

Caerphilly Teaching Local Health Board

FOREWORD

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

Statutory background

The Local Health Board was 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 16. 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 2009

	Note	Total £000	2007-08 Total £000
Expenditure	4.1,4.2,4.3, 4.4	249,221	238,857
Miscellaneous income	3.1	2,911	2,831
Net operating costs		<u>246,310</u>	<u>236,026</u>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	(10)	0
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>(10)</u>	<u>0</u>

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£000	31 March 2008 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	171	203
CURRENT ASSETS			
Debtors	6.1	2,181	1,198
Cash at bank and in hand		80	1,638
Total Current Assets		2,261	2,836
Creditors: amounts falling due within one year	6.2	16,410	16,562
Net current assets / (liabilities)		(14,149)	(13,726)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	848	1,193
TOTAL NET ASSETS		(14,826)	(14,716)
FINANCED BY:			
General fund	6.5	(14,826)	(14,726)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	10
TOTAL		(14,826)	(14,716)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	£000	2007-08 £000
Net operating costs	(246,310)	(236,026)
Adjust for non-cash transactions	(273)	402
Adjust for movements in working capital other than cash	(1,135)	(1,067)
Utilisation of provisions	(598)	0
	<hr/>	<hr/>
Net cash outflow from operating activities	(248,316)	(236,691)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(248,316)	(236,691)
FINANCING:		
Net Assembly funding (including capital)	246,758	233,725
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	246,758	233,725
	<hr/>	<hr/>
Increase / (decrease) in cash	(1,558)	(2,966)

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2007-08 £000
Depreciation and other write-offs	2	2
Impairment of fixed assets	20	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	253	974
Capital charge interest	(548)	(574)
	<u>(273)</u>	<u>402</u>

Adjust for movements in working capital other than cash

	£000	2007-08 £000
(Increase)/decrease in debtors	(983)	437
Increase/(decrease) in creditors	(152)	(1,504)
	<u>(1,135)</u>	<u>(1,067)</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(1,558)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	(1,558)
Non cash changes in debt	0
Net debt at 1 April 2008	<u>1,638</u>
Net debt at 31 March 2009	<u>80</u>

Analysis of changes in net debt

	As at 1 April 2008	Cash flows	Other changes	As at 31 March 2009
	£000	£000	£000	£000
Cash at bank and in hand	1,638	(1,558)	0	80
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>1,638</u>	<u>(1,558)</u>	<u>0</u>	<u>80</u>
Total	<u>1,638</u>	<u>(1,558)</u>	<u>0</u>	<u>80</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2009 was £150,084.55

Analysis of capital expenditure, financial investments and associated receipts

	Capital		Loans		Net Total £'000
	Additions £'000	Disposals £'000	Issues £'000	Repayments £'000	
Total cash payment and receipts	0	0	0	0	0

Reconciliation of loan issues and repayments to cash movements

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

Reconciliation of fixed assets and disposals

	Additions £'000	2008-09 Disposals £'000	Net Movement £'000
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
Total cash movement on asset additions and disposals	0	0	0

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury to the extent that the Welsh Assembly Government has directed as being appropriate to LHB'S. The particular accounting policies adopted by the 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 Welsh Assembly Government 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 Welsh Assembly Government 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 Welsh Assembly Government Funding.

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of prescription and dental charges for services provided on a full cost basis to external customers.

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, except capitalised Research and Development which is carried at historic cost. 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 1 April 2007 with an additional valuation carried out as at 31 March 2008.

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

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

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

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

Equipment

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

Assets in the course of construction

Assets in the course of construction are valued at current cost as for land and buildings. 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.

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

1.6 Donated assets

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

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

1.7 Research and development

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

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

1.8 Pension Costs

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

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

a) Full actuarial (funding) valuation

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

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

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

b) FRS17 Accounting Valuation

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

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

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

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

Scheme provisions as at 31 March 2008

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

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

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

Scheme provisions from 1 April 2008

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

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 annually. 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.

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, 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, 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 2008-09 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

- 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 met 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. Only third party income between non-government bodies may be recognised.

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 Primary Care Contractors for the provision of Family Health Services 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.

1.17 Financial Instruments

Financial Assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

Available for sale financial assets

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

Loans and receivables

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset. At the balance sheet date, the LHB assesses whether any financial assets, other than those held at fair value through profit and loss are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence or impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

Financial Liabilities

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

2.1 Achievement of Operational Financial Balance

	£000	2007-08 £000
Net operating costs for the financial year	246,310	236,026
Non-discretionary expenditure	1,754	1,764
Operating costs less non-discretionary expenditure	244,556	234,262
Revenue Resource Limit	244,577	234,267
Under / (over) spend against Revenue Resource Limit	21	5
Unplanned resource brokerage received	0	0
Operational Financial Balance	21	5

Disclose details of any resource brokerage and / or cash brokerage brought and carried forward.

