

Powys Teaching Local Health Board

FOREWORD

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

Statutory background

The Teaching Local Health Board was one of 22 which came into existence on 1st April 2003. As a statutory body governed by Acts of Parliament the tLHB is responsible for :

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

Powys tLHB hosts the Business Services Centre on behalf of all LHB's in Wales. In addition, it is also responsible for hosting the Community Health Councils in Wales, and specific functions in respect of the accounts of the former Health Authorities most significantly in respect of clinical negligence and fixed assets.

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Operating Cost Statement, which shows the net operating cost incurred by the tLHB which is funded by the Assembly. This funding is allocated on receipt directly to the General Fund in the Balance Sheet.

The statutory duty for Local Health Boards is enacted in the 2002 NHS Reform and Health Care Professionals Act. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 15. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year. Note 2.2 measures capital expenditure against a Capital Resource Limit.

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	Total £000	2007-08 Total £000
Commissioning			
Gross operating costs	4.1,4.2,4.3,4.4	133,626	133,088
Less : Miscellaneous income	3.2	2,399	2,144
Commissioner net operating costs		<u>131,227</u>	<u>130,944</u>
Providing			
Gross operating costs	4.5	102,168	100,487
Less : Miscellaneous income	3.2	26,951	27,027
Provider net operating costs		75,217	73,460
tLHB net operating costs before interest		<u>206,444</u>	<u>204,404</u>
Interest receivable		(148)	(300)
Interest payable		204	207
tLHB net operating costs		<u>206,500</u>	<u>204,311</u>

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009**

	£000	£000
Unrealised surplus / (deficit) on revaluation / indexations of fixed assets	(11,591)	26,094
Net increases / (reductions) in General Fund due to transfers of assets	(2)	(31)
Impairment losses	0	(292)
(Reduction) / Increases in the donated asset and government reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	(238)	163
Recognised gain / (loss) for the year	<u>(11,831)</u>	<u>25,934</u>

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£000	2007-08 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	5	10
Tangible fixed assets	5.2	173,913	183,659
CURRENT ASSETS			
Stocks and work-in-progress	6.1	151	203
Debtors	6.2	42,291	41,070
Cash at bank and in hand		167	1,951
Total Current Assets		42,609	43,224
Creditors: amounts falling due within one year	6.3	20,480	21,277
Net current assets / (liabilities)		22,129	21,947
Creditors: amounts falling due after more than one year	6.4	0	0
Provisions for liabilities and charges	6.5	48,519	49,018
TOTAL NET ASSETS		147,528	156,598
FINANCED BY:			
General fund	6.6	20,012	17,127
Donated Assets Reserve	6.7	4,645	4,806
Revaluation Reserve	6.8	122,871	134,665
TOTAL		147,528	156,598

Signed for and on behalf of the Board :

Director of Finance

Chief Executive.....

Date

Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	2007-08	
	£000	£000
Reconciliation of operating costs to net cash flow from operating activities :		
Net operating cost	(206,444)	(204,404)
Adjust for non-cash transactions	16,974	25,415
Adjust for movements in working capital other than cash	(2,405)	28,163
Utilisation of provisions	(7,334)	(32,927)
Net cash flow from operating costs	(199,209)	(183,753)
Servicing of Finance :		
Interest received	148	300
Interest paid	(204)	(207)
Interest element of finance leases	0	0
Net cash inflow / (outflow) from servicing of finance	(56)	93
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire intangible fixed assets	0	0
Receipts from the sale of intangible fixed assets	0	0
Payments to acquire tangible fixed assets	(6,864)	(2,131)
Receipts from the sale of tangible fixed assets	187	10,218
Net cash inflow / (outflow) from capital expenditure	(6,677)	8,087
Net cash inflow / (outflow) before financing	(205,942)	(175,573)
FINANCING:		
Assembly funding (including capital)	204,009	174,142
Other capital receipts surrendered	(2)	(31)
Capital grants received / Charitable Donations	151	29
Capital element of finance lease rental payments	0	0
Net cash inflow / (outflow) from financing	204,158	174,140
Increase / (decrease) in cash	(1,784)	(1,433)

Included in 'Utilisation of provisions' is £5.379m which relates to payments made on behalf of Powys tLHB by those trusts managing their respective Residual Claims. In order for an accurate All Wales picture, it is necessary to include these payments as 'Utilisations' in PtLHB's accounts. This methodology has been agreed by WAG & the WRP.

Addendum to cash flow statement**Adjust for non-cash transactions**

	£000	2007-08 £000
Depreciation and other write-offs	4,743	5,535
Impairment of fixed assets	379	827
(Profit) / Loss on disposal of fixed assets	(84)	73
Non-cash provisions	6,835	13,788
Capital charge interest	5,101	5,192
	16,974	25,415

Adjust for movements in working capital other than cash

	£000	2007-08 £000
(Increase)/decrease in stock and work-in-progress	52	503
(Increase)/decrease in debtors	(1,221)	24,915
Increase/(decrease) in creditors	(1,236)	2,745
	(2,405)	28,163

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(1,784)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	(1,784)
Non cash changes in debt	0
Net debt at 1 April 2008	1,951
Net debt at 31 March 2009	167

Analysis of changes in net debt

	As at 1 April 2008	Cash flows	Other changes	As at 31 March 2009
	£000	£000	£000	£000
Cash at bank and in hand	1,951	(1,784)	0	167
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
TOTAL	1,951	(1,784)	0	167

The amount of cash held in Office of HM Paymaster General bank accounts at 31 March 2009 by Powys tLHB is; £000
1,036

Analysis of capital expenditure, financial investments and associated receipts

	Capital		Loans		Net Total
	Additions £'000	Disposals £'000	Issues £'000	Repayments £'000	£'000
Total cash payment and receipts	6,864	(187)	0	0	6,677

Reconciliation of loan issues and repayments to cash movements

	Issues £'000	2008-09 Repayments £'000	Net Movement £'000
Total (issues) and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
Total financial investment and associated receipts	0	0	0

Reconciliation of fixed assets and disposals

	Additions £'000	2008-09 Disposals £'000	Net Movement £'000
Total assets and disposals (per fixed assets note 5.1 & 5.2)	7,303	(103)	7,200
Accrued movement in fixed asset additions	(439)	0	(439)
Non-cash adjustments - (Profit) / Loss on sale of assets	0	(84)	(84)
Total cash movement on asset additions and disposals	6,864	(187)	6,677

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FRm) issued by HM Treasury to the extent that the Welsh Assembly Government has directed as being appropriate to LHB'S. The particular accounting policies adopted by the Teaching Local Health Board (tLHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

These accounts have been prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and in accordance with directions issued by the Welsh Assembly Government (the Assembly) and approved by Treasury.

