

Caerphilly Local Health Board

FOREWORD

These accounts have been prepared by the Local Health Board under section 98(2) of the National Health Service Act 1977 (as amended) in the form in which the National Assembly for Wales has, with the approval of the Treasury, directed.

Statutory background

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

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

Performance Management and Financial Results

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

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 12. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	Total £000	2004-05 Total £000
Expenditure	4.1,4.2,4.3, 4.4	206,451	195,534
Miscellaneous income	3.1	2,062	4,198
Net operating costs		<u>204,389</u>	<u>191,336</u>

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2006**

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	0	30
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	<u>0</u>	<u>30</u>

BALANCE SHEET AS AT 31 MARCH 2006

	Note	£000	31 March 2005 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	197	140
CURRENT ASSETS			
Debtors	6.1	3,849	3,858
Cash at bank and in hand		1,364	1,752
Total Current Assets		5,213	5,610
Creditors: amounts falling due within one year	6.2	16,750	15,970
Net current assets / (liabilities)		(11,537)	(10,360)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	230	109
TOTAL NET ASSETS		(11,570)	(10,329)
FINANCED BY:			
General fund	6.5	(11,570)	(10,359)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	30
TOTAL		(11,570)	(10,329)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	£000	2004-05 £000
Net operating costs	(204,389)	(191,336)
Adjust for non-cash transactions	(308)	(278)
Adjust for movements in working capital other than cash	789	259
Utilisation of provisions	0	0
	<hr/>	<hr/>
Net cash outflow from operating activities	(203,908)	(191,355)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	(190)	(10)
Receipts from the sale of fixed assets	130	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	(60)	(10)
Net cash inflow / (outflow) before financing	(203,968)	(191,365)
FINANCING:		
Net Assembly funding (including capital)	203,580	193,107
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
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Net cash inflow / (outflow) from financing	203,580	193,107
Increase / (decrease) in cash	(388)	1,742

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2004-05 £000
Depreciation and other write-offs	3	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	121	109
Capital charge interest	(432)	(387)
	<u>(308)</u>	<u>(278)</u>

Adjust for movements in working capital other than cash

	£000	2004-05 £000
(Increase)/decrease in debtors	9	(141)
Increase/(decrease) in creditors	780	400
	<u>789</u>	<u>259</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(388)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	(388)
Non cash changes in debt	0
Net debt at 1 April 2005	<u>1,752</u>
Net debt at 31 March 2006	<u>1,364</u>

Analysis of changes in net debt

	As at 1 April 2005	Cash flows	Other changes	As at 31 March 2006
	£000	£000	£000	£000
Cash at bank and in hand	1,752	(388)	0	1,364
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>1,752</u>	<u>(388)</u>	<u>0</u>	<u>1,364</u>
Total	<u>1,752</u>	<u>(388)</u>	<u>0</u>	<u>1,364</u>

Notes to the Account

1. Accounting Policies

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

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

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

Acquisitions and Discontinued Operations

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

1.2 Income and funding

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

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

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

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

1.3 Taxation

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

a. Capitalisation

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

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

b. Valuation

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

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BICS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 30 September 2003.

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

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

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

All adjustments arising from indexation and five - yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for Depreciated Replacement Cost valuations.

Equipment

Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at Depreciated Replacement Cost.

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

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

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

1.6 Donated assets

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

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

1.7 Research and development

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

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

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999.

Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published every October. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from the Stationary Office.

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

NHS bodies are directed by the National Assembly to charge employers pension costs contributions to operating expenses as and when they become due.

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

Early payments 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 the final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump for those who die after retirement, is payable.

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

Additional pension liabilities arising from early retirements are not funded by the scheme, which except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the LHB commits itself to the retirement,

regardless of the method of payment.

1.9 Foreign currency

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

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2005/06 financial year was 3.5%.

