Cwm Taf University Local Health Board

FOREWORD

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

Statutory background

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

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

Performance Management and Financial Results

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

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

The primary performance measure for Local Health Boards is the Achievement of Operational Financial Balance on page 2. This note compares net operating costs expended against Resource Limits allocated by the Welsh Government and measures whether operational financial balance has been achieved in year.

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

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

	Note	2013-14 £'000 Cwm Taf HB activities	2013-14 £'000 Total	2012-13 £'000 Cwm Taf HB activities	2012-13 £'000 Total
Expenditure on Primary Healthcare Services	3.1	**136,785**	**136,785**	132,894	132,894
Expenditure on healthcare from other providers	3.2	**123,539**	**659,969**	121,540	645,933
Expenditure on Hospital and Community Health Services	3.3	**382,659**	**386,045**	417,850	421,047
		642,983	**1,182,799**	672,284	1,199,874
Less: Miscellaneous Income	4	**75,432**	**615,248**	75,460	603,050
LHB net operating costs before interest and other gains and losses		**567,551**	**567,551**	596,824	596,824
Investment Income	8	**0**	**0**	0	0
Other (Gains) / Losses	9	**(50)**	**(50)**	(12)	(12)
Finance costs	10	**176**	**176**	198	198
Net operating costs for the financial year		**567,677**	**567,677**	597,010	597,010

Achievement of Operational Financial Balance

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

	2013-14 £000	2012-13 £000
Net operating costs for the financial year	**567,677**	597,010
Less Non-discretionary expenditure	4,404	2,967
Less Revenue consequences of Bringing PFI schemes onto SoFP	100	98
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	**563,173**	**593,945**
Revenue Resource Limit	563,189	593,962
Under / (over) spend against Revenue Resource Limit	**16**	17

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

Other Comprehensive Net Expenditure

	2013-14 £'000	2012-13 £'000
Net gain / (loss) on revaluation of property, plant and equipment	**5,235**	(11,402)
Net gain / (loss) on revaluation of intangibles	**0**	0
Net gain / (loss) on revaluation of available for sale financial assets	**0**	0
(Gain) / loss on other reserves	**0**	0
Impairment and reversals	**0**	0
Release of Reserves to Statement of Comprehensive Net Expenditure	**0**	0
Other comprehensive net expenditure for the year	**5,235**	(11,402)
Total comprehensive net expenditure for the year	**562,442**	608,412

Statement of Financial Position as at 31 March 2014

	Notes	31 March 2014 £'000 Cwm Taf HB activities	31 March 2014 £'000 Total	31 March 2013 £'000 Cwm Taf HB activities	31 March 2013 £'000 Total
Non-current assets					
Property, plant and equipment	11	**300,131**	**300,131**	311,155	311,155
Intangible assets	12	**0**	**0**	0	0
Trade and other receivables	15	**4,883**	**4,883**	2,112	2,112
Other financial assets	19	**0**	**0**	0	0
Other assets	20	**0**	**0**	0	0
Total non-current assets		**305,014**	**305,014**	313,267	313,267
Current assets					
Inventories	14	**3,637**	**3,637**	3,582	3,582
Trade and other receivables	15	**43,805**	**53,781**	52,053	57,326
Other financial assets	19	**0**	**0**	0	0
Other assets	20	**0**	**0**	0	0
Cash and cash equivalents	18	**130**	**293**	203	376
		47,572	**57,711**	55,838	61,284
Non-current assets classified as "Held for Sale"	11	**1,439**	**1,439**	0	0
Total current assets		**49,011**	**59,150**	55,838	61,284
Total assets		**354,025**	**364,164**	369,105	374,551
Current liabilities					
Trade and other payables	16	**57,025**	**79,006**	58,374	75,662
Other financial liabilities	22	**0**	**0**	0	0
Provisions	17	**31,987**	**31,987**	43,487	43,487
Other liabilities	21	**0**	**0**	0	0
Total current liabilities		**89,012**	**110,993**	101,861	119,149
Net current assets/ (liabilities)		**(40,001)**	**(51,843)**	(46,023)	(57,865)
Non-current liabilities					
Trade and other payables	16	**2,274**	**2,274**	2,429	2,429
Other financial liabilities	22	**0**	**0**	0	0
Provisions	17	**11,579**	**11,579**	7,049	7,049
Other liabiliities	21	**0**	**0**	0	0
Total non-current liabilities		**13,853**	**13,853**	9,478	9,478
Total assets employed		**251,160**	**239,318**	257,766	245,924
Financed by :					
Taxpayers' equity					
General Fund		**236,186**	**224,344**	247,103	235,261
Revaluation reserve		**14,974**	**14,974**	10,663	10,663
Total taxpayers' equity		**251,160**	**239,318**	257,766	245,924

The financial statements on pages 2 to 7 were approved by the Board on 4th June 2014 and signed on its behalf by:

Chief Executive: Mrs. A Williams

Date: 4th June 2014

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

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

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2013-14			
Restated Balance at 1 April 2013	235,261	10,663	**245,924**
Net operating cost for the year	(567,677)		**(567,677)**
Net gain/(loss) on revaluation of property, plant and equipment	0	5,235	**5,235**
Net gain/(loss) on revaluation of intangible assets	0	0	**0**
Net gain/(loss) on revaluation of financial assets	0	0	**0**
Net gain/(loss) on revaluation of assets held for sale	0	0	**0**
Impairments and reversals	0	0	**0**
Movements in other reserves	0	0	**0**
Transfers between reserves	924	(924)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to/from LHBs	0	0	**0**
Total recognised income and expense for 2013-14	(566,753)	4,311	**(562,442)**
Net Welsh Government funding	555,836		**555,836**
Balance at 31 March 2014	224,344	14,974	**239,318**

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

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

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2012-13	Restated	Restated	Restated
Balance at 1 April 2012	272,648	23,505	**296,153**
Net operating cost for the year	(597,010)		**(597,010)**
Net gain/(loss) on revaluation of property, plant and equipment	0	(11,402)	**(11,402)**
Net gain/(loss) on revaluation of intangible assets	0	0	**0**
Net gain/(loss) on revaluation of financial assets	0	0	**0**
Net gain/(loss) on revaluation of assets held for sale	0	0	**0**
Impairments and reversals	0	0	**0**
Movements in other reserves	0	0	**0**
Transfers between reserves	1,440	(1,440)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to/from LHBs	0	0	**0**
Total recognised income and expense for 2012-13	(595,570)	(12,842)	**(608,412)**
Net Welsh Government funding	558,183		**558,183**
Balance at 31 March 2013	235,261	10,663	**245,924**

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

Statement of Cash flows for year ended 31 March 2014

		2013-14	2013-14	2012-13	2012-13
		£'000	£'000	£'000	£'000
		Cwm Taf	Total	Cwm Taf	Total
Cash Flows from operating activities	notes	HB activities		HB activities	
Net operating cost for the financial year		(567,677)	(567,677)	(597,010)	(597,010)
Movements in Working Capital	34	6,988	6,978	(10,963)	(10,944)
Other cash flow adjustments	35	26,798	26,798	86,605	86,605
Provisions utilised	17	(12,232)	(12,232)	(10,541)	(10,541)
Net cash outflow from operating activities		(546,123)	(546,133)	(531,909)	(531,890)
Cash Flows from investing activities					
Purchase of property, plant and equipment		(9,865)	(9,865)	(26,729)	(26,729)
Proceeds from disposal of property, plant and equipment		205	205	622	622
Purchase of intangible assets		0	0	0	0
Proceeds from disposal of intangible assets		0	0	0	0
Payment for other financial assets		0	0	0	0
Proceeds from disposal of other financial assets		0	0	0	0
Payment for other assets		0	0	0	0
Proceeds from disposal of other assets		0	0	0	0
Net cash inflow/(outflow) from investing activities		(9,660)	(9,660)	(26,107)	(26,107)
Net cash inflow/(outflow) before financing		(555,783)	(555,793)	(558,016)	(557,997)
Cash flows from financing activities					
Welsh Government funding (including capital)		555,836	555,836	558,183	558,183
Capital receipts surrendered		0	0	0	0
Capital grants received		36	36	0	0
Capital element of payments in respect of finance leases and on-SoFP		(162)	(162)	(156)	(156)
Cash transferred (to)/ from other NHS bodies		0	0	0	0
Net financing		555,710	555,710	558,027	558,027
Net increase/(decrease) in cash and cash equivalents		(73)	(83)	11	30
Cash and cash equivalents (and bank overdrafts) at 1 April 2013		203	376	192	346
Cash and cash equivalents (and bank overdrafts) at 31 March 2014		130	293	203	376

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

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2013-14 Local Health Board Manual for Accounts and 2013-14 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income and funding

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

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

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

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

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

1.4 Employee benefits

Short-term employee benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2012-13 a formal revaluation exercise was applied to land and properties. Land and buildings have been indexed with indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

Subsequent expenditure
Where subsequent expernditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the otem replaced is written-out and charged to the SoCNE.

1.7 Intangible assets

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

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

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

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

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

1.8 Depreciation, amortisation and impairments
Freehold land and assets under construction and properties held for sales are not depreciated.

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

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

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

1.9 Research and Development
Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

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

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

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

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

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

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

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

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

1.13.2 The Local Health Board as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

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

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

1.15 Cash and cash equivalents
Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.16 Provisions
Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

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

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

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

1.17 Clinical negligence costs
The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool is hosted by Velindre NHS Trust.

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

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

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

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

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

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

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

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

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

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

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

1.19 Financial liabilities

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

1.19.1 Financial liabilities are initially recognised at fair value.

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

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

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

1.19.3 Other financial liabilities

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

1.20 Value Added Tax

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

1.21 Foreign currencies

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

1.22 Third party assets

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

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

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

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

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

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

The LHB accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement. Details of Pooled Budgets are provided in Note 31 to the Accounts.

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

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

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

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

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

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

1.27 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a

deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

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

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

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

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

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

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

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

1.29 Carbon Reduction Commitment Scheme

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

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

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

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

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

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

1.32 Accounting standards issued that have been adopted early
None

1.33 Charities

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the LHB has established that as the LHB is the corporate trustee of the Cwm Taf NHS Charitable Funds, it is considered for accounting standards compliance to have control of Cwm Taf NHS Charitable Funds as a subsidiary and therefore is required to consolidate the results of Cwm Taf NHS Charitable Funds within the statutory accounts of the LHB. The determination of control is an accounting standards test of control and there has been no change to the operation of Cwm Taf NHS Charitable Funds or its independence in its management of charitable funds.

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

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The results reporting whether the LHB has achieved Operational Financial Balance are shown on the face of the Statement of Comprehensive Net Expenditure. This shows Cwm Taf University Local Health Board remained within its Revenue Resource Limit achieving an underspend of £16k. Brokerage of £3.9m resource was received from the Welsh Government and this is included in the position.

2.2 Capital Resource Limit	**2013-14**	2012-13
	£000	£000
The LHB is required to keep within its Capital Resource Limit :		
Gross capital expenditure	**7,003**	28,180
Add: Losses on disposal of donated assets	**0**	0
Less NBV of property, plant and equipment and intangible assets disposed	**(154)**	(610)
Less capital grants received	**(36)**	0
Less donations received	**(12)**	(19)
Charge against Capital Resource Limit	**6,801**	27,551
Capital Resource Limit	**6,808**	27,601
(Over) / Underspend against Capital Resource Limit	**7**	50

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited	Non-cash limited	2013-14 Total	2012-13
	£'000	£'000	£'000	£'000
General Medical Services	44,695		**44,695**	43,832
Pharmaceutical Services	17,717	619	**18,336**	17,144
General Dental Services	15,625		**15,625**	15,652
General Ophthalmic Services	0	3,785	**3,785**	3,388
Other Primary Health Care expenditure	94		**94**	160
Prescribed drugs and appliances	54,250		**54,250**	52,718
Total	**132,381**	**4,404**	**136,785**	132,894

Included within Note 3.1 General Medical Services are staff costs of £3.673m (2012-13:£3.597m)

3.2 Expenditure on healthcare from other providers	2013-14 £'000 Cwm Taf HB activities	2013-14 £'000 Total	2012-13 £'000 Cwm Taf HB activities	2012-13 £'000 Total
Goods and services from other NHS Wales Health Boarc	**28,076**	**330,541**	26,631	321,825
Goods and services from other NHS Wales Trusts	**9,143**	**160,499**	8,441	154,443
Goods and services from other non Welsh NHS bodies	**677**	**112,837**	699	109,887
Goods and services from WHSSC	**56,133**	**0**	52,928	0
Local Authorities	**100**	**100**	205	227
Voluntary organisations	**1,776**	**7,253**	1,837	6,428
NHS Funded Nursing Care	**3,737**	**3,737**	3,399	3,399
Continuing Care	**22,886**	**22,886**	26,546	26,432
Private providers	**926**	**22,031**	786	23,224
Specific projects funded by the Welsh Government	**0**	**0**	0	0
Other	**85**	**85**	68	68
Total	**123,539**	**659,969**	121,540	645,933

3.3 Expenditure on Hospital and Community Health Services	2013-14 £'000 Cwm Taf HB activities	2013-14 £'000 Total	2012-13 £'000 Cwm Taf HB activities	2012-13 £'000 Total
Directors' costs	**1,623**	**1,623**	1,642	1,642
Staff costs	**288,432**	**291,428**	281,028	283,862
Supplies and services - clinical	**39,226**	**39,226**	38,092	38,092
Supplies and services - general	**5,075**	**5,075**	4,868	4,868
Consultancy Services	**218**	**270**	524	555
Establishment	**5,949**	**6,080**	6,024	6,125
Transport	**582**	**582**	647	647
Premises	**13,032**	**13,190**	14,129	14,311
External Contractors	**39**	**39**	12	12
Depreciation	**14,029**	**14,029**	13,614	13,614
Amortisation	**0**	**0**	0	0
Fixed asset impairments and reversals (Property, plant & equipment)	**7,639**	**7,639**	51,771	51,771
Fixed asset impairments and reversals (Intangible assets)	**0**	**0**	0	0
Impairments & reversals of financial assets	**0**	**0**	0	0
Impairments & reversals of non-current assets held for sale	**0**	**0**	70	70
Audit fees	**366**	**415**	446	495
Other auditors' remuneration	**0**	**0**	0	0
Losses, special payments and irrecoverable debts	**3,676**	**3,676**	2,929	2,929
Research and Development	**0**	**0**	0	0
Other operating expenses	**2,773**	**2,773**	2,054	2,054
Total	**382,659**	**386,045**	417,850	421,047

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

Increase/(decrease) in provision for future payments:	**2013-14 £000**	2012-13 £000
Clinical negligence	**2,446**	20,926
Personal injury	**1,284**	1,527
All other losses and special payments	**930**	708
Defence legal fees and other administrative costs	**888**	442
Gross increase/(decrease) in provision for future payments	**5,548**	**23,603**
Premium for other insurance arrangements	**0**	0
Irrecoverable debts	**453**	90
Less: income received/ due from Welsh Risk Pool	**(2,325)**	(20,764)
Total	**3,676**	**2,929**

Personal injury includes £505,219 (2012-13 £393,796) in respect of permanent injury benefits.
There were 18 new redress cases which have been included within Clinical negligence. The provisions arising in the year for all redress cases was £75,515 (2012-2013 £85,848.)

4. Miscellaneous Income

	2013-14 £'000 Cwm Taf HB activities	2013-14 £'000 Total	2012-13 £'000 Cwm Taf HB activities	2012-13 £'000 Total
Local Health Boards	**35,570**	**581,438**	33,776	567,802
WHSSC	**6,216**	**0**	6,442	0
NHS trusts	**3,129**	**3,129**	3,092	3,098
Strategic health authorities and primary care trusts	**417**	**417**	412	412
Foundation Trusts	**0**	**0**	0	0
Local authorities	**4,951**	**4,980**	4,707	4,707
Welsh Government	**1,991**	**1,991**	2,042	2,042
Non NHS:		**0**		
Prescription charge income	**0**	**0**	0	0
Dental fee income	**3,282**	**3,282**	3,119	3,119
Private patient income	**94**	**94**	91	91
Overseas patients (non-reciprocal)	**0**	**0**	1	1
Injury Costs Recovery (ICR) Scheme	**1,772**	**1,772**	1,844	1,844
Other income from activities	**438**	**438**	417	417
Patient transport services	**0**	**0**	0	0
Education, training and research	**10,060**	**10,060**	9,991	9,991
Charitable and other contributions to expenditure	**296**	**431**	283	283
Receipt of donated assets	**49**	**49**	19	19
Receipt of Government granted assets	**0**	**0**	0	0
Non-patient care income generation schemes	**488**	**488**	484	484
NWSSP, Business Services Centre / Business Services Partnersh	**0**	**0**	0	0
Deferred income released to revenue	**0**	**0**	0	0
Contingent rental income from finance leases	**0**	**0**	0	0
Rental income from operating leases	**0**	**0**	0	0
Other income:		**0**		
Provision of laundry, pathology, payroll services	**1,048**	**1,048**	1,034	1,034
Accommodation and catering charges	**2,319**	**2,319**	2,132	2,132
Mortuary fees	**135**	**135**	134	134
Staff payments for use of cars	**443**	**443**	479	479
Business Unit	**0**	**0**	600	600
Other	**2,734**	**2,734**	4,361	4,361
Total	**75,432**	**615,248**	75,460	603,050

ICR Income is subject to a provision for impairment of 15.8% to reflect expected rates of collection.