LHB's are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

Acquisitions and Discontinued Operations

Activities are considered to be "acquired" and disclosed as such, only if they are acquired from outside the public sector. Activities are considered to be "discontinued" and disclosed as such, only if they cease entirely or are transferred outside the public sector.

1.2 Income and funding

The main source of funding for the tLHB is resource allocations from the Assembly within an approved cash limit, which is credited to the general fund when the associated cash is received. Income disclosed in the Operating Cost Statement reflects only the amounts other than Assembly Funding.

Miscellaneous income is income which relates directly to the operating activities of the tLHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, (or any other material types of income if this disclosure would not be sufficient).

It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

Income is accounted for by applying the accruals convention. Income is recognised in the period in which services are provided.

1.3 Taxation

The tLHB is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Intangible fixed assets

Intangible assets which can be valued, are capable of being used in a LHB's activities for more than one year and have a cost equal to or greater than £5,000;

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.5 Tangible fixed assets

a. Capitalisation

Tangible fixed assets are capitalised if they are capable of being used for a period which exceeds one year and:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost equal to or greater than £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- form part of the initial setting - up cost of a new building, irrespective of their individual or collective cost.
- form part of an IT network which collectively has a cost more than £5,000 and individually have a cost of more than £250.

b. Valuation

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

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BICS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 1st April 2007.

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

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

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

All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses where there is a credit balance for that impaired asset in the revaluation reserve, otherwise ordinarily they will be charged to the Operating Cost Statement. Falls in value when newly constructed assets are charged to the revaluation reserve even when there is no credit balance.

Equipment

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at Depreciated Replacement Cost.

Assets in the course of construction

Assets in the course of construction are valued at current cost as for land and buildings (see above). These assets include any existing land or buildings under the control of a contractor.

c. Depreciation, amortisation and impairments

Depreciation is charged on a straight - line basis on each main class of fixed asset as follows:

Freehold land and land and buildings surplus to requirements are not depreciated. Assets in the course of construction and residual interests in off - balance sheet Private Finance Initiative contract assets are not depreciated until the asset is brought into use or reverts to the tLHB, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer.

Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Vehicles are depreciated over 7 years.

Intangible assets are amortised over the estimated lives of the assets.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.6 Donated assets

Donated tangible fixed assets are capitalised at their valuation on receipt and are valued and depreciated as described above for purchased assets.

The value of donated tangible fixed assets and the donated element of part - donated assets are reflected in a donated asset reserve. This reserve is credited with the value of the original donation and any subsequent revaluation and indexation; an amount equal to the depreciation charge is released from this reserve each year to the Operating Cost Statement.

1.7 Research and development

Research and development expenditure is charged to the Operating Cost Statement in the year in which it is incurred, except insofar as it is separately identifiable development expenditure relating to a clearly defined project and benefits therefrom can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

1.8 Pension Costs

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

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

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

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay.

On advice from the Scheme Actuary, scheme contributions may be varied from time to time to reflect changes in the schemes liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting Valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

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

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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

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, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die 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 income and expenditure account at the time the tLHB commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.9 Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Resulting exchange gains and losses are taken to the Operating Cost Statement.

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the tLHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2008/09 financial year was 3.5%.

1.11 Provisions

The tLHB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. Provisions are only recognised where the amount of economic benefit is probable, and the amount of the transfer can reasonably be estimated.

1.12 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The tLHB does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.13 Leases

Where substantially all the risks and rewards of ownership of a leased asset are borne by the tLHB, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the OCS over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the OCS on a straight line basis.

1.14 Contingent liabilities

Contingent liabilities are recognised where the tLHB has :

- a possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the tLHB's control;
- a present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

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

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

1.15 Deferred Income

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

1.16 Expenditure

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and finance leases and is recognised on the accruals basis. Interest payable is shown separately on the face of the Operating Cost Statement.

Certain expenditure relating to reimbursement of General Practitioners for the provision of Family Health Services is defined by the Welsh Assembly Government as "non-discretionary" and is deducted from net operating costs for the purposes of assessing outturn against revenue resource limit in note 2.1.

Programme expenditure is defined as costs relating directly to the provision of healthcare, social care and other services relating to the tLHB's functions provided directly to the public. All other expenditure is classified as administration expenditure.

1.17 Stocks

Stocks comprise raw materials and consumables and are valued at the lower of cost or net realisable value.

1.18 Financial Instruments

Financial Assets

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

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; 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.

Financial assets at fair value through profit and loss

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 profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

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.

Available for sale financial assets

Available for sale financial assets are non-derivative 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 General Fund on de-recognition.

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 appropriate 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 balance sheet date, the tLHB assesses whether any financial assets, other than those held at fair value through profit and loss are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence or 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 income statement 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 income statement 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.

Financial Liabilities

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

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities at fair value through profit and loss

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 value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

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.

2.1 Achievement of Operational Financial Balance

	£000	2007-08 £000
Net operating costs for the financial year	206,500	204,311
Non-discretionary expenditure	1,147	1,542
Operating costs less non-discretionary expenditure	205,353	202,769
Revenue Resource Limit	205,363	202,781
Under / (over) spend against Revenue Resource Limit	10	12
Unplanned resource brokerage received	0	0
Operational Financial Balance	10	12

The tLHB has met its financial duty to breakeven for 2008/09. This was made possible due to additional funding of £20.862M being approved by the Welsh Assembly Government. This additional funding is not repayable.

In respect of the 2009/10 financial position, the tLHB has submitted an indicative financial plan to the Assembly which identifies a forecast deficit of £17.1M and additional financial risks amounting to £4.1M. The tLHB in line with the guidance set out by the Assembly in WHC (2007)049 Statutory Duties of NHS Trusts and Local Health Boards is working to develop a robust long term financial recovery plan; maximising the efficient and effective use of resources available to the organisation without adversely affecting patient care.