1.11 Provisions

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

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

Contingent liabilities are recognised where the LHB has :

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

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

1.15 Deferred Income

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

1.16 Expenditure

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and finance leases and is recognised on the accruals basis. Interest payable is not shown separately on the face of the Operating Cost Statement, but is included within expenditure.

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

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

All other expenditure is classified as administration expenditure.

2.1 Achievement of Operational Financial Balance

	£000	2004-05 £000
Net operating costs for the financial year	204,389	191,336
Non-discretionary expenditure	2,313	5,846
Operating costs less non-discretionary expenditure	202,076	185,490
Revenue Resource Limit	202,097	185,557
Under / (over) spend against Revenue Resource Limit	21	67
Unplanned resource brokerage received	0	0
Operational Financial Balance	21	67

3.1 Miscellaneous income

	£000	2004-05 £000
Fees & Charges	0	0
Prescription charge income	1,740	1,927
Income for trust impairments	0	0
Deferred Income released to revenue	0	1,981
Other	<u>322</u>	<u>290</u>
Total	<u>2,062</u>	<u>4,198</u>

Note: Other Miscellaneous income	£000
Managed Practice Income	88
GELP Recharge	139
Looked After Children S31	70
Food & Fitness Project	25
Total of Other Miscellaneous income	322

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2004-05 Total
	£000	£000	£000	£000
General Medical services	22,039	0	22,039	19,133
Pharmaceutical services	5,933	752	6,685	4,376
General Dental services	104	62	166	26
General Ophthalmic services	0	1,499	1,499	1,464
Other Primary health care expenditure	2,335	0	2,335	3,445
Prescribed drugs and appliances	29,958	0	29,958	31,477
Total	60,369	2,313	62,682	59,921

4.2 Secondary and Community health care

	Total	2004-05 Total
	£000	£000
NHS Trusts:		
Provider 1 - .. Gwent Healthcare	97,196	91,903
Provider 2 - .. North Glamorgan	15,675	14,473
Provider 3 - .. Cardiff & Vale	15,341	14,800
Provider 4 - .. Velindre	2,508	2,943
Provider 5 - .. Pontypridd and Rhondda	1,039	904
Provider 6 - .. Bro Morgannwg	190	161
Provider 7 - .. Swansea	90	85
Provider 8 - .. Pembroke and Derwen	69	67
Provider 9 - .. Carmarthenshire	64	62
Provider 10 - Royal National Hospital for Rheumatic Diseases	56	20
Other Welsh NHS trusts	18	16
Other non Welsh NHS trusts	109	110
Local Authorities	2,849	2,715
Voluntary Organisations	1,157	959
NHS Funded Nursing Care	1,626	1,827
Continuing Care	83	109
Private providers	568	444
Specific projects funded by Welsh Assembly Government	1,501	301
Other	0	0
Total	140,139	131,899

4.3 Other programme expenditure

	£000	2004-05 £000
Salaries and wages	154	57
National Public Health Service	942	816
Losses, special payments and irrecoverable debts	7	176
Research and development	0	0
Other	146	186
	<hr/>	<hr/>
Total	1,249	1,235

4.4 Administration expenditure

	£000	2004-05 £000
Non-officer members' remuneration	90	89
Other salaries and wages	1,181	1,014
Establishment expenses	176	265
Transport and moveable plant	29	32
Premises and fixed plant	112	238
External contractors	35	53
Auditors' remuneration - audit fee	72	85
Auditors' remuneration - other fees	0	5
Business Services Centre recharge	1,103	1,077
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	3	0
Capital charge interest	(432)	(386)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	12	7
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Total	2,381	2,479

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

	Total	2004-05 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	1	4
Defence legal fees and other administrative costs	0	1
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	1	5
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	6	171
Less: income received/due from Welsh Risk Pool	0	0
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Total	7	176
	<hr/>	<hr/>

Personal injury includes £nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2004-05 £000
Hire of plant and machinery	1	2
Other operating leases	82	32
Total	83	34

