

Powys Local Health Board Consolidated

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

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

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Operating Cost Statement, which shows the net operating cost incurred by the 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. Note 2.2 measures capital expenditure against a Capital Resource Limit.

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

		Total	2004-05 Total
	Note	£000	£000
Commissioning			
Gross operating costs	4.1,4.2,4.3,4.4	100,925	98,103
Less : Miscellaneous income	3.2	1,864	2,413
Commissioner net operating costs		<u>99,061</u>	<u>95,690</u>
Providing			
Gross operating costs	4.5	93,366	92,113
Less : Miscellaneous income	3.2	30,557	29,442
Provider net operating costs		<u>62,809</u>	62,671
LHB net operating costs before interest		<u>161,870</u>	<u>158,361</u>
Interest receivable		(182)	(154)
Interest payable		1,351	507
LHB net operating costs		<u>163,039</u>	<u>158,714</u>

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

	£000	£000
Unrealised surplus / (deficit) on revaluation / indexations of fixed assets	5,153	12,918
Net increases / reductions in General Fund due to transfers of assets	(4,184)	(7,861)
Impairment losses	0	0
(Reduction) / Increases in the donated asset and government reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	(236)	(185)
Recognised gain / (loss) for the year	<u>733</u>	<u>4,872</u>

BALANCE SHEET AS AT 31 MARCH 2006

	Note	£000	2004-05 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	39	69
Tangible fixed assets	5.2	172,979	173,143
CURRENT ASSETS			
Stocks and work-in-progress	6.1	711	381
Debtors	6.2	71,028	57,379
Cash at bank and in hand		3,055	1,634
Total Current Assets		74,794	59,394
Creditors: amounts falling due within one year	6.3	17,425	18,121
Net current assets / (liabilities)		57,369	41,273
Creditors: amounts falling due after more than one year	6.4	832	832
Provisions for liabilities and charges	6.5	74,795	64,246
TOTAL NET ASSETS		154,760	149,407
FINANCED BY:			
General fund	6.6	37,832	36,090
Donated Assets Reserve	6.7	4,909	4,849
Revaluation Reserve	6.8	112,019	108,468
TOTAL		154,760	149,407

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

	2004-05	2005-06
	£000	£000
Reconciliation of operating costs to net cash flow from operating activities :		
Net operating cost	(161,870)	(158,361)
Adjust for non-cash transactions	32,162	28,219
Adjust for movements in working capital other than cash	(15,760)	(4,181)
Utilisation of provisions	(12,888)	(8,447)
Net cash flow from operating costs	(158,356)	(142,770)
Servicing of Finance :		
Interest received	182	154
Interest paid	(1,351)	0
Interest element of finance leases	0	0
Net cash inflow / (outflow) from servicing of finance	(1,169)	154
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire intangible fixed assets	0	(24)
Receipts from the sale of intangible fixed assets	0	0
Payments to acquire tangible fixed assets	(2,116)	(2,829)
Receipts from the sale of tangible fixed assets	4,295	3,125
Net cash inflow / (outflow) from capital expenditure	2,179	272
Net cash inflow / (outflow) before financing	(157,346)	(142,344)
FINANCING:		
Assembly funding (including capital)	162,474	146,093
Other capital receipts surrendered	(4,184)	(3,137)
Capital grants received / Charitable Donations	477	485
Capital element of finance lease rental payments	0	0
Net cash inflow / (outflow) from financing	158,767	143,441
Increase / (decrease) in cash	1,421	1,097

Included in 'Utilisation of provisions' is £9.7m which relates to payments made on behalf of Powys LHB by those trusts managing their respective Residual Claims. In order for an accurate All Wales picture, it is necessary to include these payments as 'Utilisations' in PLHB's accounts. This methodology has been agreed by WAG & the WRP.

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

	£000	2004-05 £000
Depreciation and other write-offs	5,075	5,328
Impairment of fixed assets	32	0
(Profit) / Loss on disposal of fixed assets	(1,368)	(17)
Cost of Capital	4,985	5,160
Non-cash provisions	23,437	17,748
	32,162	28,219

Adjust for movements in working capital other than cash

	£000	2004-05 £000
(Increase)/decrease in stock and work-in-progress	(330)	(289)
(Increase)/decrease in debtors	(14,676)	894
Increase/(decrease) in creditors	(754)	(4,786)
	(15,760)	(4,181)

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	1,421
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	1,421
Non cash changes in debt	0
Net debt at 1 April 2005	802
Net debt at 31 March 2006	2,223

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	1,634	1,421	0	3,055
Bank overdraft	0	0	0	0
Debt due within one year	(832)	0	0	(832)
Debt due after one year	0	0	0	0
TOTAL	802	1,421	0	2,223

	£000
The amount of cash held in Office of HM Paymaster General bank accounts at 31 March 2006 by by the Business Services Centre on behalf of Local Health Boards is	1,385
The amount of cash held in Office of HM Paymaster General bank accounts at 31 March 2006 by Powys LHB is	5,428

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FRm) issued by HM Treasury to the extent that the 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 total employer contribution payable in 2005-06 was £6.258m and in 2004-05 was £6.113m.