2.2 Capital Resource Limit

	£000	2007-08 £000
Gross capital expenditure	7,303	2,014
Add: Loss in respect of disposals of donated assets	0	29
Less NBV of assets disposed of	(103)	(91)
Less capital grants	0	0
Less donations	(151)	(29)
Charge against CRL	7,049	1,923
Capital Resource Limit	7,056	1,927
(Over) / Underspend against CRL	7	4

3.1 Miscellaneous income

	£000	2007-08 £000
Administration income: Fees & Charges	16,681	16,957
Other miscellaneous income	2,833	3,466
Total administration income	19,514	20,423
Programme income: Fees & Charges	1,878	1,351
Prescription charge income	59	71
Dental fee income	1,640	1,564
Income for trust impairments	0	0
Deferred Income released to revenue	69	0
Rental Income from finance leases	0	0
Rental Income from operating leases	128	115
Income from NHS Bodies	3,721	3,756
Local Authorities	165	32
Patient Transport Services	23	12
Education, Training and Research	252	294
Non-NHS private patients	0	38
Road Traffic Act	49	39
Other Non-NHS patient care services	0	0
Charitable and other contributions to expenditure	148	164
Transfers from the Donated Asset Reserve	238	565
Transfers from Government Grant Reserve	0	0
Other	1,466	747
Total programme income	9,836	8,748
TOTAL	29,350	29,171

3.2 Analysis of total income by expenditure classification

	£000	£000
Gross commissioning income	2,399	2,144
Gross providing income ¹	26,951	27,027
	29,350	29,171

¹Included in the above providing income figure is the following segmental income :-

	£000	£000
Business Services Centre	19,062	19,930
Residual Estate	401	393
CHC	132	140

Programme costs:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2007-08 Total
	£000	£000	£000	£000
General Medical services	30,603	0	30,603	29,879
Pharmaceutical services	3,743	310	4,053	3,798
General Dental services	7,001	0	7,001	6,632
General Ophthalmic services	0	837	837	791
Other Primary health care expenditure	750	0	750	543
Prescribed drugs and appliances	15,911	0	15,911	16,441
TOTAL	58,008	1,147	59,155	58,084

4.2 Secondary and Community health care

	Total	2007-08 Total
	£000	£000
NHS Trusts:		
Provider 1 - Royal Shrewsbury Hospital Trust	15,234	13,984
Provider 2 - Gwent Healthcare NHS Trust	9,941	9,272
Provider 3 - Hereford Hospitals NHS Trust	8,692	8,343
Provider 4 - Abertawe Bro Morgannwg University NHS Trust	6,381	6,163
Provider 5 - Hywel Dda NHS Trust	5,936	5,953
Provider 6 - Robert Jones & Agnes Hunt NHS Trust	3,400	4,258
Provider 7 - South Staffordshire PCT	1,157	1,075
Provider 8 - Cardiff & Vale NHS Trust	1,106	1,094
Provider 9 - Gloucestershire Hospitals NHS Trust	832	627
Provider 10 - North Wales NHS Trust	777	788
Other Welsh NHS trusts	1,479	1,693
Other non Welsh NHS trusts	2,126	2,441
Local Authorities	2,575	3,960
Voluntary Organisations	1,094	795
NHS Funded Nursing Care	1,889	1,666
Continuing Care	7,807	7,545
Private providers	2,269	3,087
Specific projects funded by Welsh Assembly Government	0	187
Other	325	236
TOTAL	73,020	73,167

Expenditure with Local Authorities is as follows :

	£000	
Section 28A	1,935	3,429
Winter pressures	587	475
Voluntary organisations	53	56
Total	2,575	3,960

Excluded from note 4.2 is expenditure relating to the Powys tLHB provider function to the residents of Powys tLHB, the value of which is £61.7m.

Figures for 2007/8 above have been restated due to the re-organisation of a number of NHS trusts in Wales during 2008/9. The top 10 providers disclosed in 2008/9 is therefore different from 2007/8

4.3 Other programme expenditure

	£000	2007-08 £000
Salaries and wages	34	205
National Public Health Service	810	791
Losses, special payments and irrecoverable debts	54	99
Research and development	0	0
Miscellaneous	0	0
	<hr/>	<hr/>
TOTAL	898	1,095

Administration costs :**4.4 Administration expenditure**

	£000	2007-08 £000
Non-officer remuneration	89	99
Other salaries and wages	787	777
Consultancy services	12	20
Establishment expenses	179	124
Transport and moveable plant	0	0
Premises	6	9
External contractors	0	0
Auditors' remuneration - audit fee	74	61
Auditors' remuneration - other fees	0	0
Buisness Services Centre recharge	0	0
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - Depreciation	14	13
Amortisation	0	0
Capital charge interest	(608)	(439)
Impairments and reversals (property, plant, equipment)	0	0
Impairments and reversals (intangible assets)	0	0
Impairments and reversals of financial assets (by class)	0	0
(Profit) / loss on disposal of fixed assets	0	0
Miscellaneous	0	78
	<hr/>	<hr/>
TOTAL	553	742

4.5 Providing : operating expenses

	£000	2007-08 £000
Goods and services from other NHS bodies	4,421	4,253
Staff costs	67,564	64,879
Supplies and services -clinical	4,302	4,292
Supplies and services -general	1,072	961
Consultancy services	266	185
Establishment expenses	4,503	4,942
Transport and moveable plant	516	444
Premises	5,675	4,914
Auditors remuneration	145	132
Capital - Depreciation	4,962	6,073
Amortisation	5	14
Capital charge interest	5,709	5,631
Impairments and reversals (property, plant, equipment)	379	827
Impairments and reversals (intangible assets)	0	0
Impairments and reversals of financial assets (by class)	0	0
(Profit) / loss on disposal of fixed assets	(84)	73
Costs of disposal	0	0
Other operating expenses	2,733	2,867
TOTAL	102,168	100,487

Included in note 4.5 is the total expenditure relating to Powys provider function including services provided to non Powys residents, the value of which is £71.585m, operating expenses of the Business Services Centre of £20.969m, expenses in respect of the Residual Estate of £5.843m and £3.748m operating expenses of the Community Health Councils.

4.6 Analysis of operating expenditure by expenditure classification

	£000	2007-08 £000
Gross administration costs	553	742
Gross programme costs	235,241	232,833
	235,794	233,575

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

	Total	2007-08 Total
	£000	£000
Clinical negligence	6,086	11,041
Personal injury	361	293
All other losses and special payments	2	2
Defence legal fees and other administrative costs	(220)	98
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	6,229	11,434
	<hr/>	<hr/>
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	17	(2)
Less: income received/due from Welsh Risk Pool	(6,192)	(11,333)
	<hr/>	<hr/>
Total charge	54	99
	<hr/>	<hr/>

4.8 Hire and operating lease rentals Included in Operating Costs

	2007-08 £000	2007-08 £000
Hire of plant and machinery	90	124
Other operating leases	1,443	1,375
TOTAL	1,533	1,499

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2007-08 Land and Buildings £000	2007-08 Other Leases £000
Operating leases which expire:				
Within 1 year	65	275	0	227
Between 1 and 5 years	245	245	360	242
After 5 years	699	1	670	0

4.9 Executive Directors and staff costs

	2007-08 Total £000	2007-08 Total £000
Wages and salaries	55,659	53,424
Social security costs	3,807	3,608
Employer contributions to NHSPA	6,857	6,548
Other pension costs	(636)	378
Agency / Seconded in staff	2,698	1,903
TOTAL	68,385	65,861