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2004-05 Land and Buildings £000	2004-05 Other Leases £000
Operating leases which expire:				
Within 1 year	43	0	0	2
Between 1 and 5 years	14	0	14	36
After 5 years	191	0	6	0

4.7 Executive Directors and staff costs

	Total £000	2004-05 Total £000
Salaries and wages	2,876	2,166
Social security costs	230	173
Employer contributions to NHSPA	383	294
Other pension costs	0	0
Agency / seconded staff	84	68
Total	3,573	2,701

Note: Staff costs reconciliation

	£000
Note 4.1-Non Cash Limited (Emergency Dentists)	17
Note 4.1-Primary Care Staff (Inc Managed Practice Staff, Wanless projects etc)	2,114
Note 4.2-FNC	52
Note 4.2-Specific WAG Projects	64
Note 4.3-Other Programme salaries and wages	154
Note 4.4-Administration salaries (excl non-officers)	1,172
	3,573

4.8 Board Directors' remuneration

	£000	2004-05 £000
Non-officer members' remuneration	92	86
Executive Directors' remuneration:		
basic salaries	240	236
benefits	2	1
performance related bonuses	0	0
pension contributions	34	33
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	368	356

	£000	Chief Executive £000
Basic Salary	34	79
Benefits	0	2
Compensation for loss of office	0	0
Performance related bonuses	0	5
Pension contributions	0	12
Total	34	98

Remuneration waived by directors and allowances paid in lieu:

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

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

The Chief Executives Performance Related Pay is based on 6% of the basic salary. This was agreed by the Remuneration & Terms of Service Committee on the 8th March 2006 and ratified by the LHB Board in April 2006

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2004-05
	Number	Number	Number	Number	Number
Executive Board Members	3	0	0	3	3
Other Local Health Board Staff	87	2	1	90	80
Recharged staff	2	0	0	2	2
Total	92	2	1	95	85

The average number of employees is calculated as the total number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year.

Expenditure on staff benefits

	2004-05	
	£	£
Nature of expenditure:		
a. Leased cars	2,730	2,859
b.	0	0
c.	0	0
d.	0	0
Total	2,730	2,859

4.10 Retirements due to ill-health

During 2005-06 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £ Nil

4.11 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2004-05 £000
Non- NHS			
Total bills paid 2005-2006	2,911	9,644	9,164
Total bills paid within target	2,859	9,576	9,053
Percentage of bills paid within target	98.2%	99.3%	98.8%

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

	Number	£000	2004-05 £000
NHS			
Total bills paid 2005-2006	725	139,819	131,996
Total bills paid within target	705	139,234	131,081
Percentage of bills paid within target	97.2%	99.6%	99.3%

	Number	£000	2004-05 £000
Total			
Total bills paid 2005-2006	3,636	149,463	141,160
Total bills paid within target	3,564	148,810	140,134
Percentage of bills paid within target	98.0%	99.6%	99.3%

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

	2004-05 £	2004-05 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2005	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2006	0	0	0	0	0
Accumulated amortisation at 1 April 2005	0	0	0	0	0
Provided during the year	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2006	0	0	0	0	0
Net book value at 1 April 2005	0	0	0	0	0
Net book value at 31 March 2006	0	0	0	0	0

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				and payments on account £000					
At 1 April 2005	130	0	0	0	10	0	0	0	140
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	190	0	0	0	0	0	0	0	190
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	(130)	0	0	0	0	0	0	0	(130)
At 31 March 2006	190	0	0	0	10	0	0	0	200
Depreciation									
At 1 April 2005	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	3	0	0	0	3
At 31 March 2006	0	0	0	0	3	0	0	0	3
Net book value									
at 1 April 2005	130	0	0	0	10	0	0	0	140
at 31 March 2006	190	0	0	0	7	0	0	0	197
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2006 comprises:

	£000	2004-05 £000
Freehold	190	130
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
Total	190	130
	<hr/>	<hr/>

