012-13	2011-12
Exit package cost band		
<£10,000	**5**	20
£10,000 to £25,000	**10**	54
£25,000 to £50,000	**3**	30
£50,000 to £100,000	**0**	10
£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	**18**	**114**
Total resource cost £	**302,346**	2,637,443

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 LHB in the financial year 2012-13 was £170,000 - £175,000 (2011-12, £170,000 - £175,000). This was 6.5 times (2011-12, 6.4) the median remuneration of the workforce, which was £26,385 (2011-12, £27,117)

In 2012-13, 1 (2011-12, 5) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £185,000 to £190,000 (2011-12 £175,000 to £208,000). Staff earning in excess of the highest paid director held clinical consultant posts.

The requirements relating to total remuneration is to include salary, non-consolidated performance-related pay, overtime and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

There have been no significant movement between the highest paid director and the median remuneration.

There have been changes in the way this note is prepared in line with work undertaken to ensure consistency of reporting across NHS Wales. The revised approach has not produced figures materially different from those reported previously and therefore figures relating to 2011-12 have not been restated.

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. 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. Actuarial assessments are undertaken in intervening years between formal valuations, using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013 is based on the valuation data as 31 March 2012, updated to 31 March 2013 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.

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.

he 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 consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

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

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last 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 retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace 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 service 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.

6. Operating leases

LHB as lessee

The lease information below relates to lease agreements for buildings, vehicles and equipment. There are no significant leasing arrangements that require further disclosure.

Payments recognised as an expense	**2012-13**	2011-12
	£000	£000
Minimum lease payments	**3,175**	2,493
Contingent rents	**0**	0
Sub-lease payments	**0**	0
Total	**3,175**	2,493

Total future minimum lease payments		
Payable	**£000**	£000
Not later than one year	**2,930**	2,610
Between one and five years	**9,498**	8,122
After 5 years	**14,635**	13,262
Total	**27,063**	23,994

There are no future sublease payments expected to be received.

LHB as lessor

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

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

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.

	2012-13	**2012-13**	2011-12	2011-12
NHS	**Number**	**£000**	Number	£000
Total bills paid	**3,220**	**13,683**	3,319	13,980
Total bills paid within target	**3,203**	**13,570**	3,281	13,946
Percentage of bills paid within target	**99.5%**	**99.2%**	98.9%	99.8%
Non-NHS				
Total bills paid	**99,421**	**136,175**	102,995	167,513
Total bills paid within target	**97,003**	**133,484**	98,948	162,741
Percentage of bills paid within target	**97.6%**	**98.0%**	96.1%	97.2%
Total				
Total bills paid	**102,641**	**149,858**	106,314	181,493
Total bills paid within target	**100,206**	**147,054**	102,229	176,687
Percentage of bills paid within target	**97.6%**	**98.1%**	96.2%	97.4%

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

	2012-13	2011-12
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	**392**	0
Compensation paid to cover debt recovery costs under this legislation	**1226**	0
Total	**1618**	0

8. Investment Income

	2012-13	2011-12
	£000	£000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	0

9. Other gains and losses

	2012-13	2011-12
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	12	17
Gain/(loss) on disposal of intangible assets	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
Total	12	17

10. Finance costs

	2012-13	2011-12
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	11	13
Interest on obligations under PFI contracts		
main finance cost	85	91
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
Total interest expense	96	104
Provisions unwinding of discount	102	115
Other finance costs	0	0
Total	198	219

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2012	28,147	289,342	4,689	47,911	54,588	156	12,049	6,417	**443,299**
Indexation	0	0	0	0	0	0	0	0	**0**
Additions - purchased	443	12,862	0	6,733	3,387	0	3,361	1,375	**28,161**
Additions - donated	0	0	0	0	19	0	0	0	**19**
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	51,772	0	(51,720)	(33)	0	0	(19)	**0**
Revaluations	64	5,440	195	0	0	0	0	0	**5,699**
Impairments	(6,292)	(80,232)	(2,342)	(619)	0	0	0	0	**(89,485)**
Reclassified as held for sale	(400)	(70)	0	0	0	0	0	0	**(470)**
Disposals	0	0	0	0	(1,466)	(29)	(8)	0	**(1,503)**
At 31 March 2013	21,962	279,114	2,542	2,305	56,495	127	15,402	7,773	**385,720**
Depreciation at 1 April 2012	0	32,491	596	0	40,144	135	6,831	2,870	**83,067**
Indexation	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	9	0	0	(7)	0	0	(2)	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Impairments	0	(20,262)	(351)	0	0	0	0	0	**(20,613)**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	(1,466)	(29)	(8)	0	**(1,503)**
Provided during the year	0	7,370	69	0	4,003	8	1,529	635	**13,614**
At 31 March 2013	0	19,608	314	0	42,674	114	8,352	3,503	**74,565**
Net book value at 1 April 2012	28,147	256,851	4,093	47,911	14,444	21	5,218	3,547	**360,232**
Net book value at 31 March 2013	21,962	259,506	2,228	2,305	13,821	13	7,050	4,270	**311,155**
Net book value at 31 March 2013 comprises :									
Purchased	21,416	257,919	2,228	2,305	13,571	9	7,007	4,196	**308,651**
Donated	546	1,587	0	0	250	4	24	67	**2,478**
Government Granted	0	0	0	0	0	0	19	7	**26**
At 31 March 2013	21,962	259,506	2,228	2,305	13,821	13	7,050	4,270	**311,155**
Asset financing :									
Owned	21,727	257,370	994	2,305	13,821	13	7,050	4,270	**307,550**
Held on finance lease	0	514	0	0	0	0	0	0	**514**
On-SoFP PFI contracts	235	1,622	1,234	0	0	0	0	0	**3,091**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	21,962	259,506	2,228	2,305	13,821	13	7,050	4,270	**311,155**

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

	£000
Freehold	283,182
Long Leasehold	0
Short Leasehold	514
	283,696

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2011	29,732	233,797	4,509	104,980	56,314	163	10,698	4,367	**444,560**
Indexation	0	8,984	180	0	0	0	0	0	**9,164**
Additions - purchased	0	5,648	0	50,144	1,561	0	1,436	2,050	**60,839**
Additions - donated	0	25	0	0	0	0	6	0	**31**
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	107,213	0	(107,213)	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Impairments	(885)	(52,747)	0	0	0	0	0	0	**(53,632)**
Reclassified as held for sale	(700)	(13,578)	0	0	0	0	0	0	**(14,278)**
Disposals	0	0	0	0	(3,287)	(7)	(91)	0	**(3,385)**
At 31 March 2012	28,147	289,342	4,689	47,911	54,588	156	12,049	6,417	**443,299**
Depreciation at 1 April 2011	0	37,615	275	0	39,199	134	5,582	2,470	**85,275**
Indexation	0	706	11	0	0	0	0	0	**717**
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	0	0	0	0	0	0	0	**0**
Impairments	0	(798)	0	0	0	0	0	0	**(798)**
Reclassified as held for sale	0	(13,186)	0	0	0	0	0	0	**(13,186)**
Disposals	0	0	0	0	(3,280)	(7)	(91)	0	**(3,378)**
Provided during the year	0	8,154	310	0	4,225	8	1,340	400	**14,437**
At 31 March 2012	0	32,491	596	0	40,144	135	6,831	2,870	**83,067**
Net book value at 1 April 2011	29,732	196,182	4,234	104,980	17,115	29	5,116	1,897	**359,285**
Net book value at 31 March 2012	28,147	256,851	4,093	47,911	14,444	21	5,218	3,547	**360,232**
Net book value at 31 March 2012 comprises :									
Purchased	27,538	254,755	4,094	47,911	14,062	15	5,157	3,454	**356,986**
Donated	609	2,096	0	0	382	5	61	93	**3,246**
Government Granted	0	0	0	0	0	0	0	0	**0**
At 31 March 2012	28,147	256,851	4,094	47,911	14,444	20	5,218	3,547	**360,232**
Asset financing :									
Owned	27,997	254,887	838	47,911	14,441	20	5,218	3,547	**354,859**
Held on finance lease	0	194	0	0	3	0	0	0	**197**
On-SoFP PFI contracts	150	1,770	3,256	0	0	0	0	0	**5,176**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2012	28,147	256,851	4,094	47,911	14,444	20	5,218	3,547	**360,232**

The net book value of land, buildings and dwellings at 31 March 2012 comprises :

	£000
Freehold	288,898
Long Leasehold	0
Short Leasehold	194
	289,092

11.1 Property, plant and equipment (continued.)

1) Assets totalling £19,000 were purchased with donated funds:

	£'000
Endowment Funds - Medical Equipment - Theatres	19

2) Assets are restated to current value annually using indicies provided by the District Valuer via the Welsh Government. At five yearly intervals an independent professional valuation is undertaken of land and buildings.

- The last valuation was carried out as at 1st April 2012.
- The valuation was carried out by the Valuation Office Agency
- The basis of valuation for Specialised operational assets where there is no market-based evidence, the fair value is estimated using a depreciated replacement cost approach subject to the assumption of continuing use. For Non-specialised operational assets Existing Use Value is used.

3) During 2012/13 the following Impairments arose:

	£'000
Impairments of Assets under Construction:-	
Keir Hardie Health Park	11,919
Emergency Care Centre Prince Charles Hospital	8,513
Ysbyty Cwm Cynon	1,466
Wards 5 & 6 Prince Charles Hospital	2,713
Wards 1 & 2 Prince Charles Hospital	11,878
Other Impairments:-	
Downward DV revaluation not covered by Revaluation Reserve	12,524
Abandonment of Scheme - Renal Unit	639
Write down to OMV on Surplus Properties (see below)	2,189
Total Impairments	51,841

4)The majority of the above impairments relate to writedown to depreciated replacement cost on the completion of schemes. The remaining Impairments relate to District Valuer downward revaluation not covered by the Revaluation Reserve, abandonment of a scheme and write down to OMV on surplus properties. Impairments relating to owned assets are funded by the Welsh Government.

5) Assets reclassified as held for sale moved to Note 11.2

The Health Board previously deemed that Mountain Ash Hospital would become surplus to requirements during the financial year, upon completion of Ysbyty Cwm Cynon. The District Valuer's assessment of open market value for Mountain Ash Hospital was £210,000. During the year the following sites become surplus to requirements - Hollies HC, Hirwaun HC and Seymour Berry HC. These sites were valued by the District Valuer at OMV at £200,000, £150,000 and £50,000 respectively.

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2012	60	150	0	0	0	**210**
Plus assets classified as held for sale in the year	400	70	0	0	0	**470**
Revaluation	150	0	0	0	0	**150**
Less assets sold in the year	(610)	0	0	0	0	**(610)**
Less impairment of assets held for sale		(220)	0	0	0	**(220)**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2013	0	0	0	0	0	**0**
Balance brought forward 1 April 2011	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	700	393	0	0	0	**1,093**
Less assets sold in the year	0	0	0	0	0	**0**
Less impairment of assets held for sale	(640)	(243)	0	0	0	**(883)**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2012	60	150	0	0	0	**210**

The assets brought forward relate to Mountain Ash Hospital, which became available for sale as a consequence of the opening of Ysbyty Cwm Cynon and was subsequently sold in April 2012.

During the year the following sitess became available for sale - Hollies HC, Hirwaun HC and Seymour Berry HC. These sites were subsequently sold in February 2013, September 2012 and October 2012 respectively.

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2012	0	0	0	0	0	0	**0**
Revaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications	**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**
Gross cost at 31 March 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation at 1 April 2012	0	0	0	0	0	0	**0**
Revaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications	**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**
Amortisation at 31 March 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 1 April 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 31 March 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**
At 31 March 2013							
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**
Total at 31 March 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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
Cost or valuation at 1 April 2011	0	0	0	0	0	0	**0**
Revaluation	0	0	0	0	0	0	**0**
Reclassifications	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**
Gross cost at 31 March 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation at 1 April 2011	0	0	0	0	0	0	**0**
Revaluation	0	0	0	0	0	0	**0**
Reclassifications	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**
Amortisation at 31 March 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 1 April 2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 31 March 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**
At 31 March 2012							
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**
Total at 31 March 2012	**0**	**0**	**0**	**0**	**0**	**0**	**0**

12. Intangible non-current assets (continued)

There are no disclosures for intangible non-current assets.

13 . Impairments

	2012-13		2011-12	
	Property, plant & equipment £000	**Intangible assets £000**	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	**0**	0	**0**	0
Abandonment in the course of construction	**639**	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	**17,251**	0	**0**	0
Other - non current assets held for sale/disposal	**0**	0	**883**	0
Other - Write down to Depreciated Replacement Cost	**51,202**	0	**52,834**	0
Total of all impairments	**69,092**	0	**53,717**	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	**51,841**	0	**53,717**	0
Charged to Revaluation Reserve	**17,251**	0	**0**	0
	69,092	0	**53,717**	0

The Impairments under changes in market price relate to downward District Valuer revaluations.