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2012-13
	£000	£000	£000	£000	£000
Salaries and wages	244,721	412	5,957	**251,090**	245,605
Social security costs	18,608	17	0	**18,625**	18,358
Employer contributions to NHS Pension Scheme	31,888	31	0	**31,919**	31,151
Other pension costs	4	0	0	**4**	0
Other employment benefits	0	0	0	**0**	0
Termination benefits	0	0	0	**0**	0
Total	295,221	460	5,957	**301,638**	295,114
Charged to capital				**399**	1,152
Charged to revenue				**301,239**	293,962
				301,638	295,114

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2012-13
	Number	Number	Number	Number	Number
Medical and dental	639	0	31	**670**	655
Ambulance staff	0	0	0	**0**	0
Administrative and estates	1,430	3	4	**1,437**	1,446
Healthcare assistants and other support staff	1,701	0	0	**1,701**	1,707
Nursing, midwifery and health visiting staff	2,344	0	20	**2,364**	2,344
Nursing, midwifery and health visiting learners	14	5	0	**19**	17
Scientific, therapeutic and technical staff	953	0	3	**956**	920
Social care staff	0	0	0	**0**	0
Other	2	0	0	**2**	3
Total	**7,083**	**8**	**58**	**7,149**	7,092

5.3. Retirements due to ill-health

During 2013-14 there were 9 early retirements from the LHB agreed on the grounds of ill-health (2012-13,19).
The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £488,660 (2012-13: £788,325)

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

5.5 Reporting of other compensation schemes - exit packages

	Total number of exit packages by cost band	Total number of exit packages by cost band
	Number	Number
	2013-14	2012-13
Exit package cost band		
<£10,000	0	5
£10,000 to £25,000	0	10
£25,000 to £50,000	0	3
£50,000 to £100,000	0	0
£100,000 to £150,000	0	0
£150,000 to £200,000	0	0
£200,000+	0	0
Total number of exit packages by type	**0**	**18**
Total resource cost £	0	302,346

5.6 Remuneration Relationship

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

The banded remuneration of the highest-paid director in the LHB in the financial year 2013-14 was £170,000 - £175,000 (2012-13, £170,000 - £175,000). This was 6.5 times (2012-13, 6.5) the median remuneration of the workforce, which was £26,398 (2012-13, £26,385)

In 2013-14, 3 (2012-13, 1) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £175,001 to £200,000 (2012-13 £185,000 to £190,000). Staff earning in excess of the highest paid director held clinical posts.

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

5.7 Pension costs

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

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

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

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

b) Full actuarial (funding) valuation
The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

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

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

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in inflation in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used as the measure of inflation and replaced the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

5.7 Pension costs (cont)

d) Other Pension Schemes - National Employment Savings Trust (NEST)

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

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

Currently, the legal minimum contribution level is 2 per cent of a jobholder's qualifying earnings for employers whose legal duties have started. Of this the employer needs to pay at least 1 per cent, though they can pay more if they elect to do so. By 2018 the minimum contribution will rise to 8 per cent of qualifying earnings, of which the employer must pay at least 3 per cent.

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

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

6. Operating leases

LHB as lessee

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

Payments recognised as an expense	**2013-14**	2012-13
	£000	£000
Minimum lease payments	**2,727**	3,175
Contingent rents	**0**	0
Sub-lease payments	**0**	0
Total	**2,727**	3,175

Total future minimum lease payments		
Payable	**£000**	£000
Not later than one year	**3,360**	2,930
Between one and five years	**9,720**	9,498
After 5 years	**12,026**	14,635
Total	**25,106**	27,063

There are no future sublease payments expected to be received.

LHB as lessor

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

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

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

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

	2013-14	**2013-14**	2012-13	2012-13
NHS	**Number**	**£000**	Number	£000
Total bills paid	**3,436**	**498,860**	3,447	484,121
Total bills paid within target	**3,386**	**498,797**	3,430	484,008
Percentage of bills paid within target	**98.5%**	**100.0%**	99.5%	100.0%
Non-NHS				
Total bills paid	**105,372**	**249,586**	102,502	256,423
Total bills paid within target	**102,149**	**246,795**	100,084	253,732
Percentage of bills paid within target	**96.9%**	**98.9%**	97.6%	99.0%
Total				
Total bills paid	**108,808**	**748,446**	105,949	740,544
Total bills paid within target	**105,535**	**745,592**	103,514	737,740
Percentage of bills paid within target	**97.0%**	**99.6%**	97.7%	99.6%

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

	2013-14	2012-13
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	**0**	392
Compensation paid to cover debt recovery costs under this legislation	**0**	1226
Total	**0**	1618

8. Investment Income

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

9. Other gains and losses

	2013-14	2012-13
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	23	12
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	27	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	50	12

10. Finance costs

	2013-14	2012-13
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	8	11
Interest on obligations under PFI contracts		
main finance cost	80	85
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	1	0
Total interest expense	89	96
Provisions unwinding of discount	87	102
Other finance costs	0	0
Total	176	198

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & on account £000	Plant and machinery £000	Transport equipment £000	nformation technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2013	21,962	279,114	2,542	2,305	56,495	127	15,402	7,773	**385,720**
Indexation	0	5,582	51	0	0	0	0	0	**5,633**
Additions - purchased	(4)	1,912	0	601	3,614	0	865	(34)	**6,954**
Additions - donated	0	0	0	0	13	0	0	0	**13**
Additions - government granted	0	0	0	0	36	0	0	0	**36**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Reversal of impairments	0	365	0	0	0	0	0	0	**365**
Impairments	(680)	(7,742)	(121)	0	0	0	(228)	0	**(8,771)**
Reclassified as held for sale	(1,539)	(12,559)	(270)	0	0	0	0	0	**(14,368)**
Disposals	0	0	0	0	(3,775)	0	(85)	(11)	**(3,871)**
At 31 March 2014	19,739	266,672	2,202	2,906	56,383	127	15,954	7,728	**371,711**
Depreciation at 1 April 2013	0	19,608	314	0	42,674	114	8,352	3,503	**74,565**
Indexation	0	392	6	0	0	0	0	0	**398**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Reversal of impairments	0	0	0	0	0	0	0	0	**0**
Impairments	0	(625)	(5)	0	0	0	(137)	0	**(767)**
Reclassified as held for sale	0	(12,529)	(250)	0	0	0	0	0	**(12,779)**
Disposals	0	0	0	0	(3,772)	0	(84)	(10)	**(3,866)**
Provided during the year	0	7,559	67	0	3,876	5	1,800	722	**14,029**
At 31 March 2014	0	14,405	132	0	42,778	119	9,931	4,215	**71,580**
Net book value at 1 April 2013	21,962	259,506	2,228	2,305	13,821	13	7,050	4,270	**311,155**
Net book value at 31 March 2014	19,739	252,267	2,070	2,906	13,605	8	6,023	3,513	**300,131**

Net book value at 31 March 2014 comprises :

Purchased	19,193	250,701	2,070	2,906	13,386	6	5,994	3,451	**297,707**
Donated	546	1,566	0	0	184	2	19	56	**2,373**
Government Granted	0	0	0	0	35	0	10	6	**51**
At 31 March 2014	19,739	252,267	2,070	2,906	13,605	8	6,023	3,513	**300,131**

Asset financing :

Owned	19,504	250,192	843	2,906	13,605	8	6,023	3,513	**296,594**
Held on finance lease	0	495	0	0	0	0	0	0	**495**
On-SoFP PFI contracts	235	1,580	1,227	0	0	0	0	0	**3,042**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2014	19,739	252,267	2,070	2,906	13,605	8	6,023	3,513	**300,131**

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

	£000
Freehold	**273,580**
Long Leasehold	**0**
Short Leasehold	**495**
	274,075

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
									Restated
Cost or valuation at 1 April 2012	28,147	289,342	4,689	47,911	54,588	156	12,049	6,417	**443,299**
Indexation	0	0	0	0	0	0	0	0	**0**
Additions - purchased	443	12,862	0	6,733	3,387	0	3,361	1,375	**28,161**
Additions - donated	0	0	0	0	19	0	0	0	**19**
Additions - government granted	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	51,772	0	(51,720)	(33)	0	0	(19)	**0**
Revaluations	62	(30,392)	(2,147)	0	0	0	0	0	**(32,477)**
Reversal of impairments	0	0	0	0	0	0	0	0	**0**
Impairments	(6,290)	(44,400)	0	(619)	0	0	0	0	**(51,309)**
Reclassified as held for sale	(400)	(70)	0	0	0	0	0	0	**(470)**
Disposals	0	0	0	0	(1,466)	(29)	(8)	0	**(1,503)**
At 31 March 2013	21,962	279,114	2,542	2,305	56,495	127	15,402	7,773	**385,720**
Depreciation at 1 April 2012	0	32,491	596	0	40,144	135	6,831	2,870	**83,067**
Indexation	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	9	0	0	(7)	0	0	(2)	**0**
Revaluations	0	(20,574)	(351)	0	0	0	0	0	**(20,925)**
Reversal of impairments	0	0	0	0	0	0	0	0	**0**
Impairments	0	312	0	0	0	0	0	0	**312**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	(1,466)	(29)	(8)	0	**(1,503)**
Provided during the year	0	7,370	69	0	4,003	8	1,529	635	**13,614**
At 31 March 2013	0	19,608	314	0	42,674	114	8,352	3,503	**74,565**
Net book value at 1 April 2012	28,147	256,851	4,093	47,911	14,444	21	5,218	3,547	**360,232**
Net book value at 31 March 2013	21,962	259,506	2,228	2,305	13,821	13	7,050	4,270	**311,155**

Net book value at 31 March 2013 comprises :									
Purchased	21,416	257,919	2,228	2,305	13,571	9	7,007	4,196	**308,651**
Donated	546	1,587	0	0	250	4	24	67	**2,478**
Government Granted	0	0	0	0	0	0	19	7	**26**
At 31 March 2013	21,962	259,506	2,228	2,305	13,821	13	7,050	4,270	**311,155**
Asset financing :									
Owned	21,727	257,370	994	2,305	13,821	13	7,050	4,270	**307,550**
Held on finance lease	0	514	0	0	0	0	0	0	**514**
On-SoFP PFI contracts	235	1,622	1,234	0	0	0	0	0	**3,091**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	21,962	259,506	2,228	2,305	13,821	13	7,050	4,270	**311,155**

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

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

11. Property, plant and equipment (continued.)

1) Assets totalling £48,939 were purchased with donated/grant funds:

	£'000
Endowment Funds - Medical Equipment	13
Rhondda Cynon Taf County Council - Medical Equipment	36

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

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

3) During 2013/14 the following Impairments arose:

	£'000
St Tydfil's Hospital	7,801
Campsie House	79
Lone Worker scheme	91
Ysbyty Cwm Rhondda	33
Emergency Care Centre - reversal of impairment	-365
Total Impairments	**7,639**

4)The impairment of St Tydfil's Hospital and Campsie House relate to writedown to open market value as both sites became available for sale during the financial year. The impairment of the Lone Worker scheme relates to a change in use, where specialist assets are no longer required for their original purpose. The impairment of Ysbyty Cwm Rhondda relates to writedown to depreciated replacement cost. The reversal of impairment on the Emergency Care Centre is in connection with an impairment charge made in 2012-13.

5)Asset reclassified as held for sale and moved to Note 11.2
During the year St Tydfil's Hospital and Campsie House became surplus to requirements and were subsequently sold in December 2013 and November 2013 respectively.These sites were valued by the District Valuer at £110,000 and £40,000 respectively.

During the year the Aberdare Hospital site became surplus to requirements and was being marketed as at 31st March 2014.

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2013	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	1,539	50	0	0	0	**1,589**
Revaluation	0	0	0	0	0	**0**
Less assets sold in the year	(100)	(50)	0	0	0	**(150)**
Add reversal of impairment of assets held for sale	0	0	0	0	0	**0**
Less impairment of assets held for sale	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2014	1,439	0	0	0	0	**1,439**
Balance brought forward 1 April 2012	60	150	0	0	0	**210**
Plus assets classified as held for sale in the year	400	70	0	0	0	**470**
Revaluation	150	0	0	0	0	**150**
Less assets sold in the year	(610)	0	0	0	0	**(610)**
Add reversal of impairment of assets held for sale	0	(220)	0	0	0	**(220)**
Less impairment of assets held for sale	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2013	0	0	0	0	0	**0**

St Tydfil's Hospital and Campsie House became available for sale during June 2013 and were sold in November and December 2013 respectively.

Aberdare site became available for sale in Summer 2013 and remains unsold as at 31st March 2014.

12. Intangible non-current assets (continued)

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

12. Intangible non-current assets (continued)

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

12. Intangible non-current assets (continued)

There are no disclosures for intangible non-current assets.

13 . Impairments

	2013-14 Property, plant & equipment £000	2013-14 Intangible assets £000	2012-13 Property, plant & equipment £000	2012-13 Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	**0**	0	**0**	0
Abandonment in the course of construction	**0**	0	**639**	0
Over specification of assets (Gold Plating)	**0**	0	**0**	0
Loss as a result of a catastrophe	**0**	0	**0**	0
Unforeseen obsolescence	**0**	0	**0**	0
Changes in market price	**0**	0	**17,251**	0
Others (see Note 11 narrative)	**7,639**	0	**51,202**	0
Total of all impairments	**7,639**	0	**69,092**	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	**7,639**	0	**51,841**	0
Charged to Revaluation Reserve	**0**	0	**17,251**	0
	7,639	0	**69,092**	0

Significant impairments included
- an impairment loss of £7.8m incurred on the closure of St Tydfil's Hospital.
- an impairment reversal of £0.365m relating to the Emergency Care Centre

14.1 Inventories

	31 March 2014	31 March 2013
	£000	£000
Drugs	**1,363**	1,346
Consumables	**2,208**	2,166
Energy	**66**	70
Work in progress	**0**	0
Other	**0**	0
Total	**3,637**	3,582
Of which held at realisable value	**0**	0

14.2 Inventories recognised in expenses

	31 March 2014	31 March 2013
	£000	£000
Inventories recognised as an expense in the period	**53**	40
Write-down of inventories (including losses)	**0**	0
Reversal of write-downs that reduced the expense	**0**	0
Total	**53**	**40**

15. Trade and other Receivables

Current	**31 March 2014 £000 Cwm Taf HB activities**	**31 March 2014 £000 Total**	31 March 2013 £000 Cwm Taf HB activities	31 March 2013 £000 Total
Welsh Government	**394**	**394**	401	401
WHSSC	**857**	**0**	189	0
Welsh Health Boards	**4,437**	**13,604**	3,100	7,941
Welsh NHS Trusts	**418**	**418**	515	523
Non - Welsh Trusts	**3**	**1,549**	3	615
Other NHS	**229**	**229**	139	139
Welsh Risk Pool	**29,465**	**29,465**	40,532	40,532
Local Authorities	**2,447**	**2,447**	1,937	1,937
Capital debtors	**365**	**365**	0	0
Other debtors	**4,716**	**4,808**	4,626	4,627
Provision for irrecoverable debts	**(1,572)**	**(1,572)**	(1,130)	(1,130)
Pension Prepayments	**0**	**0**	0	0
Other prepayments and accrued income	**2,046**	**2,074**	1,741	1,741
Sub total	**43,805**	**53,781**	52,053	57,326
Non-current				
Welsh Government	**0**	**0**	0	0
WHSSC	**0**	**0**	0	0
Welsh Health Boards	**0**	**0**	0	0
Welsh NHS Trusts	**0**	**0**	0	0
Non - Welsh Trusts	**0**	**0**	0	0
Other NHS	**0**	**0**	0	0
Welsh Risk Pool	**4,697**	**4,697**	1,912	1,912
Local Authorities	**0**	**0**	0	0
Capital debtors	**0**	**0**	0	0
Other debtors	**0**	**0**	0	0
Provision for irrecoverable debts	**0**	**0**	0	0
Pension Prepayments	**0**	**0**	0	0
Other prepayments and accrued income	**186**	**186**	200	200
Sub total	**4,883**	**4,883**	2,112	2,112
Total	**48,688**	**58,664**	54,165	59,438

Receivables past their due date but not impaired

By up to three months	**598**	**598**	490	522
By three to six months	**138**	**142**	19	54
By more than six months	**134**	**779**	46	46
	870	**1,519**	555	622