4.10 Board Members' remuneration

	£000	2007-08 £000
Non officer members' remuneration	89	99
Officer members' remuneration:		
basic salaries	391	674
benefits	6	5
performance related bonuses	0	0
pension contributions	20	65
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
TOTAL	506	843

	Chairman £000	Chief Executive £000	Highest paid officer * £000
Basic Salary	39	106	0
Benefits	0	2	0
Compensation for loss of office	0	0	0
Performance related bonuses	0	0	0
Pension contributions	0	15	0
TOTAL	39	123	0

Remuneration waived by members and allowances paid in lieu:

	Number	£000
Members' remuneration waived	0	0
Allowances paid in lieu of remuneration	0	0

* where Chief Executive is not the highest paid officer

The basis on which performance related bonuses are calculated is as follows:

Not applicable

4.11 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2007-08
	Number	Number	Number	Number	Number
Executive Board Members	2	0	2	4	4
Medical and dental	31	4	0	35	35
Ambulance staff	0	0	0	0	0
Administrative and estates	807	24	4	835	818
Healthcare assistants and other support staff	389	0	0	389	405
Nursing, midwifery and health visiting staff	537	0	0	537	535
Nursing, midwifery and health visiting learners	1	0	0	1	1
Scientific, therapeutic and technical staff	177	1	0	178	163
Other local health board staff	0	0	0	0	0
Recharged staff	13	0	0	13	0
TOTAL	1,957	29	6	1,992	1,961

Expenditure on staff benefits

Nature of expenditure:	£
a.	0
b.	0
c.	0
d.	0
TOTAL	0

4.12 Retirements due to ill-health

During 2008-09 there were 9 early retirements from the tLHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £447,418.

4.13 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2007-08 £000
NON-NHS			
Total bills paid 2008-2009	73,693	59,483	48,978
Total bills paid within target	70,528	56,960	46,278
Percentage of bills paid within target	95.7%	95.8%	94.5%

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

	Number	£000	2007-08 £000
NHS			
Total bills paid 2008-2009	2,972	152,052	143,009
Total bills paid within target	2,497	149,187	140,439
Percentage of bills paid within target	84.0%	98.1%	98.2%

	Number	£000	2007-08 £000
TOTAL			
Total bills paid 2008-2009	76,665	211,535	191,987
Total bills paid within target	73,025	206,147	186,717
Percentage of bills paid within target	95.3%	97.5%	97.3%

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

	£	2007-08 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0

4.15 Interest Payable

	£000	£000
Finance leases	0	0
Unwinding of provision discounts	204	207
Other (eg late payment of commercial debt)	0	0
	<u>204</u>	<u>207</u>

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	91	0	0	0	91
Additions	0	0	0	0	0
Indexation	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2009	91	0	0	0	91
Accumulated amortisation at 1 April 2008	81	0	0	0	81
Provided during the year	5	0	0	0	5
Additions	0	0	0	0	0
Indexation	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2009	86	0	0	0	86
Net book value at 1 April 2008	10	0	0	0	10
Net book value at 31 March 2009	5	0	0	0	5

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Assets under construction and payments		Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
			Dwellings on account £000	£000					
At 1 April 2008	83,442	99,757	810	453	6,059	322	4,100	619	195,562
Indexation	(12,516)	2,975	24	14	182	10	0	11	(9,300)
Additions - purchased	2,626	2,967	0	401	488	0	670	0	7,152
Additions - donated government granted	0	146	0	0	5	0	0	0	151
Transfers	0	384	0	(414)	0	0	30	0	0
Impairments	0	(415)	0	0	0	0	0	0	(415)
Other in-year revaluations	(1,350)	(753)	0	0	0	0	0	0	(2,103)
Disposals	(34)	(685)	0	0	(729)	0	0	0	(1,448)
At 31 March 2009	72,168	104,376	834	454	6,005	332	4,800	630	189,599
Depreciation									
At 1 April 2008	0	4,548	22	0	4,251	158	2,642	282	11,903
Indexation	0	118	1	0	128	5	0	1	253
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	(36)	0	0	0	0	0	0	(36)
Other in-year revaluations	0	(65)	0	0	0	0	0	0	(65)
Disposals	0	(616)	0	0	(729)	0	0	0	(1,345)
Provided during the year	0	4,097	23	0	382	33	383	58	4,976
At 31 March 2009	0	8,046	46	0	4,032	196	3,025	341	15,686
Net book value at 1 April 2008	83,442	95,209	788	453	1,808	164	1,458	337	183,659
Net book value at 31 March 2009	72,168	96,330	788	454	1,973	136	1,775	289	173,913

Net book value of assets held under finance leases and hire purchase contracts

Total	0	0	0	0	0	0	0	0	0
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The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases

and hire purchase contracts:

Total	0	0	0	0	0	0	0	0	0
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Value of assets held at open market value

Total	0	0	0	0	0	0	0	0	0
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Of the tLHB's total fixed assets balance, £102 million relates to the Residual Estate. The estate comprises properties previously accounted for by the former Health Authorities and now registered in the name of the Welsh Assembly Government, which were transferred to the tLHB on its establishment on 1 April 2003. The properties are not owned by Powys tLHB but are held either for sale or are occupied by other health organisations across Wales.

As part of the reorganisation of NHS Wales the Residual Estate will transfer to the relevant new Health Boards on 1 October 2009.

There were two impairments in year of £0.273m for the Brecon Project being brought into use, and £0.106m relating to a change of use of Erwood Ward Bronllys Hospital

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2009 comprises:

	£000	2007-08 £000
Freehold	164,097	161,451
Long leasehold	5,188	17,988
Short leasehold	0	0
TOTAL	169,285	179,439

Net profit/(loss) on disposal of fixed assets

	£000	2007-08 £000
During the year the tLHB disposed of fixed assets with the net book value of,	103	10,291
The gross proceeds from the sale(s) were	187	10,218
giving a net profit/(loss) on disposal of	84	(73)
The tLHB paid over to the National Assembly for Wales the net proceeds from disposal of;	2	13,206
and retained the costs of disposal, net of;	0	0

Profit (loss) on disposal of fixed assets

	£000	£000
Profit on disposal of land and buildings	84	11
Loss on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	0	(84)
	84	(73)

6.1 Stocks and Work in Progress

	£000	2007-08 £000
Raw materials and consumables	151	203
Work-in-Progress	0	0
Finished goods	0	0
	151	203