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 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.

1.15 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	163,039	158,714
Non-discretionary expenditure	1,625	3,250
Operating costs less non-discretionary expenditure	161,414	155,464
Revenue Resource Limit	161,414	155,442
Under / (over) spend against Revenue Resource Limit	0	(22)
Unplanned resource brokerage received	0	0
Operational Financial Balance	0	(22)

In 2005/06 the LHB received additional repayable resource brokerage of £423,000 as part of its revised Strategic Change and Efficiency Plan (SCEP) developments and performance requirements. During 2005/06 pressures arose which had not been accounted for within the initial Recovery Plan. As a result of these pressures there was a need for extra resource brokerage in 2005/06. A revised Strategic Change and Efficiency Plan was prepared and agreed by the LHB Board. On 21st June 2006, confirmation was received from the Welsh Assembly Government that the SCEP was sufficiently progressed to enable confirmation of the 2005/06 target and for provision of the extra resource brokerage needed to address the reported deficit in 2005/06. This correspondence confirmed that this allows the LHB to fulfil its statutory duty in 2005/06.

2.2 Capital Resource Limit¹

	£000	2004-05 £000
Gross capital expenditure	2,174	2,627
Add: Loss in respect of disposals of donated assets	0	0
Less NBV of assets disposed of	0	0
Less capital grants	0	0
Less donations	(200)	(485)
Charge against CRL	1,974	2,142
Capital Resource Limit	1,977	2,150
Underspend /(Over) against CRL	3	8

3.1 Miscellaneous income

	£000	2004-05 £000
Administration income: Fees & Charges	18,771	18,301
Other miscellaneous income	2,882	417
Total administration income	21,653	18,718
Programme income: Fees & Charges	6,997	7,423
Prescription charge income	886	1,070
Income for trust impairments	0	0
Deferred Income released to revenue	0	2,197
Income from NHS Bodies	594	991
Local Authorities	514	497
Patient Transport Services	0	0
Education, Training and Research	209	210
Non-NHS private patients	45	17
Road Traffic Act	39	61
Other Non-NHS patient care services	0	0
Charitable and other contributions to expenditure	212	119
Transfers from the Donated Asset Reserve	236	185
Transfers from Government Grant Reserve	0	0
Other	1,036	367
Total programme income	10,768	13,137
TOTAL	32,421	31,855

3.2 Analysis of total income by expenditure classification

	£000	£000
Gross commissioning income	1,864	2,413
Gross providing income ¹	30,557	29,442
	32,421	31,855
¹ Included in the above providing income figure is the following segmental income :-	£000	£000
Business Services Centre	21,315	19,407

Programme costs:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2004-05 Total
	£000	£000	£000	£000
General Medical services	28,568	0	28,568	26,583
Pharmaceutical services	2,722	979	3,701	2,615
General Dental services	0	8	8	11
General Ophthalmic services	0	638	638	625
Other Primary health care expenditure	431	0	431	428
Prescribed drugs and appliances	14,532	0	14,532	13,893
TOTAL	46,253	1,625	47,878	44,155

4.2 Secondary and Community health care

	Total	2004-05 Total
	£000	£000
NHS Trusts:		
Provider 1 - ... Royal Shrewsbury Hospital Trust	11,485	9,649
Provider 2 - ... Gwent NHS Trust	7,411	6,670
Provider 3 - ... Hereford Hospital NHS Trust	6,000	5,565
Provider 4 - ... Swansea NHS Trust	4,262	3,950
Provider 5 - ... Ceredigion NHS Trust	4,182	3,948
Provider 6 - ... Robert Jones & Agnes Hunt NHS Trust	2,912	2,931
Provider 7 - ... Bro Morgannwg NHS Trust	1,346	1,431
Provider 8 - ... Shropshire County Primary Care NHS Trust	1,060	1,055
Provider 9 - ... Cardiff & Vale NHS Trust	663	709
Provider 10 -	0	0
Other Welsh NHS trusts	2,135	1,984
Other non Welsh NHS trusts	900	1,102
Local Authorities	1,661	2,422
Voluntary Organisations	787	721
NHS Funded Nursing Care	1,527	1,676
Continuing Care	4,449	4,672
Private providers	1,422	1,089
Specific projects funded by Welsh Assembly Government	258	104
Other	435	508
TOTAL	52,895	50,186

Expenditure with Local Authorities is as follows :

	£000
Cost per case agreements	0
Section 28A	1,211
Winter pressures	451
Voluntary organisations	35
Total	1,697

Not included in the above Secondary Care Costs to Powys LHB is £52.702m of Secondary Care provided internally within Powys.