Reversal of 2007-08 Brokerage

In February 2008, Caerphilly tLHB agreed to resource brokerage from Rhondda Cynon Taff tLHB of £0.400m to fund the cost pressures of Continuing NHS Healthcare and ensure the achievement of operational financial balance in 2007-08. On the 20th March 2008, Caerphilly tLHB received additional allocation of £1.345m for cost pressures relating to Continuing NHS Healthcare. However, as Caerphilly tLHB reported a breakeven position it was agreed to provide resource brokerage to Swansea tLHB. Both elements of the resource brokerage were reversed in 2008-09.

2008-09 Brokerage

2008/09 resource brokerage of £1.905m was provided to Newport LHB as part of a Gwent wide community agreement.

3.1 Miscellaneous income

	£000	2007-08 £000
Fees & Charges	0	0
Prescription charge income	1,112	1,016
Dental fee income	1,430	1,415
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other	369	400
Total	2,911	2,831

Other :-

	£000
Managed Practice Income	106
Supervised Consumption of Methodone/Subutex	64
Looked After Children	40
British Heart Foundation Grant	39
Gwent Designated Child Protection Doctor	28
GP Out of Hour Pension Claims	24
Post Payment Verification Claims	23
Expert Patients Programme	11
Sports Council - Food & Fitness	10
Lottery Funding - Food, Fitness & Fun	8
Gwent Early Learning Programme	8
Solicitor Cost Reimbursement	6
Maternity Services Liaison Committee	4

Expenditure:

4.1 Primary health care

	Cash limited	Non cash limited	Total	2007-08 Total
	£000	£000	£000	£000
General Medical services	23,144	0	23,144	23,023
Pharmaceutical services	8,405	52	8,457	7,077
General Dental services	8,688	0	8,688	8,315
General Ophthalmic services	0	1,702	1,702	1,641
Other Primary health care expenditure	2,857	0	2,857	3,126
Prescribed drugs and appliances	32,830	0	32,830	31,949
Total	75,924	1,754	77,678	75,131

4.2 Secondary and Community health care

	Total	2007-08 Total
	£000	£000
NHS Trusts:		
Gwent Healthcare NHS Trust	109,057	104,740
Cardiff & Vale NHS Trust	19,628	18,474
Cwm Taf NHS Trust	18,901	18,586
Velindre NHS Trust	3,346	3,136
Abertawe Bro Morgannwg NHS Trust	536	518
Hywel Dda NHS Trust	141	143
North Bristol NHS Trust	58	(1)
United Bristol Healthcare Trust	25	72
Royal National Hospital for Rheumatic Diseases	18	(3)
Gloucestershire Hospitals NHS Trust	12	12
Other Welsh NHS trusts	12	216
Other non Welsh NHS trusts	301	376
Local Authorities	3,422	3,053
Voluntary Organisations	1,193	1,216
NHS Funded Nursing Care	653	1,220
Continuing Care	9,422	7,315
Private providers	222	120
Specific projects funded by Welsh Assembly Government	273	185
Other	0	0
Total	167,220	159,378

.....

4.3 Other programme expenditure

	£000	2007-08 £000
Salaries and wages	169	226
National Public Health Service	1,040	1,017
Losses, special payments and irrecoverable debts	38	99
Research and development	0	0
Other	220	82
	<hr/>	<hr/>
Total	1,467	1,424

4.4 Administration expenditure

	£000	2007-08 £000
Non-officer members' remuneration	94	85
Other salaries and wages	1,534	1,288
Consultancy services	0	0
Establishment expenses	208	215
Transport and moveable plant	0	0
Premises and fixed plant	306	404
External contractors	38	34
Auditors' remuneration - audit fee	99	95
Auditors' remuneration - other fees	1	2
Business Services Centre recharge	1,102	1,111
Interest payable - unwinding of discount	0	0
Interest payable - other	0	0
Capital - Depreciation	2	2
Amortisation	0	0
Capital charge interest	(548)	(574)
Impairments and reversals (property, plant, equipment)	20	0
Impairments and reversals (intangible assets)	0	0
Impairments and reversals of financial assets (by class)	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	0	262
	<hr/>	<hr/>
Total	2,856	2,924

Total audit fees of £99k gross of vat include £16k paid to Powys LHB in respect of the audit of the shared services provided by the Business Services Centre to the tLHB.