Net profit/(loss) on disposal of fixed assets

	£000	2004-05 £000
During the year the LHB disposed of fixed assets with the net book value of,	130	0
The gross proceeds from the sale(s) were	130	0
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the National Assembly for Wales the net proceeds from disposal of and retained the costs of disposal, met of,	0	0
	0	0

6.1 Debtors

Amounts falling due within one year:	£000	2004-05 £000
National Assembly for Wales	11	10
Health Commission Wales	0	0
Local Health Boards	131	283
Primary Care Trusts	0	0
NHS Trusts	488	364
Welsh Risk Pool	0	6
Capital debtors	0	0
Other debtors	2,967	2,877
Provision for irrecoverable debts	(171)	(171)
Pension Prepayments:	0	0
Other prepayments and accrued income	423	489
Sub total	3,849	3,858
Amounts falling due after more than one year:	£000	£000
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	0	0
Total	3,849	3,858

6.2 Creditors

	£000	2004-05 £000
Amounts falling due within one year:		
National Assembly for Wales	847	0
Health Commission Wales	0	0
Local Health Boards	375	421
NHS Trusts	2,335	2,430
Primary Care Trusts	4	0
Income tax and social security	2	0
Non-NHS creditors	10,391	9,896
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	1	10
Pensions: staff	0	0
Accruals	2,795	3,213
Deferred Income	0	0
Other creditors	0	0
	<hr/>	<hr/>
Total	16,750	15,970

6.3 Creditors

	Total	2004-05 Total
Amounts falling due after more than one year:	£000	£000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
	<hr/>	<hr/>
Total	0	0

6.4 Provisions for liabilities and charges

	At 1 April 2005	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Change in discount rate	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2006
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	109	0	(27)	0	135	(52)	0	0	165
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0	0
Sub-total	109	0	(27)	0	135	(52)	0	0	165
Pensions	0			0	0	0	0	0	0
Other	0			0	65	0	0	0	65
Total	109	0	(27)	0	200	(52)	0	0	230

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	230	0	0	230
Total	230	0	0	230

The LHB estimates that in 2006-07 it will receive £Nil, and in 2007-08 and beyond £Nil from the Welsh Risk Pool in respect of losses and special payments.

In February 2003 a report by the Ombudsman on NHS Funding for long term care concluded that Department of Health guidance and therefore continuing Health care policies and eligibility criteria on who should receive financial support for continuing health care had been misinterpreted by Health Care Trusts in England and Wales.

The LHB has made an assessment of the additional potential costs which may arise in respect of the 6 cases which are currently being investigated and accordingly £165,000 has been provided for within the accounts

Agenda for Change - from 1st October 2004, a new NHS pay system was due to be introduced.

The implementation, known as Agenda for Change, is underway and the LHB has provided £65K within the accounts but not all the potential costs are yet known.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2005	(10,359)
Net operating cost for the financial year	(204,389)
Net Assembly funding (including capital)	203,580
Capital charge interest	(432)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	30
	<hr/>
Balance at 31 March 2006	<u>(11,570)</u>

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2005	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2006	<u>0</u>

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2005	30
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	(30)
	<hr/>
Balance at 31 March 2006	<u>0</u>

6.8 Contingent liabilities -

The following contingent losses/gains have not been included in the accounts

Nature:	2004-05	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	0	0
Total	0	0

a.) Agenda for Change - from 1st October 2004, a new NHS pay system was due to be introduced. The implementation, known as Agenda for Change, is underway and the LHB has provided £65K within the accounts but not all the potential costs are yet known.

b.) Continuing Care - In February 2003 an Ombudsman report on NHS funding for long term care found that Government guidance on who should receive financial support for continuing health care had been misinterpreted. The LHB has provided £165K within the accounts but not all potential claims are yet known. At present 6 claims are awaiting assessment. Others may arise in the future. As these are uncertain and beyond quantification, no further amounts have been included.