The remainder of the impairments are listed in the narrative of note 11

14.1 Inventories

	31 March 2013	31 March 2012
	£000	£000
Drugs	**1,346**	1,328
Consumables	**2,166**	2,107
Energy	**70**	96
Work in progress	**0**	0
Other	**0**	0
Total	**3,582**	3,531
Of which held at realisable value	**0**	0

14.2 Inventories recognised in expenses

	31 March 2013	31 March 2012
	£000	£000
Inventories recognised as an expense in the period	**40**	55
Write-down of inventories (including losses)	**0**	0
Reversal of write-downs that reduced the expense	**0**	0
Total	**40**	**55**

15. Trade and other Receivables

Current	31 March 2013 £000 Cwm Taf HB activities	31 March 2013 £000 Total	31 March 2012 £000 Cwm Taf HB activities	31 March 2012 £000 Total
Welsh Government	401	401	910	910
WHSSC	189	0	253	0
Welsh Health Boards	3,100	7,941	4,049	8,547
Welsh NHS Trusts	515	523	128	335
Non - Welsh Trusts	3	615	16	507
Other NHS	139	139	69	69
Welsh Risk Pool	40,532	40,532	23,685	23,685
Local Authorities	1,937	1,937	1,386	1,386
Capital debtors	0	0	0	0
Other debtors	4,626	4,627	5,294	5,337
Provision for irrecoverable debts	(1,130)	(1,130)	(990)	(990)
Pension Prepayments	0	0	0	0
Other prepayments and accrued income	1,741	1,741	2,029	2,029
Sub total	**52,053**	**57,326**	36,829	41,815
Non-current				
Welsh Government	0	0	0	0
WHSSC	0	0	0	0
Welsh Health Boards	0	0	0	0
Welsh NHS Trusts	0	0	0	0
Non - Welsh Trusts	0	0	0	0
Other NHS	0	0	0	0
Welsh Risk Pool	1,912	1,912	4,978	4,978
Local Authorities	0	0	0	0
Capital debtors	0	0	0	0
Other debtors	0	0	0	0
Provision for irrecoverable debts	0	0	0	0
Pension Prepayments	0	0	0	0
Other prepayments and accrued income	200	200	214	214
Sub total	**2,112**	**2,112**	5,192	5,192
Total	**54,165**	**59,438**	42,021	47,007

Receivables past their due date but not impaired

By up to three months	490	522	905	2,235
By three to six months	19	54	41	0
By more than six months	46	46	193	295
	555	**622**	1,139	2,530

Provision for impairment of receivables

Balance at 1 April	(990)	(990)	(891)	(907)
Amount written off during the year	5	5	20	36
Amount recovered during the year	46	46	127	127
(Increase) / decrease in receivables impaired	(191)	(191)	(246)	(246)
Balance at 31 March	(1,130)	(1,130)	(990)	(990)

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

16. Trade and other payables

Current	31 March 2013 £000 Cwm Taf HB activities	31 March 2013 £000 Total	31 March 2012 £000 Cwm Taf HB activities	31 March 2012 £000 Total
Welsh Government	**62**	**62**	110	110
WHSSC	**251**	**0**	497	0
Welsh Health Boards	**2,114**	**6,624**	2,765	8,587
Welsh NHS Trusts	**572**	**2,238**	851	911
Other NHS	**681**	**8,923**	710	9,644
Income tax and social security	**5,878**	**5,929**	6,114	6,168
Non-NHS creditors	**5,737**	**7,754**	3,087	4,679
Local Authorities	**624**	**624**	1,827	1,827
Capital Creditors	**6,789**	**6,789**	3,654	3,654
Overdraft	**0**	**0**	0	0
Rentals due under operating leases	**0**	**0**	0	0
Obligations under finance leases, HP contracts and PFI contracts	**163**	**163**	156	156
Pensions: staff	**4,058**	**4,058**	3,709	3,709
Accruals	**29,066**	**30,119**	27,402	28,419
Deferred Income	**108**	**108**	166	166
Other creditors	**2,271**	**2,271**	2,953	2,953
Total	**58,374**	**75,662**	54,001	70,983
Non-current				
Welsh Government	**0**	**0**	0	0
WHSSC	**0**	**0**	0	0
Welsh Health Boards	**0**	**0**	0	0
Welsh NHS Trusts	**0**	**0**	0	0
Other NHS	**0**	**0**	0	0
Income tax and social security	**0**	**0**	0	0
Non-NHS creditors	**0**	**0**	0	0
Local Authorities	**0**	**0**	0	0
Capital Creditors	**0**	**0**	0	0
Overdraft	**0**	**0**	0	0
Rentals due under operating leases	**0**	**0**	0	0
Obligations under finance leases, HP contracts and PFI contracts	**2,429**	**2,429**	2,591	2,591
Pensions: staff	**0**	**0**	0	0
Accruals	**0**	**0**	0	0
Deferred Income	**0**	**0**	0	0
Other creditors	**0**	**0**	0	0
Total	**2,429**	**2,429**	2,591	2,591

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

17. Provisions

	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
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	**22,787**	**0**	**(2,663)**	**3,893**	**38,136**	**(7,292)**	**(18,160)**	**0**	**36,701**
Personal injury	**846**	**0**	**0**	**168**	**1,284**	**(687)**	**(249)**	**1**	**1,363**
All other losses and special payments	**541**	**0**	**0**	**0**	**368**	**(903)**	**(6)**	**0**	**0**
Defence legal fees and other administration	**941**	**0**	**0**	**143**	**1,050**	**(378)**	**(671)**		**1,085**
Pensions relating to former directors	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Pensions relating to other staff	**221**			**240**	**0**	**(229)**	**(3)**	**0**	**229**
Restructuring	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Other	**4,210**			**1,179**	**1,605**	**(844)**	**(2,041)**		**4,109**
Total	**29,546**	**0**	**(2,663)**	5,623	42,443	(10,333)	(21,130)	**1**	**43,487**
Non Current									
Clinical negligence	**4,770**	**0**	**0**	**(3,893)**	**950**	**0**	**0**	**0**	**1,827**
Personal injury	**2,253**	**0**	**0**	**(168)**	**497**	**(204)**	**(5)**	**63**	**2,436**
All other losses and special payments	**0**	**0**	**0**	**0**	**346**	**0**	**0**	**0**	**346**
Defence legal fees and other administration	**253**	**0**	**0**	**(143)**	**64**	**(4)**	**(1)**		**169**
Pensions relating to former directors	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Pensions relating to other staff	**1,120**			**(240)**	**15**	**0**	**(19)**	**38**	**914**
Restructuring	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Other	**3,657**			**(1,179)**	**882**	**0**	**(2,003)**		**1,357**
Total	**12,053**	**0**	**0**	**(5,623)**	**2,754**	**(208)**	**(2,028)**	**101**	**7,049**
TOTAL									
Clinical negligence	**27,557**	**0**	**(2,663)**	**0**	**39,086**	**(7,292)**	**(18,160)**	**0**	**38,528**
Personal injury	**3,099**	**0**	**0**	**0**	**1,781**	**(891)**	**(254)**	**64**	**3,799**
All other losses and special payments	**541**	**0**	**0**	**0**	**714**	**(903)**	**(6)**	**0**	**346**
Defence legal fees and other administration	**1,194**	**0**	**0**	**0**	**1,114**	**(382)**	**(672)**		**1,254**
Pensions relating to former directors	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Pensions relating to other staff	**1,341**			**0**	**15**	**(229)**	**(22)**	**38**	**1,143**
Restructuring	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Other	**7,867**			**0**	**2,487**	**(844)**	**(4,044)**		**5,466**
Total	**41,599**	**0**	**(2,663)**	**0**	**45,197**	**(10,541)**	**(23,158)**	**102**	**50,536**

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2014	Between 1 April 2014 31 March 2019	Between 1 April 2019 31 March 2024	Thereafter	Total
					£000
Clinical negligence	36,701	1,827	0	0	**38,528**
Personal injury	1,363	803	1,633	0	**3,799**
All other losses and special payments	0	346	0	0	**346**
Defence legal fees and other administration	1,085	169	0	0	**1,254**
Pensions relating to former directors	0	0	0	0	**0**
Pensions relating to other staff	229	914	0	0	**1,143**
Restructuring	0	0	0	0	**0**
Other	4,109	1,357	0	0	**5,466**
Total	**43,487**	**5,416**	**1,633**	**0**	**50,536**

The expected timing of cashflows are based on best available information; but they could change on the basis of individual case changes.

The Legal & Risk Service (part of the NHS Wales Shared Service Partnership) provide details of Clinical Negligence and Personal Injury cases including estimated settlement amounts and the timing of the cashflow.
The provision for Permanent Injury Benefit is supplied by NHS Pensions Agency.

The Clinical Negligence provision arising from Redress and included in the Clinical Negligence provision above amounts to £63,840.

Other provisions include £4148k for continuing healthcare claims

The LHB estimates that in 2013-2014 it will receive £36,564,409 and in 2014-2015 and beyond £1,912,201 from the Welsh Risk Pool in respect of losses and special payments cases (including clinical negligence).

In addition to the provisions shown above, contingent liabilities are given in the 'Contingent liabilities' note.

17. Provisions (continued)

	At 1 April 2011	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 2012
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	19,282	0	0	7,236	9,731	(4,083)	(9,379)	0	**22,787**
Personal injury	1,052	0	0	(25)	1,548	(1,400)	(400)	71	**846**
All other losses and special payments	223	0	0	0	3,128	(2,354)	(456)	0	**541**
Defence legal fees and other administration	921	0	0	(15)	686	(315)	(336)		**941**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	215			6	0	0	0	0	**221**
Restructuring	0			0	0	0	0	0	**0**
Other	876			886	3,421	(22)	(951)		**4,210**
Total	**22,569**	**0**	**0**	**8,088**	**18,514**	**(8,174)**	**(11,522)**	**71**	**29,546**
Non Current									
Clinical negligence	8,586	0	0	(7,236)	3,686	(251)	(15)	0	**4,770**
Personal injury	2,617	0	0	25	162	(177)	(374)	0	**2,253**
All other losses and special payments	0	0	0	0	0	0	0	0	**0**
Defence legal fees and other administration	73	0	0	15	169	(3)	(1)		**253**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	1,342			(6)	(39)	(221)	0	44	**1,120**
Restructuring	0			0	0	0	0	0	**0**
Other	4,545			(886)	1,927	0	(1,929)		**3,657**
Total	**17,163**	**0**	**0**	**(8,088)**	**5,905**	**(652)**	**(2,319)**	**44**	**12,053**
TOTAL									
Clinical negligence	27,868	0	0	0	13,417	(4,334)	(9,394)	0	**27,557**
Personal injury	3,669	0	0	0	1,710	(1,577)	(774)	71	**3,099**
All other losses and special payments	223	0	0	0	3,128	(2,354)	(456)	0	**541**
Defence legal fees and other administration	994	0	0	0	855	(318)	(337)		**1,194**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	1,557			0	(39)	(221)	0	44	**1,341**
Restructuring	0			0	0	0	0	0	**0**
Other	5,421			0	5,348	(22)	(2,880)		**7,867**
Total	**39,732**	**0**	**0**	**0**	**24,419**	**(8,826)**	**(13,841)**	**115**	**41,599**

18. Cash and cash equivalents

	2012-13 £000 Cwm Taf HB activities	2012-13 £000 Total	2011-12 £000 Cwm Taf HB activities	2011-12 £000 Total
Balance at 1 April	192	346	840	2,545
Net change in cash and cash equivalent balances	11	30	(648)	(2,199)
Balance at 31 March	203	376	192	346
Made up of:				
Cash held at GBS	123	296	153	307
Commercial banks and cash in hand	80	80	39	39
Current Investments	0	0	0	0
Cash and cash equivalents as in Statement of Financial Position	203	376	192	346
Bank overdraft - GBS	0	0	0	0
Bank overdraft - Commercial banks	0	0	0	0
Cash and cash equivalents as in Statement of Cash Flows	203	376	192	346

19. Other Financial Assets

	Current		Non-current	
	31 March 2013 £000 Cwm Taf HB activities	31 March 2012 £000 Total	31 March 2013 £000 Cwm Taf HB activities	31 March 2012 £000 Total
Financial assets				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through SoCNE	0	0	0	0
Held to maturity investments carried at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
	0	0	0	0

20. Other assets

	Current		Non-current	
	31 March 2013 £000 Cwm Taf	31 March 2012 £000 Total	31 March 2013 £000 Cwm Taf	31 March 2012 £000 Total
Carbon Reduction Commitment Scheme	0	0	0	0
Other assets	0	0	0	0
	0	0	0	0

21. Other liabilities

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Lease incentives	**0**	0	**0**	0
PFI asset -deferred credit	**0**	0	**0**	0
Other [specify]	**0**	0	**0**	0
	0	0	**0**	0

22. Other financial liabilities

Financial liabilities	**31 March 2013**	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Financial assets carried at fair value through SoCNE	**0**	0	**0**	0
	0	0	**0**	0

23. Related Party Transactions

During the year none of the Board members or members of the key management staff or parties related to them has undertaken any material transactions with the Local Health Board.

The Welsh Government is regarded as a related party. During the year Cwm Taf 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,

	2012-13 Payments to related party £000	2012-13 Receipts from related party £000	31 March 2013 Amounts owed to related party £000	31 March 2013 Amounts due from related party £000
Welsh Assembly Government	214	570,999	62	401
WHSSC (see below)	53,054	6,492	251	189
NHS Trusts				
Public Health Wales	225	1,727	135	63
Velindre	8,268	2,011	434	443
Welsh Ambulance Services	1,439	61	3	10
Local Health Boards				
ABMU	8,769	8,017	612	933
Aneurin Bevan	895	20,682	41	485
Betsi Cadwaladwr	52	106	5	40
Cardiff & Vale	21,495	7,099	1,430	1,357
Hywel Dda	307	226	15	12
Powys	29	1,343	10	273
TOTAL	94,747	618,763	2,998	4,206

In addition, the Local Health Board has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with:

Rhondda Cynon Taf County Borough Council	6,437	4,136	528	1,596
Merthyr Tydfil County Borough Council	1,890	870	72	301

The LHB has also received revenue payments from Cwm Taf NHS Charitable Funds totalling £0.283m (£0.39m in 2011-12) the Trustees for which are also members of the Board.