4.6 Hire and operating lease rentals

	£000	2007-08 £000
Hire of plant and machinery	0	0
Other operating leases	314	357
Total	314	357

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2007-08 Land and Buildings £000	2007-08 Other Leases £000
Operating leases which expire:				
Within 1 year	0	0	0	0
Between 1 and 5 years	14	0	0	0
After 5 years	289	0	333	0

4.7 Executive Directors and staff costs

	Total £000	2007-08 Total £000
Salaries and wages	3,288	3,104
Social security costs	311	231
Employer contributions to NHSPA	495	405
Other pension costs	0	0
Agency / seconded staff	260	217
Total	4,354	3,957

Salaries & Wages Costs are charged as follows:

	£000
Note 4.1	2,552
Note 4.2	99
Note 4.3	169
Note 4.4	1,534
Total	4,354

4.8 Board Directors' remuneration

	£000	2007-08 £000
Non-officer members' remuneration	90	85
Executive Directors' remuneration:		
basic salaries	352	330
benefits	0	3
performance related bonuses	0	2
pension contributions	49	46
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	491	466

	Chairman £000	Chief Executive £000	Medical Director £000
Basic Salary	34	86	87
Benefits	0	0	0
Compensation for loss of office	0	0	0
Performance related bonuses	0	0	0
Pension contributions	0	12	11
Total	34	98	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:

There were no performance bonuses paid in 2008/09.

4.10 Retirements due to ill-health

During 2008-09 there were no early retirements from the LHB agreed on the grounds of ill-health.

4.11 Public Sector Payment Policy - Measure of Compliance

The Welsh Assembly Government 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	2007-08 £000
Non- NHS			
Total bills paid 2008-2009	4,127	15,678	12,582
Total bills paid within target	4,081	15,543	12,521
Percentage of bills paid within target	98.9%	99.1%	99.5%

In addition, the Welsh Assembly Government requires 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	2007-08 £000
NHS			
Total bills paid 2008-2009	960	166,586	160,651
Total bills paid within target	943	166,468	160,562
Percentage of bills paid within target	98.2%	99.9%	99.9%

	Number	£000	2007-08 £000
Total			
Total bills paid 2008-2009	5,087	182,264	173,233
Total bills paid within target	5,024	182,011	173,083
Percentage of bills paid within target	98.8%	99.9%	99.9%

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

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

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2009	0	0	0	0	0
Accumulated amortisation at 1 April 2008	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 2009	0	0	0	0	0
Net book value at 1 April 2008	0	0	0	0	0
Net book value at 31 March 2009	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 and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2008	200	0	0	0	10	0	0	0	210
Indexation	(30)	0	0	0	0	0	0	0	(30)
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
At 31 March 2009	170	0	0	0	10	0	0	0	180
Depreciation									
At 1 April 2008	0	0	0	0	7	0	0	0	7
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	2	0	0	0	2
At 31 March 2009	0	0	0	0	9	0	0	0	9
Net book value									
at 1 April 2008	200	0	0	0	3	0	0	0	203
Net book value									
at 31 March 2009	170	0	0	0	1	0	0	0	171
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

.....

6.1 Debtors

	£000	2007-08 £000
Amounts falling due within one year:		
Welsh Assembly Government	130	15
Health Commission Wales	0	0
Local Health Boards	1,136	349
Primary Care Trusts	0	0
NHS Trusts	309	304
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	278	349
Provision for irrecoverable debts	(220)	(211)
Pension Prepayments:	0	0
Other prepayments and accrued income	548	392
Sub total	2,181	1,198
Amounts falling due after more than one year:		
Welsh Assembly Government	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	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	2,181	1,198
Provision for irrecoverable debts (impairment of receivables):		
Balances at 1 April	211	254
Provided in year	23	84
Written-off in year	-14	0
Recovered during year	0	-126
Balance at 31 March	220	212
Debtors past due date but not impaired:		
Up to 3 months	44	84
3 to 6 months	0	0
More than 6 months	0	48
Total	44	132

6.2 Creditors

Amounts falling due within one year:	2007-08	
	£000	£000
Welsh Assembly Government	109	5
Health Commission Wales	0	0
Local Health Boards	216	666
NHS Trusts	2,278	3,550
Primary Care Trusts	264	538
Income tax and social security	0	5
VAT	0	0
Non-NHS creditors	12,043	10,443
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	0	0
Pensions: staff	0	0
Accruals	1,500	1,355
Deferred Income	0	0
Other creditors	0	0
Total	16,410	16,562

6.3 Creditors

Amounts falling due after more than one year:	2007-08	
	Total £000	Total £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
Total	0	0

6.4 Provisions for liabilities and charges

	At 1 April 2008	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0		0
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	1,193			253	0	(598)		848
Total	1,193	0	0	253	0	(598)	0	848

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	848	0	0	848
Total	848	0	0	848

The tLHB has received a number of claims relating to continuing healthcare. Whilst the accounts include a provision of £787k in respect of some of these claims, there is a further contingent liability of £2,337k for 38 cases awaiting assessment. Other claims may arise in the future. As these are uncertain and beyond quantification, no further amounts have been included.