4.3 Other programme expenditure

	£000	2004-05 £000
Salaries and wages	213	103
National Public Health Service	774	733
Losses, special payments and irrecoverable debts	(1,374)	2,038
Research and development	0	0
Miscellaneous	0	23
TOTAL	(387)	2,897

4.4 Administration expenditure

	£000	2004-05 £000
Non-officer remuneration	89	74
Other salaries and wages	645	761
Establishment expenses	89	90
Transport and moveable plant	0	0
Premises	10	2
External contractors	15	10
Auditors' remuneration - audit fee	47	76
Auditors' remuneration - other fees	0	0
Buisness Services Centre recharge	0	0
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	13	13
Capital charge interest	(369)	(210)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Miscellaneous	0	49
TOTAL	539	865

4.5 Providing : operating expenses

	£000	2004-05 £000
Goods and services from other NHS bodies	3,989	3,618
Staff costs	62,217	58,790
Supplies and services -clinical	3,129	3,527
Supplies and services -general	1,429	1,642
Establishment expenses	4,904	4,594
Transport and moveable plant	404	356
Premises	5,700	6,699
Auditors remuneration	501	381
Capital - depreciation and amortisation	5,298	5,315
Capital charge interest	5,354	5,370
Impairment	32	0
(Profit) / loss on disposal of fixed assets	(1,368)	(17)
Costs of disposal	0	0
Other operating expenses	1,777	1,838
TOTAL	93,366	92,113

Included in the above are the secondary care services provided by Powys LHB of £63.151m, operating expenses of the Business Services Centre of £22.001m, and £4.927m in respect of the residual estate.

Auditors Remuneration includes £380k of BSC Audit fees in respect of all LHB's. These fees form part of the BSC charge to the LHB's.

4.6 Analysis of operating expenditure by expenditure classification

	£000	2004-05 £000
Gross administration costs	539	865
Gross programme costs	193,752	189,351
	194,291	190,216

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

	Total	2004-05 Total
	£000	£000
Clinical negligence	20,002	15,608
Personal injury	555	42
All other losses and special payments	1	0
Defence legal fees and other administrative costs	69	(508)
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	20,627	15,142
	<hr/>	<hr/>
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	21	16
Less: income received/due from Welsh Risk Pool	(22,022)	(13,120)
	<hr/>	<hr/>
Total charge	(1,374)	2,038
	<hr/>	<hr/>

4.8 Hire and operating lease rentals Included in Operating Costs

	2004-05 £000	2004-05 £000
Hire of plant and machinery	105	123
Other operating leases	1,606	1,344
TOTAL	1,711	1,467

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	317	37	467	10
Between 1 and 5 years	0	159	292	70
After 5 years	982	216	315	138

4.9 Executive Directors and staff costs

	2004-05 Total £000	2004-05 Total £000
Wages and salaries	49,707	47,267
Social security costs	3,729	3,403
Employer contributions to NHSPA	6,258	6,113
Other pension costs	1,389	798
Agency / Seconded in staff	1,992	2,073
TOTAL	63,075	59,654

4.10 Board Members' remuneration

	£000	2004-05 £000
Non officer members' remuneration	89	74
Officer members' remuneration:		
basic salaries	603	599
benefits	15	18
performance related bonuses	0	0
pension contributions	85	84
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
TOTAL	792	775

	Chairman £000	Chief Executive £000	Highest paid officer * £000
Basic Salary	39	104	0
Benefits	0	3	0
Compensation for loss of office	0	0	0
Performance related bonuses	0	0	0
Pension contributions	0	15	0
TOTAL	39	122	0

Remuneration waived by members and allowances paid in lieu:

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

* where Chief Executive is not the highest paid officer

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

.....

.....

4.11 Average number of employees

The average number of employees during the year was:¹

	Permanent staff Number	Agency, temporary and con- tract staff Number	Staff on inward second- ment Number	Total Number	2004-05 Number
Executive Board Members	4	0	0	4	4
Medical and dental	61	0	0	61	90
Ambulance staff	0	0	0	0	0
Administrative and estates	758	36	0	794	874
Healthcare assistants and other support staff	149	0	0	149	124
Nursing, midwifery and health visiting staff	800	0	0	800	795
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	159	0	0	159	166
Other local health board staff	12	0	0	12	9
Recharged staff	0	0	0	0	0
TOTAL	1,943	36	0	1,979	2,062

¹The 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

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

4.12 Retirements due to ill-health

During 2005-06 there were 17 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 £631,590

4.13 Public Sector Payment Policy - Measure of Compliance

The National Assembly for Wales requires health bodies 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	40,221	44,577	44,854
Total bills paid within target	38,241	42,326	43,738
Percentage of bills paid within target	95.1%	95.0%	97.5%