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

Name	Details	Interests
Professor Vivienne Harpwood	Vice Chair	Professor of Law, Cardiff University
Dr Chris D V Jones	Chairman	Partner at Taff Vale Medical Practice until August 2012
Mrs Allison Williams	Chief Executive	Husband is employee of Welsh Ambulance Services Trust
Mr David Lewis	Director of Finance and Procurement	Non executive member of the Board, University of Glamorgan Member of Audit Committee, Cardiff University
Cllr Clive Jones	Independent Member	Councillor of Merthyr Tydfil County Borough Council Member of Merthyr Tydfil & the Valley's Mind Member of Crossroads Care Cwm Taf
Professor Donna Mead	Independent Member	Dean of Faculty of Health Sport and Science, University of Glamorgan
Mr Geoffrey Bell	Independent Member	Member of the Board, Interlink
Cllr Michael Forey	Independent Member	Councillor of Rhondda Cynon Taf County Borough Council
Dr. Chris Turner	Independent Member	Director of Student Services & Governance, Cardiff University
Mrs Maria Thomas	Independent Member	Trustee on Voluntary Action Merthyr Tydfil Board
Mr John Hill-Tout	Independent Member	Independent Board Member, WHSSC

Total value of transactions with these related parties:

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Cardiff University	396	502	43	98
Taff Vale Medical Practice	0	3	0	0
University of Glamorgan	67	366	0	34
Interlink	162	0	0	0
Merthyr & the Valley's Mind	238	2	0	2
Crossroads Care Cwm Taf	14	2	0	0
Voluntary Action Merthyr Tydfil	61	0	15	0

23. Related Party Transactions(cont.)

WHSSC is a statutory sub-committee of each of the 7 Local Health Boards in Wales. Therefore, any related transactions would form part of each LHB's statutory financial statements.
Whilst WHSSC has an executive team these are not executive directors and they are employed by Cwm Taf LHB as the host organisation.
During 2012/2013, the WHSSC Joint Committee adopted a risk sharing approach which is applied to all financial transactions.
In accordance with the Joint Committee's Standing Orders, the Joint Committee must agree the total budget to plan and secure the relevant services delegated to it. The Joint Committee must also agree the appropriate contribution of funding required from each LHB.

Each LHB will be required to make available to the Joint Committee the level of funds outlined in the annual plan.

The income received from each LHB during 2012/2013 as per note 4 is as follows

	Cardiff and Vale	Abertawe Bro Morgannwg	Cwm Taf	Aneurin Bevan	Hywel Dda	Powys	Betsi Cadwalladr	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Income allocation	104,149	98,354	53,041	106,629	66,605	27,297	131,005	587,080

Expenditure incurred by WHSSC with providers of tertiary and specialist services is as follows

	£000's
Cardiff and Vale LHB	174,440
Aneurin Bevan LHB	3,033
Betsi Cadwalladr LHB	33,441
Abertawe Bro Morgannwg LHB	83,561
Cwm Taf LHB	6,324
Hywel Dda LHB	535
Powys LHB	184
Public Health Wales NHS Trust	35
Velindre NHS Trust	29,681
Welsh Ambulance Services NHS Trust	116,286
Total Welsh Organisations	**447,520**

Members of the Joint Committee for 2012/2013

LHB Chief Executives have voting rights on the committee while Trust Chief Executives are associate members only
During 2012/2013 WHSSC has entered into material transactions with the organisations represented as listed above

Dr Andrew Goodall	Member		Chief Executive Aneurin Bevan LHB
Mr Andrew Cottom	Member		Chief Executive Powys Teaching LHB
Mrs Mary Burrows	Member		Chief Executive Betsi Cadwalladr UHB
Mrs Allison Williams	Member		Chief Executive Cwm Taf LHB
Mr Paul Hollard	Member	to June 2012	Interim Chief Executive Cardiff and Vale UHB
Mr Adam Cairns	Member	from July 2012	Chief Executive Cardiff and Vale UHB
Mr Trevor Purt	Member		Chief Executive Hywel Dda LHB
Mr Paul Roberts	Member		Chief Executive Abertawe Bro Morgannwg UHB

The following are Associate Members only and therefore have no voting rights on the Joint Committee

Mr Elwyn Price-Morris	Associate Member	Chief Executive Welsh Ambulance NHS Trust
Mr Bob Hudson	Associate Member	Chief Executive Public Health Wales
Mr Simon Dean	Associate Member	Chief Executive Velindre NHS Trust

Members With a Declared Interest

Mr John Hill-Tout	Independent Member	Independent Board Member, Cwm Taf LHB
Mr David Jenkins	Independent Member	Chairman of Aneurin Bevan Health Board
Dr Lyndon Miles	Independent Member	Independent Board Member, Betsi Cadwalladr LHB

Apart from the transactions listed above, no Member or Associate Member of the Joint Committee has declared an interest in any other party that transacts with WHSSC.

24. Third Party assets

The LHB held £31,904 cash at bank and in hand at 31 March 2013 (31 March 2012: £ 54,676) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £127,983 at 31st March 2013 (31 March 2012 : £144,001), 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
2012-13 :				
Welsh Government	401	0	62	0
Welsh Local Health Boards	7,941	0	6,624	0
Welsh NHS Trusts	4,490	0	2,238	0
Welsh Health Special Services Committee	0	0	0	0
All English Health Bodies	747	0	12,970	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	6	0	11	0
Miscellaneous	3	0	0	0
Credit note provision	0	0	0	0
Sub total	**13,588**	**0**	**21,905**	**0**
Other Central Government Bodies				
Other Government Departments	65	0	18	0
Revenue & Customs	484	0	5,930	0
Local Authorities	1,937	0	624	0
Balances with Public Corporations and trading funds	0	0	1	0
Balances with bodies external to Government	41,252	2,112	47,184	2,429
TOTAL	**57,326**	**2,112**	**75,662**	**2,429**
2011-12 :				
Welsh Government	910	0	110	0
Welsh Local Health Boards	9,782	0	8,587	0
Welsh NHS Trusts	335	0	911	0
Welsh Health Special Services Committee	0	0	0	0
All English Health Bodies	573	0	13,343	0
All N. Ireland Health Bodies	0	0	9	0
All Scottish Health Bodies	3	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	11,603	0	22,960	0
Other Central Government Bodies				
Other Government Departments	128	0	5	0
Revenue & Customs	544	0	6,197	0
Local Authorities	1,386	0	1,827	0
Balances with Public Corporations and trading funds	0	0	3	0
Balances with bodies external to Government	28,154	5,192	39,991	2,591
TOTAL	41,815	5,192	70,983	2,591

26. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2013		Approved to write-off to 31 March 2013	
	Number	£	Number	£
Clinical negligence	98	7,293,607	56	7,981,970
Personal injury	86	890,566	53	1,022,752
All other losses and special payments	215	907,342	210	809,712
Total	399	9,091,515	319	9,814,434

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

Cases exceeding £250,000		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Case Ref	Case Type			
01RRSMN0016	MN	295,000	2,024,182	2,024,182
02RRSMN0007	MN	730,000	865,000	865,000
03RRSMN0007	MN	368,710	391,210	0
03RRSPI0020	PI	41,790	414,589	0
04RRSMN0038	MN	13,960	588,960	0
05RRSMN0014	MN	500,000	1,115,437	0
06RVEMN0009	MN	40,000	1,515,110	0
06RVEMN0014	MN	0	490,000	490,000
07RRSMN0014	MN	0	310,613	310,613
08RRSPI0014	PI	66,300	386,886	386,886
09RVEMN0007	MN	232,471	295,360	0
10RYLMN0013	MN	340,000	340,000	0
10RYLMN0035	MN	232,250	354,050	0
10RYLMN0039	MN	2,644,869	2,644,869	2,644,869
11RYLMN0003	MN	247,355	360,000	0
Sub-total		**5,752,705**	**12,096,266**	**6,721,550**
All other cases		3,338,810	7,103,158	3,092,884
Total cases		**9,091,515**	**19,199,424**	**9,814,434**

27. Contingencies

27.1 Contingent liabilities

Provisions have not been made in these accounts for the following amounts :	**2012-13 £'000**	2011-12 £'000
Legal claims for alleged medical or employer negligence	**84,814**	69,183
Doubtful debts	**0**	0
Equal Pay costs	**0**	0
Defence costs	**1,718**	1,247
Continuing Health Care costs	**5,192**	3,437
Other	**2,303**	802
Total value of disputed claims	**94,027**	74,669
Amounts recovered in the event of claims being successful	**82,160**	66,864
Net contingent liability	**11,867**	7,805

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims c annot be determined and no provision has been made for them.
Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the N HS Pensions Agency could arise due to known incidents.

CONTINGENT LIABILITY -CHC

Potential liabilities for Continuing Care costs continue to be a significant financial issue for the Local Health Board(LHB).
The LHB is is dealing with 304 claims relating to periods post 1 April 2003. The assessment of these cases is £5.192m is a co ntingent liability (above) and £4.148m is a provision (included in Note 17). Any claims that relate to periods prior to this date will be accounted for elsewhere within the NHS Wales economy in accordance with Welsh Government requirements.
There are potentially further claims that may be received in the future in respect of the period post 1 April 2003. However t his cannot be estimated.

Other

The significant amounts in other includes £1.48m relating to capital contract disputes. A total of £0.82m relates to individ ual patient commissioning agreements entered into by WHSSC.

27.2 Contingent assets

	2012-13 £'000	2011-12 £'000
	0	0
	0	0
	0	0
	0	0

28. Capital commitments

Contracted capital commitments at 31 March	**2012-13 £'000**	2011-12 £'000
Property, plant and equipment	**616**	13,738
Intangible assets	**0**	0
	616	13,738

29. Finance leases

29.1 Finance leases obligations (as lessee)

The Buildings finance lease reported on page 50 includes building improvements to the Dental Teaching Unit. There are no other significant leasing arrangements which require further disclosure.

Amounts payable under finance leases:

Land	**31 March 2013 £000**	31 March 2012 £000
Minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
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	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

29.1 Finance leases obligations (as lessee) continued

Amounts payable under finance leases:

Buildings	**31 March 2013**	31 March 2012
Minimum lease payments	**£000**	£000
Within one year	**53**	54
Between one and five years	**131**	156
After five years	**24**	52
Less finance charges allocated to future periods	**(26)**	(37)
Minimum lease payments	**182**	225
Included in:		
Current borrowings	**44**	43
Non-current borrowings	**138**	182
	182	**225**
Present value of minimum lease payments		
Within one year	**44**	43
Between one and five years	**114**	133
After five years	**24**	49
Present value of minimum lease payments	**182**	225
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**

Other	**31 March 2013**	31 March 2012
Minimum lease payments	**£000**	£000
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	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**
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	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**

29.2 Finance lease receivables (as lessor)

.The Local Health Board has no Finance leases where the Local Health Board acts as a lessor.

Amounts receivable under finance leases:

	31 March 2013 £000	31 March 2012 £000
Gross investment in leases		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

The Local Health Board has no PFI schemes off-statement of Financial Position.

30.2 PFI schemes on-Statement of Financial Position

Capital value of schemes included in Fixed Assets Note 11

	£000
Staff Residences - Royal Glamorgan Hospital	1,469
Contract start date:	**09/10/1998**
Contract end date:	**21/09/2028**

Scheme Description

The staff residences scheme covers the design, build, financing and operation of staff accommodation on the Royal Glamorgan Hospital site. A project agreement was entered into with Charter Housing Association on the 9th October 1998.

	£000
Combined Heat and Power Plant-Prince Charles Hospital	1,622
Contract start date:	01/04/2004
Contract end date:	31/03/2029

Scheme Description

The contract is for the installation, operation, maintenance and ownership of a Combined Heat and Power plant and the complete management and operation of a central boiler plant installation, light fittings and building management system on the Prince Charles Hospital site. The contract includes performanace guarantees for the supply of hot water and electricity.

The charging structure requires the LHB to pay for heat (in the form of hot water) created from the electricity generated by the Combined Heat and Power plant being supplied free of charge to the LHB.

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

	31 March 2013	31 March 2012
	£000	£000
Not later than one year	**198**	198
Later than one year, not later than five	**794**	794
Later than five years	**2,040**	2,239
Sub total	**3,032**	3,231
Less: interest element	**623**	709
Total	**2,409**	2,522

30.3 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position PFI contracts was £346k (prior year £330k).