Agenda for Change - From the 1st of October 2004 a new NHS pay system was due to be introduced. The implementation of the new pay system, known as Agenda for Change, is underway and the tLHB has provided £61k in the accounts but all the potential costs are not yet known.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2008	(14,726)
Net operating cost for the financial year	(246,310)
Net Assembly funding (including capital)	246,758
Capital charge interest	(548)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2009	(14,826)

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2008	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2009	0

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2008	10
Revaluation	0
Indexation	(10)
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2009	0

6.8 Contingent liabilities -

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

Nature:	2007-08	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	2,337	1,273
Total	2,337	1,273

Uncertainties affecting outcome:

The tLHB has received a number of claims relating to continuing healthcare. Whilst the accounts include a provision of £787k in respect of some of these claims, due to insufficient information there is a further contingent liability of £2,337k for 38 cases awaiting assessment. Other claims 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	145	0	109	0
Balances with local authorities	25	0	1,694	0
Balances with NHS trusts and Foundation trusts	310	0	2,542	0
Balances with Local Health Boards	1,136	0	216	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	565	0	11,849	0
Total at 31 March 2009	2,181	0	16,410	0
Balances with other central government bodies	25	0	5	0
Balances with local authorities	215	0	553	0
Balances with NHS trusts and Foundation trusts	326	0	4,111	0
Balances with Local Health Boards	349	0	666	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	283	0	11,227	0
Total at 31 March 2008	1,198	0	16,562	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:

	2007-08	
Contracted	0	0
Authorised but not contracted	0	0
Total	0	0

6.12 Related Party transactions

£000

Total value of transactions with Board members and key senior staff in 2008-2009

0

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

Blaenau Gwent LHB	Cardiff & Vale NHS Trust
Cardiff LHB	Cwm Taf NHS Trust
Carmarthenshire LHB	Bro Morgannwg NHS Trust
Merthyr Tydfil LHB	Gwent Healthcare NHS Trust
Monmouthshire LHB	Hywel Dda NHS Trust
Newport LHB	North Wales NHS Trust
Powys LHB	Velindre NHS Trust
Rhondda Cynon Taff I LHB	Welsh Ambulance NHS Trust
Torfaen LHB	
Vale of Glamorgan LHB	
Wrexham LHB	

The Assembly Government has not notified us of any related parties relating to Ministers in 2008-09.

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

Member	Related Organisation	Role During 2008/09	Value of Expenditure with Related Organisation During 2008/09 £k	Value of Expenditure with Related Organisation During 2007/08 £k
Margaret Ballard	Ty-Bryn Surgery, Bedwas The Village Surgery, Llanbradach	Partner Partner		
John Bevan	Caerphilly CBC Abertyswg Community Centre Abertyswg Community First Committee Abertyswg Village Partnership Rhydney Comprehensive Governing Body Abertyswg Primary School Rhydney Community Council	Councillor Secretary Secretary Secretary Chairman Governor Elected Member	4,350 3	3,029
Wendy Bourton OBE	Care and Repair Cymru Public Appointments (WAG) National Partnership Forum for Older People (WAG) Merthyr Valley Homes	Chief Executive Independent Assessor Public Appointments Co-opted Member	6	
Colleen Bright	South Wales Police	Independent Custody Visiting Officer (Voluntary)		
Alan Brown	Caerphilly CBC	Environmental Health Manager	4,350	3,029
Allan Davies	Gwent Healthcare NHS Trust	Manager	115,090	109,731
Chrissie Hayes	Lyngray Development Ltd	Managing Director & Company Secretary		
Judith Pritchard	Centre for Help & Advice to the Disabled (CHAD) Cefn Hengoed After-School Club The Youth Centre, Cefn Hengoed Caerphilly CBC Cefn Hengoed & Hengoed Communities First Partnership Hengoed Community Centre GAVO	Honorary President Honorary Officer & Registered Person CSIW Committee Member Elected Member (Cabinet Member, Social Services) Treasurer Treasurer Member of Executive Committee	2 4,350 176	2 3,029 188
Judith Smallwood	Caerphilly Area Comm. CHC WRVS, Ystrad Mynach Hospital	Chair Worked with		
Chris Walsh	Brecon Town Council	Elected Member		
Allen Williams	Caerphilly CBC GAVO GAVO (Caerphilly Executive) Gwent Association of Voluntary Organisations (Pan Gwent) Markham Community House	Councillor Executive Member Chairman Vice Chair Trustee	4,350 176 176 176	3,029 188 188 188
Robin Woodyatt	Maescywmmer Primary School Groundwork Caerphilly Community Furniture Enterprise (part of Groundwork Caerphilly) Lewis Girls School	Chair of Governors Director Director Governor		
Joe Howsam	Caerphilly CBC	Director of Social Services	4,350	3,029
Peter Lewis	Gwent Healthcare NHS Trust	Consultant	115,090	109,731
John Gough	Gwent Healthcare NHS Trust	Consultant	115,090	109,731
David Hopkins	Epilepsy Wales / Epilepsi Cymru "Stop-it-Now!" Campaign Steering Group, Wales	Trustee Chair (Volunteer) from October 2008		
Dr Paul Owens	Rhydney Health Centre	GP		
Dr David Greville	Oakfield Surgery	GP		
Gwyn Jones	Northview Dental Practice	Dentist		