Provision for impairment of receivables

			Restated	Restated
Balance at 1 April	**(1,130)**	**(1,130)**	(990)	(990)
Transfer to other NHS Wales body	**0**	**0**	0	0
Amount written off during the year	**7**	**7**	5	5
Amount recovered during the year	**48**	**48**	46	46
(Increase) / decrease in receivables impaired	**(497)**	**(497)**	(191)	(191)
Bad debts recovered during year	**0**	**0**	0	0
Balance at 31 March	**(1,572)**	**(1,572)**	(1,130)	(1,130)

In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies

Receivables VAT

Trade receivables	**0**	**0**	0	0
Other	**736**	**757**	452	453
Total	**736**	**757**	452	453

16. Trade and other payables

Current	**31 March 2014 £000 Cwm Taf HB activities**	**31 March 2014 £000 Total**	31 March 2013 £000 Cwm Taf HB activities	31 March 2013 £000 Total Restated
Welsh Government	**193**	**193**	62	62
WHSSC	**1,180**	**0**	251	0
Welsh Health Boards	**4,411**	**11,797**	2,114	6,624
Welsh NHS Trusts	**1,737**	**3,122**	572	2,238
Other NHS	**583**	**12,049**	681	8,923
Taxation and social security payable / refunds	**0**	**28**	0	0
Refunds of taxation by HMRC	**0**	**0**	0	0
VAT payable to HMRC	**0**	**0**	0	0
Other taxes payable to HMRC	**2,976**	**2,976**	3,068	3,095
NI contributions payable to HMRC	**2,833**	**2,859**	2,810	2,834
Non-NHS creditors	**3,195**	**4,859**	5,737	7,754
Local Authorities	**1,602**	**1,602**	624	624
Capital Creditors	**4,246**	**4,246**	6,789	6,789
Overdraft	**0**	**0**	0	0
Rentals due under operating leases	**0**	**0**	0	0
Obligations under finance leases, HP contracts	**31**	**31**	44	44
Imputed finance lease element of on SoFP PFI contracts	**124**	**124**	119	119
Pensions: staff	**4,371**	**4,371**	4,058	4,058
Accruals	**26,981**	**28,187**	29,066	30,119
Deferred Income:				
Deferred Income brought forward	**108**	**108**	166	166
Deferred Income Additions	**107**	**107**	67	67
Transfer to / from current/non current deferred income	**0**	**0**	0	0
Released to SoCNE	**(108)**	**(108)**	(125)	(125)
Other creditors	**2,455**	**2,455**	2,271	2,271
Total	**57,025**	**79,006**	58,374	75,662

Non-current				
Welsh Government	**0**	**0**	0	0
WHSSC	**0**	**0**	0	0
Welsh Health Boards	**0**	**0**	0	0
Welsh NHS Trusts	**0**	**0**	0	0
Other NHS	**0**	**0**	0	0
Taxation and social security payable / refunds	**0**	**0**	0	0
Refunds of taxation by HMRC	**0**	**0**	0	0
VAT payable to HMRC	**0**	**0**	0	0
Other taxes payable to HMRC	**0**	**0**	0	0
NI contributions payable to HMRC	**0**	**0**	0	0
Non-NHS creditors	**0**	**0**	0	0
Local Authorities	**0**	**0**	0	0
Capital Creditors	**0**	**0**	0	0
Overdraft	**0**	**0**	0	0
Rentals due under operating leases	**0**	**0**	0	0
Obligations under finance leases, HP contracts	**107**	**107**	138	138
Imputed finance lease element of on SoFP PFI contracts	**2,167**	**2,167**	2,291	2,291
Pensions: staff	**0**	**0**	0	0
Accruals	**0**	**0**	0	0
Deferred Income :				
Deferred Income brought forward	**0**	**0**	0	0
Deferred Income Additions	**0**	**0**	0	0
Transfer to / from current/non current deferred income	**0**	**0**	0	0
Released to SoCNE	**0**	**0**	0	0
Other creditors	**0**	**0**	0	0
Total	**2,274**	**2,274**	2,429	2,429

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

Included in Pensions:staff figure above is £1k which relates to NEST Pension payables

17. Provisions

	At 1 April 2013	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2014
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	**36,701**	0	0	583	18,523	(9,159)	(19,558)	0	**27,090**
Personal injury	**1,363**	0	0	104	1,159	(1,146)	(373)	0	**1,107**
All other losses and special payments	**0**	0	0	0	660	(52)	0	0	**608**
Defence legal fees and other administration	**1,085**	0	0	114	1,277	(437)	(551)		**1,488**
Pensions relating to former directors	**0**			0	0	0	0	0	**0**
Pensions relating to other staff	**229**			228	1	(229)	0	0	**229**
Restructuring	**0**			0	0	0	0	0	**0**
Other	**4,109**		0	(428)	208	(983)	(1,441)		**1,465**
Total	**43,487**	**0**	**0**	601	21,828	(12,006)	(21,923)	**0**	**31,987**
Non Current									
Clinical negligence	**1,827**	0	0	(583)	3,598	0	(117)	0	**4,725**
Personal injury	**2,436**	0	0	(104)	498	(182)	0	60	**2,708**
All other losses and special payments	**346**	0	0	0	270	0	0	0	**616**
Defence legal fees and other administration	**169**	0	0	(114)	168	(44)	(6)		**173**
Pensions relating to former directors	**0**			0	0	0	0	0	**0**
Pensions relating to other staff	**914**			(228)	198	0	0	27	**911**
Restructuring	**0**			0	0	0	0	0	**0**
Other	**1,357**		0	428	940	0	(279)		**2,446**
Total	**7,049**	**0**	**0**	**(601)**	**5,672**	**(226)**	**(402)**	**87**	**11,579**
TOTAL									
Clinical negligence	**38,528**	**0**	**0**	**0**	**22,121**	**(9,159)**	**(19,675)**	**0**	**31,815**
Personal injury	**3,799**	**0**	**0**	**0**	**1,657**	**(1,328)**	**(373)**	**60**	**3,815**
All other losses and special payments	**346**	**0**	**0**	**0**	**930**	**(52)**	**0**	**0**	**1,224**
Defence legal fees and other administration	**1,254**	**0**	**0**	**0**	**1,445**	**(481)**	**(557)**		**1,661**
Pensions relating to former directors	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Pensions relating to other staff	**1,143**			**0**	**199**	**(229)**	**0**	**27**	**1,140**
Restructuring	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Other	**5,466**		**0**	**0**	**1,148**	**(983)**	**(1,720)**		**3,911**
Total	**50,536**	**0**	**0**	**0**	**27,500**	**(12,232)**	**(22,325)**	**87**	**43,566**

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015 31 March 2020	Between 1 April 2020 31 March 2025	Thereafter	Total
					£000
Clinical negligence	27,090	4,725	0	0	**31,815**
Personal injury	1,107	639	952	1,117	**3,815**
All other losses and special payments	608	616	0	0	**1,224**
Defence legal fees and other administration	1,488	173	0	0	**1,661**
Pensions relating to former directors	0	0	0	0	**0**
Pensions relating to other staff	229	911	0	0	**1,140**
Restructuring	0	0	0	0	**0**
Other	1,465	2,446	0	0	**3,911**
Total	**31,987**	**9,510**	**952**	**1,117**	**43,566**

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

The Legal & Risk Service (part of the NHS Wales Shared Service Partnership) provide details of Clinical Negligence and personal Injury cases including estimated settlement amounts and the timimg of the cashflow.

The provision for Permanent Injury Benefit is supplied by NHS Pensions Agency

Other provisions include £2919k for Continuing Healthcare Claims (2012-13: £4148k)

The Clinical negligence provision arising from Redress and included in Clinical Negligence is £nil (2012-2013 £63,840)

The Health Board estimates that in 2014-2015 it will receive £27,445,129 and in 2016-2017 and beyond £4,696,544 from the Wesh Risk Pool in respect of losses and special payments cases (including Clinical Negligence and Personal Injury)

In addition to the provisions shown above, contingent liabilities are given in Note 27.1 ContingentLiabilities.

17. Provisions (continued)

	At 1 April 2012	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2013
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	22,787	0	(2,663)	3,893	38,136	(7,292)	(18,160)	0	**36,701**
Personal injury	846	0	0	168	1,284	(687)	(249)	1	**1,363**
All other losses and special payments	541	0	0	0	368	(903)	(6)	0	**0**
Defence legal fees and other administration	941	0	0	143	1,050	(378)	(671)		**1,085**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	221			240	0	(229)	(3)	0	**229**
Restructuring	0			0	0	0	0	0	**0**
Other	4,210		0	1,179	1,605	(844)	(2,041)		**4,109**
Total	**29,546**	**0**	**(2,663)**	**5,623**	**42,443**	**(10,333)**	**(21,130)**	**1**	**43,487**
Non Current									
Clinical negligence	4,770	0	0	(3,893)	950	0	0	0	**1,827**
Personal injury	2,253	0	0	(168)	497	(204)	(5)	63	**2,436**
All other losses and special payments	0	0	0	0	346	0	0	0	**346**
Defence legal fees and other administration	253	0	0	(143)	64	(4)	(1)		**169**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	1,120			(240)	15	0	(19)	38	**914**
Restructuring	0			0	0	0	0	0	**0**
Other	3,657		0	(1,179)	882	0	(2,003)		**1,357**
Total	**12,053**	**0**	**0**	**(5,623)**	**2,754**	**(208)**	**(2,028)**	**101**	**7,049**
TOTAL									
Clinical negligence	27,557	0	(2,663)	0	39,086	(7,292)	(18,160)	0	**38,528**
Personal injury	3,099	0	0	0	1,781	(891)	(254)	64	**3,799**
All other losses and special payments	541	0	0	0	714	(903)	(6)	0	**346**
Defence legal fees and other administration	1,194	0	0	0	1,114	(382)	(672)		**1,254**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	1,341			0	15	(229)	(22)	38	**1,143**
Restructuring	0			0	0	0	0	0	**0**
Other	7,867		0	0	2,487	(844)	(4,044)		**5,466**
Total	**41,599**	**0**	**(2,663)**	**0**	**45,197**	**(10,541)**	**(23,158)**	**102**	**50,536**

18. Cash and cash equivalents

	2013-14 £000 Cwm Taf HB activities	**2013-14 £000 Total**	2012-13 £000 Cwm Taf HB activities	2012-13 £000 Total
Balance at 1 April	**203**	**376**	192	346
Net change in cash and cash equivalent balances	**(73)**	**(83)**	11	30
Balance at 31 March	**130**	**293**	203	376
Made up of:				
Cash held at GBS	**85**	**248**	123	296
Commercial banks and cash in hand	**45**	**45**	80	80
Current Investments	**0**	**0**	0	0
Cash and cash equivalents as in Statement of Financial Position	**130**	**293**	203	376
Bank overdraft - GBS	**0**	**0**	0	0
Bank overdraft - Commercial banks	**0**	**0**	0	0
Cash and cash equivalents as in Statement of Cash Flows	**130**	**293**	203	376

19. Other Financial Assets

	Current		**Non-current**	
	31 March 2014 £000	31 March 2013 £000	**31 March 2014 £000**	31 March 2013 £000
Financial assets				
Finance lease receivables	**0**	0	**0**	0
Financial assets carried at fair value through SoCNE	**0**	0	**0**	0
Held to maturity investments carried at amortised cost	**0**	0	**0**	0
Available for sale financial assets carried at fair value	**0**	0	**0**	0
Loans carried at amortised cost	**0**	0	**0**	0
	0	0	**0**	0

20. Other assets

	Current		**Non-current**	
	31 March 2014 £000	31 March 2013 £000	**31 March 2014 £000**	31 March 2013 £000
Carbon Reduction Commitment Scheme	**0**	0	**0**	0
Other assets	**0**	0	**0**	0
	0	0	**0**	**0**

21. Other liabilities

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

22. Other financial liabilities

Financial liabilities	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Financial assets carried at fair value through SoCNE	**0**	0	**0**	0
	0	0	**0**	0

23. Related Party Transactions

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

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

	2013-14 Payments to related party £000	2013-14 Receipts from related party £000	31 March 2014 Amounts owed to related party £000	31 March 2014 Amounts due from related party £000
Welsh Assembly Government	187	568,718	193	394
WHSSC (see below)	56,153	6,266	1,180	857
NHS Trusts				
Public Health Wales	217	1,597	127	50
Velindre	8,486	3,754	1,608	341
Welsh Ambulance Services	1,887	57	2	27
Local Health Boards				
ABMU	8,807	6,026	851	808
Aneurin Bevan	871	20,320	90	2,366
Betsi Cadwaladwr	64	71	15	36
Cardiff & Vale	23,756	8,699	3,424	784
Hywel Dda	345	228	13	22
Powys	34	1,511	18	421
TOTAL	100,807	617,247	7,521	6,106

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

Rhondda Cynon Taf County Borough Council	6,927	4,198	1,168	1,801
Merthyr Tydfil County Borough Council	2,375	1,034	406	593

The LHB has also received revenue payments from Cwm Taf NHS Charitable Funds totalling £0.296m (£0.283m in 2012-13) the Trustees for which are also members of the Board.

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

Name	Details	Interests
Mrs Allison Williams	Chief Executive	Husband is employee of Welsh Ambulance Services Trust
Mr Stephen Harrhy	Director of Primary,Community & Mental Health Services	Interim Director of WHSSC
Professor Vivienne Harpwood	Vice Chair	Professor of Law, Cardiff University
Cllr Clive Jones	Independent Member	Councillor of Merthyr Tydfil County Borough Council Member of Merthyr Tydfil & the Valley's Mind Member of Crossroads Care Cwm Taf
Professor Donna Mead	Independent Member	Dean of University of South Wales
Mr Geoffrey Bell	Independent Member	Treasurer and Trustee of Interlink
Cllr Michael Forey	Independent Member	Councillor of Rhondda Cynon Taf County Borough Council
Dr. Chris Turner	Independent Member	Director of Registry, Governance & Students, Cardiff University
Mrs Maria Thomas	Independent Member	Trustee on Voluntary Action Merthyr Tydfil Board
Mr John Hill-Tout	Independent Member	Chair of WHSSC

Total value of transactions with these related parties:

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Cardiff University	362	471	186	102
University of South Wales	35	332	35	85
Interlink RCT	162	0	0	0
Merthyr & the Valley's Mind	253	0	0	0
Crossroads Care Cwm Taf	27	2	24	0
Voluntary Action Merthyr Tydfil	61	0	0	0

23. Related Party Transactions(cont)

WHSSC is a statutory sub-committee of each of the 7 Local Health Boards in Wales. Therefore, any related transactions would form part of each LHB's statutory financial statements.
Whilst WHSSC has an executive team these are not executive directors and they are employed by Cwm Taf LHB as the host organisation.
During 2013/2014, the WHSSC Joint Committee adopted a risk sharing approach which is applied to all financial transactions.
In accordance with the Joint Committee's Standing Orders, the Joint Committee must agree the total budget to plan and secure the relevant services delegated to it. The Joint Committee must also agree the appropriate contribution of funding required from each LHB.

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

The income received from each LHB during 2013/2014 as per note 4 is as follows

	Cardiff and Vale £000's	Abertawe Bro Morgannwg £000's	Cwm Taf £000's	Aneurin Bevan £000's	Hywel Dda £000's	Powys £000's	Betsi Cadwalladr £000's	Total £000's
Income allocation	105,013	99,706	56,134	109,321	67,688	28,876	135,263	602,001

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

	£000's
Cardiff and Vale LHB	178,876
Aneurin Bevan LHB	3,562
Betsi Cadwalladr LHB	34,065
Abertawe Bro Morgannwg LHB	84,931
Cwm Taf LHB	5,928
Hywel Dda LHB	895
Powys LHB	136
Public Health Wales NHS Trust	48
Velindre NHS Trust	30,246
Welsh Ambulance Services NHS Trust	121,062
Total Welsh Organisations as per Note 3.2	**459,749**

Members of the Joint Committee for 2013/2014

LHB Chief Executives have voting rights on the committee while Trust Chief Executives are associate members only
During 2013/2014 WHSSC has entered into material transactions with the organisations represented as listed above

Dr Andrew Goodall	Member	Chief Executive Aneurin Bevan LHB
Mr Andrew Cottom	Member until October 2013	Chief Executive Powys Teaching LHB
Mr Bob Hudson	Member from November 2013	Chief Executive Powys Teaching LHB
Mrs Mary Burrows	Member until October 2013	Chief Executive Betsi Cadwalladr UHB
Mr Geoff Lang	Member from October 2013	Acting Chief Executive Betsi Cadwalladr UHB
Mrs Allison Williams	Member	Chief Executive Cwm Taf LHB
Mr Adam Cairns	Member	Chief Executive Cardiff and Vale UHB
Professot Trevor Purt	Member	Chief Executive Hywel Dda LHB
Mr Paul Roberts	Member	Chief Executive Abertawe Bro Morgannwg UHB

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

Mr Elwyn Price-Morris	Associate Member	Chief Executive Welsh Ambulance NHS Trust
Mr Bob Hudson	Associate Member until November 2013	Chief Executive Public Health Wales
Mr Huw George	Associate Member from November 2013	Interim Chief Executive Public Health Wales
Mr Simon Dean	Associate Member	Chief Executive Velindre NHS Trust

Members With a Declared Interest

Mr John Hill-Tout	Independent Member until March 2014	Independent Board Member, Cwm Taf LHB
Mr David Jenkins	Independent Member	Chairman of Aneurin Bevan Health Board
Ms Sian Marie James	Independent Member from November 2013	Independent Board Member, Hywel Dda LHB

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

24. Third Party assets

The LHB held £80,991 cash at bank and in hand at 31 March 2014 (31 March 2013: £ 31,904) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £91,284 at 31st March 2014 (31 March 2013 : £127,983), This has been excluded from cash and cash equivalents figure reported in the accounts.