6.2 Debtors	Total	2007-08 Total
Amounts falling due within one year:	£000	£000
Welsh Assembly Government	279	301
Health Commission Wales	186	116
Local Health Boards	260	318
Primary Care Trusts	329	91
NHS Trusts	316	526
Welsh Risk Pool	22,006	28,774
Capital debtors	0	0
Other debtors	1,759	1,579
Provision for irrecoverable debts	(169)	(196)
Pension Prepayments:		
in respect of former directors	0	0
in respect of other staff	0	0
Other prepayments and accrued income	1,442	1,153
Sub total	26,408	32,662
Amounts falling due after more than one year:	£000	£000
Welsh Assembly Government	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	15,883	8,320
Capital debtors	0	0
Other debtors	0	88
Provision for irrecoverable debts	0	0
Pension Prepayments:		
in respect of former directors	0	0
in respect of other staff	0	0
Other prepayments and accrued income	0	0
Sub total	15,883	8,408
TOTAL	42,291	41,070
Provision for irrecoverable debts (impairment of receivables):		
<i>Balances at 1 April</i>	(196)	(97)
<i>Provided in year</i>	(154)	(99)
<i>Written-off in year</i>	182	0
<i>Recovered during year</i>	(1)	0
Balance at 31 March	(169)	(196)
Debtors past due date but not impaired:		
<i>Up to 3 months</i>	814	538
<i>3 to 6 months</i>	34	8
<i>More than 6 months</i>	203	434
Total	1051	980

This is a new sub-analysis for 2008/9.

6.3 Creditors

	Total	2007-08 Total
Amounts falling due within one year:	£000	£000
Welsh Assembly Government	28	107
Health Commission Wales	32	68
Local Health Boards	534	244
NHS Trusts	5,099	4,721
Primary Care Trusts	134	536
Income tax and social security	214	1,243
VAT	0	0
Non-NHS creditors	1,751	2,475
Capital Creditors	738	299
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions:		
in respect of former directors	0	0
relating to other staff	199	995
Accruals	11,519	10,520
Deferred Income	232	69
Other creditors	0	0
TOTAL	20,480	21,277

6.4 Creditors

	Total	Total
Amounts falling due after more than one year:	£000	£000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions:		
in respect of former directors	0	0
relating to other staff	0	0
Other	0	0
TOTAL	0	0

6.5 Provisions for liabilities and charges

	At 1 April 2008	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	34,667	0	0	16,700	(10,614)	(5,352)	0	35,401
Personal injury	659	0	0	609	(248)	(213)	0	807
All other losses and special payments	0	0	0	2	0	(2)	0	0
Defence legal fees and other Administration costs.	1,986	0	0	636	(856)	(160)		1,606
Sub-total	37,312	0	0	17,947	(11,718)	(5,727)	0	37,814
Pensions - former directors	0	0	0	0	0	0	0	0
Pensions - other staff	9,202	0	(199)	362	(993)	(395)	202	8,179
Sub-total	9,202	0	(199)	362	(993)	(395)	202	8,179
Restructurings	0	0	0	0	0	0	0	0
Other	2,504	0	0	1,851	(619)	(1,212)	2	2,526
Total	49,018	0	(199)	20,160	(13,330)	(7,334)	204	48,519

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	20,718	14,683	0	35,401
Personal injury	557	250	0	807
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	658	948	0	1,606
Pensions - former directors	0	0	0	0
Pensions - other staff	806	3,224	4,149	8,179
Restructuring	0	0	0	0
Other	1,639	801	86	2,526
Total	24,378	19,906	4,235	48,519

The tLHB estimates that in 2009-10 it will receive £21.707m, and in 2010-11 and beyond £15.881m from the Welsh Risk Pool in respect of losses and special payments.

£33,037k of provisions relate to the potential liabilities of the former Health Authorities in respect of Medical Negligence and Personal Injury claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust).

The tLHB has accounted for £1.376m of other provisions relating to the Agenda for Change terms and conditions for NHS staff pay. These provisions are estimates based on the best available information at the time of preparing the accounts and as such there may be an element of variability between the calculated provision and the actual costs incurred by the tLHB when they are finally discharged.

6.6 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2008	17,127
Net operating cost for the financial year	(206,500)
Net Assembly funding (including capital)	204,009
Capital charge interest	5,101
Transfers to NHS bodies	(2)
Transfer to general fund of realised elements of the revaluation reserve	277
	<hr/>
Balance at 31 March 2009	20,012

6.7 Donated asset reserve

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

	£000
Balance at 1 April 2008	4,806
Additions	151
Impairments	0
Revaluation and indexation	(74)
Disposals and write-offs	0
Depreciation	(238)
	<hr/>
Balance at 31 March 2009	4,645

6.8 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2008	134,665
Revaluation	(2,039)
Indexation	(9,478)
Transfer to general fund - realised revaluation	(277)
	<hr/>
Balance at 31 March 2009	122,871

6.9 Contingent liabilities -**The following contingent losses/gains have not been included in the accounts**

Nature:	2007-08	
	£000	£000
Legal claims for third parties liabilities	51,147	79,906
Doubtful debts	0	0
Other	0	1,065
TOTAL	51,147	80,971

Uncertainties affecting outcome:

£50,985k of contingent liabilities relate solely to the former Health Authorities in respect of Medical Negligence and Personal Injury claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust). £162k of contingent liabilities are in respect of Medical Negligence and Personal Injury claims for Powys tLHB. Legal advice has established that these claims are not likely to result in payments. In the unlikely event that amounts are payable, they would be reimbursed to the tLHB from the Welsh Risk Pool.

The tLHB has received 2 grievance notices from staff under equal pay legislation. The process of assessing these notices is at an early stage and as a result there is significant uncertainty regarding both the likelihood of their success and any additional costs that the tLHB might incur. No cases have yet been referred to employment tribunal and it is unlikely that any of these cases will be settled within the next two years. As a result of this uncertainty, no provision has been made for any potential costs which might arise.

In January 2006 the High Court concluded that if, following a healthcare assessment, a person's health care needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care. The judgement also applied to retrospective reviews when requested. Powys tLHB has received a number of current and retrospective claims for patients who believe they are eligible for NHS funded Continuing Healthcare. The tLHB is only responsible for these potential costs for any periods claimed post 1st April 2003. The tLHB has included a provision of £0.78M within the total provision shown in Note 6.5 in respect of claims received to date. As at 31st March 2009 the LHB had also received a number of enquiries requesting further information which may subsequently result in a claim. At present it is not possible to evaluate these cases for either probability of success nor valuation.

In 2007/8 Powys tLHB disclosed a contingent liability of £1.065m relating to the potential for payment of increased prices to provider Trusts in England. Powys tLHB did not include a provision for that amount as currently the NHS in Wales did not recognise the Payment by Results system and tariffs as operated in the NHS in England.

No additional payments were made during 2008/09. Agreement on price has now been reached between NHS Wales and the Department of Health which will apply from 2009/10 only. Therefore no contingent liability exists during 2008/09.