6.12 Related Party transactions

Enter text here

6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	69	29,173
Total losses and special payments	69	29,173

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	0	0	0
Total cases	0	0	0

6.14 Financial Instruments

Financial Risk Management

FRS 29 "Financial Instruments: Disclosures" requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way that LHBs in Wales are financed, they are not exposed to the degree of financial risk faced by business entities.

Also, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which this standard mainly applies. LHBs have no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

Liquidity Risk

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

Foreign Currency Risk

The LHB has negligible foreign currency income or expenditure. Therefore, it is 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	2007-08 £000
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
in more than 2 year but no longer than 5	0	0
After 5 years	0	0
	<hr/>	<hr/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
Total	0	0
	<hr/>	<hr/>

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

GWICES Project

S 33 Pooled Budget Memorandum Account

A Section 33 Partnership Agreement exists between the five Local Authorities and the five Local Health Boards for the provision of an efficient and effective integrated GWICES (Gwent Wide Integrated Community Equipment Service) to service users who are resident in the Partner Localities. This agreement came into effect from 1st October 2008.

The income and expenditure for the pooled budget arrangements for the financial year ending 31st March 2009 are as follows;

	Notes	2008- 09 £'000	%
<u>Funding</u>			
Blaenau Gwent County Borough Council	1	141	
Caerphilly County Borough Council		278	
Monmouthshire County Borough Council		144	
Newport City Council		235	
Torfaen County Borough Council		129	
		927	69%
Blaenau Gwent LHB	2	38	
Caerphilly LHB		58	
Monmouthshire LHB		60	
Newport LHB		35	
Torfaen LHB		41	
		232	17%
Contribution to Lead Commissioner - LAs	4	30	
Contribution to Lead Commissioner - LHBs		23	
		53	4%
Contribution to Revenue - LAs	5	87	
Contribution to Revenue - LHBs		40	
		127	9%
TOTAL FUNDING		1,339	100%
<u>Expenditure</u>			
Staff	7	116	
Non Staff	6	986	
Repayments to LHBs	3	232	
TOTAL EXPENDITURE		1,334	
Net Under/(Over) spend		5	

6.16 Pooled Budgets (continued)

GWICES Project

Notes to the Memorandum Account

1. Local Authority contributions (for six months) based on 2007/08 actual expenditure as shown in their respective accounts. This was regarded as an interim arrangement in order to progress Pooled Fund arrangement. These figures allow for under/(over) spend on expenditure for Authority Partners.
2. The LHB contributions have been more problematical and were based on a report sent to Sue Evans - Head of Integrated Services for Torfaen Social Care & Housing in February 2008 by Jamie Marchant - General Manager Diagnostics, Therapies, Pharmacy and Non Clinical Services. The information showed only two figures for the Health contributions which could not be attributed to any LHB. In view of this two options were considered, allocation based on population or Resource Mapping percentages. After discussions with LHB representatives the latter was used to allocate these two global sums to the five LHB partners.
3. Due to operational difficulties the provision of the service stayed with Gwent Healthcare Trust until March 2009 and hence all funding received in point two above has been paid to the Trust in respect of the continuation of the service until this date.
4. Contribution to the Lead Commissioners costs was based on six months contribution from each partner of £4,450. In addition Torfaen had received a section 28a payment from Torfaen LHB to support staff costs in developing joint equipment provision and this has also been transferred into this cost centre. The LHB's also contributed a similar amount of £4,450 for six months to support the Lead Commissioners costs.
5. For all ten partners a contribution of £8k was made, plus under spends and adjustments from previous years by the five LA's of £1,798.
6. Non Staff costs are represented by £986k which includes £927k spent on service provision to the five LA's and the balance of £58k on Lead Commissioning and revenue items including Legal advice and consultancy.