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 LHB (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	4,377	132,973	120,591
Total bills paid within target	3,780	132,476	120,278
Percentage of bills paid within target	86.4%	99.6%	99.7%

	Number	£000	2004-05 £000
TOTAL			
Total bills paid 2005-2006	44,598	177,550	165,445
Total bills paid within target	42,021	174,802	164,016
Percentage of bills paid within target	94.2%	98.5%	99.1%

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

	£	2004-05 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 2.8).	0	0
Compensation payable to cover debt recovery costs	0	0

4.15 Interest Payable

	£000	£000
Finance leases	0	0
Unwinding of provision discounts	1,351	507
Other (eg late payment of commercial debt)	0	0
	<u>1,351</u>	<u>507</u>

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2005	327	0	0	0	327
Additions	0	0	0	0	0
Indexation	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2006	327	0	0	0	327
Accumulated amortisation at 1 April 2005	258	0	0	0	258
Provided during the year	30	0	0	0	30
Additions	0	0	0	0	0
Indexation	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2006	288	0	0	0	288
Net book value at 1 April 2005	69	0	0	0	69
Net book value at 31 March 2006	39	0	0	0	39

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 and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2005	55,613	129,323	506	27	6,118	95	5,274	300	197,256
Indexation	2,598	2,229	9	0	129	2	0	7	4,974
Additions - purchased	0	364	0	638	71	95	806	0	1,974
Additions - donated government granted	0	176	0	0	24	0	0	0	200
Transfers ²	0	49	0	(27)	(25)	3	0	0	0
Impairments	(32)	0	0	0	0	0	0	0	(32)
Other in-year revaluations	(200)	(795)	0	0	0	0	0	0	(995)
Disposals	(1,857)	(342)	0	0	(206)	0	(1,250)	0	(3,655)
At 31 March 2006	56,122	131,004	515	638	6,111	195	4,830	307	199,722

Depreciation

At 1 April 2005	0	17,250	33	0	3,227	95	3,401	107	24,113
Indexation	0	297	1	0	68	2	0	2	370
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	11	(11)	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	(1,544)	0	0	0	0	0	0	(1,544)
Disposals	0	(21)	0	0	(206)	0	(1,250)	0	(1,477)
Provided during the year	0	4,404	15	0	333	11	464	54	5,281
At 31 March 2006	0	20,386	49	0	3,422	108	2,626	152	26,743

Net book value

at 1 April 2005	55,613	112,073	473	27	2,891	0	1,873	193	173,143
Net book value									
at 31 March 2006	56,122	110,618	466	638	2,689	87	2,204	155	172,979

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

Total	0	0	0	0	0	0	0	0	0
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The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:

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

	0	0	0	0	0	0	0	0	0
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Tangible Fixed Assets (continued)

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

	£000	2004-05 £000
Freehold	144,214	145,266
Long leasehold	22,993	22,893
Short leasehold	0	0
TOTAL	167,207	168,159

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,	2,178	4,733
The gross proceeds from the sale(s) were	3,545	4,750
giving a net profit/(loss) on disposal of	1,367	17
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	3,137
	0	28

Profit (loss) on disposal of fixed assets

	£000	£000
Profit on disposal of land and buildings	1,368	1,921
Loss on disposal of land and buildings	(1)	(1,904)
Profit on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	0	0
	1,367	17

6.1 Stocks and Work in Progress

	£000	2004-05 £000
Raw materials and consumables	711	381
Work-in-Progress	0	0
Finished goods	0	0
	<u>711</u>	<u>381</u>

6.2 Debtors

	Total £000	Total £000
Amounts falling due within one year:	£000	£000
National Assembly for Wales	1,712	737
Health Commission Wales	115	145
Local Health Boards	677	730
Primary Care Trusts	256	7
NHS Trusts	1,001	629
Welsh Risk Pool	32,561	28,298
Capital debtors	875	1,027
Other debtors	1,855	2,187
Provision for irrecoverable debts	(112)	(92)
Pension Prepayments:		
in respect of former directors	0	0
in respect of other staff	0	0
Other prepayments and accrued income	2,161	827
Sub total	<u>41,101</u>	<u>34,495</u>
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	2
NHS Trusts	0	0
Welsh Risk Pool	29,927	21,908
Capital debtors	0	875
Other debtors	0	99
Provision for irrecoverable debts	0	0
Pension Prepayments:		
in respect of former directors	0	0
in respect of other staff	0	0
Other prepayments and accrued income	0	0
Sub total	<u>29,927</u>	<u>22,884</u>
TOTAL	<u>71,028</u>	<u>57,379</u>