6.10 Intra Government balances

	Debtors:	Debtors:	Creditors:	Creditors:
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	797	0	274	0
Balances with local authorities	572	0	527	0
Balances with NHS trusts and Foundation trusts	645	0	5,233	0
Balances with Local Health Boards	260	0	534	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	24,134	15,883	13,912	0
Total at 31 March 2009	26,408	15,883	20,480	0
Balances with other central government bodies	526	0	2,205	0
Balances with local authorities	301	0	186	0
Balances with NHS trusts and Foundation trusts	627	0	5,257	0
Balances with Local Health Boards	318	0	244	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	30,890	8,408	13,385	0
Total at 31 March 2008	32,662	8,408	21,277	0

6.11 Post balance sheet events

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

1.	0
	
2.	0
	
TOTAL		0
No material post balance sheet events have occurred since the 31st March 2009.		<u>0</u>

6.12 Capital commitments

The LHB has the following capital commitments:

	£000	2007-08 £000
Contracted	553	1,332
Authorised but not contracted	601	1,416
TOTAL	1,154	2,748

6.13 Related Party transactions**£'000****Total value of transactions with Board members and key senior staff in 2008/09. 0**

Powys Teaching Local Health Board is a body corporate established by order of the National Assembly for Wales.

The National Assembly for Wales is regarded as a related party. During the year Powys Teaching Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely;

- Velindre NHS Trust with whom the Teaching Local Health Board contracts for the provision of Public Health and Health Promotion services provided by the National Public Health Service.
- North Wales NHS Trust which operate the Welsh Risk Pool on behalf of NHS bodies in Wales.
- Welsh & English NHS Trusts with whom the Local Health Board commissions healthcare in particular those scheduled in note 4.2.

The Teaching Local Health Board has hosted the following functions on behalf of NHS Wales on which it receives income from the Assembly and other Local Health Boards ;

- The NHS Wales Residual Estate,
- Residual Clinical Negligence,
- Community Health Councils,
- Business Services Centres,
- Continuing Care Case Administration.

In addition the Teaching Local Health Board has a healthcare provider element for which it is statutorily responsible.

The provider income source is as below:-	2008-09 £000	2007-08 £'000
Powys tLHB Commissioner Ledger	61,744	57,891
Iechyd Morgannwg LHBs	1,835	2,083
English Trusts/PCTs	651	520
Dyfed LHBs	404	283
North Wales LHBs	467	467
Gwent LHBs	271	248
Bro Taf LHBs	17	44

The Teaching Local Health Board has a significant number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Powys County Council with a gross expenditure of £5.261M in the year.

The Teaching Local Health Board also has contracts with Shropdoc for the provision of out of hours care. Expenditure of £2.36M was incurred in 2008/09.

The Teaching Local Health Board has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the Board.

6.13 Related Party transactions Cont'd

During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Powys Teaching Local Health Board.

During the year, the following board members were key members/partners of organisations involved in transactions with Powys tLHB:

Alan Dawson	- Associate Director of Operations, Hereford Hospitals NHS Trust.
Bryn Williams	- Chief Officer of Brecknock and Radnor Community Health Council.
Chris Mann	- Trustee, Institute of Rural Health - Trustee, Powys Citizens Advice Bureau.
Dr. Julie Bishop	- Director of Public Health, National Public Health Service.
Dr. Peter Hovarth Howard	- Partner, Haygarth Doctors Teaching Practice, Powys.
Dr. Stephen James	- Partner, Newtown Medical Practice, Powys - Member Shropdoc OOH care provider.
Cllr. Gary Banks	- Councillor, Powys County Council.
Gloria Jones Powell	- Vice President Powys Association of Voluntary Organisations. - Trustee, Powys Carers Service
John Howard	- Chief Officer of Montgomeryshire Community Health Council.
Cllr. Kath Roberts Jones	- Councillor, Powys County Council - Chairman WHA Healthcare
Dr. Paul Buss	- Deputy Medical Director, Gwent Health Care NHS Trust
Paul Davies	- Director of P&C Davies (Llanwrtyd Wells) Ltd (Pharmacy), Powys.
Phil Robson	- Executive Director, Powys County Council.
Cllr. Rosemarie Harris	- Councillor, Powys County Council - Director Royal Welsh Agricultural Society Enterprises
Suzanne Penny	- Trustee of Powys Association of Voluntary Organisations
Cllr. John Michael Williams	- Councillor, Powys County Council.
Gyles Palmer	- Director, Powys Carers Service
Cllr. Ann Holloway	- Councillor, Powys County Council

6.14 Losses and special payments

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

	Number of cases	Value of cases £
Medical negligence	21	5,353,162
Personal injury	7	214,271
Fraud cases	0	0
All other losses and special payments	7	1,937
Total losses and special payments	<u>35</u>	<u>5,569,370</u>

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
PI/030/0555/AH	42,387	272,387	0
MN/030/0202/ES	130,000	595,000	0
MN/030/0219/ES	(57,025)	2,337,730	0
MN/030/0179/AS	3,479,557	3,479,557	0
MN/030/0154/AS	567,500	567,500	0
MN/030/0185/ALF	0	3,395,820	0
MN/030/0423/ALF	259,834	259,834	0
MN/030/0398/FEW	0	620,000	0
MN/030/0212/ES	(50,000)	500,000	0
MN/030/0213/ES	(17,625)	11,904,966	0
MN/030/0128/ALF	0	3,157,500	0
.....	0	0	0
.....	0	0	0
Sub-total	<u>4,354,628</u>	<u>27,090,294</u>	<u>0</u>
All other cases	<u>1,214,742</u>	<u>1,130,328</u>	<u>0</u>
Total cases	<u>5,569,370</u>	<u>28,220,622</u>	<u>0</u>

6.15 Third Party assets

The LHB held £40,689 cash at bank and in hand at 31 March 2009 which relates to monies held on behalf of patients. This has been excluded from cash at bank and in hand reported in these accounts.

6.16 Financial instruments

FRS 29, Financial Instrument Disclosures, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way that LHB's in Wales are financed, they are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which this standard mainly applies. The LHB's have no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB's in undertaking their activities.

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.17 Finance lease obligations

The future minimum lease payments under finance leases to which the local health board was committed at the balance sheet date were as follows:

	£000	2007-08 £000
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
In more than 2 year but no longer than 5	0	0
After 5 years	0	0
	<hr/>	<hr/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
TOTAL	0	0

The total net obligation under finance leases can be analysed as follows:

Creditors: amounts due within one year	0	0
Creditors: amounts due after more than one year	0	0

6.18 Pooled Budgets**A. Funded Nursing Care**

Powys Teaching Local Health Board and Powys County Council have entered into a partnership agreement in accordance with Section 31 of the Health Act 1999.