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2013-14 :				
Welsh Government	394	0	193	0
Welsh Local Health Boards	13,604	0	11,797	0
Welsh NHS Trusts	2,439	0	3,122	0
Welsh Health Special Services Committee	0	0	0	0
All English Health Bodies	1,772	0	16,414	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	6	0	5	0
Miscellaneous	0	0	-1	0
Credit note provision	0	0	0	0
Sub total	**18,215**	**0**	**31,530**	**0**
Other Central Government Bodies				
Other Government Departments	151	0	0	0
Revenue & Customs	791	0	5,863	0
Local Authorities	2,447	0	1,602	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	32,177	4,883	40,011	2,274
TOTAL	**53,781**	**4,883**	**79,006**	**2,274**
2012-13 :				
Welsh Government	401	0	62	0
Welsh Local Health Boards	7,941	0	6,624	0
Welsh NHS Trusts	4,490	0	2,238	0
Welsh Health Special Services Committee	0	0	0	0
All English Health Bodies	747	0	12,970	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	6	0	11	0
Miscellaneous	3	0	0	0
Credit note provision	0	0	0	0
Sub total	13,588	0	21,905	0
Other Central Government Bodies				
Other Government Departments	65	0	18	0
Revenue & Customs	484	0	5,930	0
Local Authorities	1,937	0	624	0
Balances with Public Corporations and trading funds	0	0	1	0
Balances with bodies external to Government	41,252	2,112	47,184	2,429
TOTAL	57,326	2,112	75,662	2,429

26. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2014		Approved to write-off to 31 March 2014	
	Number	£	Number	£
Clinical negligence	118	11,815,580	57	4,578,644
Personal injury	83	1,328,518	50	809,935
All other losses and special payments	173	52,242	147	46,339
Total	374	13,196,340	254	5,434,918

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

Cases exceeding £300,000		Amounts paid out in year	Cumulative amount	Approved to write-off in year
		£	£	£
Case Ref	Case Type			
03RRSMN0007	Med Neg	0	391,210	391,210
03RRSPI0020	Personal Inj	42,799	457,388	0
04RRSMN0038	Med Neg	2,888,040	3,477,000	0
05RRSMN0014	Med Neg	2,404,563	3,520,000	0
06RVEMN0009	Med Neg	21,000	1,536,110	1,536,110
08RVEMN0014	Med Neg	392,551	503,500	503,500
10RYLMN0013	Med Neg	65,000	405,000	0
10RYLMN0030	Med Neg	500,000	630,000	0
10RYLMN0035	Med Neg	8,950	363,000	363,000
10RYLMN0039	Med Neg	0	2,644,869	0
10RYLMN0071	Med Neg	387,876	387,876	0
10RYLMN0100	Med Neg	429,250	429,250	0
10RYLMN0114	Med Neg	619,032	649,032	0
11RYLMN0003	Med Neg	43,500	403,500	0
11RYLMN0096	Med Neg	241,818	325,000	0
Sub-total		**8,044,379**	**16,122,735**	**2,793,820**
All other cases		5,151,961	9,225,008	2,641,098
Total cases		**13,196,340**	**25,347,743**	**5,434,918**

27. Contingencies

27.1 Contingent liabilities

Provisions have not been made in these accounts for the following amounts :	**2013-14 £'000**	2012-13 £'000
Legal claims for alleged medical or employer negligence	**121,394**	84,814
Doubtful debts	**0**	0
Equal Pay costs	**0**	0
Defence costs	**2,567**	1,718
Continuing Health Care costs	**4,275**	5,192
Other	**1,604**	1,484
Total value of disputed claims	**129,840**	93,208
Amounts recovered in the event of claims being successful	**117,864**	82,160
Net contingent liability	**11,976**	11,048

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them.
Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents.

CONTINGENT LIABILITY -CHC
Potential liabilities for Continuing Care costs continue to be a significant financial issue for the Local Health Board(LHB).
The LHB is is dealing with 183 claims relating to periods post 1 April 2003. The assessment of these cases is £4.275m is a contingent liability (above) and £2.919m is a provision (included in Note 17). Any claims that relate to periods prior to this date will be accounted for elsewhere within the NHS Wales economy in accordance with Welsh Government requirements.
There are potentially further claims that may be received in the future in respect of the period post 1 April 2003. However this cannot be estimated.

Further to the publication by Welsh Government on 1st May 2014 of new cut-off dates for the assessment of eligibility of Continuing NHS Healthcare cases during the period 1st April 2003 to 31st July 2013, further contingent liabilities, in addition to those disclosed above as 'CHC', may arise. It is not possible at the time of the preparation of these accounts to quantify the potential further contingent liability which may arise.

OTHER
The significant amounts in other includes £1.604m relating to capital contract disputes.

27.2 Contingent assets

	2013-14 £'000	2012-13 £'000
	0	0
	0	0
	0	0
	0	0

28. Capital commitments

Contracted capital commitments at 31 March	**2013-14 £'000**	2012-13 £'000
Property, plant and equipment	**3,778**	616
Intangible assets	**0**	0
	3,778	616

29. Finance leases

29.1 Finance leases obligations (as lessee)

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

Amounts payable under finance leases:

Land	**31 March 2014 £000**	31 March 2013 £000
Minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

29.1 Finance leases obligations (as lessee) continued

Amounts payable under finance leases:

Buildings	**31 March 2014**	31 March 2013
Minimum lease payments	**£000**	£000
Within one year	**37**	53
Between one and five years	**119**	131
After five years	**0**	24
Less finance charges allocated to future periods	**(18)**	(26)
Minimum lease payments	**138**	182
Included in:		
Current borrowings	**31**	44
Non-current borrowings	**107**	138
	138	**182**
Present value of minimum lease payments		
Within one year	**31**	44
Between one and five years	**107**	114
After five years	**0**	24
Present value of minimum lease payments	**138**	182
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**

Other	**31 March 2014**	31 March 2013
Minimum lease payments	**£000**	£000
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**

29.2 Finance leases obligations (as lessor) continued

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

Amounts receivable under finance leases:

	31 March 2014	31 March 2013
Gross investment in leases	**£000**	£000
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

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

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

30.2 PFI schemes on-Statement of Financial Position

Capital value of schemes included in Fixed Assets Note 11	£000
Staff Residences - Royal Glamorgan Hospital	1,462

Contract start date:	**09/10/1998**
Contract end date:	**21/09/2028**

Scheme Description

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

	£000
Combined Heat and Power Plant-Prince Charles Hospital	1,580
Contract start date:	01/04/2004
Contract end date:	31/03/2029

Scheme Description

The contract is for the installation, operation, maintenance and ownership of a Combined Heat and Power plant and the complete management and operation of a central boiler plant installation, light fittings and building management system on the Prince Charles Hospital site.
The contract includes performance guarantees for the supply of hot water and electricity.
The charging structure requires the LHB to pay for heat (in the form of hot water) created from the electricity generated by the Combined Heat and Power plant being supplied free of charge to the LHB

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

	On SoFP PFI Capital element 31 March 2014 £000	On SoFP PFI Imputed interest 31 March 2014 £000	On SoFP PFI Service charges 31 March 2014 £000
Total payments due within one year	124	74	366
Total payments due between 1 and 5 years	551	243	1,463
Total payments due thereafter	1,616	226	3,583
Total future payments in relation to PFI contracts	2,291	543	5,412

	On SoFP PFI Capital element 31 March 2013 £000	On SoFP PFI Imputed interest 31 March 2013 £000	On SoFP PFI Service charges 31 March 2013 £000
Total payments due within one year	119	80	351
Total payments due between 1 and 5 years	529	265	1,405
Total payments due thereafter	1,761	278	3,793
Total future payments in relation to PFI contracts	2,409	623	5,549
Total present value of obligations for on-SoFP PFI contrac	7,703		

30.3 Charges to expenditure	2013-14	2012-13
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	361	346
Total expense for Off Balance sheet PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	361	346

The LHB is committed to the following annual charges

PFI scheme expiry date:	31 March 2014 £000	31 March 2013 £000
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	365	351
Total	365	351

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

30.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	2	0
Number of PFI contracts which individually have a total commitment > £500m	0	0

Please list:

PFI Contract	On /off statement of financial position

30.5 The LHB has no Public Private Partnerships

31. Pooled budgets

The Health Board has entered into a pooled budget with

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

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

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

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

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

Funding	2013-14 £'000
Rhondda Cynon Taf County Borough Council	1,200
Merthyr Tydfil County Borough Council	187
Bridgend County Borough Council	471
Abertawe Bro Morgannwg University Local Health Board	229
Cwm Taf Local Health Board	149
Total	2,236
Expenditure	
Provision of community equipment services within Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Boroughs.	2,407
Pooled Budget deficit carried forward to 2014-15	171

32. Financial Instruments

Financial assets	At "fair value" through SoCNE	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	0	16,194	0	16,194
Cash at bank and in hand	0	293	0	293
Other financial assets	0	40,210	0	40,210
Total at 31 March 2014	0	56,697	0	56,697

Financial liabilities	At "fair value" through SoCNE	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	75,310	75,310
Total at 31 March 2014	0	75,310	75,310

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

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

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

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

33. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

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

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

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

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

34. Movements in working capital

	2013-14 £000 Cwm Taf HB activities	2013-14 £000 Total	2012-13 £000 Cwm Taf HB activities	2012-13 £000 Total
(Increase)/decrease in inventories	**(55)**	**(55)**	(51)	(51)
(Increase)/decrease in trade and other receivables - non - current	**(2,771)**	**(2,771)**	3,080	3,080
(Increase)/decrease in trade and other receivables - current	**8,248**	**3,545**	(15,224)	(15,511)
(Increase)/decrease in other current assets	**0**	**0**	0	0
(Increase)/decrease in trade and other payables - non - current	**(155)**	**(155)**	(162)	(162)
(Increase)/decrease in trade and other payables - current	**(1,349)**	**3,344**	4,373	4,679
Increase/(decrease) in other current liabilities	**0**	**0**	0	0
Total	**3,918**	**3,908**	(7,984)	(7,965)
Adjustment for accrual movements in fixed assets -creditors	**2,543**	**2,543**	(3,135)	(3,135)
Adjustment for accrual movements in fixed assets -debtors	**365**	**365**	0	0
Other adjustments	**162**	**162**	156	156
	6,988	**6,978**	(10,963)	(10,944)

35. Other cash flow adjustments

	2013-14 £000	2013-14 £000	2012-13 £000	2012-13 £000
Depreciation	**14,029**	**14,029**	13,614	13,614
Amortisation	**0**	**0**	0	0
(Gains)/Loss on Disposal	**(50)**	**(50)**	(12)	(12)
Impairments and reversals	**7,639**	**7,639**	51,841	51,841
Release of PFI deferred credits	**0**	**0**	0	0
Donated assets received credited to revenue but non-cash	**(49)**	**(49)**	(19)	(19)
Government Grant assets received credited to revenue but non-c	**0**	**0**	0	0
Non-cash movements in provisions	**5,229**	**5,229**	21,181	21,181
Total	**26,798**	**26,798**	86,605	86,605

36. Cash flow relating to exceptional items

37. Events after the Reporting Period

38. Operating segments

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

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

Operating Costs 2013-14

	Healthcare activities	WHSSC	Inter-segment transactions	Cwm Taf LHB Total
	£'000	£'000	£'000	£'000
Expenditure on primary healthcare services	136,785	0	0	136,785
Expenditure on healthcare from other providers	123,539	598,491	(62,061)	659,969
Expenditure on hospital and community health services	382,659	3,674	(288)	386,045
	642,983	602,165	(62,349)	1,182,799
Less: Miscellaneous Income	(75,432)	(602,165)	62,349	(615,248)
LHB net operating costs before interest and other gains and losses	567,551	0	0	567,551
Investment Income	0	0	0	0
Other (Gains) / Losses	(50)	0	0	(50)
Finance costs	176	0	0	176
Net operating costs for the financial year	567,677	0	0	567,677

Net Assets 2013-14

	£'000	£'000	£'000	£'000
Total non-current assets	305,014	0	0	305,014
Total current assets	49,011	12,176	(2,037)	59,150
Total current liabilities	(89,012)	(24,018)	2,037	(110,993)
Total non-current liabilities	(13,853)	0	0	(13,853)
Total assets employed	251,160	(11,842)	0	239,318
Total taxpayers' equity	251,160	(11,842)	0	239,318

Operating Costs 2012-13

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

Net Assets 2012-13

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

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

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

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

Date: 4th June 2014

Chief Executive: Mrs A Williams

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

- make judgements and estimates which are responsible and prudent

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

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

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

By Order of the Board

Signed:

Chairman: Dr. CDV Jones Dated: 4th June 2014

Chief Executive: Mrs. A Williams Dated: 4th June 2014

Director of Finance: Mr. S Webster Dated: 4th June 2014

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

I certify that I have audited the financial statements of Cwm Taf University Health Board for the year ended 31 March 2014 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 60 and 61, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of financial statements

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

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

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

Opinion on financial statements

In my opinion the financial statements:

• give a true and fair view of the state of affairs of Cwm Taf University Health Board as at 31 March 2014 and of its net operating costs, its recognised gains and losses and cash flows for the year then ended; and

• have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on Regularity

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

Opinion on other matters

In my opinion:

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

• I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

Matters on which I report by exception

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

• the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;

• proper accounting records have not been kept;

• information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or

• I have not received all the information and explanations I require for my audit.

.

Report

• Please see my Report on pages 63 to 63a.

Huw Vaughan Thomas
Auditor General for Wales
24 June 2014

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

Introduction

Under Section 61 of the Public Audit (Wales) Act 2004, I am required to examine, certify and report on the annual financial statements of Cwm Taf University Local Health Board (the Health Board).
My audit certificate on page 62 and 62a contains my opinion that the financial statements give a "true and fair view" in accordance with the National Health Service (Wales) Act 2006 and directions made there under by the Welsh Ministers.
It also includes my opinion that the expenditure and income shown in the financial statements have been applied to the purposes intended by the National Assembly for Wales and that the financial transactions conform with the authorities that govern them. This is known as my "regularity" opinion.
The financial regime within which each local health board (LHB) is required to operate, prescribes a formal annual "resource limit". This is a statutory net expenditure limit, requiring each LHB to function strictly within the resource limit that is set for it by the Welsh Government for that financial year.
Where an LHB's net expenditure exceeds the resource limit, that expenditure is deemed to be unauthorised and is therefore irregular. In such circumstances, I am required to qualify my regularity opinion, irrespective of the value of the excess spend.
For the 2013-14 financial year, the Health Board incurred net expenditure of £563.2 million. Its final resource limit was £563.2 million, which included an additional £3.9m of brokerage from Welsh Government at the year-end.
This meant that the Health Board met its resource limit and as a result my 'true and fair view' and 'regularity' opinions are therefore unqualified.
I have nonetheless decided to issue a narrative report alongside my audit certificate to draw attention to this matter and to provide further details about the financial position and the planning arrangements of the Health Board.

Financial pressures and additional funding received in year

Current financial pressures across the NHS are well known. The total funding for Welsh Health services in 2013-14 showed only a very small real terms increase of 0.06% from the previous year, however individual Heath Board allocations do not necessarily mirror this position.
Based on an anticipated resource allocation of £531.2 million, the Health Board estimated its 2013-14 funding gap to be £40.5 million.
The Health Board put plans in place at the start of the 2013-14 financial year to reduce this gap by £19.7 million leaving an estimated shortfall of £20.8 million. These plans consisted of cost improvement plans of £14.2 million and cost avoidance plans of £5.5 million. The Health Board monitored and reported its performance against these targets to the Welsh Government at the end of each month.
Throughout the year, both the Health Board and Welsh Government paid close attention to the monthly reported outturn and to the forecast year end position. Forecasts were regularly updated and as is usual, various adjustments to the Health Board's resource limit were made by the Welsh Government to reflect specific agreed activities undertaken and their costs, but the forecast year end deficit remained constant during the first 6 months of the year at £20.8 million.
In October 2013, the Minister for Health and Social Services announced additional resource funding of £150 million to 'meet new demands and pressures in the current financial year'. The Health Board's share of this was £16.9 million, of which £4.1million the Health Board had already anticipated in their month 6 forecast of £20.8 million. The remaining £12.8 million plus further savings of £1.5 million resulted in a £14.3 million decrease in the Health Board's forecast year end deficit at month 7 to £6.5 million.
On 22nd November 2013, the Health Board was notified by the Minister for Health and Social Services that they must deliver a year end deficit of no more than £3.9 million. Further savings of £2.6 million were identified by the Health Board post month 7 and by February 2014 it was forecasting a year end deficit of £3.9 million. It received £3.9 million brokerage from the Welsh Government on 22 April 2014 which will be recovered in future years.