The LHB is committed to the following annual charges

	31 March 2013	31 March 2012
	£000	£000
PFI scheme expiry date:		
Not later than one year	**0**	0
Later than one year, not later than five years	**0**	0
Later than five years	**351**	337
Total	**351**	337

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

30.4 The LHB has no Public Private Partnerships

31. Pooled budgets

The Health Board has entered into a pooled budget with

Rhondda Cynon Taf County Borough Council
Merthyr Tydfil County Borough Council
Bridgend County Borough Council
Abertawe Bro Morgannwg University Local Health Board

Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an Intergrated Community Equipment Service. The service is to enable children and adults who require assistance to perform essential activities of daily living to maintain their health and autonomy and to live life as full as possible. The equpment provided can include, but is not limited to

- Community home nursing equipment
- Equipment for daily living
- Physiotherapy living
- Static Seating

A memorandum note to the accounts provides details of the joint income and expenditure.

The pool is hosted by Rhondda Cynon Taf County Borough Council. The financial operation of the pool is governed by a pooled budget agreement between the aboved named organisations and the Health Board. The Health Board accounts for its share of contributions to the budget in expenditure. Contributions are based on each individual organisations forecast activities. Assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

Funding	2012-13 £'000
Rhondda Cynon Taf County Borough Council	1,141
Merthyr Tydfil County Borough Council	151
Bridgend County Borough Council	472
Abertawe Bro Morgannwg University Local Health Board	201
Cwm Taf Local Health Board	168
Total	2,133
Expenditure	
Provision of community equipment services within Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Boroughs.	2,142
Pooled Budget deficit carried forward to 2013-14	(9)

32. Financial Instruments

Financial assets	At "fair value" through SoCNE	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	0	9,619	0	9,619
Cash at bank and in hand	0	376	0	376
Other financial assets	0	47,878	0	47,878
Total at 31 March 2013	0	57,873	0	57,873

Financial liabilities	At "fair value" through SoCNE	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	72,054	72,054
Total at 31 March 2013	0	72,054	72,054

Financial assets	At "fair value" through SoCNE	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	0	10,368	0	10,368
Cash at bank and in hand	0	346	0	346
Other financial assets	0	34,396	0	34,396
Total at 31 March 2012	0	45,110	0	45,110

Financial liabilities	At "fair value" through SoCNE	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	67,240	67,240
Total at 31 March 2012	0	67,240	67,240

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 LHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

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

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

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

Liquidity risk
The LHB 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 LHB is not, therefore, exposed to significant liquidity risks.

34. Movements in working capital

	2012-13 £000 Cwm Taf HB activities	2012-13 £000 Total	2011-12 £000 Cwm Taf HB activities	2011-12 £000 Total
(Increase)/decrease in inventories	(51)	(51)	101	101
(Increase)/decrease in trade and other receivables - non - current	3,080	3,080	3,718	3,718
(Increase)/decrease in trade and other receivables - current	(15,224)	(15,511)	(2,797)	(4,552)
(Increase)/decrease in other current assets	0	0	0	0
Increase/(decrease) in trade and other payables - non - current	(162)	(162)	(116)	(116)
Increase/(decrease) in trade and other payables - current	4,373	4,679	(317)	(113)
Increase/(decrease) in other current liabilities	0	0	0	0
Increase/(decrease) in assets held for sale	0	0	0	0
Total	(7,984)	(7,965)	589	(962)
Adjustment for accrual movements in fixed assets -creditors	(3,135)	(3,135)	62	62
Adjustment for accrual movements in fixed assets -debtors	0	0	0	0
Other adjustments	156	156	93	93
	(10,963)	(10,944)	744	(807)

35. Other cash flow adjustments

	2012-13 £000 Cwm Taf HB activities	2012-13 £000 Total	2011-12 £000 Cwm Taf HB activities	2011-12 £000 Total
Depreciation	13,614	13,614	14,437	14,437
Amortisation	0	0	0	0
(Gains)/Loss on Disposal	-12	-12	-17	-17
Impairments and reversals	51,841	51,841	53,717	53,717
Release of PFI deferred credits	0	0	0	0
Donated assets received credited to revenue but non-cash	(19)	(19)	(23)	(23)
Government Grant assets received credited to revenue but non-cash	0	0	0	0
Non-cash movements in provisions	21,181	21,181	8,221	8,221
Total	86,605	86,605	76,335	76,335

36. Cash flow relating to exceptional items

Provide details of each exceptional item.

37. Events after the Reporting Period

38. Operating segments

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

The following information segments the results of Cwm Taf Local Health Board by:-
- Healthcare activities
-Welsh Health Specialised Services Committee (WHSSC)

Operating Costs

	Healthcare activities	WHSSC	Inter-segment transactions	Cwm Taf LHB Total
	£'000	£'000	£'000	£'000
Expenditure on primary healthcare services	132,894	0	0	132,894
Expenditure on healthcare from other providers	121,540	583,758	(59,365)	645,933
Expenditure on hospital and community health services	417,850	3,328	(131)	421,047
	672,284	587,086	(59,496)	1,199,874
Less: Miscellaneous Income	(75,460)	(587,086)	59,496	(603,050)
LHB net operating costs before interest and other gains and losses	596,824	0	0	596,824
Investment Income	0	0	0	0
Other (Gains) / Losses	(12)	0	0	(12)
Finance costs	198	0	0	198
Net operating costs for the financial year	597,010	0	0	597,010

Net Assets

	£'000	£'000	£'000	£'000
Total non-current assets	313,267	0	0	313,267
Total current assets	55,838	5,886	(440)	61,284
Total current liabilities	(101,861)	(17,728)	440	(119,149)
Total non-current liabilities	(9,478)	0	0	(9,478)
Total assets employed	257,766	(11,842)	0	245,924
Total taxpayers' equity	257,766	(11,842)	0	245,924

39. Other Information

At 1 June 2012 the following functions:

Welsh Health Estates
Procure to Pay Services comprising Accounts Payable and Procurement Services
Payroll and Recruitment Services
Internal Audit Services

and their associated asset and liabilities were transferred from Cwm Taf LHB to Velindre NHS Trust to form NHS Wales Shared Services.

Ninety six staff transferred as part of the move.

In accordance with the FReM, the transfer of functions were treated using absorption accounting, adapted for the issue of PDC. Therefore all transactions and balances related to these functions prior to 1st June 2012 are accounted for within the Cwm Taf LHB Financial Statements and thereafter within Velindre NHS Trust Financial Statements.

Value of assets transferred to Velindre NHS Trust on 1st June 2012 £13k
Amounts received from Velindre NHS Trust for assets transferred £13k

Transactions included within these Financial Statements relating to the functions transferred are

	2012-13 £'000
Income	852
Expenditure	852

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: 5th June 2013 Chief Executive: Mrs A Williams

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 LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury

- make judgements and estimates which are responsible and prudent

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

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

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

By Order of the Board

Signed:

Chairman: Dr CDV Jones Dated: 5th June 2013

Chief Executive: Mrs A Williams Dated: 5th June 2013

Director of Finance: Mr S Webster Dated: 5th June 2013

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 Cwm Taf Local Health Board for the year ended 31 March 2013 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 61 and 62], 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 Cwm Taf 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 Cwm Taf Local Health Board as at 31st March 2013 and of its net operating costs, its recognised gains and losses and cash flows for the year then ended; and
• have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on Regularity

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

Opinion on other matters

In my opinion:

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

Report

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

Huw Vaughan Thomas
Auditor General for Wales
11 June 2013

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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

GOVERNANCE STATEMENT 2012-13

1. SCOPE OF RESPONSIBILITY

Local Health Boards are statutory bodies established by and accountable to the Welsh Government. Cwm Taf Health Board (the Health Board) was established on 1 October 2009 and provides a full range of hospital and community based services to the residents of Rhondda Cynon Taff and Merthyr Tydfil.

The Health Board is responsible for providing, planning and where appropriate commissioning health services to its local population of approximately 289,000 people. Services are provided also to the people of South Powys, North Rhymney, North Cardiff and other adjacent Health Board areas and in addition some specialist services are provided to the wider catchment area of South Wales.

The Health Board hosts the Welsh Health Specialised Services Committee (WHSSC), a joint committee of the 7 Local Health Boards which was established in April 2010. WHSSC is responsible for the joint planning and commissioning of over £500m of specialised and tertiary health care services on an all Wales basis. Their Governance Statement is attached.

The Health Board is led by a Chairman, Chief Executive and a Board of Executive Directors, Independent Members and Associate Members. The Chairman, Vice Chairman, Independent Members and Associate Members are appointed for fixed term periods by the Welsh Government. Each Independent Member has a specific area of responsibility as set out in the table below: -

Dr C D V Jones Chairman	• Chairs the Health Board and Remuneration & Terms of Service Committee. • Champion for the Welsh Language
Professor V Harpwood Vice Chair	• Expertise in Primary Care, Community and Mental Health services • Chairs the Mental Health Act Monitoring Committee and the IPFR Panel • Member of the Clinical Governance Committee • Champion for Organ Donation • Mental Health Act Manager

Cllr R Roberts Independent Member (upto 04/05/12)	• Expertise in Local Authority matters • Chairs the Corporate Risk Committee • Champion for the Rhondda Locality and Capital (Environment) • Mental Health Act Manager
Cllr M Forey Independent Member (from 01/03/13)	• Expertise in Local Authority matters
Mr J Hill-Tout Independent Member	• Expertise in Finance • Chairs the Finance & Performance Committee and Major Capital Programme Board • Member of the WHSSC Joint Committee and Audit Lead for WHSSC • Member of the Audit Committee • Champion for Capital (Design) • Mental Health Act Manager
Mr A Seculer Independent Member	• Expertise in Legal issues • Chair Integrated Governance Committee, Chair of the Corporate Risk Committee, Member of the Finance & Performance Committee, Local Authority Scrutiny Panel on Domestic Abuse, Primary Care Reference Panel • Chair of the Concerns (Claims) Panel • Member of the Concerns (Complaints) Panel • Champion for Children, Equality & Diversity and Violence & Aggression • Mental Health Act Manager
Mr G Bell Independent Member	• Expertise in community issues • Chair of the Audit Committee • Member of the Clinical Governance Committee • Champion for Patient Public Involvement, the Taff Ely Locality and the RCT Compact • Mental Health Act Manager
Cllr C Jones Independent Member	• Expertise in community issues • Chair of the Clinical Governance Committee • Member of the Audit Committee and Finance & Performance Committee • Champion for Cleanliness, Hygiene and Infection Control, the Corporate Health Standard and the Merthyr Tydfil Locality • Mental Health Act Manager

Mrs M Thomas Independent Member	• Expertise in the Third Sector • Member of Corporate Risk Committee and Finance and Performance Committee • Champion for Vulnerable Adults, Carers, the Cynon Valley Locality and the Merthyr Tydfil Compact • Chair of Emergency Care Centre at Prince Charles Hospital Inspection Team • Mental Health Act Manager
Mrs G Jones Independent Member	• Trade Union representative • Member of the Audit Committee and the Corporate Risk Committee
Professor D Mead Independent Member	• Expertise in community issues • Member of the Clinical Governance Committee and the Concerns (Complaints) Panel • Champion for Information Governance, Freedom of Information and the Armed Forces / Veterans Health • Mental Health Act Manager
Dr C Turner Independent Member	• University representative • Member of the Corporate Risk Committee

Associate Members, appointed by the Minister for Health and Social Services attend Board meetings on an ex-officio basis but have no voting rights and these are as follows: -

- A Director of Social Services nominated by the Local Authorities in the Health Board area – Mr E Williams, Director of Social Services, Rhondda Cynon Taf Local Authority.
- The Chair of the Stakeholder Reference Group – Mrs A Philpott
- The Chair of the Healthcare Professionals' Forum – Mr S Jones

The Executive Directors as set out below are full time NHS Professionals appointed by the Board and they hold full permanent contracts of employment: -

- Mrs A Williams, Chief Executive
- Mrs B Rees, Director of Primary Care, Community & Mental Health / Deputy Chief Executive
- Mr K Asaad, Medical Director
- Mrs A Hopkins, Nurse Director
- Mrs N John, Public Health Director
- Mrs A Lagier, Director of Planning & Performance (until 20 July 2012)
- Mr D Lewis, Director of Finance & Procurement (until 4 July 2012)
- Mr I Stead, Director of Workforce & Organisational Development

- Ms R Treharne, Director of Planning & Performance (from 9 August 2012)
- Mr C White, Director of Therapies & Health Sciences / Chief Operating Officer
- Mr S Webster, Director of Finance & Procurement (from 28 January 2013)

Mr Mark Thomas undertook the role of interim Director of Finance following the retirement of the Director of Finance from 4 July 2012 until 7 January 2013. Mr Alun Lloyd provided the professional support to the organisation from 7 January until 28 January 2013.

Two additional Directors have been appointed but they have no voting rights at the Board and these are as follows: -

- Mr S M Harrhy, Board Secretary / Corporate Director
- Mr J Palmer, Turnaround Director

The Board determines policy and sets the strategic direction, aims to ensure there is effective internal control and aims to ensure that high standards of governance and behaviour are maintained. Additionally the Board has responsibility for making sure that the Health Board is responsive to the needs of its communities.

The Chief Executive is accountable to the Health Board for ensuring that its health care services are effective and that the Health Board activities are managed in an efficient manner. Cwm Taf Health Board has continued to strengthen its working arrangements with its two Local Authority Partners, the third Sector and Local Universities. During the year, Cwm Taf Health Board has submitted an application for University Health Board status.