6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	37	0	849	0
Balances with local authorities	219	0	271	0
Balances with NHS trusts and Foundation trusts	488	0	2339	0
Balances with Local Health Boards	131	0	375	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	2974	0	12916	0
Total at 31 March 2006	3849	0	16750	0

6.10 Post balance sheet events

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

1.	0
	
2.	0
	
Total		0

6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2004-05
Contracted	0	0
Authorised but not contracted	0	0
Total	0	0

6.12 Related Party transactions

	£000	£000
Total value of transactions with Board members and key senior staff in 2005-2006	0	0

Caerphilly Local Health Board is a body corporate established by order of the National Assembly. The Assembly is regarded as a related party. During the year Caerphilly Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely

Blaenau Gwent Local Health Board.	North Glamorgan NHS Trust
Bro Morganwg NHS Trust	Pembrokeshire Derwen NHS Trust
Cardiff & Vale NHS Trust	Pontypridd Rhondda NHS Trust
Carmarthenshire NHS Trust	Powys LHB
Gwent Healthcare Trust	Swansea NHS Trust
Monmouth Local Health Board.	Torfaen Local Health Board.
Newport Local Health Board.	Velindre NHS Trust

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

Caerphilly County Borough Council

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

During 2005 / 6 , the following individuals served as non-executive directors with Caerphilly Local Health Board (LHB)

Several of these non-executive directors also held positions of influence with other organisations and businesses which had material transactions with Caerphilly LHB. Details are as follows

	Member	Related Organisation	Role During 2005/06	Value of Expenditure with Related Organisation During 2005/06 £000	Value of Expenditure with Related Organisation During 2004/05 £000
		Gwent Urgent Primary Care	Director	0	90
1	David Bailey	Ty Bryn Surgery	General Practitioner		
2	John Bevan	Caerphilly CBC Abertysswg Community Centre	Councillor Secretary	2,849 5	2,824 5
3	Allan Davies	Gwent Healthcare Trust	Manager	97,061	91,903
4	David Greville	Gwent Urgent Primary Care Oakfield Street Surgery	Company Secretary and Member General Practitioner	0	90
5	Joe Howsam	Caerphilly CBC	Director of Social Services	2,849	2,824
6	Dermot Hughes	Gwent Healthcare Trust	Chief of Staff for Anaesthetics and Joint Chief of Staff for Surgery	97,061	91,903
7	Colin Mann	Caerphilly CBC	Councillor	2,849	2,824
8	Bob Mitchard	Care and Repair Caerphilly	Board Member	19	18
9	Simon Nelson	Simon Nelson Centre for Help and Advice to the Disabled	Pharmacist Committee Member	2	2
10	Judith Pritchard	Caerphilly CBC Centre for Help and Advice to the Disabled	Councillor Honorary President	2,849 2	2,824 2
11	Alison Shakeshaft	Gwent Healthcare Trust	Chief Dietician	97,061	91,903
12	Sheena Thomas	Rhymney Health Centre	General Practitioner		
13	Margaret Veater	Gwent Association of Voluntary Organisations	Local Executive	153	90
14	Allen Williams	Caerphilly CBC Gwent Association of Voluntary Organisations	Councillor Vice Chair/Exec Member	2,849 153	2,824 90
15	Robin Woodyatt	Caerphilly CBC	Councillor	2,849	2,824

6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	9	240,449
Total losses and special payments	9	240,449

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
Sub-total	0	0	0
All other cases	240,449	240,449	240,449
Total cases	240,449	240,449	240,449

6.14 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way that LHB's in Wales are financed, they are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The LHB's have no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB's in undertaking their activities.