6.17 Financial Assets

	At fair value through Profit & Loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	80	0	0	80
Other financial assets	0	0	0	0
At 31 March 2009	80	0	0	80
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	1638	0	0	1638
Other financial assets	0	0	0	0
At 31 March 2008 (Prior year)	1638	0	0	1638

6.18 Financial liabilities

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

7 Additional Information

7.1 2009/10 Financial position

The Annual Operating Framework for 2009/10 is being progressed on a Gwent wide basis and the financial position has been consolidated ahead of the mid year reconfiguration. The current financial position is a net financial shortfall of circa £16m, with significant financial pressure arising from the National Finance Agreement, delivery of the Access 2009 targets and Continuing NHS Healthcare. A programme structure has been implemented to address the service and financial challenge.

7.2 Reorganisation

In 2008 the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of NHS Trusts and LHBs to create 7 new LHBs at 1st October 2009.

Caerphilly tLHB will continue in its present form until that date. These financial statements are the final full year financial statements. 6 month financial statements from 1st April 2009 to 30th September 2009 will be produced and on 1st October 2009 the LHB will merge with Blaenau Gwent LHB, Newport LHB, Monmouthshire LHB, Torfaen LHB and Gwent Healthcare Trust to form Aneurin Bevan LHB. All of the assets and liabilities of the LHB will transfer to the new LHB at that date and all operations are continuing. Transitional arrangements have been established with workstreams considering the issues that need to be progressed.

Remuneration Report

Name and title	2008-09			2007-08			
	Salary £5k bands £000	Other Remuneration £5k bands £000	Benefits in Kind Rounded to nearest £00 £00	Salary £5k bands £000	Other Remuneration £5k bands £000	Benefits in Kind Rounded to nearest £00 £00	
Executive directors							
Chrissie Hayes	Chief Executive	85 - 90	0	0	50-55	0	0
Mark Ash	Dir Finance & Commissioning Support	65 - 70	0	0	65-70	0	0
Chris Walsh	Nurse Director until 30/6/08	10 - 15	0	0	30-35	0	0
Jayne Elias	Nurse Director from 1/7/08	40 - 45	0	0	0	0	0
Adam Southan	Medical Director	85 - 90	0	0	5-10	0	0
Colleen Bright	Dir of Planning & Service Modernisation	55 - 60	0	0	50 - 55	0	0
Dr Gill Richardson	Dir of Public Health	0	0	0	0	0	0
Non officer members							
Colin Palfrey		30 - 35	0	0	30 - 35	0	0
Dr Paul Owens	From Sept 08	0 - 5	0	0	0	0	0
David Greville		5 - 10	0	0	5 - 10	0	0
Helen Beard	From Jun 08	0 - 5	0	0	0	0	0
Richard Griffiths		5 - 10	0	0	5 - 10	0	0
Gwyn Jones		5 - 10	0	0	5 - 10	0	0
David Harding	From Dec 08	0 - 5	0	0	0	0	0
Margaret Ballard		5 - 10	0	0	5 - 10	0	0
John Bevan		0	0	0	0	0	0
Robin Woodyatt	Until Oct 08	0	0	0	0	0	0
Margaret Sargent	From Oct 08	0	0	0	0	0	0
Joe Howsam	Until Apr 08	0	0	0	0	0	0
David Hopkins	From Apr 08 until Oct 08	0	0	0	0	0	0
Albert Heaney	From Oct 08	0	0	0	0	0	0
Alan Brown	Until Oct 08	0	0	0	0	0	0
Colin Jones	From Oct 08	0	0	0	0	0	0
Judith Pritchard		5 - 10	0	0	5 - 10	0	0
Allen Williams		5 - 10	0	0	5 - 10	0	0
Wendy Bourton		5 - 10	0	0	0	0	0
David Baird	Until May 08	0 - 5	0	0	5 - 10	0	0
Ralph James	From Sept 08	0 - 5	0	0	0	0	0
Judith Smallwood		0	0	0	0	0	0
Allan Davies		0	0	0	0	0	0
Peter Lewis	Until May 08	0	0	0	0	0	0
John Gough	From May 08	0	0	0	0	0	0

Judith Paget has been seconded out to Powys tLHB for the whole year and has therefore been excluded.