6.3 Creditors

	Total	2004-05 Total
	£000	£000
Amounts falling due within one year:		
National Assembly for Wales	767	20
Health Commission Wales	12	8
Local Health Boards	240	351
NHS Trusts	2,302	2,393
Primary Care Trusts	128	313
Income tax and social security	200	1,162
Non-NHS creditors	3,009	3,066
Capital Creditors	500	442
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	81
Pensions:		
in respect of former directors	0	0
relating to other staff	1,059	757
Accruals	9,120	9,211
Deferred Income	88	0
Other creditors	0	317
TOTAL	17,425	18,121

6.4 Creditors

	Total	Total
	£000	£000
Amounts falling due after more than one year:		
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	832	832
Pensions:		
in respect of former directors	0	0
relating to other staff	0	0
Other	0	0
TOTAL	832	832

6.5 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	49,313	0	0	0	34,507	(14,505)	(9,184)	0	60,131
Personal injury	86	0	0	0	604	(49)	(314)	0	327
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other	0								
Administration costs.	2,498	0	0	0	1,069	(999)	(360)	0	2,208
Sub-total	51,897	0	0	0	36,180	(15,553)	(9,858)	0	62,666
Pensions - former directors	0	0	0	0	0	0	0	0	0
Pensions - other staff	10,142	0	(250)	1,077	1,241	(232)	(889)	297	11,386
Sub-total	10,142	0	(250)	1,077	1,241	(232)	(889)	297	11,386
Restructurings	1,687	0	0	0	14	0	(1,656)	0	45
Other	520		0	0	663	0	(485)	0	698
Total	64,246	0	(250)	1,077	38,098	(15,785)	(12,888)	297	74,795

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	31,533	28,598	0	60,131
Personal injury	327	0	0	327
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	805	1,403	0	2,208
Pensions - former directors	0	0	0	0
Pensions - other staff	997	4,004	6,385	11,386
Restructuring	45	0	0	45
Other	698	0	0	698
Total	34,405	34,005	6,385	74,795

The LHB estimates that in 2006-07 it will receive £32.561m, and in 2007-08 and beyond £29.927m from the Welsh Risk Pool in respect of the losses and special payments.

£62,378m of provisions relate to the possible liabilities of the former Health Authorities in respect of Medical Negligence and Personal Injury claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust).

6.6 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2005	36,090
Net operating cost for the financial year	(163,039)
Net Assembly funding (including capital)	162,474
Capital charge interest	4,985
Transfers to NHS bodies	(4,184)
Transfer to general fund of realised elements of the revaluation reserve	1,506
	<hr/>
Balance at 31 March 2006	37,832
	<hr/>

6.7 Donated asset reserve

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

	£000
Balance at 1 April 2005	4,849
Additions	200
Impairments	0
Revaluation and indexation	96
Disposals and write-offs	0
Depreciation	(236)
	<hr/>
Balance at 31 March 2006	4,909
	<hr/>

6.8 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2005	108,468
Revaluation	549
Indexation	4,509
Transfer to general fund - realised revaluation	(1,506)
	<hr/>
Balance at 31 March 2006	112,019
	<hr/>

6.9 Contingent liabilities -

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

Nature:	£000	2004-05 £000
	Legal claims for third parties liabilities	86,198
Doubtful debts	0	0
Other	0	0
TOTAL	86,198	89,354

Uncertainties affecting outcome:

£76,541m of contingent liabilities relate solely to the former Health Authorities in respect of Medical Negligence and Personal Injury claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust). Legal advice has established that these claims are not likely to result in payments. In the unlikely event that amounts are payable, all payments will be reimbursed to us from the Welsh Risk Pool.

6.10 Intra Government balances

	Debtors:	Debtors:	Creditors:	Creditors:
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	2,113	0	2,038	832
Balances with local authorities	439	0	0	0
Balances with NHS trusts and Foundation trusts	1,257	0	2,430	0
Balances with Local Health Boards	677	0	240	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	36,615	29,927	12,717	0
Total at 31 March 2006	41,101	29,927	17,425	832

6.11 Post balance sheet events

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

1.	
	0
2.	
	0
TOTAL		<u>0</u>
[For further details see annex]		<u>0</u>

6.12 Capital commitments

The LHB has the following capital commitments:

		2004-05
Contracted	0	0
Authorised but not contracted	6	0
TOTAL	<u>6</u>	<u>0</u>

6.13 Related Party transactions

£'000

Total value of transactions with Board members and key senior staff in 2005/06.

0

Powys 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 Powys Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely:

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

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

- The NHS Wales Residual estates,
- Clinical negligence,
- Community Health Councils,
- Business Services Centres,

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

	2005-06	2004-05
	£'000	£'000
The provider income source is as below:-		
Powys LHB Commissioner Ledger	52,702	49,125
Iechyd Morgannwg	1,938	1,876
English Trusts/PCTs	576	684
Dyfed LHBs	444	515
North Wales LHB	424	403
Gwent LHB	348	383
Bro Taf LHB	56	54

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 Powys County Council.