The health related function which is subject to these arrangements is the provision of care by a registered nurse in care homes, which is a service provided by the NHS Body under section 2 of the National Health Service Act 1977.

In accordance with the Social Care Act 2001 Section 49 care from a registered nurse is funded by the NHS regardless of the setting in which it is delivered. (Circular 12/2003).

The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations.

The partnership agreement operates in accordance with the Welsh Assembly Guidance NHS Funded Nursing Care 2004.

The allocation received for 2008/09 for free nursing care was £2,021,000

Gross Funding	Staff £	Other £	Total £
Powys County Council	0	1,064,557	1,064,557
Powys Teaching Local Health Bo	0	956,443	956,443
Total Funding	0	2,021,000	2,021,000
Expenditure			
Monies spent in accordance with Pooled budget arrangement	179,009	1,709,423	1,888,432
Total Expenditure	179,009	1,709,423	1,888,432
Net under/(over) spend	(179,009)	311,577	132,568
The above memorandum account is subject to the audit of Powys County Council.			

B. Provision of Community Equipment

Powys Teaching Local Health Board and Powys County Council have entered into a partnership agreement in respect of (Wales) Act 2006 lead commissioning from a pooled fund for the provision of community equipment in accordance with Section 33 of the National Health Services Act 2006

Powys County Council is the host partner for the purposes of the Regulations.

The purpose of the agreement is to facilitate the provision of a community equipment service and the development of this service in Powys. The service is provided from a pooled fund and is within the tLHB's and the Council's powers.

The tLHB contribution to the community equipment pooled budget was £394,258

Gross Funding	Powys County Council £	Powys tLocal Health Board £	Total £
	404,230	394,258	798,488
Total Funding	404,230	394,258	798,488
Expenditure			
Monies spent in accordance with Pooled budget arrangement			
<i>Pooled budget costs</i>	13,895	13,552	27,447
<i>Equipment purchase</i>	161,996	376,057	538,053
<i>British Red cross</i>	122,644	66,736	189,380
<i>Maintainence and Inspector.</i>	99,779		99,779
Total Expenditure	398,314	456,345	854,659
Net under/(over) spend	5,916	(62,087)	(56,171)
<i>Share of deficit</i>	28,436	27,735	56,171
The above memorandum account is subject to the audit of Powys County Council.			

6.19 Financial Assets

	At fair value through Profit & Loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	167	0	0	167
Other financial assets	0	0	0	0
At 31 March 2009	167	0	0	167
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	1951	0	0	1951
Other financial assets	0	0	0	0
At 31 March 2008 (Prior year)	1951	0	0	1951

6.20 Financial liabilities

	At fair value through Profit & Loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
At 31 March 2009	0	0	0
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
At 31 March 2008 (Prior year)	0	0	0

7.1 Segmental reporting

The following analysis segments the operating costs of the non healthcare functions :

	Total Powys "Health" £'000	Total BSC £'000	Total Residual Estate £'000	Total Clinical Negligence £'000	CHC £'000	Consolidation Adjustments £'000	Cons. Total £'000
Comissioning							
Gross Operating Costs	197,296	0	0	0	0	(63,670)	133,626
Miscellaneous Income	2,524	0	0	0	0	(125)	2,399
Comissioner Net Operating Costs	194,772	0	0	0	0	(63,545)	131,227
Providing							
Gross Operating Costs	71,142	21,307	5,843	22	3,848	6	102,168
Miscellaneous Income	69,833	19,992	401	0	264	(63,539)	26,951
Provider Net Operating Costs	1,309	1,315	5,442	22	3,584	63,545	75,217
tLHB Net Operating Costs before Interest	196,081	1,315	5,442	22	3,584	0	206,444
Interest Receivable	(148)	0	0	0	0	0	(148)
Interest Payable	2	198	0	0	4	0	204
tLHB Net Operating Costs	195,935	1,513	5,442	22	3,588	0	206,500

The following analysis segments the Net Assets of the non healthcare functions:

	Total Powys "Health" £'000	BSC £'000	Residual Estate £'000	Clinical Negligence £'000	CHC £'000	Consolidation Adjustments £'000	Total £'000
Total Fixed Assets							
Intangible Fixed Assets	0	5	0	0	0	0	5
Tangible Fixed Assets	70,933	1,179	101,801	0	0	0	173,913
Current Assets							
Stocks and work-in-progress	151	0	0	0	0	0	151
Debtors	12,785	2,848	0	33,037	101	(6,480)	42,291
Cash at bank and in hand	114	12	0	0	41	0	167
Total Current Assets	13,050	2,860	0	33,037	142	(6,480)	42,609
Creditors: amounts falling due within one year	22,795	2,239	1,472	103	349	(6,478)	20,480
Net current assets / (liabilities)	(9,745)	621	(1,472)	32,934	(207)	(2)	22,129
Creditors: amounts falling due after more than one year	0	0	0	0	0	0	0
Provisions for liabilities and charges	6,645	8,632	0	33,037	202	3	48,519
Total Net Assets	54,543	(6,827)	100,329	(103)	(409)	(5)	147,528
Financed by:							
General Fund	12,846	(6,877)	14,559	(103)	(409)	(4)	20,012
Donated Assets Reserve	3,795	0	850	0	0	0	4,645
Revaluation Reserve	37,902	50	84,920	0	0	(1)	122,871
Total	54,543	(6,827)	100,329	(103)	(409)	(5)	147,528

**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 tLHB. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by the Assembly.

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

Date: 2009 Chief Executive

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

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

- apply on a consistent basis accounting policies 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 tLHB 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:

Date: 2009

Chief Executive:

Date: 2009

Director of Finance:

Date: 2009

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

In addition to the functions relating to the health and well being of the population of Powys, the Teaching Local Health Board (tLHB) is also accountable for the NHS Wales Business Service Centre (BSC), the Community Health Councils in Wales and the residual estate and clinical negligence claims of the former Health Authorities in Wales.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should that be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

As Chief Executive I have responsibility for risk management across the whole organisation; which has been delegated to the Director of Finance and Performance. All tLHB staff have some responsibility for risk management and internal control in order to achieve their individual objectives and the tLHB's over all aims and objectives. In order to be effective the tLHB continues to work to integrate risk management into the day-to-day management and planning of the tLHB's activities.

The Audit and Risk Management Committee has overall responsibility for providing assurance to the Board on risk management issues; minutes are reported to the Board. The Risk Management Group is responsible for providing advice to the Audit and Risk Management Committee on risk management issues; it is chaired by the Director of Finance and Performance. Membership includes nominated representatives from each Directorate and the BSC.