Julian Baker was seconded out to Cwm Taf NHS Trust until leaving on 31/7/08 and has therefore been excluded.

Mark Ash has been seconded in from Monmouthshire LHB for the whole year and the disclosure above represents the Gross Pay recharged to Caerphilly

Chris Walsh was seconded in from Hywel Dda NHS Trust until 30th June 2008 and the disclosure above represents the cost to Caerphilly tLHB.

Jayne Elias was appointed Nurse Director from 1/7/08.

Dr Gill Richardson was employed by Velindre NHS Trust and therefore salary has not been disclosed.

Wendy Bourton's salary was paid to Care & Repair Cymru

Remuneration Note

Pension Benefits

	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 31/3/09	Lump sum at age 60 related to accrued pension at 31/3/2009	Cash equivalent transfer value at 31/3/09	Cash equivalent transfer value at 31/3/08	Real increase in cash equivalent transfer value at 31/3/09	Employer's contribution to stakeholder pension
	£2.5k bands	£2.5k bands	£5k bands	£5k bands	£000	£000	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000
Chrissie Hayes - Chief Executive	5 - 7.5	17.5 - 20.0	25 - 30	75 - 80	620	333	195	0
Mark Ash - Director of Finance & Commissioning Support	0 - 2.5	2.5 - 5.0	15 - 20	50 - 55	256	182	49	0
Chris Walsh - Nurse Director	(2.5) - 0	(2.5) - 0	15 - 20	50 - 55	273	212	10	0
Jayne Elias - Nurse Director	0 - 2.5	2.5 - 5.0	10 - 15	40 - 45	209	149	30	0
Adam Southan - Medical Director	0 - 2.5	2.5 - 5.0	15 - 20	50 - 55	227	164	41	0
Colleen Bright - Director of Planning & Service Development	0 - 2.5	2.5 - 5.0	20 - 25	60 - 65	413	303	72	0
Dr Gill Richardson - Dir of Public Health								

An employee of Velindre NHS Trust

Judith Paget has been seconded out to Powys tLHB for the whole year and has therefore been excluded.

Julian Baker was seconded out to Cwm Taf NHS Trust until leaving on 31/7/08 and has therefore been excluded.

Mark Ash was seconded in from Monmouthshire LHB for the whole year.

Chris Walsh was seconded in from Hywel Dda NHS Trust until 30/6/08.

Jayne Elias was appointed Nurse Director from 1/7/08.

Dr Gill Richardson was employed by Velindre NHS Trust and therefore details have not been disclosed.

Cash Equivalent Transfer Values

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 disclosure applies. The CETV figures and 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 scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Date: 2009

..... Chief Executive

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

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

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

Date.....2009 Chief Executive

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

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

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury
- make judgements and estimates which are responsible and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

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

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

By Order of the Board

Signed:

Chairman: Dated:2009

Chief Executive: Dated:2009

Director of Finance: Dated:2009

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 tLHB's internal control framework is underpinned by Standing Orders and Standing Financial Instructions, which were formally adopted by the Board in April 2003, and have been reviewed during 2006-07. The Standing Orders include a scheme of delegation and the tLHB 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 tLHB has undertaken self-assessments against the Health Care Standards for Wales (HCSW) and agreed Health Care Standards Improvement Plan (HCSIP).

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 2009 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

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. 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.

The Audit Committee is responsible for advising the Chief Executive and Board on risk management and internal control. It is also responsible for collating the sources of assurance which inform how effectively risk is managed and the reliability of the internal control system. This is predominantly taken from the work of our internal and external auditors who attend the Audit Committee. The Audit Committee also receives regular reports from the LHB's local counter fraud officer on investigations and recovery.

In 2007-08 the tLHB developed an Integrated Governance Working Group. The role of the group is to complete the Healthcare Standards; monitor the Healthcare Standards Improvement Plan; review and monitor the Risk Register; and to consider HIW Reports. The Integrated Governance Working Group report to the Clinical Governance Committee; Audit & Risk Management Committee; and Management Team.

In respect of the management of risk, Risk Matters is a standard agenda item for the Audit & Risk Management Committee. Each directorate lead is responsible to monitor action against the risk management action plan, maintaining risk registers, reviewing Health Care Standards and conducting self assessments against the standards.