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

The future minimum lease payments under finance leases to which the Local Health Board was committed at the balance sheet date were as follows:

	£000	2004-05 £000
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	0	0
	<hr/>	<hr/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
Total	0	0

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

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

6.16 Pooled Budgets

Pooled budget memorandum account for the period 1.4.05 - 31.03.06

Name of scheme : Looked After Children - Caerphilly

Gross funding	Cash £	Staff £	Other £	Total £
Caerphilly Local Health Board	77680	-	-	77680
Gwent Health Trust	-	-	-	-
	-----	-----	-----	-----
Total funding	77680	0	0	77680
Expenditure				
Scheme objectives costs	-	73730	3950	77680
Total Expenditure	-	73,730	3,950	77,680

Certificate of Director of Finance

I certify that the above pooled fund memorandum accurately discloses the income received and expenditure incurred in accordance with the partnership agreement,

Signed Andrew Naylor
Associate Finance Director
Gwent Healthcare Trust



Date : 4th May 2006

7 Additional Information - Financial standing

Since the inception of Caerphilly LHB, all LHB financial targets have been met including the achievement of operational financial balance. Forecast for the financial year 2006-07 indicate that the level of resources allocated to the LHB are likely to be insufficient to allow the LHB to achieve both service targets and financial balance.

The LHB, together with partner organisations across Gwent, are developing the Strategic Change Efficiency Plan (SCEP) to mitigate against the risk of a financial deficit, whilst aiming to achieve service targets.

Remuneration Note

Remuneration

Name and title	Salary	2005-06 Other Remuneration	Benefits in Kind Rounded to nearest £00	Salary	2004-05 Other Remuneration	Benefits in Kind Rounded to nearest £00
	£5k bands £000	£5k bands £000	£00	£000	£000	£00
Executive directors						
Judith Paget - Chief Executive	75 - 80	0 - 5	17	75 - 80	0	12
Julian Baker - Dir of Fin & Perf to 6/11/05	40 - 45	0	0	60 - 65	0	0
Mark Ash - Dir of Fin & Perf from 1/12/05	15 - 20	0	0	0	0	0
Chrissie Hayes - Nurse Director	50 - 55	0	0	50 - 55	0	0
Brendan Boylan - Medical Director to 09-01-05				30 - 40	consent to disclose other remuneration withheld	0
Karen Gully - Medical Director from 28-02-05	40 - 45	0	0	0 - 5	0	0
Gill Richardson - Director of Public Health	0	0	0	0	0	0
Colleen Bright - Assoc Dir Planning & Primary Care	50 - 55	0	0	10 - 15	0	0
Claire Jones - Assoc Dir Primary Care to 27/05/05	5 - 10	0	0	10 - 15	0	0
Non officer members						
Bob Mitchard	30 - 35	0	0	30 - 35	0	0
Hilary Brunt	5 - 10	0	0	5 - 10	0	0
David Greville	5 - 10	0	0	5 - 10	0	0
David Bailey	5 - 10	0	0	5 - 10	0	0
Simon Nelson	5 - 10	0	0	5 - 10	0	0
Colin Palfrey	5 - 10	0	0	5 - 10	0	0
Kathrin Thomas - to 30-06-04	0	0	0	0 - 5	0	0
Sheena Thomas - from 01-10-04	5 - 10	0	0	0	0	0
Margaret Veater	5 - 10	0	0	5 - 10	0	0
Allen Williams	5 - 10	0	0	5 - 10	0	0
Catherine Beman	5 - 10	0	0	5 - 10	0	0
Alan Brown	0	0	0	0	0	0
Janine Cronin - to 28-02-05	0	0	0	0 - 5	0	0
Alan Davies	0	0	0	0	0	0
Joe Howsam	0	0	0	0	0	0
Dermot Hughes	0	0	0	0	0	0
Colin Mann	0	0	0	0	0	0
Ken Perryman	0	0	0	0	0	0
Judith Pritchard	0	0	0	0	0	0
Alison Shakeshaft	0	0	0	0	0	0
Robin Woodyatt - from 09-02-05	0	0	0	0	0	0
John Bevan - from 09-02-05	0	0	0	0	0	0

Other remuneration related to Judith Paget 6% PRP awarded from 1st April 2005.
The benefit in kind received by Judith Paget relates to the net cost to the LHB of a lease car.

Julian Baker undertook a secondment to North Glamorgan NHS Trust on 7th November 2005.