2. GOVERNING CWM TAF HEALTH BOARD

The Board is accountable for governance and internal control. As an Accountable Officer and Chief Executive, I have the responsibility for maintaining a sound system of internal control that supports the achievement of the organisations policies, aims and objectives, whilst safeguarding public funds and this organisation's assets for which I am personally responsible in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

My performance in the discharge of these personal responsibilities is assessed by the Head of the Department for Health & Social Services / Chief Executive NHS Wales. In addition, the Health Board's performance across a range of associated areas including the management of risk,

governance, financial and non financial control is monitored by the Welsh Government.

My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Executive Directors within the organisation who have responsibility for the development and maintenance of the Risk Assurance and Internal Control Framework and comments made by the External Auditors in the Annual Audit Report and other reports. In addition, the work of Healthcare Inspectorate Wales, both investigations and reviews, informs my opinion.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the work of the Integrated Governance Committee, Audit Committee, Clinical Governance Committee, Corporate Risk Committee, and Remuneration & Terms of Service Committee, Mental Health Act Monitoring Committee and the Finance & Performance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place and it is my intention to develop this into an even more robust governance framework for the organisation.

The scrutiny of these arrangements is in part informed through the internal mechanisms already referred to but also through the independent and impartial views expressed by a range of bodies external to the Health Board. These include:

- Welsh Government
- Wales Audit Office
- Internal Audit (NHS Wales Shared Services Partnership)
- Healthcare Inspectorate Wales
- Welsh Risk Pool
- Community Health Councils
- Health & Safety Executive
- South Wales Fire & Rescue Service
- Post Graduate Medical & Training Board, Post Graduate & Undergraduate Deanery's, Royal Colleges and other Academic bodies
- Other Accredited Bodies

The Health Board is required to have the following advisory groups:

- Stakeholder Reference Group
- Healthcare Professionals Forum and
- Working in Partnership Forum

I can confirm that these groups are fully established and working in accordance with the Standing Orders.

During 2012-13 the Board approved the revised Standing Orders (SOs) and Standing Financial Instructions (SFIs) following Welsh Government publication of the revised model documents. These documents incorporate the new Shared Services arrangements.

The Purpose of the System of Internal Control

The system of internal control is designed to ensure that risks are managed to a reasonable level rather than to eliminate all risks within the organisation. It therefore provides reasonable and not absolute assurance of effectiveness. The system of control in place within the Health Board is based wherever possible on best practice and is an ongoing process designed to identify and prioritise risks to the achievement of the organisations policies, aims and objectives and to evaluate the likelihood of those risks being realised. The impact of these risks is then assessed in order that they can be managed efficiently, effectively and economically. The system in place across the Health Board accords with Welsh Government Guidance.

Capacity to Handle Risk

The Board has overall responsibility and authority for the Risk Management programme through the receipt and valuation of reports indicating the status and progress of Health Board wide risk management activities. The Integrated Governance, Audit, Quality Patient Safety & Public Health, Finance & Performance and Corporate Risk Committees comprising of a variety of independent members and Executive Directors plus representatives from the Community Health Council oversee the Health Boards risk management arrangements making recommendations for change as appropriate.

The lead director for risk is the Board Secretary/Corporate Director who is responsible for establishing the policy framework and systems and processes that are needed for the management of risks within the organisation. Depending on the nature of risk, other lead Directors will take the lead, for example, patient safety risks fall within the responsibility of the Medical Director, Executive Director of Nursing and Director of Therapies and Health Sciences.

Risks are identified at Departmental level and depending on their severity are either managed within the area or escalated to a more senior level within the organisation. There are arrangements in place across the organisation whereby risks are managed and discussed at meetings. If necessary, the risk issue is escalated to the appropriate Executive

Director and Sub Board Committee for example, Corporate Risk Committee.

The risks escalated to a Board Sub Committee are transcribed on to the Corporate Risk Register, which is considered by both the Audit Committee and the Integrated Governance Committee. Following consideration by the Integrated Governance Committee the Corporate Risk Register is published on the Health Board's Internet Site.

In addition to reporting risks via the meeting arrangements within the organisation, operational managers and Directors are able to notify a significant risk to the appropriate Executive Director for consideration and where necessary, notification to the Board.

At present, this system is managed by a spreadsheet approach which will be changed to a web based reporting mechanism over the next financial year.

Staff awareness of the need to manage risks has been encouraged through the provision of regular and ongoing information via the web site and ongoing training programmes. Case studies and patient stories are presented to the organisations committees in order that lessons can be disseminated and shared. By linking together issues arising from complaints claims and concerns it has also been possible to identify important points of learning and areas of best practice.

The Risk and Assurance Framework

The organisations commitment to the principle that risk must be managed means that we will continue to work to ensure that:

- There is compliance with legislative requirements where non compliance would pose a serious risk;
- Evidence based guidance and best practice is utilised in order to support the highest standard of clinical practice;
- All sources and consequences of risk are identified and risks are assessed and either eliminated or minimised; information concerning risk is shared with staff across the Health Board and, where appropriate, partner organisations;
- Damage and injuries are minimised, and people's health and wellbeing is optimised;
- Resources diverted away from patient care to fund risk reduction are minimised;
- Lessons are learnt from compliments, incidents, and claims in order to share best practice and reduce the likelihood of reoccurrence

Patients and the public have an important part to play by proactively participating in their care and the organisation addresses this requirement within its Risk Management and other strategies.

GPs, Pharmacists, Dental Practitioners and Optometrists, Nursing Care Homes, Voluntary organisations and those where we have partnership relationships for service delivery, e.g. Local Authorities and other Health Boards, are responsible for identifying and managing their own risk through the contractual processes in place. Clinical governance processes are intended to provide assurance to the Board that services are safe and meet organisational, external and professional standards. Work is progressing well to embed the Standards for Health Services in Wales into the every day working of the organisation and to ensure appropriate linkages to other key strategies such as the Public Health Strategy and the 1000 Lives Plus Campaign.

In respect of the other areas of Primary Care, including Dental and Optometry there are annual visits and monitoring similar to that for General Practice also takes place. Concerns across Primary Care are also monitored for trends and issues are addressed.

Cwm Taf Health Board is committed to involving its patients and the public in the redesign and development of local health services. Throughout 2012/2013, the Health Board has used a range of opportunities to engage its citizens. In particular, a wide ranging 12 week engagement exercise was undertaken from September to December to raise awareness of the challenging issues facing specialist hospital services across South Wales and to seek views prior to a formal consultation in 2013.

3. BOARD LEVEL COMMITTEES

The Board and its sub committees are fully established and operating in line with the Standing Orders. The role summary for each Committee and an attendance record for the Independent Board Members during the last year is set out below. Please note that:-

A = apologies received
N/A = not applicable at that time

During the year there were no occasions where the Board or any of the sub committees were not quorate.

Audit Committee

Scrutinises and monitors issues relating to internal control, risk management, internal & external audit, financial reporting and the Charitable Funds.

Meeting Attendance	16/4	6/6	9/7	8/10	14/1
Mr Geoff Bell	✓	✓	✓	✓	✓
Mr John Hill Tout	A	✓	✓	✓	✓
Cllr Clive Jones	✓	✓	✓	✓	✓
Mrs Gaynor Jones	✓	✓	A	✓	✓

Clinical Governance Committee

Scrutinises and monitors issues relating to clinical governance, the patient experience, complaints & claims, clinical audit & effectiveness, clinical risk and research & development.

Meeting Attendance	26/4	19/7	25/10	24/1
Prof V Harpwood	A	✓	✓	✓
Mr G Bell	✓	✓	✓	✓
Cllr C Jones	✓	✓	✓	✓
Prof D Mead	✓	A	✓	✓

Corporate Risk Committee

Scrutinises and monitors issues relating to internal control, HIW Standards, WRMS, internal audit, compliance with legislation, information governance, health & safety and personal injury claims.

Meeting Attendance	6/9	4/12	12/3
Mr A Seculer	✓	✓	✓
Mrs G Jones	✓	✓	✓
Vacancy	N/A	N/A	N/A

Finance & Performance Committee

Scrutinises and monitors issues relating to financial planning & monitoring, delivery of savings programmes, activity & productivity, workforce and data integrity issues.

Meeting Attendance	26/04	24/05	28/06	26/07	27/09	25/10	29/11	24/01	28/02	28/03
Mr J Hill-Tout	√	√	√	√	√	√	√	√	√	√
Cllr C Jones	A	√	√	√	√	√	√	√	√	√
Mr A Secular	√	√	A	√	√	√	A	√	A	√

Integrated Governance Committee

Maintains an oversight of the other Sub Committees, reviews the top organizational risks, scrutinise delivery and performance of policy objectives and provides assurance that cross cutting issues are appropriately managed.

Meeting Attendance	10/4	04/09	08/11	05/02
Dr C D V Jones	√	A	√	√
Prof V Harpwood	√	√	√	√
Mr J Hill-Tout	√	A	√	√
Mr G Bell	√	√	√	√
Cllr C Jones	√	√	√	√
Mr A Seculer	A	√	√	√
Cllr R Roberts (until 04/05/12)	A	N/A	N/A	N/A

Mental Health Act Monitoring Committee

Scrutinises and monitors issues relating to compliance with the Mental Health Act, cross agency audit & training and multi agency protocols.

Meeting Attendance	12/7	11/12	13/3
Prof V Harpwood	✓	✓	✓
Mr A Seculer	A	✓	A

Remuneration & Terms of Service Committee

Scrutinises and monitors issues relating to the remuneration & terms of service for Senior Managers, objectives and performance management systems, additional payments to consultants and proposals regarding termination arrangements.

Meeting Attendance	9/5	4/7	3/10	7/11	16/1	6/3
Dr C D V Jones	✓	✓	✓	✓	✓	✓
Mr G Bell	A	✓	✓	✓	✓	✓
Prof V Harpwood	✓	✓	✓	✓	✓	✓
Mr J Hill Tout	✓	✓	✓	✓	✓	✓
Cllr C Jones	✓	✓	✓	✓	✓	✓
Mrs G Jones	✓	✓	✓	✓	✓	A
Prof D Mead	✓	✓	✓	✓	✓	A
Mr A Seculer	✓	✓		✓	✓	✓
Mr Chris Turner	A	✓	✓	✓	✓	✓
Mrs Maria Thomas (from 1/10/12)	N/A	N/A	✓	✓	✓	✓
Cllr Mike Forey (from 1/03/13)	N/A	N/A	N/A	N/A	N/A	A

Health Board

The Board has the following five strategic objectives, derived principally from the Institute for Healthcare Improvements (IHI) Triple Aim, which provide a clear framework for the plan. These objectives are:

- To improve quality, safety and patient experience;
- To protect and improve population health;
- To ensure that the services provided are accessible and sustainable into the future;
- To improve governance and assurance; and
- To reduce the per capita cost of care in line with the resources made available to the Health Board.

Attendance of all Board members during the year is set out below: -

Meeting Attendance	09/05	06/06	04/07	26/09	03/10	07/11	16/01	06/03
Dr C D V Jones	√	√	√	√	√	√	A	√
Mr Kamal Asaad	√	√	√	A	A	√	√	√
Mr Geoff Bell	√	√	√	A	√	√	√	√

Meeting Attendance	09/05	06/06	04/07	26/09	03/10	07/11	16/01	06/03
Cllr Mike Forey	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√
Prof Vivienne Harpwood	√	√	√	√	√	√	√	√
Mr Stephen Harrhy	√	√	√	√	√	√	√	√
Mr John Hill-Tout	√	√	√	√	√	√	√	√
Mrs Angela Hopkins	√	√	√	√	√	A	√	√
Mrs Nicola John	√	A	√	√	√	√	√	√
Cllr Clive Jones	√	√	√	√	√	√	√	√
Mrs Gaynor Jones	√	√	√	√	√	A	√	A
Mr Selwyn Jones	√	√	A	√	√	√	√	√
Mrs Alison Lagier	√	A	√	N/A	N/A	N/A	N/A	N/A
Mr David Lewis	A	A	N/A	N/A	N/A	N/A	N/A	N/A
Mr Alun Lloyd	N/A	N/A	N/A	N/A	N/A	N/A	√	N/A
Prof Donna Mead	√	A	√	√	√	√	√	A
Mr John Palmer	√	√	√	√	√	√	A	√
Mrs A Philpott	N/A	N/A	N/A	N/A	√	√	√	√
Mrs Bernie Rees	A	√	√	A	A	√	√	√
Mr Anthony Seculer	√	√	√	A	A	√	√	√
Mr Ian Stead	√	A	√	√	A	√	√	√
Mr M Thomas	N/A	√	√	√	√	A	N/A	N/A
Mrs M Thomas	N/A	N/A	N/A	N/A	√	√	√	√
Ms R Treharne	N/A	N/A	N/A	√	√	√	√	√
Dr C Turner	N/A	√	A	√	√	√	√	√
Mr S Webster	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√
Mr Chris White	√	√	√	√	√	√	√	A
Mrs Allison Williams	√	√	√	√	√	√	√	√
Mr Ellis Williams	√	√	A	A	√	√	A	A

4. HEALTH INSPECTORATE WALES REVIEW OF GOVERNANCE ARRANGEMENTS

In March 2012 Healthcare Inspectorate Wales published its Review of Governance Arrangements at Cwm Taf Health Board. The report set out the findings of a jointly initiated independent review of the Health Board's governance and accountability arrangements.

While the review focused on Cwm Taf Health Board, the level of direct scrutiny of an NHS organisation in Wales afforded by the review raised a number of points of learning which are relevant to NHS organisations across Wales. Those findings that had implications for other Health Boards, NHS Wales, the Welsh Government or Welsh public services more generally were highlighted in the recommendations and they have been shared with colleagues.