As a result of this additional financial support from the Welsh Government, the Health Board was able to meet its resource limit as detailed above and so my regularity audit opinion is unqualified.

Financial Planning and Implications for 2014-15

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

The statutory duty to compile a rolling three year integrated medium term plan, starting from 2014-15, approved annually by the Welsh Government is an essential foundation to the delivery of sustainable quality health services.

The Health Board's three year plan running from 2014-15 to 2016-17 was approved by the Welsh Ministers on 7 May 2014. The plan indicates that the Health Board expects to break even in 2014-15, although this excludes recovery of the £3.9 million brokered from the Welsh Government in 2013-14.

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

Huw Vaughan Thomas
Auditor General for Wales

24 June 2014

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

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2011 and subsequent financial years in respect of the Local Health Boards (LHB)1, in the form specified in paragraphs [2] to [7] below.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2011 and subsequent years shall comprise a statement of comprehensive net expenditure, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied by the Welsh Assembly Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2011 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

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

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.

7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of Welsh Ministers

Signed : Chris Hurst Dated :

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

ANNUAL GOVERNANCE STATEMENT 2013-14

1. SCOPE OF RESPONSIBILITY

Cwm Taf University Health Board, established on 1st October 2009, is responsible for the provision of services to the 289,400 residents of Merthyr Tydfil and Rhondda Cynon Taf. Almost 81% of the population live in Rhondda Cynon Taf Local Authority and the remaining 19% in Merthyr Tydfil. The University Health Board's catchment population increases to 330,000 when including patient flow from the Upper Rhymney Valley, South Powys, North Cardiff and the Western Vale.

The University Health Board provides a full range of hospital and community based services to the residents of Rhondda Cynon Taf and Merthyr Tydfil. These include the provision of local primary care services; GP Practices, Dental Practices, Optometry Practices and Community Pharmacy and the running of hospitals, health centres and community health teams. The University Health Board is also responsible for making arrangements for the residents of Rhondda Cynon Taf and Merthyr Tydfil to access health services where these are not provided within Cwm Taf.

Detailed information about the services we provide and our facilities can be found on our website in the section 'Local Services'. This can be accessed from the home page, or via the following link Our Services.

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

Cwm Taf Local Health Board is led by its Chairman, Chief Executive and a Board of Executive Directors, Independent Members and Associate Members.

The Chairman, Vice Chairman, Independent Members and Associate Members are appointed for fixed term periods by the Welsh Government. Each Independent Member has a specific area of responsibility as set out in the following table: -

NAME	POSITION (AREA OF EXPERTISE)	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES	BOARD ATTENDANCE 2013-14
Dr C D V Jones	Chairman	Remuneration and Terms of Service Committee (Chair); Integrated Governance Committee.	Welsh Language	**8 / 8**
Prof. V Harpwood	Vice Chair (Primary Care, Community and Mental Health services)	Mental Health Act Monitoring Committee (Chair); Integrated Governance Committee; Academic Partnership Board; Quality and Safety Committee; Remuneration and Terms of Service Committee.	Organ Donation	**8 / 8**
Cllr. M Forey	Independent Member (Local Authority)	Remuneration and Terms of Service Committee.		**6 / 8**
Mr J Hill-Tout	Independent Member (Finance)	Finance & Performance Committee (Chair); Integrated Governance Committee; Audit Committee; Remuneration and Terms of Service Committee; Welsh Health Specialised Services Committee and Audit Lead for WHSSC (until 24 March 2014). Welsh Health Specialised Services Committee (Interim Chair from 24 March 2014).	Capital (Design)	**8 / 8**
Mr A Seculer	Independent Member (Legal)	Integrated Governance Committee (Chair); Corporate Risk Committee (Chair); Finance & Performance Committee; Remuneration and Terms of Service Committee.	Children; Equality & Diversity; Violence & Aggression	**6 / 8**
Mr G Bell	Independent Member (Community)	Audit Committee (Chair); Quality and Safety Committee; Integrated Governance Committee; Remuneration and Terms of Service Committee.	Patient Public Involvement, the Taff Ely Locality and the RCT Compact	**7 / 8**

NAME	POSITION (AREA OF EXPERTISE)	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES	BOARD ATTENDANCE 2013-14
Cllr C Jones	Independent Member (Community)	Quality and Safety Committee (Chair); Audit Committee; Integrated Governance Committee; Finance & Performance Committee; Remuneration and Terms of Service Committee.	Cleanliness, Hygiene & Infection Control; Corporate Health Standard	**8 / 8**
Mrs M Thomas	Independent Member (Third Sector)	Corporate Risk Committee; Finance and Performance Committee; Mental Health Act Manager Remuneration and Terms of Service Committee.	Vulnerable Adults; Carers; Volunteers; Cynon Valley Locality and Merthyr Tydfil Compact	**8 / 8**
Mrs G Jones	Independent Member (Trade Union representative)	Audit Committee; Corporate Risk Committee; Quality and Safety Committee; Remuneration and Terms of Service Committee.		**8 / 8**
Professor D Mead	Independent Member (Information Management & Technology)	Quality and Safety Committee; Academic Partnership Board; Remuneration and Terms of Service Committee.	Information Governance; Armed Forces/ Veterans Health	**8 / 8**
Dr C Turner	Independent Member (University representative)	Academic Partnership Board; Remuneration and Terms of Service Committee.	N/A	**6 / 8**
Mrs A Williams	Chief Executive	Emergency Ambulance Services Committee; Integrated Governance Committee; Welsh Health Specialised Services Committee.	N/A	**8 / 8**
Mr S Webster	Director of Finance / Deputy Chief Executive	Audit Committee (in attendance) Finance and Performance Committee Integrated Governance Committee	N/A	**7 / 8**
Mr Kamal Asaad	Medical Director	Corporate Risk Committee; Integrated Governance Committee;	N/A	**8 / 8**

NAME	POSITION (AREA OF EXPERTISE)	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES	BOARD ATTENDANCE 2013-14
		Quality and Safety Committee.		
Mrs Joanna Davies	Director of Workforce and Organisational Development	Academic Partnership Board Corporate Risk Committee	N/A	**4 / 5**
Mr Stephen Harrhy	Director of Primary Care, Community & Mental Health	Quality and Safety Committee; Integrated Governance Committee; Mental Health Act Monitoring Committee; NHS Shared Services Partnership Committee.	N/A	**7 / 8**
Ms Angela Hopkins	Director of Nursing, Midwifery and Patient Services	Corporate Risk Committee; Integrated Governance Committee; Quality and Safety Committee.	N/A	**1 / 1**
Mrs Nicola John	Director of Public Health	Quality and Safety Committee; Integrated Governance Committee;	N/A	**6 / 8**
Mr John Palmer	Turnaround Director	Finance and Performance Committee	N/A	**8 / 8**
Mrs Bernadine Rees	Director of Primary Care, Community & Mental Health / Deputy Chief Executive	Quality and Safety Committee; Integrated Governance Committee; Mental Health Act Monitoring Committee.	N/A	**1 / 1**
Mr Ian Stead	Director of Workforce and Organisational Development	Corporate Risk Committee	N/A	**1 / 1**
Ms Ruth Treharne	Director of Planning and Performance	Corporate Risk Committee; Finance and Performance Committee; Integrated Governance Committee.	N/A	**7 / 8**
Mr Chris White	Director of Therapies and Health Sciences/Chief Operating Officer	Academic Partnership Board (Chair); Corporate Risk Committee; Quality and Safety Committee Finance and Performance Committee;	N/A	**7 / 8**

NAME	POSITION (AREA OF EXPERTISE)	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES	BOARD ATTENDANCE 2013-14
		Integrated Governance Committee.		
Mrs Lynda Williams	Director of Nursing, Midwifery and Patient Services	Academic Partnership Board; Corporate Risk Committee; Integrated Governance Committee; Quality and Safety Committee.	N/A	**7 / 7**
Mr Robert Williams	Board Secretary / Corporate Director	Attends a range of Committee meetings on a regular basis.	N/A	**4 / 4**

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

- A Director of Social Services nominated by the Local Authorities in the Health Board area – Mr E Williams, Director of Social Services, Rhondda Cynon Taf Local Authority.
- The Chair of the Stakeholder Reference Group – Mr T Davis
- The Chair of the Healthcare Professionals' Forum – Mr S Jones

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

- Mrs A Williams, Chief Executive
- Mrs B Rees, Director of Primary, Community & Mental Health / Deputy Chief Executive (until 31 May 2013)
- Mr K Asaad, Medical Director
- Mr S Harrhy, Director of Primary, Community & Mental Health (from 1 June 2013)
- Mrs A Hopkins, Nurse Director (until 31 May 2013)
- Mrs L Williams, Director of Nursing, Patient Services and Midwifery (from 1 June 2013)
- Mrs N John, Public Health Director
- Mr I Stead, Director of Workforce & Organisational Development (until 31 May 2013)
- Mrs J Davies, Director of Workforce & Organisational Development (from 1st July 2013)
- Ms R Treharne, Director of Planning & Performance
- Mr C White, Director of Therapies & Health Sciences / Chief Operating Officer
- Mr S Webster, Director of Finance /Deputy Chief Executive

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

- Mr R Williams, Board Secretary / Director of Corporate Services and Governance (from 30th September 2013)
- Mr J Palmer, Turnaround Director

Mr Stephen Harrhy undertook the role of Board Secretary/Corporate Director until Mr Williams' appointment on 30 September 2013.

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

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

In July 2013, the Health Board was awarded University Health Board status by the Minister for Health and Social Services and became Cwm Taf University Health Board formally in November 2013. This was an important achievement in our development journey and is a source of pride for the Cwm Taf community. We are confident that this will help us in our ongoing drive to provide high quality, responsive care and services for our community in strengthened collaboration with our academic partners.

2. GOVERNING CWM TAF UNIVERISTY HEALTH BOARD

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

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

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

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

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

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

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

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

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

During 2013-14 the Board reviewed the Standing Orders (SOs) and Standing Financial Instructions (SFIs) and will develop these further following receipt in March 2014 of the revised Model Standing Orders and Standing Financial Instructions from Welsh Government.

The Board also agreed to become the host for the newly formed Emergency Ambulance Services Joint Committee (EASC) and approved the governance framework for the operation of the Joint Committee.

The University Health Board has in place maturing governance and assurance arrangements, which has received support from the Wales Audit Office, following their initial structured assessment process. Indeed these arrangements have been developed and strengthened further during the last year and recognised within their 2013 assessment. Our delivery, governance and assurance arrangements are built on an organisational culture that is based on listening and learning which directs its role in determining policy and setting strategic direction and also ensures that there are effective internal control mechanisms for the University Health Board that demonstrate high standards of governance and behaviour. This is of course, set against a back drop of the University Health Board ensuring that it remains responsive to the needs of its communities.

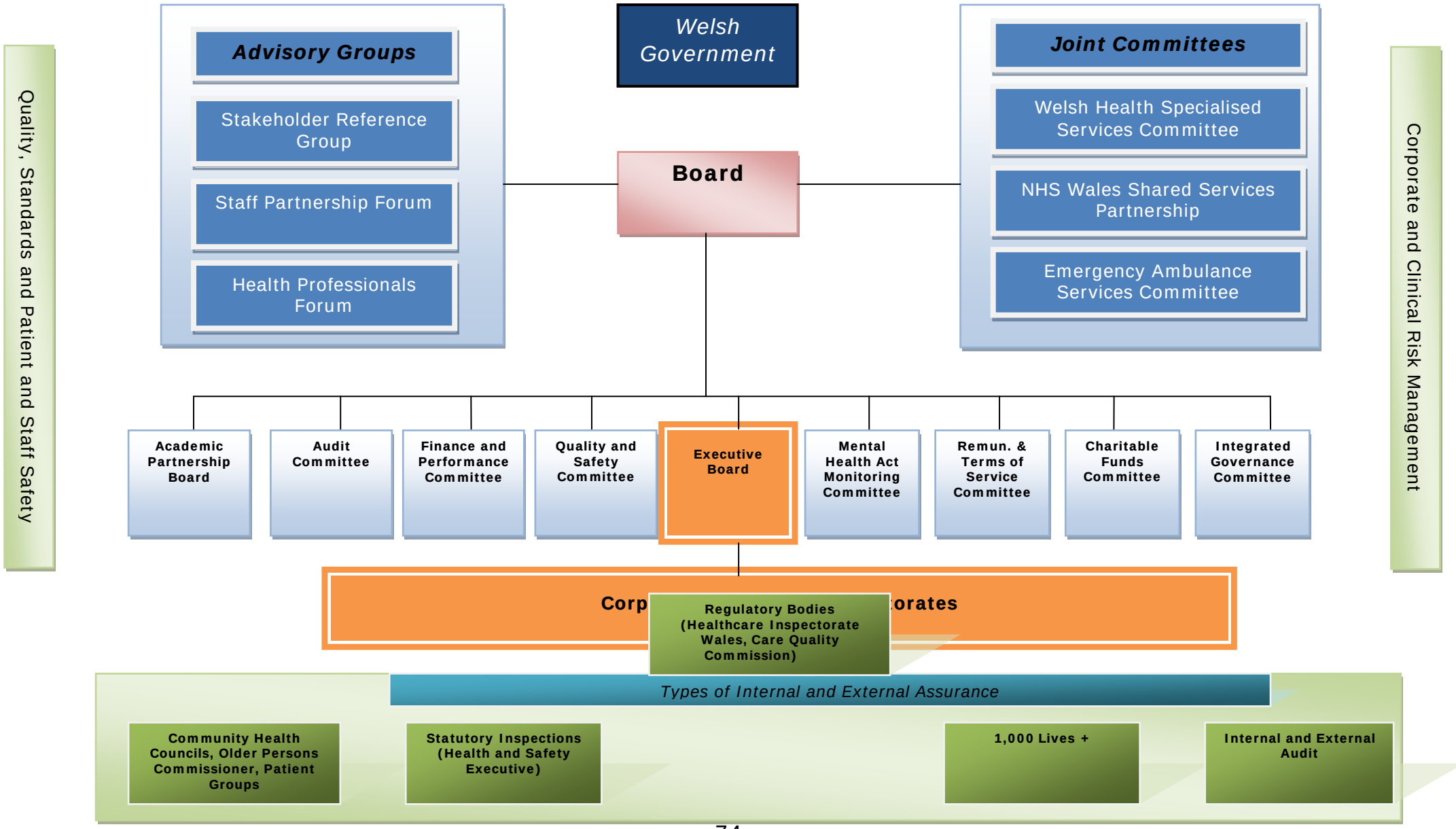
Patients and the public have an important role to play in proactively participating in their care and it is important that the organisation addresses this requirement in its governance arrangements. The University Heath Board has recognised that work is needed to introduce a more co-ordinated approach to ensure the patient voice is proactively informing service delivery and more importantly to ensure that information captured is readily available for reporting to Board on 'lessons learned' and implementing changes to working practices.

A new Quality Strategy (aligned with the Board's 'Cwm Taf Cares' philosophy) has been approved, supported by a Quality Delivery Plan (QDP) and will be in place from 2014, which clearly articulates the key actions that will ensure this happens in a more coordinated and structured way. Indeed Wales Audit Office recognised the commitment to the Board's patient, public and engagement work in its recent structured assessment process.

The Purpose of the System of Internal Control

The system of internal control is designed to ensure that risks are managed to a reasonable level rather than to eliminate all risks within the organisation. It therefore provides reasonable and not absolute assurance of effectiveness. The system of control in place within the Health Board is based wherever possible on best practice and is an ongoing process designed to identify and prioritise risks to the achievement of the organisations policies, aims and objectives and to evaluate the likelihood of those risks being realised. The impact of these risks is then assessed in order that they can be managed efficiently, effectively and economically. The system in place across the Health Board accords with Welsh Government Guidance. The system of internal control has been in place for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts. The following chart outlines the Governance & Assurance Framework arrangements established by the Board.