Mark Ash was seconded in from Monmouthshire LHB on 1st December 2005 for 4 days per week

Remuneration Note

Pension Benefits

Name and title	Real increase in pension at age 60	Lump sum at age 60 related to real increase in pension	Total accrued pension at age 60 at 31 Mar 2006	Lump sum at age 60 related to accrued pension at 31 Mar 2006	Cash Equivalent transfer value at 31 Mar 2006	Cash Equivalent transfer value at 31 Mar 2005	Real increase in Cash equivalent transfer value	Employer's contribution to stakeholder pension
	(bands of £2,500) £000	(bands of £2,500) £000	(bands of £5,000) £000	(bands of £5,000) £000	£000	£000	£000	£00
Executive directors								
Judith Paget - Chief Executive	2.5 - 5	7.5 - 10	105 - 110	80 - 85	340	291	30	0
Julian Baker - Dir of Finance & Perf to 6/11/05	0 - 2.5	5 - 7.5	65 - 70	45 - 50	177	147	12	0
Mark Ash - Interim Dir of Finance & perf	0 - 2.5	5 - 7.5	50 -55	35 - 40	137	111	5	0
Chrissie Hayes - Nurse Director	-2.5 - 5	-10 - 12.5	50 -55	35 - 40	221	270	-39	0
Brendan Boylan - Medical Dir to 09-01-05			Consent to disclose pension information withheld in 04/05					
Karen Gully - Medical Director	-0 - 2.5	-0 - 2.5	35 - 40	25 - 30	112	112	-1	0
Colleen Bright - Director of Planning & PC	-2.5 - 5	-10 - 12.5	65 - 70	50 - 55	249	286	-31	0
Claire Jones - Sen Mgr to 27/05/2005	0 - 2.5	0 - 2.5	5 - 10	0 - 5	15	9	1	0
Gill Richardson - Dir of Public Health			An employee of Velindre NHS Trust					

Julian Baker undertook a secondment to North Glamorgan NHS Trust on 7th November 2005.
Mark Ash seconded in from Monmouthshire LHB on 1st December 2005 for 4 days per week

As Non officer members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non officer members.

A Cash Equivalent Transfer Value (CETV is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time). The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV – This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Date: 2006 Chief Executive

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

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

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

Date: 2006 Chief Executive

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

The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The National Assembly, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Assembly 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 Assembly.

By Order of the Board

Signed:

Chairman: Dated: 2006

Chief Executive: Dated: 2006

Director of Finance: Dated: 2006

Statement Of Internal Control

1. Scope of responsibility

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

The LHB's internal control framework is underpinned by Standing Orders and Standing Financial Instructions, which were formally adopted by the Board in April 2003. The Standing Orders include a scheme of delegation and the LHB has also adopted a detailed authorisation matrix. Membership and Terms of Reference of the Audit & Risk Management Committee, Clinical Governance Committee and Remuneration & Terms of Service Committee are agreed. The LHB has undertaken self-assessments against the Welsh Risk Management Standards and agreed Action Plans for improvement. The Welsh Risk Pool have also conducted an assessment on 6 Standards. Full details will be submitted to the Welsh Assembly Government by the end of August 2006.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Board has agreed to discharge its responsibilities for corporate risk management through the Audit & Risk Management Committee and for clinical governance through the Clinical Governance Committee. There is a clear link established between these two committees in relation to risk management.

Risk Matters is a standard agenda item for the Audit & Risk Management Committee. The overall accountability for the management of risk rests with the Chief Executive. The Director of Finance has been delegated with responsibility for risk management and the Medical Director is charged with responsibility for clinical governance.

A Risk Management Working Group has been established to take forward risk management within the organisation. Each directorate is represented on the group, who's responsibilities include monitoring action against the risk management action plan, maintaining risk registers, reviewing new Welsh Risk Management Standards and conducting self assessments against the standards. The Risk Management Working Group report to the Management Team and Audit & Risk Management Committee.