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

6.13 Related Party transactions Cont'd

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

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

Philip Robson - Director of Community Services, Powys County Council.

Gloria Jones Powell - Vice President PAVO & Chairman, Powys Carers.

Dr. S. P. James - Partner, Park Street, Newtown, Powys & member Shropdoc, OOH care provider.

Dr. T.D. Ryan - Partner, Welshpool practice & member Shropdoc OOH care provider.

Alan Screen - Director Alan Screen Ltd. (Pharmacy), Powys.

Chris Mann - Trustee, Institute for Rural Health.

Kathleen Margaret Richards - Employee (to 30th Sept 2005) Powys Agency for Mental Health, PAVO.

Kath Roberts Jones - Councillor, Powys County Council.

Rosemarie Harris - Councillor, Powys County Council.

Bryn Williams - Officer of Brecknock and Radnor Community Health Council.

John Howard - Officer of Montgomeryshire Community Health Council.

Gary Banks - Councillor, Powys County Council.

Dr D. Mundy - Partner, Llanfair Caereinion Medical Practice, Newtown, Powys & member Shropdoc OOH care provider.

D.G. Lewis - Dental practitioner, Glyn Pedr, Llanbedr, Crickhowell, Powys.

6.14 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 £
Medical negligence	55	9,184,221
Personal injury	18	313,961
Fraud cases	0	0
All other losses and special payments	1	111
Total losses and special payments	74	9,498,293

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			
MN/030/0217/ES	190,869	4,690,869	0
MN/030/0281/ALF	3,117,500	3,642,500	0
MN/030/0128/ALF	0	3,157,500	0
MN/030/0183/ALF	0	2,630,169	0
MN/032/0679/ALF	0	2,454,389	0
MN/030/0190/ALF	0	1,178,444	0
MN/030/0192/ALF	3,225,000	4,000,000	0
MN/030/0398/FEW	500,000	500,000	0
L200/1440	0	415,778	0
CBM237	0	369,274	0
MN/030/0220/ES	308,030	308,030	0
MN/076/160/MH	0	275,000	0
MN/030/0185/ALF	250,000	250,000	0
.....	0	0	0
Sub-total	7,591,399	23,871,954	0
All other cases	1,906,894	2,305,742	0
Total cases	9,498,293	26,177,696	0

6.15 Third Party assets

The LHB held £111,326.43 cash at bank and in hand at 31 March 2006 which relates to monies held on behalf of patients. This has been excluded from cash at bank and in hand reported in these accounts.

6.16 Financial instruments

FRS 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.

6.17 Finance lease obligations

The future minimum lease payments under finance leases to which the health authority 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

Note 6.18 Pooled Budgets

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

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

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

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

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

The allocation received for 2005/06 for free nursing care was £1,680,046.

Gross Funding	Cash	Staff	Other	Total
	£	£	£	£
Powys County Council	0	0	1,102,561	1,102,561
Powys Local Health Board	0	79,373	498,112	577,485
Total Funding	0	79,373	1,600,673	1,680,046
Expenditure				
Monies spent in accordance with Pooled budget arrangement	0	123,870	1,540,694	1,664,564
Total Expenditure	0	123,870	1,540,694	1,664,564
Net Under/over spend	0	-44,497	59,979	15,482

The above memorandum account is subject to the audit of Powys County Council.

7.1 Segmental reporting

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

	Total Powys "Health" £'000	Total BSC £'000	Total Residual Estate £'000	Total Clinical Negligence £'000	CHC £'000	Consolidation Adjustments £'000	Cons. Total £'000
Comissioning							
Gross Operating Costs	156,513	0	0	(1,325)	0	(54,262)	100,926
Miscellaneous Income	(1,985)	0	0	0	0	121	(1,864)
Comissioner Net Operating Costs	154,528	0	0	(1,325)	0	(54,141)	99,062
Providing							
Gross Operating Costs	63,105	21,829	4,927	(27)	3,166	366	93,366
Miscellaneous Income	(61,700)	(22,051)	(377)	0	(204)	53,775	(30,557)
Provider Net Operating Costs	1,405	(222)	4,550	(27)	2,962	54,141	62,809
LHB Net Operating Costs before Interest	155,933	(222)	4,550	(1,353)	2,962	0	161,871
Interest Receivable	(182)	0	0	0	0	0	(182)
Interest Payable	82	1,269	0	0	0	0	1,351
LHB Net Operating Costs	155,833	1,047	4,550	(1,353)	2,962	0	163,040