Cwm Taf University Health Board – Governance and Assurance Framework



Capacity to Handle Risk

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

The University Health Board has an approved strategy for risk management and a related action plan that clearly outlines the organisations risk appetite and process for ensuring the Board's plans are built on a foundation of risk assessment that informs mitigating actions. To support this, the University Health Board has an organisational Risk Register, which is published quarterly and considered by the Integrated Governance Committee, the Audit Committee and the Corporate Risk Committee, with specific risks delegated to all the key Sub-Committees. Supported with input from the Executive, the register helps to ensure key risks aligned to delivery are considered and scrutinised by the relevant Sub-Committee of the Board. E.g. statutory and Tier 1 finance and performance targets are scrutinised routinely at the Finance & Performance Committee which meets monthly.

The University Health Board approach to risk management ensures that risks are identified, assessed and prioritised, ensuring appropriate mitigating actions are taken.

Arrangements at a Directorate level have been strengthened to ensure that health and safety issues are properly considered and managed in line with the Board's Strategy and related policy. Regular audits are undertaken on prioritised areas and this information is then used to ensure necessary improvements are introduced and implemented. A training programme is in place and related resource issues are being addressed to ensure improved compliance and uptake of training.

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

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

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

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

The University Health Board manages risk through its Directorate structures. The Corporate Risk Register has been reviewed and strengthened during 2013-14, including reporting through the Executive Board and scrutiny via key sub committees of the Board.

Improvements have been identified to enable the Health Board to better manage and communicate the risks associated with Fire. This will consist of regular reporting via the Directorate Managers and their Integrated Governance Groups to discuss local fire management issues, performance management arrangements as part of the regular clinical business meetings and closer alignment of Fire Risks to the Corporate Risk Register.

Further work is currently being undertaken to review and strengthen the Board's governance arrangements and the processes and the structure of the Risk Register is being improved and better aligned with the Board's Integrated 3 Year Plan to inform its Board Assurance Framework.

The Risk and Assurance Framework

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

- There is compliance with legislative requirements where non compliance would pose a serious risk;
- Evidence based guidance and best practice is utilised in order to support the highest standard of clinical practice;

- All sources and consequences of risk are identified and risks are assessed and either eliminated or minimised; information concerning risk is shared with staff across the Health Board and, where appropriate, partner organisations;
- Damage and injuries are minimised, and people health and wellbeing is optimised;
- Resources diverted away from patient care to fund risk reduction are minimised;
- Lessons are learnt from compliments, incidents, and claims in order to share best practice and reduce the likelihood of reoccurrence

Patients and the public have an important part to play by proactively participating in their care and the organisation addresses this requirement within its Risk Management and other strategies. Case studies and patient stories are presented to the Board's Sub-Committees and scrutiny panels, in order that lessons can be disseminated and shared. The Wales Audit Office has recognised as part of its structured assessment that the organisation has a positive open and listening culture focused on learning and improvement.

General Practioners (GPs), Pharmacists, Dental Practitioners, Optometrists, Nursing Care Homes, Voluntary organisations and those where we have partnership relationships for service delivery, e.g. Local Authorities and other Health Boards, are responsible for identifying and managing their own risks through the contractual processes in place.

Clinical governance processes are intended to provide assurance to the Board that services are safe and meet organisational, external and professional standards. Work is progressing well to embed the Standards for Health Services in Wales into the every day working of the organisation and to ensure appropriate linkages to other key strategies such as the Quality Delivery Plan.

The 1000 Lives Improvement Service and Health Board/Trusts across Wales have built national priorities for improvement into the three year integrated plans. For the University Health Board these are:-

- Improving Patient Flow
- Inverse Care Law
- Improving Quality Together – Model for Improvement

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

The University Health Board is committed to listening to our patients/service users/carers to ensure that feedback on patient, user and carer experience is obtained, published and acted upon to harness the learning to inform quality improvements. We are committed to creating a culture that welcomes and facilitates the involvement of patients, service users and carers from all the communities we serve in the development, improvement and monitoring of the patient care and services we deliver.

Mortality Review

We have developed a robust process for undertaking mortality reviews that relate to our 2 acute District General Hospitals and we will shortly be rolling this out to our community hospitals. This process also includes General Practitioners in addition to multi disciplinary hospital teams. Our challenge is to ensure the same robust process applies in our community hospitals and we will be focusing on this improvement and continue to report the learning to Board.

Integrated Quality and Performance Dashboard

The University Health Board has in place a comprehensive Integrated Performance Dashboard that is presented monthly at Executive Board and a number of sub-committees and bi-monthly at the University Health Board public meeting as part of our openness and transparency agenda with our public.

Since its inception in October 2012, the performance dashboard has evolved to encompass key performance indicators that cover:

- Need and Prevention
- Quality and Safety
- Experience and Access
- Use of Resources

The report is also segmented to highlight any areas which may be under formal escalation measures by the Welsh Government and is supported by a covering report that seeks to expand on these areas as well as to highlight areas of best practice within the UHB.

Health Board

Our vision as a University Health Board is to:

> Prevent ill health, protect good health and promote better health by providing services as locally as possible and reducing the need for hospital inpatient care wherever possible

- We will prevent ill health, protect good health and promote better health.
- We will provide care as locally as possible wherever it is safe and sustainable.
- Our services will be of the best quality and delivered within efficient, affordable and effective models of care.
- More care will be delivered in primary and community based settings, reducing the need for hospital inpatient care wherever possible.
- We will develop joined-up health and social care services by working with the Local Authorities and Voluntary Sector.
- We will work with our staff, partners and communities themselves, building on strong local relationships and the solid foundations of the past.
- Paying due regard to equality will underpin everything we do.

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

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

The University Health Board Quality Strategy embraces the Board's philosophy of "Cwm Taf Cares" and is supported by CTUHB Annual Quality Delivery Plan developed from triangulation of local and national data and patient/user/staff feedback and aligns with the requirements set out in Achieving Excellence (the Quality Delivery Plan for the NHS in Wales 2012 - 2016) and Safe Care, Compassionate Care, the National Governance Framework to enable high quality care in NHS Wales (2013).

3. BOARD LEVEL COMMITTEES

The Board and its sub committees are fully established and operating in line with the Standing Orders. The following table outlines dates of Board (and development Board) and Committee meetings held during 2013-14.

Board / Committee	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Board	3rd	1st 22nd	5th	3rd	6th	4th	2nd	6th	12th	15th	5th 13th	5th
Academic Partnership Board						4th	3rd					
Audit Committee	8th		5th	8th			14th			20 th		
Charitable Funds						21st						
Corporate Risk Committee				16th					17th			17 th
Finance and Performance Committee	24th	29th	26th	31st	28th	25th	30th	27th		23rd	27th	27th
Integrated Governance Committee		9th			6 th				5th		5th	
Mental Health Act Monitoring Committee							23rd				12th	
Quality and Safety Committee	26th			19th			25th			24th		
Remuneration and Terms of Service		16th				20th					5th	

Note: 22nd May 2013 and 13th February 2014, Special Board Meetings regarding South Wales Programme.

4. REVIEW OF GOVERNANCE ARRANGEMENTS

During 2013-14 we have made good progress in completing a review of our clinical governance arrangements and making changes to those arrangements which have been captured within our new Strategy for Quality. This not only articulates the important lessons learnt from Francis and Keogh along with other relevant Inquiries, but importantly important messages from listening to our patients.

To facilitate this we have had our own Healthcare Inspectorate Wales (HIW) review into governance arrangements published in spring 2012 and developed a comprehensive action plan in response.

During this year we have also reviewed the significant progress we have made against the agreed actions and ensured the few outstanding actions were captured in our action plan in response to the main recommendations from the Betsi Cadwaladr University Health Board (BCUHB) review. The University Health Board's Integrated Governance Committee has reviewed and endorsed the revised action plan and routinely monitors related progress.

Over the last two and a half years there has been a significant amount of work undertaken to strengthen the governance and accountability arrangements supporting the delivery of the quality, performance and financial targets within the organisation and this progress has also been recognised by Wales Audit Office within its 2012 and 2013 Structured assessments. The organisation through its established clinical business meeting model has strengthened its arrangements for reviewing delivery and holding directorates to account to reflect the move to integrated planning and delivery.

The Wales Audit Office Structured Assessment 2012 concluded that the University Health Board had substantially strengthened its governance arrangements by clarifying and maturing the roles of the Board's sub committees. The governance and internal control environment has been substantially changed and is maturing to support more effective Board assurance. This coupled with significant development of management information has assisted greatly. Encouragingly progress has been maintained and developed further during 2013.

The significant progress made on the University Health Board's governance and assurance mechanisms will continue to be built on as we move forward on our journey of improvement from being an organisation that has matured its governance and assurance arrangements from 'developing' to consistently 'practicing'. In addition to the sub committees established by the Board there are a number of sub groups which are chaired by Independent Members and have responsibility for specific areas such as the Information Governance Group. These groups provide an important assurance function for the Board.

The University Health Board's governance and assurance arrangements also have a strong focus on performance and delivery. Whilst challenges remain going forward, good progress is being made in this area of our work and notable improvements in performance have featured during 2013-14. Robust scrutiny through the Board's Finance & Performance Committee will remain the focus going forward.

5. THREE YEAR INTEGRATED MEDIUM TERM PLAN

Further to the National Health Service Finance (Wales) Act 2014 becoming law in Wales from 27th January 2014, new duties with regard to operational planning were placed upon the Local Health Boards. The legislative changes are effected to section 175 of the NHS Wales Act 2006.

The Board has undertaken a significant amount of work and continues to ensure the organisation maintains progress to develop its 3 year integrated plan. In accordance with the new legislative duty this was approved by the Board and submitted to Welsh Government within the required timescale. The Welsh Government has also approved the Health Board's plan. A copy of the Plan is available at: http://www.cwmtafuhb.wales.nhs.uk/opendoc/239809

Central to implementation and delivery of Cwm Taf's plan, is robust local scrutiny and assurance arrangements endorsed by the University Health Board that provide assurance in relation to contractor services, directly provided services and commissioned services.

6. AREAS OF RISK

The risk profile of the Health Board is continually changing and captures the key risks that can impact upon the Health Board's achievement of its objectives if not adequately assessed, mitigated and monitored. The key risks of the organisation as at the 31 March 2014 are listed below.

There were 22 risks on the Health Board's Corporate Risk Register at March 2014. The Corporate Risk Register is available at : http://www.cwmtafuhb.wales.nhs.uk/

Category of Risk	Number of Risks at March 2014
Impact on Safety	5
Financial Risks	2
Business Objectives/Projects	8
Statutory Duty and Inspections	5
Service/Business Interruptions	1
Human Resources	1

6.1 Health & Safety Executive

The Health & Safety Executive (HSE) has recently concluded an investigation of a reported incident under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013. The incident related to a reported sharps injury whereby a member of staff did not follow recognised procedures and carry out the task correctly. Following our internal investigation and the HSE's investigation the Health Board was issued with an Improvement Notice requiring it to fully implement the Health and Safety (Sharp Instruments in Healthcare) Regulations 2013 in the medicine directorate at the Royal Glamorgan Hospital, action plans to address this are being taken forward.

6.2 Fire

The University Health Board continues to work in partnership with the South Wales Fire and Rescue Services in managing the fire risks within its premises. In addition to the measures undertaken to the Ground and First Floors in the Merthyr Block in Prince Charles Hospital, the Health Board has also had to consider fire safety in all its other buildings and key work has continued to support fire safety compliance across the Health Board.

The Royal Glamorgan Hospital (RGH) currently has two fire enforcement notices in place relating to Medical Records and Pathology.

Medical Records was issued a fire enforcement notice on the 13th December 2013 and a Group was set up to address compliance with the notice. All of the actions to deal with the Fire Enforcement notice are well advanced – and the Fire Service mid point inspection assessment showed excellent progress. The Health Board is required to comply fully with this notice by June 2014 and related actions are on schedule to ensure compliance.

Pathology was issued a fire enforcement notice on the 28th January 2014. An action plan has been developed and following implementation of some minor works the Health Board has sought review and assessment by the Fire Service to confirm that notice has been complied with.

The Health Board has in place further risk measures that have been implemented since the 1996 WHE Fire Risk Assessment. Through Major Projects investments in other areas of the hospital, fire controls have been provided which help protect those parts of the building from the same risks encountered on the ground and first floor at Prince Charles Hospital. These include:

- Fully Redeveloped Wards (1-12) which includes full fire compartmentation;
- A new Emergency Care Centre which includes full fire compartmentation;
- A fully redeveloped main reception which includes full fire compartmentation; and

- New Fire Evacuation Lifts in the main H Block and Emergency Care Centre.

The reason the Health Board has received two notices in quick succession is primarily linked to being on the second phase of the Fire Service Audit cycle, where they are following up previously identified risks. A number of actions have been agreed and will be monitored by the Executive Board.

6.3 Records Storage

With over 1.1 million records stored on over 42km of shelving, records management has become an acute pressure for Cwm Taf University Health Board.

The issuing of a Fire Enforcement Notice from the Fire Service, increasing Health and Safety incidents and the inability to store records within current capacity (even before taking into account future growth predictions) is accelerating operational pressure. It also seems likely that the current model is, at the very least, posing an increased risk for clinicians to miss opportunities to deliver high quality care.

Records have traditionally been managed in management silos with each of the acute and community hospitals holding their own hospital and/or specialty records.

There is significant duplication of workload across Cwm Taf sites and hence there is an obvious and immediate operational opportunity to reduce premises costs, reduce the number of paper records and redesign the workforce.

The combination of scrutiny from the Information Governance Group; the Fire Enforcement Notice in Royal Glamorgan Hospital; and the November round of Clinical Business Meetings led to the convening of a Medical Record Programme in December 2013. The initial rounds of meetings have generated improvement activity that has focused on bringing disparate services into a central location to generate economies of scale. However, what has also become clear in the early scoping of this work is that the quality of the clinical record as an enabler for better patient care, is the principal driver for this work.

The programme will be jointly led by the Turnaround Director and the Assistant Medical Director. It will report into the Information Governance Group on a regular basis.

6.4 Invited Data Protection Audit by the Information Commissioner's Office (ICO)

The ICO carries out audits to provide larger organisations with an assessment of whether they are following good data protection practice. Cwm Taf University Health Board was invited to take part in a data protection audit as part of the Commissioner's annual audit plan. The Health Board welcomed the opportunity to participate which provided it with areas of improvement.

The audit which took place in January 2014 over three days, assessed the risk of non compliance with appropriate data protection principles, the utilisation of ICO guidance and good practice notes and the effectiveness of data protection activities with specific reference to:

a. Data protection governance
b. Security of personal data
c. Requests for personal data

Notable Good Practice included:-

- The level of involvement in information governance (IG) by Senior Managers within the Health Board. The Board Secretary is a member on the key IG and risk forums to enable him to have oversight of all IG issues;
- The HB has also appointed an independent member as an IG Champion who oversees IG within the HB, is a Member of the Board and Chairs quarterly IGG meetings;
- Good level of awareness amongst staff about the need to report incidents and reports through the Datix system which are proactively analysed by the IG team on a regular basis to ensure that they are aware of any IG aspects;
- The IG Team are flexible in providing out of hours/night training to meet the demands of shift workers; and
- The Health Board has implemented a secure remote access solution and appropriate authentication mechanism to minimise the risk of unauthorised access.

The following areas for improvement were identified:-

- To put in place arrangements for an effective and continuous programme of asset and information management including the development of an Information Asset Register;

- Diminishing records storage space was reported to be a high profile problem at multiple sites, with the risk of there not being sufficient secure storage for medical records. This has been recognised on the Board's risk register and a specific project had already been established to address this; and

- A requirement to improve the levels of training of staff in relation to Information Governance.

Looking forward into 2014-15, following review of our key organisational risks, the following high level risks will focus prominently on the updated risk register;

- Delivering a balanced 3 Year Integrated Plan;
  - Balancing quality, performance and finance
  - Delivering required service change
  - Maintaining and improving performance
  - Clinical leadership and management capacity to support delivery
  - Continued partnership approach – internal and external
- Development of primary care services especially in the Rhondda locality;
- Implementation and function of the Acute Care Alliances including operational models and underpinning financial flows, following conclusion of the outcome of the South Wales Programme;
- Improving ambulance service performance;
- Statutory/mandatory training, delivery and uptake and
- Patients awaiting follow up outpatient clinic review.

7. MANDATORY DISCLOSURES

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

7.1 Standards for Health Services

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

The organisation uses the Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to fulfil its aims and objectives for the delivery of safe, high quality health services. This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation. During this year the UHB completed its assessment against the 26 Standards, the outcome from which was reported through the Quality and Safety Committee and used to inform the Board's Governance & Accountability Assessment.

The Board completed the Governance & Accountability assessment module and has;

- openly assessed its performance using the maturity matrix
- responded to feedback from Healthcare Inspectorate Wales
- plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risk

This process has been subject to independent internal assurance by the organisation's Head of Internal Audit.

The Integrated Governance Committee completed a self assessment against the Governance and Accountability Module at its meeting held on 29 April 2014. During the year an integrated Governance and Accountability Action Plan was developed which encompassed the improvements from the 2012-13 Governance and Accountability Module and the actions following the governance review in Betsi Cadwaladr University Health Board. Progress against this action plan was reviewed and monitored routinely by the Integrated Governance Committee during the year.