4. The risk and control framework

The LHB has reviewed its Risk Management Strategy which addresses clinical, organisational and financial risk through encouraging a culture of risk ownership, its assessment and associated remedial or limitation action, by the Board and all staff within the Local Health Board. Risk Registers are maintained by all Directorates. Risks with a risk rating of 8 or more are reported to the LHBs Management Team and those with a rating of 20 or more are reported to the LHB Board.

During the 2005/06 financial year the LHB has been required to undertake self-assessments against 8 Welsh Risk Management Standards. During 2005/06 LHBs are required to achieve compliance of not less than 70% overall, and 75% in each of the Welsh Risk Pool assessed core standards (A,B and C), with a target of 50% in Standard G. An improvement against the previous years scores is expected. The scores for 2004/05 are provided in brackets. The LHB's performance against the 5 core Standards is summarised below: -

- A Risk Management Policy & Strategy 85% (78%)
- B Risk Assessment & Treatment 77% (75%)
- C Incident and Hazard Reporting 86% (83%)

The LHBs performance against the remaining Standards is summarised below: -

- D Policies and Procedures 81% (79%)
- E Governance 82% (79%)
- F Financial Management 82% (77%)
- G Facilitating Safe Provision in Primary Care 83% (67%)
- I Records Management 75% (60%)

The self-assessments against all of the Standards have been reviewed by the LHB's Internal Auditors and agreement has been reached on scores. As part of the process Action Plans have also been agreed for each of the Standards to address key areas identified for improvement. Implementation and review of performance against the Action Plans will be undertaken by the Risk Management Working Group and reported to the Management Team and Audit & Risk Management Committee, Board and Welsh Assembly Government. The Welsh Risk Pool have also conducted an assessment of performance against 6 Standards and the results of this assessment are as follows:

- A Risk Management Policy and Strategy - 79
- B Risk Assessment and Treatment - 76
- C Incident and Hazard Reporting - 84
- D Policies and Procedures - 79
- G Facilitating Safe Provision in Primary Care - 70
- I Records Management - 74

The LHB achieved 77% overall, and 80% in the core standards.

A draft report has been received from the Welsh Risk Pool, and a response provided. The final report is awaited.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board is advised of the effectiveness of internal controls through reports received from the Audit & Risk Management Committee and Clinical Governance committee. Each of these committees plays an important role in reviewing the effectiveness of the system of internal control.

The Audit and Risk Management Committee have monitored the effectiveness of the system of internal control through the receipt and review of internal and external audit reports and consideration of the associated management action taken. These reports are based on a systematic review of LHB processes. During 2005/06 these reports have not highlighted any significant internal control problems and, where appropriate, LHB management has responded

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

AUDITORS' REPORT

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

I certify that I have audited the financial statements on pages 1 to 36 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 6 to 11.

I certify that I have audited that part of the remuneration report to be audited.

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on page 38 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made there under and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and National Assembly for Wales directions made there under, and whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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.

I review whether the statement on page 39 and 40 reflects the Board's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of Opinion

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

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Caerphilly Local Health Board as at 31 March 2006 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the National Assembly for Wales;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the National Assembly for Wales; and
- 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.

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
29 June 2006

Wales Audit Office
Deri House
Park Grove
Cardiff

ACCOUNT OF - 2005-2006

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY THE NATIONAL ASSEMBLY FOR WALES IN ACCORDANCE WITH SECTION 98(2) OF THE NATIONAL HEALTH SERVICE ACT 1977 AND WITH THE APPROVAL OF TREASURY

LOCAL HEALTH BOARDS

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2006 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2006 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2006 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, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

ACCOUNT OF - 2005-2006

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the account has been prepared to comply with a Direction given by the National Assembly for Wales in accordance with section 98(2) of the NHS Act 1977.
2. The foreword shall also contain a description of the statutory background and main functions of the LHB together with a fair review of their operational and financial activities and a summary of their performance against targets.