Following publication of the report extensive work has been undertaken to drive change alongside the Board's renewed commitment to improving its governance arrangements. An action plan has been developed and agreed by the Board and progress monitored by the Integrated Governance Committee.

Over the last 2 years there has been a significant amount of work undertaken to strengthen the governance and accountability arrangements supporting the delivery of the quality, performance and financial targets within the organisation. The organisation continues to develop our arrangements for reviewing delivery and holding directorates to account to reflect the move to integrated planning and delivery. This includes the revision of the Programme Board mechanisms to oversee delivery of the matrix approach to service planning and delivery with clear Executive and clinical leadership of all programmes of work.

Oversight by the Finance and Performance sub-committee of the Board continues to be the key mechanism for Board scrutiny providing a clear line of sight directly between the Board and delivery of the approved plans.

Significant progress has been made on the overall Health Board's governance and assurance mechanisms as reflected in the 2012/2013 Wales Audit Office Structured Assessment Report and this will continue to be built on as we move forward.

5. STANDARDS FOR HEALTH SERVICES

Doing Well, Doing Better: Standards for Health Services in Wales ('the standards') came into force on 1 April 2010 and there are 26 standards in total covering all aspects of governance, service delivery, quality and safety which help services to focus on continuous improvement and ensure that they are "doing the right thing, at the right time, for the right patient, in the right place, with the right staff who have the right skills".

Alongside embedding the standards into the operations of the organisation, the Health Board must complete an annual self assessment known as the Governance and Accountability module.

The Integrated Governance Committee completed a self assessment against the Governance and Accountability Module at meetings held on 9 May 2013. Regular updates against progress were reported and monitored by the Integrated Governance Committee during the year. The approach adopted was in line with the templates and guidance issued by the Welsh Government and Healthcare Inspectorate Wales and the outcome of the organisational wide assessment is summarised below: -

	We do not yet have a clear, agreed understanding of where we are (or how we are doing) and what / where we need to improve.	We are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	We are developing plans and processes and can demonstrate progress with some of our key areas for improvement.	We have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	We can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the direction				4	
Enabling delivery				4	
Delivering results achieving excellence				4	
OVERALL MATURITY LEVEL				4	

In April 2013, the Internal Auditors published a report following consideration of the systems and controls over the above self assessment process and the process for embedding the standards. The Health Board has demonstrated a continuous improvement on the level of engagement undertaken in previous years. Progress has also been made towards embedding the Standards within all areas who are actively involved in completed their own self assessments. The Health Board has improved the scrutiny process around the Standards during 2012-13 and there were 5 findings – one was assessed as high risk, three medium risk and one low risk. This led to an overall **reasonable assurance** classification for the 2012-13 report.

The high risk finding related to the sign off process for the Self Assessments of the individual standards. Work is underway to improve this process for 2013-14.

6. UK CORPORATE GOVERNANCE CODE

The organisation has also undertaken an assessment against the main principles of the UK Corporate Governance Code as they relate to an NHS public sector organisation in Wales. This assessment has been informed

by the Health Board's assessment against the Governance and Accountability Module undertaken by the Board in May 2013 and also evidenced by internal and external audits. The Health Board is clear that it is complying with the main principles of the Code, is following the spirit of the Code to good effect and is conducting its business openly and in line with the Code. The Board recognises that not all reporting elements of the Code are outlined in this Governance Statement such as declaration of interests but are reported more fully in the Health Board's wider Annual Report.

7. A NEW FINANCE REGIME FOR NHS WALES

In *Together for* Health there was a commitment to develop a new finance regime for NHS Wales which improved planning and utilisation of financial resources in line with clinical priorities. The new finance regime for NHS Wales will bring clinical and financial priorities more closely together and will develop financial information that provides intelligence and insight at a strategic and operational level, in a format that is of use to clinicians, and therefore helps support and drive clinical change.

To support the move from annual to medium term plans the finance regime work includes considering options for providing Local Health Boards with more flexibility to manage their funding across financial years.

The Health Board been involved in the development of the Finance Regime which has identified a number of areas for further development of Integrated Assurance and Governance. The network of Board Secretaries across Wales have reflected on the existing framework and arrangements, and are contributing to the development of the Finance Regime.

The Health Board has approved an Integrated Plan which sets out the priorities between 2013/2014 and 2015/2016, with a particular focus on the delivery plan for 2013/2014. The process the Health Board has used to prepare its plan and to develop outline plans for the following two years marks a significant change in the approach used in previous years. These developments are summarised as follows:

- Developing benchmarking to inform targeting of performance and efficiency improvements.
- Developing clear long-term strategic objectives for the Health Board, which will frame the development of short and medium term service improvement plans.
- A clear (and rolling) set of priorities for improvement over the next three years.

- When developing medium term plans being mindful of the requirement to phase in programmes of work to ensure a whole systems approach is being adopted and to maintain equity across the Health Board.
- A clear understanding of the steps which are required in the short to medium term (1-3 years) to underpin the successful delivery of the Health Board's longer term objectives and priorities.

8. WELSH RISK POOL ASSESSMENTS

The Welsh Risk Pool is a mutual self-assurance scheme for all health bodies in Wales - part of their function is to provide support to NHS organisations in Wales to develop robust risk management systems.

During 2012-13 the Welsh Risk Pool has reported an improving position across all areas assessed.

The Standards assessed by the Welsh Risk are:-

- Concerns/ Claims Management
- Maternity
- Operating Services Department
- Accident and Emergency

9. HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION

In consultation with key stakeholders across NHS Wales further developmental work was undertaken during 2012/13 to refine and embed an improved assurance rating system based upon a colour-coded barometer. The descriptive narrative used in these new definitions has been clarified to give an objective and consistent measure of assurance in the context of assessed risk and associated control.

The purpose of the annual Head of Internal Audit opinion is to contribute to the assurances available to me as the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the system of internal control. This opinion will in turn assist the Board in the completion of its Annual Governance Statement.

The Board can take **Reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.

10. INTERNAL AUDIT ASSURANCE

The Board can report that the level of assurance for 2012-13 is comparable to the assurance provided in 2011-12. The number of reports classified as high risk was three in 2011-12 and one in 2012-13. There have been significant improvements in the maturity and governance arrangements of the organisation during 2012-13 as evidenced in the Annual Audit Report and this Annual Governance Statement for 2012-13.

During the year the following report was classified as high risk:

- Estates : Strategy, development, compliance and structure

Overall, the report has been given a high risk classification. The 3 high risks identified in the report were:

- A lack of a formal Estates Strategy in place for the Health Board;
- A number of areas of weakness around the internal performance balanced scorecard, particularly around the fact that there was no formal mechanism for reporting this data;
- No mechanism in place to identify and monitor statutory and mandatory Planned Preventative Maintenance tasks that are performed by external contractors.

Actions are already being taken to address these areas of weakness highlighted in the report are being addressed by the Executive Board and is being monitored by the Finance and Performance Committee.

11. ANNUAL AUDIT REPORT

In May 2013, the Wales Audit Office published its Annual Audit Report and issued an unqualified opinion on the 2011-12 financial statements of the Health Board. The Health Board has substantially strengthened its governance arrangements during 2012, particularly by clarifying and maturing the roles of the Board Committees. The governance and internal control environment has been substantially changed and is maturing to support effective board assurance. Management information benefited from significant development this year, but must continue to evolve and strengthen.

A number of areas for improvement have been brought to the attention of officers and the Audit Committee as set out below: -

- The level of internal audit coverage is significantly lower than many other Health Boards. As a consequence it has only limited capacity to undertake reviews of wider service and clinical areas;

- The Health Board did not meet the timetable for completion of the Draft Annual Governance Statement for 2011-12 and significant amendments were required to the draft before its approval;

- Controls within the main accounting systems were operating as intended but the Health Board should ensure its departments have up-to-date business continuity plans;

- The Health Board's significant financial systems had appropriate internal key controls in place and were operating satisfactorily but a number areas of improvements were identified particularly in relation to the year end calculations of Continuing Care liabilities; and

- The planned Counter Fraud Service days for proactive work continue to be lower than those recommended by the National Counter Fraud Service. As a consequence it is reliant on reactive rather than proactive work. The Health Board continues to develop its arrangements for complying with the Bribery Act 2010, and needs to complete this work during the next 12 months.

Good progress has been made in addressing the risks identified above and will be monitored via the Board and its sub committees during 2013-14.

12. INITIAL RESPONSE TO THE FRANCIS INQUIRY

The final report of the public inquiry into the failings at Mid Staffordshire NHS Trust between 2005 and 2009 was published on 6 February 2013. The Health Board considered a report in March 2013 outlining the work that is underway within Cwm Taf to ensure that the recommendations of the Francis Inquiry are fully considered; that actions are taken locally as appropriate; and that our governance arrangements are strengthened to provide assurance to our patients and public regarding quality of care in Cwm Taf.

The Board has acknowledged that there are a number of key actions that have taken over the last 2 years that, together with new ways of working provide some assurance that in the context of these challenges Cwm Taf is genuinely seeking to be open and transparent about matters of performance.

Cwm Taf Health Board has developed and committed to a Dignity Pledge which has been commended by external agencies and developed a set of principles to inform decision-making about financial and service planning that aligns quality, performance and the effective use of resources.

Whilst there is clearly still a long way to go in terms of improving quality and transparency the above actions constitute a strong foundation for Cwm Taf to further build confidence in the overall context of community governance for the future.

13. CHRONIC CONDITIONS MANAGEMENT AND UNSCHEDULED CARE

In June 2012 the Wales Audit Office published their findings of a review of Chronic Conditions Management and Unscheduled Care services. The Wales Audit Office provided the following feedback from the review:

- The Health Board has made good progress in strengthening the way in which it seeks to support people in the community and prevent unnecessary use of hospitals;
- The Health Board is beginning to test new ways to identify individuals at risk of unplanned admissions and support them in the community;
- Service redesign and investment is helping to shift the location of care from hospital to community;
- The Health Board is now making more use of primary care contracts to support patients with chronic conditions and unscheduled care needs;
- Reliance on the acute sector to manage chronic conditions is reducing with Cwm Taf having made more progress than most other health boards but multiple admission rates and lengths of stay for some chronic conditions remain above target; and
- The Health Board has revised its governance arrangements for chronic conditions management and unscheduled care, and is now better placed to deliver planned service changes.

During 2013-14 the Health Board will work towards implementing the recommendations within the report.

14. THE ROBERT POWELL INVESTIGATION REPORT

Following recommendations made in the independent investigation into the circumstances of the death of Robert Powell the Health Board has undertaken a review of clinical governance arrangements in General Practice. The review revealed that the Health Board already has in place processes to monitor the recommendations identified in the report and it was encouraging to find that the standard of clinical governance was of a high standard. An action plan has been developed to identify areas for improvement and ongoing monitoring and this will be audited by Health Inspectorate Wales sometime later this year.

15. EMERGENCY CARE CENTRE AT PRINCE CHARLES HOSPITAL

During 2012 an unannounced visit was made to the Emergency Care Centre (ECC) at Prince Charles Hospital by Health Inspectorate Wales (HIW) focusing on patient dignity and essential care.

Following the visit verbal feedback was given to the Director of Nursing which included and acknowledged areas of good practice and care and also identified a number of failings which required further investigation and action.

The Health Board had already established a Task & Finish Group in September 2012 to work with staff to improve the patient experience in the Emergency Care Centre at Prince Charles Hospital and ensure that the patient journey was safe, effective and of high quality in all areas of the department. It set out also to work in partnership to ensure that the service is delivered by a fully integrated, multi professional team.

In order to provide additional assurance to the Board that progress is being made, it was agreed that a team would be established to conduct a series of bi monthly unannounced inspection visits that would look at dignity and essential care at the ECC.

The first visit was organised for December 2012 but it was not undertaken on that particular day due to an outbreak of diarrhoea and vomiting across the unit and wards at Prince Charles Hospital. A second attempt was made on 15 January 2013 but could not go ahead due to access issues during severe weather conditions. The first unannounced visit took place on 18 March 2013. The team was very impressed with the care witnessed. The testimony given by the patients were second to none and gave great praise for the team.

However the department was busy with two patients waiting on trolleys in the corridor. Delays with the transfer of patients out of the ECC remain due to the volume of emergency pressures being experienced across the NHS. Staffing issues are being addressed and a number of other areas for improvement were identified.

Further work is being undertaken in partnership with the staff at the Emergency Care Centre to improve the patient experience and ensure that the patient journey is safe, effective and of high quality in all areas of the department. Further assurance will be provided to the Board that the work is impacting positively on the patient experience through the reports from further unannounced inspection visits.

16. WAITING LIST MANAGEMENT

During 2011-12 concerns around the accuracy of reported waiting list data were raised by the Welsh Government. This followed an intervention into Referral To Treatment (RTT) processes by the Delivery and Support Unit. In response to the issues, the Health Board initiated an internal root cause analysis and also commissioned an externally led, independent investigation.

As a result of the concerns raised, the team responsible for managing the processes were suspended to allow the investigation to be carried out. The team returned to work at the beginning of October, pending the conclusion of the investigation. At the end of December 2012, the investigation concluded that there was no deliberate manipulation of waiting lists and the team were reinstated fully to their roles within the Performance Team.