The approach adopted was in line with the templates and guidance issued by the Welsh Government and Healthcare Inspectorate Wales and the outcome of the organisational wide assessment is summarised below: -

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

In April 2014, the Internal Auditors published a 'Draft' report following consideration of the systems and controls relating to the annual self assessment process and the process for embedding the standards. The Health Board has demonstrated a continuous improvement on the level of engagement undertaken in previous years. Progress has also been made towards embedding the Standards within all areas who are actively involved in completing their own self assessments.

The Health Board has improved the scrutiny process around the Standards during 2013-14 and there were 4 recommendations – three were assessed as medium risk and one low risk. This led to an overall **reasonable assurance** rating for the 2013-14 report.

7.2 Equality, Diversity and Human Rights

The University Health Board is committed to the principles of equality and diversity and the importance of meeting the needs of the nine protected groups under the Equality Act 2010.

The Health Board's policy on equal opportunities and in relation to disabled employees is made equally accessible to staff and the public. This policy will be reviewed in 2014-15 to take account of all current legislation and initiatives such as the All Wales Standards for Accessible Communication and Information for People with Sensory Loss.

During 2013-14, the University Health Board approved a Linguistic Bilingual Skills Strategy. The strategy looks at how the University Health Board's workforce can strategically deliver services through the medium of Welsh to the Welsh speaking public within Cwm Taf.

Control measures are in place to ensure that all Cwm Taf Health Board's obligations under equality, diversity and human rights legislations are complied with. Equality issues are monitored by the Health Board's Equality Forum and the Welsh Language Group.

7.3 Emergency Preparedness / Civil Contingencies / Disaster Recovery

The organisation continues to maintain its duties as a Category 1 responder and has strengthened its level of compliance with the development of a suspect package and a persons with weapons procedure. These plans are in the process of being signed off, tested/exercised and rehearsed on a regular basis in order to maintain the level of awareness and preparedness across the organisation.

The organisation has also developed a Tactical Pandemic Framework on behalf of Public Health Wales to be used across the Region by three Health Boards as well as developing a detailed data on a Pandemic Profile to aid preparedness with Local Authority partners on such areas as planning for potential excess deaths.

The Severe Weather / Snow plan has been further strengthened and considerable work has been undertaken with the RAF, Coastguard and Air Ambulance to ensure that our Helicopter Procedure is resilient.

The organisation is also working with the Civil Aviation Authority to ensure that the proposed new helicopter landing pad at Prince Charles Hospital is appropriate.

Work has also continued to address the area of Disaster Recovery Plans for ICT systems with Disaster Recovery Plans currently in place for the following systems: Telepath – Laboratory Information Management Systems (LIMS); Pharmacy; G2; Radiology; Xcelera; Intensive Therapy Unit (ITU) System and the Welsh Clinical Portal.

7.4 NHS Pension Scheme

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. The Scheme is managed on our behalf by Shared Services.

7.5 Carbon Reduction Delivery Plans

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

7.6 Ministerial Directions

A list of Ministerial Directions issued by the Welsh Government during 2013-14 are available at:-

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

The Health Board can confirm that all of these Directions have been implemented.

7.7 Data Security

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

7.8 UK Corporate Governance Code

The organisation has also undertaken an assessment against the main principles of the UK Corporate Governance Code as they relate to an NHS public sector organisation in Wales. This assessment has been informed by the Health Board's assessment against the Governance and Accountability Module undertaken by the Board in April 2014 and also evidenced by internal and external audits. The Health Board is clear that it is complying with the main principles of the Code, is following the spirit of the Code to good effect and is conducting its business openly and in line with the Code. The Board recognises that not all reporting elements of the Code are outlined in this Governance Statement such as declaration of interests but are reported more fully in the Health Board's wider Annual Report.

8. REVIEW OF EFFECTIVENESS

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

As Accountable Officer I have overall responsibility for risk management and report to the Board regarding the effectiveness of risk management across the Health Board. My advice to the Board is informed by reports on internal controls received from all its committees and in particular the Audit Committee and Quality and Safety Committee, with the Integrated Governance Committee ensuring alignment and connections with the Board's business. The Quality and Safety Committee also provides assurance relating to issues of clinical governance, patient safety, patient experience and the Standards for Health Services in Wales. In addition reports submitted to the Board by the Executive Team identify risk issues for consideration.

Each of the Health Board's Committees have considered a range of reports relating to their areas of business during the last year, which have included a comprehensive range of internal audit reports and external audit reports and reports on professional standards and from other regulatory bodies. The Committees have also considered and advised on areas for local and national strategic developments and new policy areas. Each Committee develops an annual report of its business and the areas that it has covered during the last year and these are reported in public to the Health Board.

Specifically, the Audit Committee has during the year reported to the Board on key issues that have been raised through reports from Counter Fraud, Internal Audit reports covering areas such as payroll, consultant job planning, Standards for Health Services, Electronic Staff Record, Lease Cares, Continuing Healthcare, Caldicott, Capital Systems, Energy Management, Primary Care Quality and Outcomes Framework, Clinical Education Centre. Also the Committee has reported on Wales Audit Office reports on clinical coding, operating theatres and the Structured Assessment.

The Quality and Safety Committee has during the year reported to the Board its consideration of patient safety issues which include routine exception reports from Directorates; action plans from high risk areas including Ophthalmology; clinical coding; Dignity in Care; Fundamentals of Care and regularly received updates on concerns, claims scrutiny panels. They have also reviewed reported mortality rates and related internal case note review processes in our hospitals. The Committee has been actively involved in the development of the Board's Quality Strategy and Quality Delivery Plan; its Research Strategy enhanced as a consequence of University Health Board status being granted; the Patient Experience plan and also used patient stories to highlight areas for improvement.

The Finance and Performance Committee has during the year reported to the Board on key financial and performance related delivery against targets and these have included; Cancer targets; Referral to Treatment and related waiting times; Unscheduled Care and related patient flow; Ambulance performance; Stroke performance against the four bundles; related matters under escalation by Welsh Government. In addition there has been routine focus on staff sickness absence; Commissioning; Waiting List Management; Data Quality and Clinical Coding and development of the three year Integrated Plan.

The Integrated Governance Committee includes the Chairs and lead Executive Directors as members and has internal and external auditors present. This Committee makes connections across the organisations agenda and ensures work is aligned appropriately to Sub Committees of the Board. In addition it oversees progress with the Board's Integrated Governance & Accountability action plan. During the year the Committee integrated its response to the HIW/WAO review of Betsi Cadwaladr UHB into its integrated action plan.

During the year the Health Board identified one instance where the audit trail relating to the approval of one Director's salary required strengthening. Appropriate action to address this has already been taken via the Remuneration and Terms of Service Committee.

8.1 Internal Audit

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

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

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

The Head of Internal Audit has concluded:

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

The overall internal audit opinion is based on;

- The review of the process for self-assessment of Standards for Health Services in Wales. Evidence available by which the Board has arrived at its declaration in respect of the assessment for the Governance and Accountability module.
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the internal audit plan that have been reported to the Audit Committee throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.

- Other assurance reviews which are directly relevant to the HIA opinion including audit work performed in relation to systems operated by the NHS Wales Shared Services Partnership.

These detailed results have been aggregated to build a picture of assurance across the eight key assurance domains around which the risk-based internal audit plan is framed. Where there is insufficient evidence to draw a firm conclusion the assurance domain is not rated. A summary of the related findings is outlined within the HIA Annual Report.

8.2. Annual Audit Report

In April 2014, the Wales Audit Office published its Annual Audit Report and issued an unqualified opinion on the 2012-13 financial statements of the Health Board, although there were some issues brought to the attention of officers and the Audit Committee. These related to:

- uncertainties over the accuracy of the figures reported on performance against the Public Sector Payment Policy; and
- the Health Board staying within its Revenue Resource Limit for the year but only with the aid of an additional £10 million allocation from the Welsh Government.

In addition, several issues were brought to the attention of officers and the Audit Committee as set out below: -

- The Health Board is reporting that it will fail to achieve financial balance for 2013-14 and faces significant financial challenges in the short and medium term;

- The Health Board is taking positive steps to improve financial management arrangements and move towards a sustainable financial position, but the new arrangements are not yet fully embedded and significant external risks to sustainability have yet to be mitigated;

- The Board has continued to develop its arrangements for board assurance and internal controls which are broadly effective and supported by clear and positive challenge and scrutiny;

- The positive listening culture and appetite to learn from patients need to be converted into a systematic, coordinated approach to embed organisational rather than individual or team learning, and expanded to include staff feedback;

- An open culture and a focus on getting basic quality and safety arrangements in place will be strengthened by plans to increase effectiveness and improve quality information;

- The Health Board made steady progress in addressing previous use of resources issues, but recognises further work is needed;
- The Health Board has struggled to meet a number of the key performance targets in the Welsh Government's delivery framework, although there are signs of recent improvements;
- The Health Board's demonstrates strategic vision and leadership in its management of primary care prescribing although there is scope to improve the quality of prescribing in some important areas;
- Good progress was made across a number of areas to improve use of resources, in particular management of the consultant contract, hospital food and catering, and unscheduled care and chronic conditions management.

Progress against the risks identified above monitored via the Board and its sub committees during 2014-15.

9. CONCLUSION

This Governance Statement indicates that the Health Board has continued to make progress and mature as an organisation during 2013-2014 and that we are further developing and embedding good governance and appropriate controls throughout the organisation. However, the Health Board is aware, that there have been a number of areas of the business of our organisation during the last year that have received one internal audit report of "no" assurance and one of 'limited' assurance from Internal Audit, which required management action to respond to the impact of potential risk.

These are outlined below. In each instance, management action has been taken forward to respond in these areas and progress is monitored by the Audit Committee.

Internal Audit Report – Limited Assurance

- **Electronic Staff Record (ESR) – Manager Self Service (MSS)**

This review concluded that the Board can take only limited assurance that arrangements to secure governance, risk management and internal controls, within those areas reviewed are suitably designed and applied effectively. The report identified areas for action with regards the related project plan, development and review of a risk log and participation in and attendance at project related meetings. An action plan is in place to address the weaknesses found within the report, progress against which will be monitored by Audit Committee.

Internal Audit Report – No Assurance

- **Clinical Education**

  In October 2013 a financial audit review of the Medical Education Centres within Cwm Taf University Health Board was undertaken. The objective of the audit was to evaluate and determine the adequacy of the systems and controls in place within the Medical Education Centres, in order to provide reasonable assurance to the Health Board's Audit Committee that risks material to the achievement of system objectives are managed appropriately.

  The review has identified a high number of significant control weaknesses in the current procedures for the administration of courses within the Clinical Education Centres. There is currently a lack of any up to date detailed, written procedures describing the processes to be undertaken when administering courses. This has lead to a significant number of inappropriate processes being undertaken with a general lack of adequate controls.

  Overall, the report has been given a high risk classification. The 5 high risks identified in the report were:

- The Centres are running their own debtors system outside the Health Board's main Oracle system managed by the Finance department.
- The processes for managing sponsors for courses are currently inadequate within both sites.
- Specific, significant risks were identified around the procedures for handling vouchers and cash deposits.
- The Clinical Education Centre at Prince Charles currently has a Nat West bank account that is outside the official Health Board Accounts.
- The Health Board charitable funds are being inappropriately utilised for income and expenditure relating to a number of the courses administered by the Clinical Education Centre.

Good progress has been made in addressing the recommendations contained within the Internal Audit Report. Management are continuing to work closely with colleagues in the Finance Department to ensure all recommendations are met and provide regular updates through Audit Committee.

As outlined within the Head of Internal Audit Opinion, the Health Board has adequate systems of internal control in place which provides reasonable assurance regarding the Health Board's efficient and effective achievement of our objectives for the future.

The Health Board will continue to progress and improve these arrangements as we further develop as an organisation. Areas for improvement have been identified in our assessment against the Standards for Health Services in Wales. We will also continue as an organisation to undertake our business openly to provide assurance for our citizens and stakeholders that the services we provide are efficient, effective and appropriate.

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

The revised planning guidance and our approved 3 year integrated plan for 2014-17, sets out the strategy for the University Health Board and outlines high level objectives and key areas for progress over the next 3 years.

My review confirms that the Board has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and that no significant internal control or governance issues have been identified.

MRS ALLISON WILLIAMS
CHIEF EXECUTIVE

Pwyllgor Gwasanaethau Iechyd Arbenigol Cymru (PGIAC)
Welsh Health Specialised Services Committee (WHSSC)

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

cc: Joint Committee Members

WELSH HEALTH SPECIALISED SERVICES COMMITTEE ANNUAL GOVERNANCE STATEMENT 2013/14

1. SCOPE OF RESPONSIBILITY

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

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

Our Aim is to ensure that there is:

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

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

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

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

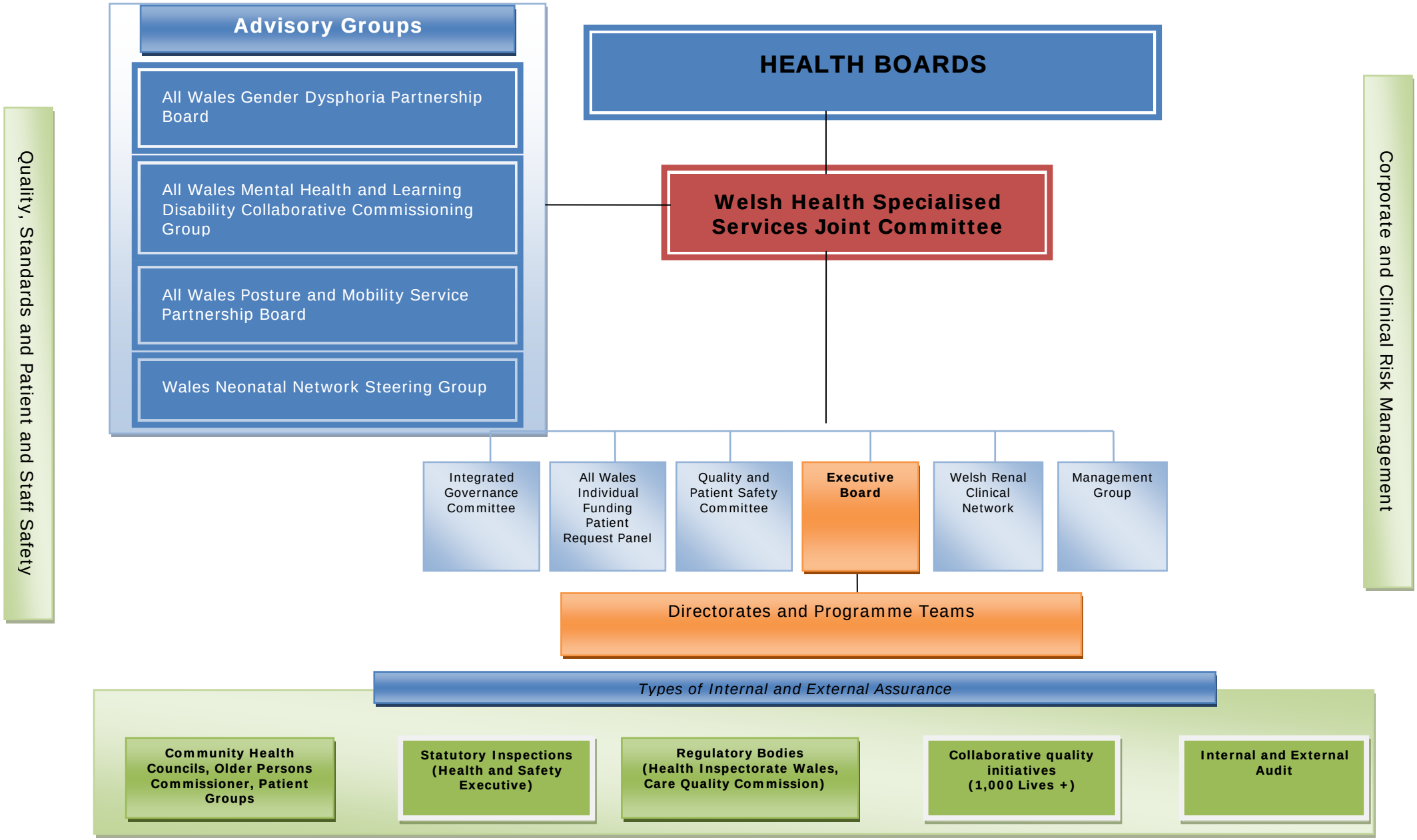
1.1 The Joint Committee

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

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

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

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


Advisory Groups
All Wales Gender Dysphoria Partnership Board
All Wales Mental Health and Learning Disability Collaborative Commissioning Group
All Wales Posture and Mobility Service Partnership Board
Wales Neonatal Network Steering Group
HEALTH BOARDS
Welsh Health Specialised Services Joint Committee
Integrated Governance Committee
All Wales Individual Funding Patient Request Panel
Quality and Patient Safety Committee
Executive Board
Welsh Renal Clinical Network
Management Group
Directorates and Programme Teams
Quality, Standards and Patient and Staff Safety
Corporate and Clinical Risk Management
Types of Internal and External Assurance
Community Health Councils, Older Persons Commissioner, Patient Groups
Statutory Inspections (Health and Safety Executive)
Regulatory Bodies (Health Inspectorate Wales, Care Quality Commission)
Collaborative quality initiatives (1,000 Lives +)
Internal and External Audit