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

	Total Powys "Health" £'000	BSC £'000	Residual Estate £'000	Clinical Negligence £'000	CHC £'000	Consolidation Adjustments £'000	Total £'000
Total Fixed Assets							
Intangible Fixed Assets	0	39	0	0	0	0	39
Tangible Fixed Assets	62,540	2,508	107,931	0	0	0	172,979
Current Assets							
Stocks and work-in-progress	711	0	0	0	0	(0)	711
Debtors	6,729	2,925	875	62,378	91	(1,970)	71,028
Cash at bank and in hand	1,955	960	0	0	140	0	3,055
Total Current Assets	9,395	3,885	875	62,378	231	(1,970)	74,794
Creditors: amounts falling due within one year	16,736	3,026	(678)	32	279	(1,970)	17,425
Net current assets / (liabilities)	(7,341)	859	1,553	62,346	(48)	(0)	57,369
Creditors: amounts falling due after more than one year	832	0	0	0	0	0	832
Provisions for liabilities and charges	2,330	9,890		62,378	197	(0)	74,795
Total Net Assets	52,037	(6,484)	109,484	(32)	(245)	(0)	154,760
Financed by:							
General Fund	19,938	(7,483)	25,655	(32)	(245)	(1)	37,832
Donated Assets Reserve	4,623	0	286	0	0		4,909
Revaluation Reserve	27,476	999	83,543	0	0	1	112,019
Total	52,037	(6,484)	109,484	(32)	(245)	0	154,760

**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, Welsh Assembly Government.

In addition to the functions relating to the Health and Well Being of the population of Powys, the Local Health Board is also accountable for the NHS Wales Business Service Centre which inherited the systems of internal control from the five former Health Authorities.

As Chief Executive I have delegated responsibility for Risk Management within the Local Health Board. Responsibility for Risk Management has been delegated to the Director of Support Services who is supported by the Deputy Director of Support Services and the Corporate Risk Manager. The Risk Management process is also a key component of Clinical Governance which is led by the Medical Director. The Local Health Board produces an Annual Report for the Board, and the results of the WRP Audit are reported annually to the Welsh Assembly Government.

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 arrangements for risk management are set out in the Local Health Board's Risk Management Strategy and Policy. This clearly identifies Lead Directors and Lead Managers for each of the Welsh Risk Management Standards.

There is a process for reporting incidents and risks that are incorporated in Directorate and Corporate registers. The Local Health Board has also established an Integrated Governance Directory that not only includes all risks but in addition contains all the relevant action plans required to meet the overall governance agenda.

There is a process to support continuous improvement and learning as a result of risk assessments and incidents.

4. The risk and control framework

The Local Health Board has adopted a Risk Management Strategy that was approved by the Board which sets out the agenda for risk management and the processes relating to risk registers, risk assessments and incident reporting. This is reported through the Clinical Governance and Risk Management Committee which is a sub-committee of the Board and is chaired by a Non-Officer Member. This committee has a membership that includes the Community Health Council.

It is essential to reinforce that Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

The success of risk management is monitored through many assurance frameworks. However, the main reporting process is the Welsh Risk Pool's annual audit that undertakes assessments against a number of the Welsh Risk Management Standards. In addition to this the Local Health Board has to report to the Welsh Assembly Government the self assessment scores for the remaining standards.

4.1 Local Health Board

The Welsh Risk Pool audited the LHB in May 2006 looking at 26 standards. The LHB needed to achieve a compliance score of 75% overall and not less than 60% in 24 out of the 26 standards.

The following standards were revised;

- ✓ Records
- ✓ Maternity
- ✓ Medical Devices
- ✓ Medicines Management

Weightings were amended for the following standards;

- ✓ Maternity
- ✓ Operating Department Services
- ✓ Accident & Emergency (MIU's for Powys LHB)

New standards assessed

- ✓ Safeguarding the Welfare of Children
- ✓ Cleanliness

Interviews increased to 30 and 4 focus groups (consultants, estates, safety representatives and senior house officer's) were undertaken. In addition handover procedures were observed.

Std No	Title	2005	2006	Variance
1	Risk Management Policy and Strategy	87%	88%	+1%
2	Risk Assessment and Treatment	77%	100%	+23%
3	Incident and Hazard Reporting	95%	95%	0%
4	Complaints	84%	92%	+8%
5	Claims Management	51%	80%	+29%
6	Policies and Procedures	83%	84%	+1%
7	Records Management	61%	68%	+7%
8	Communications	67%	83%	+16%
9	Consent to treatment	86%	95%	+19%
10	Clinical Effectiveness and Risk Management	81%	83%	+2%
11	Supervision of staff	82%	93%	+11%
12	Assessing competence	66%	85%	+19%
13	Occupational Health & Safety	64%	77%	+14%
14	Infection Control	94%	96%	+2%
15	Maternity	93%	86%	-7%
16	Operating Services Department	87%	91%	+4%
17	Accident & Emergency	76%	84%	+8%
18	Mental Health	73%	80%	+7%
19	Community Services	90%	92%	+2%
21	Learning Disabilities	86%	94%	+8%
23	Nutrition and Catering	-	85%	-
28	Human Resources	60%	93%	+33%
30	Medical Equipment & Devices	85%	86%	+1%
31	Medicines Management	88%	81%	-7%
39	Safeguarding the Welfare of Children	-	71%	-
40	Cleanliness	-	63%	-
	Total	80%	87%	+7%