An action plan was developed in response to the Root Cause Analysis report which was agreed with the Director of Operations at the Welsh Government. By adopting this approach it has been possible to provide the necessary internal and external assurance that all issues had been identified and were acted upon.

Actions have included:

- A complete Waiting List Management Procedure has been produced by the Assistant Director of Performance and Information, which is now used for all RTT training.
- Monitoring of compliance with RTT rules is carried out on a daily basis by the Data Quality Manager and her team.
- A log of all common user/system issues is now retained as a result of this work and is fed into the Data Quality Steering Group and the NHS Wales Informatics Service (NWIS) Myrddin User Group where necessary.

Work is also currently underway with system specialists within the NWIS team in order to test the robustness of the Myrddin system's methodology in the context of RTT rules, together with good practice and review work with other Local Health Boards in order to ensure that good practice is adopted and all lessons are learnt in this context. The action plan remains a 'live' document which the Finance and Performance Sub-Committee monitor the implementation of on a quarterly basis.

17. GOOD PRACTICE

During the year, Internal Audit identified a number of areas where few weaknesses were identified and the conclusion of the audits was that the areas were low risk. These include: -

- Cash Bank Treasury & Debtors Audit Review 2012/13;
- Clinical Directorate Review – General Surgery, Urology and T&O;
- Clinical Directorate Review – Localities;
- Financial Planning and Budgetary Control;
- Freedom of Information;
- General Ledger Audit Review 2012/13; and
- Welsh Risk Pool – Concerns and Compensation Claims Management Standard.

18. OTHER STANDARDS AND REGULATORY REQUIREMENTS

In addition to the need to report against the delivery against Standards for Health Services, the Health Board is also required to report that arrangements are in place to manage and respond to the following governance issues:

Emergency Preparedness / Civil Contingencies / Disaster Recovery

The organisation continues to maintain its duties as a Category 1 responder and has strengthened its level of compliance with the requirement for business continuity arrangements over the past year. This work has been undertaken at both a Corporate and Department level and includes the development of a corporate flood response plan and departmental business continuity plans for key areas. These plans are in the process of being tested/exercised and rehearsed on a regular basis in order to maintain the level of awareness and preparedness across the organisation.

The corporate flood plan will complement the suite of severe weather contingency plans which are designed to mitigate the impact of climate change and include snow/ice and heatwave responses.

The organisation has been working to address the area of Disaster Recovery Plans for ICT systems. Disaster Recovery Plans are currently in place for the following systems:

- Telepath – LIMS
- Pharmacy
- G2
- Radiology
- Xcelera
- ITU System
- Welsh Clinical Portal

Carbon Reduction Delivery Plans

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 Energy Management Plan was agreed in October 2012 and sets out the Health Board's ambitions in relation to the reduction of energy consumption over the coming years. It outlines some key areas for action, designed to allow the Health Board to achieve its target of a 7% reduction in consumption year on year.

An energy awareness campaign is being developed as a key component of the Energy Management plan. The aim of the campaign is to 'reduce our consumption of gas, electricity and water by raising awareness amongst all staff of energy use and its implications as well as reducing the organisations carbon footprint.'

NHS Pension Scheme

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 into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. The Scheme is managed on our behalf by Shared Services.

Health & Safety Executive

The Health Board worked with the Health and Safety Executive to provide information on incidents reported to them under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations. Any lessons learnt during this process have been acted upon.

Fire

The Health Board continues to work in partnership with the South Wales Fire and Rescue Services in managing the fire risks within its premises. The Health Board currently has in place an Enforcement Notice in relation to the Ground and First Floors in the Merthyr Block in Prince Charles Hospital. This notice was due to expire in December 2012 although an extension request was granted for a further 18 months by the Fire and Rescue Service following completion of extensive remedial works. The

Health Board is at risk to achieve compliance as it will require substantial capital allocation from the Welsh Government. The Health Board has been party to ongoing discussions with the Welsh Government to formally approve the Business Case for this enforcement area.

Data Security

All information governance incidents are reviewed by the Information Governance Group and during the year there were no incidents relating to data security that required reporting to the Information Commissioners Office.

Equality and Diversity

The Health Board's policy on equal opportunities and in relation to disabled employees is made equally accessible to staff and the public. Control measures are in place to ensure that all Cwm Taf Health Board's obligations under equality. Diversity and human rights legislations are complied with.

Ministerial Directions

There have been a number of Ministerial Directions issued during 2012-13 and the Health Board has taken action to implement these.

19. CONCLUSION

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

MRS ALLISON WILLIAMS
CHIEF EXECUTIVE

Annex (i)

To : Mrs Allison Williams, Chief Executive,
Cwm Taf Local Health Board

cc : Joint Committee Members

WELSH HEALTH SPECIALISED SERVICES COMMITTEE ANNUAL GOVERNANCE STATEMENT 2012/13

1. SCOPE OF RESPONSIBILITY

In accordance with the Welsh Health Specialised Services Committee (Wales) Directions 2009 (2009 No.35), the Local Health Boards (LHBs) established a Joint Committee, which commenced on 1st April 2010, for the purpose of jointly exercising its Delegated Functions and providing the Relevant Services.

This followed a consultation on specialised services for Wales in 2009, which recommended improvements in how the NHS plans and secures specialised services. In establishing WHSSC and the Joint Committee to work on their behalf, the seven Local Health Boards (LHBs) recognised that the most efficient and effective way of planning these services was to work together to reduce duplication and ensure consistency.

Our Aim is to ensure that there is :

equitable access to safe, effective and sustainable specialist services for the people of Wales, as close to patients' homes as possible, within available resources

The Welsh Health Specialised Services Committee (WHSSC) (Wales) Regulations 2009 (SI 2009 No 3097) make provision for the constitution of the "Joint Committee" including its procedures and administrative arrangements.

The Joint Committee is a statutory committee established under sections 12 (1)(b) and (3), 13(2)(c), (3)(c) and (4)(c) and 203(9) and (10) of the Act. The LHBs are required to jointly exercise the Relevant Services.

Cwm Taf LHB identified host LHB. It provides administrative support for the running of WHSSC and has established the Welsh Health Specialised Services Team (WHSST) as per Direction 3(4), Regulation 3(1) (d) and the interpretation sections of both the Directions and the Regulations and the Joint Committee Standing Orders: Statutory Framework and Joint Committee Framework.

1.1 The Joint Committee

The Joint Committee has been established in accordance with the Directions and Regulations to enable the seven LHBs in NHS Wales to make collective decisions on the review, planning, procurement and performance monitoring of agreed specialised and tertiary services (Relevant Services) and in accordance with their defined Delegated Functions. The Joint Committee therefore comprises, and is established by, all the LHBs.

Whilst the Joint Committee acts on behalf of the seven LHBs in undertaking its functions, the responsibility of individual LHBs for their residents remains and they are therefore accountable to citizens and other stakeholders for the provision of specialised and tertiary services.

The Joint Committee is accountable for internal control. As Interim Director of Specialised and Tertiary Services for the Joint Committee, I have the responsibility for maintaining a sound system of internal control that supports achievement of the Joint Committee's policies, aims and objectives and to report the adequacy of these arrangements to the Chief Executive of Cwm Taf Local Health Board. Under the terms of the establishment arrangements, Cwm Taf Health Board is deemed to be held harmless and have no additional financial liabilities beyond their own population.

The Joint Committee is supported by the Committee Secretary, who acts as the guardian of good governance within the Joint Committee.

The Joint Committee members in post during the financial year 2012/13 are:

Name	Role	Organisation
Professor Mike Harmer	Chair	Welsh Health Specialised Services
Mrs Mary Burrows	Member	Chief Executive, Betsi Cadwaladr UHB

Name	Role	Organisation
Mr Adam Cairns	Member (from July 2012)	Chief Executive, Cardiff and Vale UHB
Mr Andrew Cottom	Member	Chief Executive, Powys Teaching LHB
Dr Andrew Goodall	Member	Chief Executive, Aneurin Bevan LHB
Mr John Hill-Tout	Member	Independent Member, Cwm Taf LHB
Mr Paul Hollard	Member (until July 2012)	Interim Chief Executive, Cardiff and Vale UHB
Mr David Jenkins	Member	Independent Member, Aneurin Bevan LHB
Dr Lyndon Miles	Member	Independent Member, Betsi Cadwaladr UHB
Mr Trevor Purt	Member	Chief Executive, Hywel Dda LHB
Mr Paul Roberts	Member	Chief Executive, Abertawe Bro Morgannwg UHB
Mrs Allison Williams	Member	Chief Executive, Cwm Taf LHB
Dr Geoffrey Carroll	Officer Member	Medical Director, Welsh Health Specialised Services
Mr Stuart Davies	Officer Member	Director of Finance, Welsh Health Specialised Services
Mr Stephen Harrhy	Officer Member (from September 2012)	Interim Director of Specialised and Tertiary Services, Welsh Health Specialised Services
Dr Cerilan Rogers	Officer Member (until September 2012)	Director of Specialised and Tertiary Services, Welsh Health Specialised Services
Mr Simon Dean	Associate Member	Chief Executive, Velindre NHS Trust
Dr Mark Drayton	Associate Member	Consultant Neonatologist for Cardiff and Vale UHB and Chair of the Neonatal Network Steering Group
Ms Karen Howell	Associate Member	Director of Primary, Community and Mental Health for Hywel Dda LHB and Chair of the Secure Services Delivery and Assurance Group
Mr Bob Hudson	Associate Member	Chief Executive, Public Health Wales
Mr Elwyn-Price Morris	Associate Member	Chief Executive, Welsh Ambulance NHS Trust
Professor Simon Smail	Associate Member	Non Executive Member of Public Health Wales and Chair of the Quality and Patient Safety Committee
Professor John Williams	Associate Member	Chair of the Welsh Clinical Renal Network

In accordance with WHSSC Standing Order 3, the Joint Committee may and, where directed by the LHBs jointly or the Welsh Ministers must, appoint joint sub-Committees of the Joint Committee either to undertake specific functions on the Joint Committee's behalf or to provide advice and assurance to others (whether directly to the Joint Committee, or on behalf of the Joint Committee to each LHB Board and/or its other committees).

1.2 Sub Committees and Advisory Groups

The Joint Committee has established 5 sub-committees and 4 advisory groups in the discharge of functions:

- Audit Committee (of the host organisation)
- Individual Patient Funding Request (IPFR) Panel (WHSSC)
- Integrated Governance Committee
- Management Group
- Quality and Patient Safety Committee
- All Wales Posture and Mobility Service Partnership Board
- Wales Neonatal Network Steering Group
- Wales Secure Services Delivery Assurance Group
- Welsh Renal Clinical Network

The **Audit Committee** advises and assures the Joint Committee on whether effective arrangements are in place – through the design and operation of the Joint Committee's assurance framework – to support them in their decision taking and in discharging their accountabilities for securing the achievement of the Joint Committee's Delegated Functions.

During 2012/13 the Audit Committee arrangements were amended to strengthen assurance mechanisms. Following discussions on the structural issues of the WHSSC Audit Committee it was agreed that all WHSSC audit matters are integrated into the Cwm Taf Audit Committee. The responsibility transferred to the Cwm Taf Audit Committee following the January 2013 meeting. A legacy statement was presented to the Cwm Taf Audit Committee to ensure that they were aware of the specific issues relating to WHSSC.

The relevant officers from WHSSC are in attendance to for the WHSSC components of the Cwm Taf Audit Committee.

The **All Wales Individual Patient Funding Request (IPFR) Panel (WHSSC)** holds delegated Joint Committee authority to consider and make decisions on requests to fund NHS healthcare for patients who fall outside the range of services and treatments that a health board has agreed to routinely provide.

The **Integrated Governance Committee** provides assurance to the Joint Committee that effective governance and scrutiny arrangements are in place across WHSSC activities.

The **Management Group** is the specialised services commissioning operational body responsible for the implementation of the Specialised Services Strategy. The group underpins the commissioning of specialised services to ensure equitable access to safe, effective, sustainable and acceptable services for the people of Wales.

The **Quality and Patient Safety Committee** provides assurance to the Joint Committee in relation to the arrangements for safeguarding and improving the quality and safety of specialised healthcare services within the remit of the Joint Committee.

The **All Wales Posture and Mobility Services Partnership Board** provides advise the Joint Committee on the scope and eligibility criteria for the Posture and Mobility Service, the specification for the Posture and Mobility Service and the Quality Standards and Key Performance Indicators.

The **Wales Neonatal Network Steering Group** advises the Joint Committee on issues regarding the development of neonatal services in Wales. The Steering Group ensures that there is a co-ordinate approach to Neonatal care across Wales and that the benefits of working collaboratively are realised.

The **Wales Secure Services Delivery Assurance Group** advises the Joint Committee on issues regarding the development of secure mental health services for Wales. The group ensures that there is a co-ordinate approach to secure services across Wales and that the benefits of working collaboratively are realised.

The **Welsh Renal Clinical Network** is a vehicle through which specialised renal services is planned and developed on an all Wales basis in an efficient, economical and integrated manner and will provide a single decision-making framework with clear remit, responsibility and accountability.

1.3 Joint Committee and Sub-Committees meetings 2012/13

The following table outlines dates of Board and Committee meetings held during 2012/13. Meetings that were not quorate are highlighted in red.