The Joint Committee members in post during the financial year 2013-14 are:

Name	Role	Organisation	Committee Attendance 2013-14
Professor Mike Harmer	Chair (retired January 2014)	Welsh Health Specialised Services Committee	3/3
Mr John Hill-Tout	Interim Chair (appointed March 2014)	Welsh Health Specialised Services Committee and Independent Member, Cwm Taf UHB	1/1
Mrs Mary Burrows	Member (until October 2013)	Chief Executive, Betsi Cadwaladr UHB	0/2
Mr Adam Cairns	Member	Chief Executive, Cardiff and Vale UHB	2/4
Mr Andrew Cottom	Member (until October 2013)	Chief Executive, Powys Teaching HB	0/2
Dr Andrew Goodall	Member	Chief Executive, Aneurin Bevan UHB	4/4
Mr John Hill-Tout	Member (until March 2014)	Independent Member, Cwm Taf LHB	3/3
Mr Bob Hudson	Member (from November 2013)	Chief Executive, Powys Teaching HB	1/1
Ms Sian Marie James	Member (from November 2013)	Independent Member, Hywel Dda ULHB	1/1
Mr David Jenkins	Member	Independent Member, Aneurin Bevan UHB	4/4
Mr Geoff Lang	Member (from October 2013)	Acting Chief Executive, Betsi Cadwaladr UHB	0/2
Mr Trevor Purt	Member	Chief Executive, Hywel Dda ULHB	0/4
Mr Paul Roberts	Member	Chief Executive, Abertawe Bro Morgannwg UHB	2/4
Mrs Allison Williams	Member	Chief Executive, Cwm Taf UHB	4/4
Dr Geoffrey Carroll	Officer Member	Medical Director, Welsh Health Specialised Services	4/4
Mr Stuart Davies	Officer Member	Director of Finance, Welsh Health Specialised Services	4/4
Mr Stephen Harrhy	Officer Member (until April 2014)	Interim Director of Specialised and Tertiary Services, Welsh Health Specialised Services	4/4
Mr John Palmer	Officer Member (from April 2014)	Director of Specialised and Tertiary Services, Welsh Health Specialised Services	N/A
Mr Simon Dean	Associate Member	Chief Executive, Velindre NHS Trust	1/4
Mr Huw George	Associate Member (from November 2013	Interim Chief Executive, Public Health Wales	0/1
Mr Bob Hudson	Associate Member (until November 2013	Chief Executive, Public Health Wales	0/3
Mr Elwyn-Price Morris	Associate Member	Chief Executive, Welsh Ambulance NHS Trust	0/4
Professor Simon Smail	Associate Member	Non Executive Member of Public Health Wales and Chair of the Quality and Patient Safety Committee	4/4
Professor John Williams	Associate Member	Chair of the Welsh Clinical Renal Network	2/4

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

1.2 Sub Committees and Advisory Groups

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

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

1.2.1 Sub-Committees

The Joint Committee has also established 5 sub-committees in the discharge of functions:

- All Wales Individual Patient Funding Request (IPFR) Panel (WHSSC)
- Welsh Renal Clinical Network
- Integrated Governance Committee
- Management Group
- Quality and Patient Safety Committee

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

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

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

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

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

1.2.2 Advisory Groups and Networks

The Joint Committee has also established 4 advisory groups in the discharge of functions

- All Wales Gender Dysphoria Partnership Board
- All Wales Mental Health and Learning Disability Collaborative Commissioning Group (formally Wales Secure Services Delivery Assurance Group)
- All Wales Posture and Mobility Service Partnership Board
- Wales Neonatal Network Steering Group

The **All Wales Gender Dysphoria Partnership Board**, established in July 2013, supports the development of a future NHS Wales Strategy for Gender Dysphoria services within current NHS Wales funding parameters and to review the audit of assessment and surgical services against the quality indicators and key performance indicators. The scope of the Partnership Board extends beyond the services currently commissioned by WHSSC.

The **All Wales Mental Health and Learning Disability Collaborative Commissioning Group** advises the Joint Committee on issues regarding the development of secure mental health services for Wales. The group ensures that there is a co-ordinated approach to secure services across Wales and that the benefits of working collaboratively are realised.

In year, at the request of Welsh Government, the group's name was changed from the Secure Service Delivery Group to the Mental Health & Learning Disabilities Collaborative Commissioning Group to ensure there is no confusion between this NHS Group and the Welsh Government's Secure Service Advisory Group

The **All Wales Posture and Mobility Services Partnership Board** monitor the service's delivery against the key performance and quality indicators, in order to provide assurance to the Joint Committee that the service is delivering in line with the All Wales Service Specification and advises the Joint Committee on the commissioning strategy for Posture and Mobility services, including identification of, and supporting opportunities for embedding coproduction as a core principle of the commissioning strategy.

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

1.3 Joint Committee and Sub-Committees meetings 2013/14

The following table outlines dates of Board and Committee meetings held during 2013/14. Meetings that were not quorate are highlighted in red.

Joint Committee/ Sub-Committee	2013/14					
Joint Committee	28-May	17-Sep	26-Nov	25-Mar		
Integrated Governance	29-Apr	17-Sep	24-Feb			
All Wales IPFR Panel[1]	24-Apr	29-May	26-Jun	31-Jul	28-Aug	25-Sep
	30-Oct	27-Nov	18-Dec	29-Jan	26-Feb	26-Mar
Management Group	11-Apr	09-May	13-Jun	11-Jul	12-Sep	10-Oct
	14-Nov	16-Jan	18-Feb	13-Mar		
Quality & Safety	14-Jul	10-Oct	12-Dec	13-Feb		
Welsh Renal Clinical Network	17-Apr	27-Jun	30-Aug	30-Nov	18-Dec	27-Feb

[1] The number of occasions that the Joint Committee and the all-Wales IPFR panel has not been quorate has impacted on the decisions made by the panel. This issue has been highlighted to the Chief Executives of each LHB.

2. GOVERNANCE AND ACCOUNTABILITY FRAMEWORK

In March 2014 the Joint Committee approved the revised Governance and Accountability Framework.

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

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

2.1 Commissioning of Emergency Ambulance Services for Welsh Citizens

A strategic review of the Welsh Ambulance Services was undertaken by Professor McClelland and the report was published in April 2013. As a result of this review the commissioning of emergency ambulance services have been passed to a new Joint Committee, the Emergency Ambulance Services Committee (EASC) which was established on 1st April 2014. The responsibility for the commissioning of NHS Direct is to be explored further by the LHB Chief Executive Officers and a decision made as to whether it should remain within the services delegated to WHSSC or the commissioning responsibility transferred to EASC.

3. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

4. CAPACITY TO HANDLE RISK

As Director of Specialised and Tertiary Services, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aim and objectives and need to be satisfied that appropriate policies and strategies are in place and that systems are functioning effectively. The Joint Committee's sub committees have assisted in providing these assurances and I am supported by the Head of Internal Audit's annual work, report and opinion on the effectiveness of our system of internal control.

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

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

4.1 The risk and assurance framework

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

The aim of the Risk Management Policy is to:

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

Risk management is embedded in the activities of WHSSC through a number of processes.

The risk register is informed by risks identified at a Programme Team, Directorate and Executive level. Each risk is allocated to an appropriate committee for assurance and monitoring purposes, i.e. Joint Committee, Audit Committee, Quality and Patient Safety Committee, Wales Clinical Renal Network and the Cwm Taf Corporate Risk Committee. The risk register is received by the sub-committees as a standing agenda item. The Joint Committee receives the Corporate Risk Register on a bi-annual basis. The Corporate Governance Manager is also a member of the Cwm Taf Corporate Risk Committee.

There are 6 risks on the Welsh Health Specialised Services Risk Register at 31 March 2014. A copy of the Risk Register is available on the website.

Category of Risk	**Number of risks at March 2013**
Financial Risks	1
Commissioning Risks	5

During 2013/14 a number of significant risk issues have been reported to and monitored by the Joint Committee:

4.2.1 Hepatobiliary Surgery

A Royal College of Surgeons review was undertaken at the request of WHSSC and the provider into the Hepatobiliary Surgery Service provided within Wales. The report raised concern regarding mortality and complications of surgery.

Regular update reports have been provided to the Joint Committee and to the Quality and Patient Safety Committee. The provider has produced an action plan to address the issues identified and has provided regular updates to WHSSC.

WHSSC have also been working closely with the provider to ensure that the service is sustainable whilst there is a reduction in consultant cover. A Service Specification for Hepatobiliary Surgery has been ratified and circulated to providers.

4.2.2 Cardiac Surgery

A risk issue was highlighted to the Joint Committee relating to patients listed for cardiac surgery not being treated within a clinically appropriate timeframe which potentially can lead to increased morbidity, increased risk of clinical deterioration leading to emergency admission, and increased risk of mortality, while waiting for surgery.

The Joint Committee agreed to fund further capacity through outsourcing to other centres in England in order to reduce waiting times and to meet the Welsh referral to treatment target. WHSSC has been working with the LHBs to identify the patients who should receive treatment at the other agreed centres. Weekly monitoring of waiting time performance and activity against planned delivery has been put in place.

A Cardiac Surgery Review Implementation Group has been formed and is taking forward the short term and longer term actions including plans to reduce the waiting times to clinically recommended level.

4.3 Equality and Diversity

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

4.4 Public and Patient Engagement

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

The Head of Nursing and Quality is the lead for Public and Patient Engagement.

4.5 Information Governance

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

4.6 Counter Fraud

Cwm Taf UHB provides Counter Fraud services to WHSSC through the hosting agreement. During the year, a review of the level of provision of Counter Fraud Services was undertaken and determined this was appropriate. However, given the commissioning nature of WHSSC more specialised skills may be required.

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

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

5. GOOD PRACTICE

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

- Local Financial Controls

6. REVIEW OF EFFECTIVENESS

As Director of Specialised and Tertiary Services, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control is informed by the work of the internal auditors, and the executive officers within WHSSC who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.

During the year internal audit issued the following draft audit report with a conclusion of **limited assurance**:

- **Individual Patient Funding**

The review identified a number of significant weaknesses within the current IPFR processes. These highlight a substantial risk that inappropriate decisions may be made by WHSSC that could potentially lead to challenge by patients or their representatives. Management need to make improvements in IPFR practices to ensure that consistent, timely and appropriate decisions are made that adequately balance patients' and Health Boards' needs.

Overall there were 4 high priority issues identified during the review:

- IPFR cases are not always reviewed, authorised or decisions communicated in a timely manner. Delays in reviewing cases or communicating decisions may have a direct impact on patients' welfare.

- There are issues with the operation of the IPFR Support Group, resulting in delays and cases being referred to Panel inappropriately. The Support Group should play a stronger role in decision-making.

- The All-Wales IPFR Panel meets on a monthly basis to discuss serious cases and determine whether treatment requests can be approved. This Panel was not quorate for 7 of the 12 meetings held in 2013/14, nor is there always adequate clinical representation on the Panel. This Panel is responsible for making key decisions so it is vital that cases are reviewed in accordance with due process.

- WHSSC does not obtain outcome data to track effectiveness of the treatments it funds. Further, the database used to record IPFR applications is no longer fit for purpose.

Management will be working with the Auditors to finalise the report and put in place an action plan which will be monitored by the Executive Board and the Audit Committee.

7. MANDATORY DISCLOSURES

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

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

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

Each year an assessment of the standards which are applicable to WHSSC is undertaken as some of the standards are not within the WHSSC's remit and responsibility. During 2013/14 18 standards were considered to be within the remit of WHSSC.

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

Figure 1

Standard	2012/2013 Maturity Scores	2013/2014 Maturity Scores
1. Governance and Accountability	4	4
2 Equality, diversity and human rights	3	3
3. Health Promotion, Protection and Improvement	N/A	N/A
4. Civil Contingency and Emergency Planning Arrangements	N/A	N/A
5. Citizen Engagement and Feedback	3	3
6. Participating in Quality Improvement Activities	3	3
7. Safe and Clinically Effective Care	3	2
8. Care Planning and Provision	3	3
9. Patient Information and Consent	3	3
10. Dignity and respect	See Cwm Taf UHB Assessment	See Cwm Taf UHB Assessment
11. Safeguarding Children and Safeguarding Vulnerable Adults	3	3[2]
12. Environment	3	4
13. Infection Prevention and Control (IPC) and Decontamination	N/A	N/A
14. Nutrition	N/A	N/A
15. Medicines Management	N/A	N/A
16. Medical Devices, Equipment and Diagnostic Systems	N/A	N/A
17. Blood Management	N/A	N/A
18. Communicating Effectively	3	3
19. Information Management and Communications Technology	3	3
20. Records Management	3	3[3]
21. Research, Development and Innovation	N/A	N/A
22. Managing Risk and Health and Safety	4	3
23. Dealing with concerns and managing incidents	4	4
24. Workforce Planning	3	3[4]
25. Workforce Recruitment and Employment Practices	3	3[5]
26. Workforce Training and Organisational Development	3	3[6]

[2] The standard has elements which are covered through the hosting agreement with Cwm Taf UHB; therefore there is cross reference with the Cwm Taf UHB self assessment for the standard indicated.
[3] See footnote 1.
[4] See footnote 1.
[5] See footnote 1.
[6] See footnote 1.

The full self assessment including the Governance and Accountability Module (see figure 2 for overview) has been independently scrutinised by the Integrated Governance Committee.

Figure 2

Governance and Accountability Module	do not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve.	are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	are developing plans and processes and can demonstrate progress with some of their key areas for improvement.	have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the Direction			**3**		
Enabling Delivery			**3**		
Delivering results achieving excellence			**3**		
Overall Maturity Level			**3**[7]		

The Internal Audit report following the review of WHSSC management of the Standards for Health Services in Wales was received on 20th April 2014. The conclusion of the review was that "The Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **low to moderate impact on residual risk** exposure until resolved." The review findings also stated that "Overall the controls in place to manage the risks associated with the management of the Standards for Health Services in Wales are of a satisfactory standard. There is clear evidence of improvement during 2013/14 to the embedding of the standards throughout the organisation and the completion of the Corporate Self Assessments. However, further work is required within the directorates to embed the Standards…"

[7] The maturity scores within the Governance and Accountability Module for 2013/14 are unchanged from 2012/13

8. SIGNIFICANT GOVERNANCE ISSUES

I wish to highlight following matters that are considered significant and have presented challenges in 2013/14.

8.1 Appointment to Joint Committee Chair and Director of Specialised and Tertiary Services

Professor Mike Harmer retired in January 2014. Unfortunately the Minister for Health and Social Services was unable to appoint to the role substantively. After a period without a Chair an interim arrangement has been agreed and the Minister has appointed Mr John Hill-Tout as the interim Chair. This is for a maximum period of six months.

Mr John Palmer has recently been appointed as Director of Specialised and Tertiary Services and took up post on 28 April 2014. Mr Stephen Harrhy was Interim Director of Specialised and Tertiary Services until this point. This was in addition to his substantive role within Cwm Taf UHB.

8.2 Integrated Commissioning Plan

Further to the National Health Service Finance (Wales) Act 2014 becoming law in Wales from 27th January 2014, new duties with regard to operational planning were placed upon the Local Health Boards. The legislative changes are effected to section 175 of the NHS Wales Act 2006.

The organisation has undertaken a significant amount of work and continues to ensure the organisation maintains progress to develop its 3 year integrated commissioning plan.

The draft plan was presented and discussed at each Management Group meeting throughout 2013/14. Updates on progress were also provided to the Joint Committee. The final plan was presented to the Joint Committee on 25th March 2014. Members of the Joint Committee supported the plan and the proposed direction of travel but could not approve the Integrated Commissioning Plan because the overall financial plan for Wales is not yet balanced. They requested that further work be undertaken to provide reassurance relating to the financial elements within the plan. Whilst this further financial work is undertaken, work will commence to implement the proposed actions within the plan.

8.3 Changes to Care Quality Commissioning Inspections

The Care Quality Commission's (CQC) inspection methodology has changed in response to the Francis Inquiry. As a result the number of reports issued to providers by the CQC that require action has increased. This includes reports on providers with which WHSSC holds contracts.

9. CONCLUSION

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

Signed:

Mr John Palmer
Director of Specialised and Tertiary Services
(from 28 April 2014)
Date: 4 June 2014

Signed:

Mr Stephen Harrhy
Director of Specialised and Tertiary Services
(until 25 April 2014)
Date: 4 June 2014