The adjusted assessment score = 52%

Interview Score = 22%

Overall Compliance = 74%

The outcome was that the LHB complied with the 60% in all of the 26 standards but only achieved an overall score of 74%. However, this was an improvement from the previous years' score of 67%. In fact, the improvements in the standards themselves were significant. Furthermore, Standard 40: Cleanliness was externally assessed for the first time.

The LHB have also been assessed against Standard G: Facilitating Safe Provision of Primary Care, the score of which will not be added to the overall score. The LHB scored 74% against this standard.

Core Standards (minimum 75% score required)

Core Standards are the essential targets set by the Welsh Assembly Government and they require a minimum of 75% in the following;

Std No	Risk Standard Title	WRP Score 04/05	Internal Audit	WRP Score 05/06	Internal Audit
1	Risk Management Policy and Strategy	87%	N/A	88%	N/A
2	Risk Profile	77%	N/A	100%	N/A
3	Incident and Hazard Reporting	95%	N/A	95%	N/A
37	Governance	N/A	88%	N/A	92%
38	Financial Controls	N/A	85%	N/A	94%

Internal Audit & WRP have assessed the LHB as complying with all the Core Standards.

Principle Standards (minimum 60% score required)

Principle Standards are the mandatory targets set by the Welsh Risk Pool and they require a minimum of 60% in the following;

Std No	Risk Standard Title	Score 04/05	Score 05/06	Variance
1	Risk Management Policy and Strategy	87%	88%	+1%
2	Risk Profile	77%	100%	+23%
3	Incident and Hazard Reporting	95%	95%	0%
7	Records Management	61%	68%	+7%
8	Communications	67%	83%	+16%
9	Consent to Treatment	76%	95%	+19%
11	Supervision of Clinical Staff	73%	93%	+20%
12	Assessing Competence	66%	85%	+19%
G	Facilitating Safe Provision of Primary Care	71%	74%	+3%

As can be seen from the above the LHB met all the principle standards requirements. However, the LHB did not achieve an overall score of 75%. The LHB will need to focus further on improving Risk Management awareness and training if it is to benefit from the improving performance against the standards. In addition, key performance indicators will have to be further developed.

A number of examples of good practice were highlighted following the audits;

- ✓ Integrated Governance Directory
- ✓ Working Hours and Handover of Care (Maternity)
- ✓ Clinical Governance Toolkit for Community Pharmacy
- ✓ Postnatal guidelines and postnatal pathway
- ✓ OT Operational Policy
- ✓ OT Home Assessment and Criteria

4.2 Business Services Centre (BSC)

The BSC was separately assessed in order to provide additional management information. However, this is the last year it will be separately assessed and next year will be integrated with the Local Health Board assessment.

The BSC compliance score has reduced from 63% 2004/2005 to 59% in 2005/2006.

BSC Core Standards

Core Standards are the mandatory targets required by the Welsh Risk Pool and organisations require a minimum of 75% in the following;

Std No	Risk Standard Title	WRP Score 04/05	Internal Audit	WRP Score 05/06	Internal Audit
1	Risk Management Policy and Strategy	52%	95%	52%	68%
2	Risk Profile	25%	83%	42%	44%
3	Incident and Hazard Reporting	90%	94%	90%	90%
37	Governance	N/A	84%	N/A	79%
38	Financial Controls	N/A	85%	N/A	92%

(‘WRP scores 05/06’ have been obtained from the WRP. The formal report has yet to be issued).

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.

The Audit Committee provides oversight of many internal control mechanisms, including receipt of all internal and external audit reports.

The Clinical Governance and Risk Management Committee and the Local Health Board receive annual reports on the compliance with Welsh Risk Management Standards. The minutes of this committee are reported to the Board.

The Local Health Board has further developed its Assurance Framework into an Integrated Governance Directory which provides improved information and better access to information on risks. 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 Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:
Chief Executive
(on behalf of board)

Date:

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 2 to 37 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 39 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 thereunder 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 thereunder, 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 pages 40-45 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 audit 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.

Without qualifying my opinion, I draw your attention to Note 2.1 which sets out the financial position of the Board and the actions being taken to achieve financial balance.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Powys 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 thereunder 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 thereunder 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.

Jeremy Colman
Auditor General for Wales
6 July 2006

Wales Audit Office
Deri House
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 (FReM), 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.