Joint Committee/ Sub-Committee	2012/13					
Joint Committee	26-Jun	25-Sep	27-Nov	29-Jan	26-Mar	
WHSSC Audit	04-May	06-Jun	19-Jul	08-Oct	14-Jan	
Integrated Governance	26-Jul	22-Nov	26-Mar			
Quality & Safety	05-Jul	04-Oct	10-Jan			
Management Group	01-Oct	08-Nov	13-Dec	10-Jan	14-Feb	14-Mar

2. GOVERNANCE AND ACCOUNTABILITY FRAMEWORK

In January 2013 the Joint Committee approved the revised Governance and Accountability Framework.

In accordance with regulation 12 of the Welsh Health Specialised Services Committee (Wales) Regulations 2009 ('the Regulations'), each Local Health Board ('LHB') in Wales must agree Standing Orders (SOs) for the regulation of the Welsh Health Specialised Services Committee's ("Joint Committee") proceedings and business. These Joint Committee Standing Orders (Joint Committee SOs) form a schedule to each LHB's own Standing Orders, and have effect as if incorporated within them. Together with the adoption of a scheme of decisions reserved to the Joint Committee; a scheme of delegations to officers and others; and Standing Financial Instructions (SFIs), they provide the regulatory framework for the business conduct of the Joint Committee.

These documents, together with a Memorandum of Agreement setting out the governance arrangements for the seven LHB and a hosting agreement between the Joint Committee and Cwm Taf LHB ("the Host LHB"), form the basis upon which the Joint Committee's governance and accountability framework is developed. Together with the adoption of a Values and Standards of Behaviour framework this is designed to ensure the achievement of the standards of good governance set for the NHS in Wales.

3. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all 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, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

4. CAPACITY TO HANDLE RISK

I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aim and objectives and need to be satisfied that appropriate policies and strategies are in place and that systems are functioning effectively. The Joint Committee's sub committees have assisted me in providing these assurances and the outcomes of the specific internal audits that have been undertaken during the year. The outcome of these audits form part of the Head of Internal Audit's Opinion and Annual Report to Cwm Taf Health Board as the host body.

In terms of accountability WHSSC has successfully implemented a change in the arrangements for Audit Committee. Following from its own self assessment the previous independent Audit Committee identified the need for change which was supported by the Joint Committee. The change fully integrated the Audit Committee within the Cwm Taf Audit Committee process from January 2013, retaining a focus on WHSSC business by having meetings in two parts. A successful learning and familiarisation event was held with Cwm Taf Audit Committee members, later followed by a full meeting. The Audit Committee acts in compliance with the NHS Wales Audit Committee Handbook and reports to the WHSSC Joint Committee. These new arrangements represent a significant strengthening in respect of independent scrutiny of the planning of specialised services. The change will enable a full audit opinion on the whole of the resources managed by WHSSC and Cwm Taf, which will improve the level of assurance that the audit committee process can provide to the host body. The transition from models of Audit Committee has been smooth through the year ensuring the delivery of the full internal and external audit programme.

An Independent Member of the Joint Committee is a Member of the Cwm Taf Audit Committee. The Director of Finance and Committee Secretary and other members of WHSST (as required) attend the meetings.

The links with sub committees previously established through the Integrated Governance Committee continue. The Integrated Governance Committee is chaired by the Chair of the Joint Committee and the Members include the Chairs of the sub committees. The minutes of the Joint Committee are circulated to all LHBs and Trusts for reporting to their Boards and the Joint Committee and Integrated Governance Committee receives a copy of all the minutes to ensure that an integrated and efficient approach to risk management is maintained in the organisation.

4.1 The risk and assurance framework

Under the hosting agreement with Cwm Taf LHB, WHSSC complies with their Risk Management Strategy and Risk Assurance Framework, Risk Management Policy and Risk Assessment Procedure. The objective of the Risk Management Strategy and Risk Assurance Framework is to define a strategic direction for risk management, which provides a clear path on which all future risk management initiatives are based. The aim of the Risk Management Policy is to:

- Ensure that the culture of risk management is effectively promoted to staff ensuring that they understand that the 'risk taker is the risk manager' and that risks are owned and managed appropriately;
- Utilise the agreed approach to risk when developing and reviewing the Resource and Operational Plan;
- Embed both the principles and mechanisms of risk management into the organisation;
- Involve staff at all levels in the process; and
- Revitalise its approach to risk management, including health and safety.

Risk management is embedded in the activities of WHSSC through a number of processes. The risk register is informed by risks identified at a Programme Team, Corporate and Executive level. Each risk is allocated to an appropriate committee for assurance and monitoring purposes, i.e. Joint Committee, Audit Committee, Quality and Patient Safety Committee, Wales Clinical Renal Network and the Cwm Taf Corporate Risk Committee. The risk register is received by the sub-committees as a standing agenda item. Key risk issues are highlighted to the Joint Committee through the sub-committee chairs report. The Corporate Governance Manager is also a member of the Cwm Taf Corporate Risk Committee.

A follow up review of corporate governance and risk management was undertaken by Internal Audit in November 2012. The conclusion of the review was that there is low risk in the system within WHSSC.

4.2 Equality and Diversity

WHSSC follows the policies and procedures of the Cwm Taf Local Health Board, as the Host LHB. All staff have access to the Intranet where these are available. The Hosting Agreement includes provision for specific support around Equality and Diversity and the WHSSC has been working with the Equality Officer in the LHB and the NHS Wales Equality Unit to look at ways of integrating equality and diversity issues into our work. The Corporate Governance Manager is a member of the Equality Group within Cwm Taf and therefore any issues are integrated into this process.

4.3 Public and Patient Engagement

The Joint Committee is committed to effective involvement of stakeholders in the way that services are planned and secured. Each of the Programme Teams has mechanisms in place to engage with stakeholders, a representative of the Community Health Council is a Member of the Quality and Patient Safety Committee.

The Committee Secretary is the lead for Public and Patient Engagement.

4.4 Information Governance

The Committee Secretary is the Lead Officer in relation to Information Governance for the WHSSC and an agreement has been made that the Medical Director for Cwm Taf will act as Caldicott Guardian with input and assurance from me. The Committee Secretary and I are members of the Cwm Taf Local Health Board Information Governance Group.

4.5 Counter Fraud

Cwm Taf LHB provides Counter Fraud services to WHSSC through the hosting agreement.

At each WHSSC Audit Committee there was a standing agenda item for a Counter Fraud update from the Local Counter Fraud Service. WHSSC has a responsibility to the members of the Joint Committee to ensure that, as far as possible, the risk of fraud being committed against WHSSC is minimised.

Services provided by the Cwm Taf Local Counter Fraud Service include:

- Collation and submission of WHSSC data for the bi-annual National Counter Fraud Initiative undertaken across the public sector in the UK.
- Annual counter fraud training sessions for WHSSC staff
- Annual Proactive Counter Fraud work plan and report to Audit Committee.
- Investigation of all fraudulent activities, both actual and potential, brought to the attention of the Counter Fraud Service.

During 2011/2012 concern was raised by the members of the Audit Committee that the level of counter fraud service available to WHSSC might be insufficient, that clarity was required regarding the level of provision available and whether the skills were available within Cwm Taf to undertake the work. Furthermore the Audit Committee was concerned that the Counter Fraud scrutiny was not appropriately targeted to the main areas of risk.

The WHSSC Audit Committee agreed that, as a commissioning organisation, WHSSC faced greater risks from being vulnerable to fraudulent activities undertaken by other commissioning organisations looking to improve their own finances and to organisations providing services to WHSSC.

WHSSC consulted with the Regional Counter Fraud Unit and with the UK NHS Protect agency. Neither agency was able to provide bespoke counter fraud services for the areas that WHSSC had highlighted as needing review. Both agencies suggested working with the Cwm Taf Local Counter Fraud Service to provide an annual audit plan that was more tailored to the needs of WHSSC.

Feed back from the WHSSC Audit Committee indicated that they were keen to know how much of the traditional counter fraud work has been undertaken for WHSSC, and also what steps are being taken to look at some WHSSC specific fraud risks that have been identified.

At the Audit Committee in October 2012 it was agreed that whilst an assessment of the commissioning activities had been undertaken internally by the organisation, Internal Audit would be commissioned to undertake further work as an independent body and to report back with their view of the position and their suggestions for further audit activity.
The Audit Committee in January discussed the progress and noted that this was being taken forward by the Internal Auditors. The outcome of this work will be reported to the Audit Committee in July 2013.

5. REVIEW OF EFFECTIVENESS

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 WHSSC 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 Internal Auditors summary of findings with regards to specific reviews undertaken within WHSSC are included in the Cwm Taf HB annual internal audit report for 2012/13.

5.1 Standards for Health Services in Wales: Doing Well, Doing Better

The annual self assessment of performance against the 26 Standards for Health Services has assisted with the review of effectiveness.

The self-assessment of maturity against each standard is provided in Figure 1. For information regarding the maturity score see http://www.nhswalesgovernance.com/display/Home.aspx?a=483&s=2&m=130&d=0&p=404

Figure 1

Standard	2010/2011 Maturity Scores	2011/2012 Maturity Scores
1. Governance and Accountability	3	3
2 Equality, diversity and human rights	3	3
3. Health Promotion, Protection and Improvement	N/A	N/A
4. Civil Contingency and Emergency Planning Arrangements	N/A	N/A
5. Citizen Engagement and Feedback	3	3
6. Participating in Quality Improvement Activities	3	3
7. Safe and Clinically Effective Care	3	3
8. Care Planning and Provision	3	3
9. Patient Information and Consent	3	3
10. Dignity and respect	See Cwm Taf LHB Assessment	See Cwm Taf LHB Assessment
11. Safeguarding Children and Safeguarding Vulnerable Adults	3	3[1]
12. Environment	3	3
13. Infection Prevention and Control (IPC) and Decontamination	N/A	N/A
14. Nutrition	N/A	N/A
15. Medicines Management	N/A	N/A
16. Medical Devices, Equipment and	N/A	N/A

[1] The standard has elements which are covered through the hosting agreement with Cwm Taf LHB; therefore there is cross reference with the Cwm Taf LHB self assessment for the standard indicated.

Standard	2010/2011 Maturity Scores	2011/2012 Maturity Scores
Diagnostic Systems		
17. Blood Management	N/A	N/A
18. Communicating Effectively	3	3
19. Information Management and Communications Technology	3	3
20. Records Management	3	3[2]
21. Research, Development and Innovation	N/A	N/A
22. Managing Risk and Health and Safety	3	4
23. Dealing with concerns and managing incidents	3	4
24. Workforce Planning	3	3[3]
25. Workforce Recruitment and Employment Practices	3	3[4]
26. Workforce Training and Organisational Development	2	3[5]

The full self assessment including the Governance and Accountability Module (see figure 2 for overview) has been independently scrutinised by the Integrated Governance Committee. Whilst the maturity scores appear to suggest that there have been no improvements since last year, the members of the Integrated Governance Committee concurred that improvements have been achieved in many areas. However, this cannot be evidenced yet as being fully sustainable and embedded across the whole organisation.

Figure 2

Welsh Health Specialised Services Committee					
Governance and Accountability Module	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			**3**		
Enabling Delivery			**3**		

[2] The standard has elements which are covered through the hosting agreement with Cwm Taf LHB; therefore there is cross reference with the Cwm Taf LHB self assessment for the standard indicated.
[3] The standard has elements which are covered through the hosting agreement with Cwm Taf LHB; therefore there is cross reference with the Cwm Taf LHB self assessment for the standard indicated.
[4] The standard has elements which are covered through the hosting agreement with Cwm Taf LHB; therefore there is cross reference with the Cwm Taf LHB self assessment for the standard indicated.
[5] The standard has elements which are covered through the hosting agreement with Cwm Taf LHB; therefore there is cross reference with the Cwm Taf LHB self assessment for the standard indicated.

Delivering results achieving excellence			**3**		
Overall Maturity Level			**3**		

The final Internal Audit report following the review of WHSSC management of the Standards for Health Services In Wales was received on 15th May 2013. The conclusion of the review was that "The Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **low to moderate impact on residual risk** exposure until resolved."

6. SIGNIFICANT GOVERNANCE ISSUES

I wish to highlight following matters that are considered significant and have presented challenges in 2012/13.

Commissioning of Welsh Ambulance Services NHS Trust
In April 2012 it was agreed that the responsibility for the commissioning of the ambulance service would be undertaken by the seven local health boards and that WHSSC would only provide the vehicle for payment of the contract.

Business Framework and Dispute Resolution
At the Joint Committee meeting held in January 2012 it was agreed there is a need to strengthen the business arrangements of the Committee, including clarification of the dispute resolution arrangements. A Business Framework, to be read in conjunction with the Governance and Accountability Framework, was developed to ensure that Members of the Joint Committee have a clear understanding of the decision making processes.

Commissioner/Provider Conflict at Joint Committee
During the year the role of the Joint Committee has also been revisited to reduce provider/commissioner conflict and to ensure that the Commissioner responsibilities are clear to all members.

Becoming a Good Commissioning Organisation
During 2012/13 the role of WHSSC as a commissioning organisation has been clarified. Work is underway to ensure that WHSSC has the infrastructure to be a good commissioner and that a clear commissioning model is in place. The commissioning model and learning within WHSSC will be shared Health Boards so that it can be utilised in primary and secondary care commissioning.

Signed:

MR STEPHEN HARRHY
INTERIM DIRECTOR OF SPECIALISED AND TERTIARY SERVICES