A Corporate Performance Manager was appointed during the year whose responsibilities include the facilitation of the tLHB's risk management group and co-ordinating the implementation and auditing of the Risk management Policy, as well as co-ordinating the development and reporting of a Risk Register and action plan.

STATEMENT ON INTERNAL CONTROL

4. The risk and control framework

The tLHB's risk management framework is set out in the Risk Management Policy and Strategic Framework document. An annual review process has been undertaken of the tLHB's Risk Management Policy and Strategic Framework and was approved by the Board in March.

A robust internal control framework was in place during the year which included:

- the adoption by the Board of the Standing Order and Standing Financial Instructions;
- an Audit and Risk Management Committee, a Remuneration Committee, a Clinical Governance and Healthcare Standards Committee and various subgroups;
- the appointment of internal auditors; and
- an approved financial plan and regular reporting of financial and performance information.

A tLHB wide risk register is being developed and maintained and the Audit and Risk Management Committee receives regular reports on the progress of the development and the risks registered and the Board receives annually a summary of the high level risks contained within the risk register.

The measurement of effective risk management is monitored through the following mechanisms:

- Healthcare Standards for Wales;
- Internal Audit Strategy; and
- Welsh Risk Management Standards.

Healthcare Standards for Wales set out the Welsh Assembly Government's common framework of healthcare standards to support the NHS and other partner organisations in providing effective, timely and quality services across all healthcare settings. It was confirmed that the Healthcare Standards would be used by Healthcare Inspectorate Wales (HIW) as part of their processes for assessing the quality, safety and effectiveness of healthcare providers and commissioners across Wales.

From April 2007 organisations were required to undertake self assessments against the 32 Healthcare Standards and make an annual public declaration on how they perform. To support the process Health Inspectorate Wales developed a new self assessment electronic web based tool which was completed by the tLHB and formally submitted to Health Inspectorate Wales on 9th May 2008. Subsequently Health Inspectorate Wales reviewed the evidence submitted and provided a report on 1st September 2008. The tLHB then produced a Healthcare Standards Improvement Plan (HCSIP).

The HCSIP provides a standard format for organisations to record and demonstrate improvement on an annual basis which includes actions arising from the Annual Operating Framework, self assessment process, internal audit and further local and national requirements. The HCSIP has been monitored through the Clinical Governance and Healthcare Standards Committee, Board and Regional Office on a quarterly basis.

STATEMENT ON INTERNAL CONTROL

The tLHB has updated the submission from the previous year as required and met the deadline to complete and submit the self assessment template on 9th April 2009.

As part of the 2008/09 Internal Audit Strategy, the tLHB's internal auditors undertook a review of the four core Healthcare Standards. A number of recommendations were made but in their opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective:

Healthcare Standard	2008-09 Self assessment	2007-08 Self assessment
<u>Standard 14</u> Risk management including Health and Safety	3	3
<u>Standard 16</u> Incident reporting	4	3
<u>Standard 27</u> Corporate Governance	3	3
<u>Standard 28</u> Clinical Governance	4	3

(1 - Aware, 2 - Responding, 3 – Developing, and 4 – Practising)

Additionally Internal Audit reviewed the following additional Healthcare Standards:

Healthcare Standard	2008-09 Self assessment	2007-08 Self assessment
<u>Standard 2</u> Public wishes and needs	2	2
<u>Standard 3</u> Emergency services	3	2
<u>Standard 24</u> Partnership with Social Care	4	3
<u>Standard 25</u> IM&T	2	2
<u>Standard 30</u> Public Health	2	2

(1 - Aware, 2 - Responding, 3 – Developing, and 4 – Practising)

The opinion of Internal Audit is that the Board can take substantial assurance that the controls upon which the organisation relies to manage these areas, as currently laid down and operated, are effective. Based upon the evidence reviewed and the narrative provided on the self assessment tool, internal audit agreed with the scores allocated by the tLHB.

STATEMENT ON INTERNAL CONTROL

The former Welsh Risk Management Standards (WRMS) have been mapped to the Healthcare Standards. During the year the Welsh Risk Pool assessed the following WRMS as part of the internal assurance arrangements in place:

WRMS	Description	WRP 2008/09	WRP 2007/08
5	Claims Management	74%	99%
15	Maternity	94%	93%
16	Operating Department Services	92%	96%
17	Accident and Emergency	94%	81%

These scores are draft and the Welsh Risk Pool final report is awaited. A number of good practice examples were identified during the WRP visit to be shared with other organisations in Wales.

Internal Audit have concluded that the outcomes of audits undertaken during the year do not indicate any matter that are judged to have a significant impact on the Statement of Internal Control other than those reports which offered only limited assurance. Follow up reviews of these reports were undertaken in April 2009 to ensure that management had taken appropriate action to implement the recommendations. The follow up reviews concluded that the LHB had made sufficient progress to implement the recommendations and appropriate action was being taken with the exception of Consultant Intensity Payments. The Audit Committee will monitor closely the implementation of the recommendations made in this area.

5. Review of effectiveness

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer organisations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer’s contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

Reports from Internal and External Auditors and other Statutory organisations provide assurance that staff at all levels in the organisation are aware of the tLHB policies and procedures and that best practice governance arrangements are in place or being addressed through robust action planning.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:.....
 Chief Executive
 (on behalf of board)

Date:.....

AUDITORS' REPORT

Powys Teaching Local Health Board

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

I certify that I have audited the financial statements of Powys Teaching Local Health Board for the year ended 31 March 2009 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

Respective responsibilities of Directors, the Chief Executive and Auditor

The Directors and the Chief Executive are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with paragraph 3 of schedule 9 of the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made there under. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, Powys Teaching Local Health Board has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Powys Teaching Local Health Board's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Powys Teaching Local Health Board's corporate governance procedures or its risk and control procedures.

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.

Basis of Audit Opinion

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Powys Teaching Local Health Board's circumstances, and are consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and that part of remuneration report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of affairs of Powys (t) Local Health Board as at 31 March 2009 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited 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.

Report

I have no observations to make on these financial statements.

My conclusion on Powys Teaching Local Health Board's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
19th June 2009

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

ACCOUNTS OF - 2008-2009

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 2009 and subsequent financial years in respect of the Teaching Local Health Boards (tLHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the tLHB shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FRM), as detailed in the LHB Manual for Accounts, but specifically excluding schedules 1 and 5;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

3. The account of the tLHB for the year ended 31 March 2009 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2009 and subsequent years, the account of the tLHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of the Welsh Ministers

Signed :

Dated :

ACCOUNT OF POWYS TEACHING LOCAL HEALTH BOARD - 2008-2009

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the account has been prepared to comply with a Direction given by the National Assembly for Wales in accordance with schedule 9 of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the LHB together with a fair review of their operational and financial activities and a summary of their performance against targets.