All staff receive the Risk Management Strategy as part of their induction. Staff receive a precis of the Risk Management Strategy following revision on an annual basis and are able to access the Strategy on the shared drive. Risk Management is a standard item on the annual Refresher Days for all staff.

4. The risk and control framework

The tLHB Risk Management Strategy 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 Teaching Local Health Board. The Board and Audit Committee review the effectiveness of the risk management processes and internal controls throughout the financial year and approve the risk profile, action plans and internal audit programme.

Risk registers are maintained by all Directorates. Risks with a risk rating of 12 or more are reported to the LHBs Management Team on a 4 weekly basis. Risks with a rating of 20 or more are reported to the tLHB Board as part of a quarterly report on progress against risk management Key Performance Indicators.

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

- The adoption by the Board of the Standing Orders and Standing Financial Instructions;
- An Audit Committee, a Remuneration Committee and various subgroups;
- The appointment of internal auditors; and
- An approved financial plan and regular reporting of financial and performance information.

There is a budgetary control system in place, which safeguards the acquisition, use, disposal and security of goods and services. There are controls in place concerning the security of financial systems and data. These systems produce reliable financial information that informs budget holders and the financial reporting to the Board. Internal Audit opinion is that the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

The tLHB's financial systems have been subject to review by Internal Audit. The Audit Committee reviews all internal audit reports and monitors the implementation of agreed control improvements.

Internal Audit have confirmed that based upon the work undertaken, for the 12 months ended 31 March 2009, Caerphilly Teaching Local Health Board has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

Continuing Care - An internal audit of Continuing NHS Healthcare was undertaken in Autumn 2008 which provided limited assurance and identified a number of issues that should be addressed. These issues were addressed by the Complex Care Team and a further review was undertaken in March 2009 which confirmed that sufficient progress had been made to provide assurance.

a) Self Assessment Against All HCSW Standards

The tLHB has completed a self assessment process based on 32 individual HCSW. Each HCSW is sub-divided into various categories and questions in relation to 3 areas: Corporate, Operational/ Clinical Outcomes and User Experience. Within the tLHB each HCSW has been delegated to a standard lead who is responsible for collecting evidence and ensuring the completion of the standard via the online tool. Each area of the 32 HCSW was assessed based on the following scores:

- 5 Leading
- 4 Practising
- 3 Developing
- 2 Responding
- 1 Aware

The completed HCSW were submitted to HIW on 17th April 2009.

A summary of the 2007-08 and the 2008-09 tLHB self assessed scores is provided below:

Score	2007-08 Self Assessed Score	2008-09 Self Assessed Score
5	3%	6%
4	50%	72%
3	44%	16%
2	0%	0%
1	0%	0%
N/A	3%	6%
Total	100%	100%

b) Self Assessment of Performance Against the HCSW and in particular those that underpin the management of risk across all standards:

HCSW	2007-08 Self Assessed Score	2008-09 Self Assessed Score
14 Health & Safety	3	4
16 Patient Safety Incidents	4	4
27 Governance	3	4
28 Clinical Governance	4	4

The healthcare standards are subject to final review and report by HIW which remains outstanding.

c) Health Care Standards Improvement Plan (HCSIP)

The HCSIP for 2008-09 was formally agreed by the Board and was monitored on a regular basis throughout the year. Implementation and review of performance against the Action Plans will be undertaken by the Integrated Governance Working Group and reported to the Management Team; Board; Audit & Risk Management Committee; and Clinical Governance Committee.

Internal audit have undertaken a review of the process adopted by the organisation which was assessed as providing substantial assurance. The tLHB have completed the self assessment and submitted the results to Health Inspectorate Wales (HIW) by the deadline date of 17 April 2009. Testing was undertaken on each of the areas required by HIW and for each of the areas considered, they are satisfied that appropriate action was taken by the tLHB to meet the reporting requirements and that the approach adopted is reasonable. Action plans have been developed and are subject to review. The Board was confirmed to be actively involved in the process.

5. Probity of Dental Expenditure

A new Dental Contract was implemented from 1st April 2006, with payments being made on LHBs' behalf by the Business Services Authority Dental Services Division (DSD) in England. In addition to the checks required to obtain assurance on the adequacy of the payment systems undertaken - by both the DPD's and the tLHBs internal auditors - there should also be checks to ensure the probity of dental expenditure.

In 2008-09 the tLHB developed a clinical governance framework which encompasses quality, probity and risk management. The framework is designed to ensure a consistent and robust contract management system. The tool is used to identify possible areas of concern. On a quarterly basis, exception reports are produced and reviewed and where necessary dental visits made. The framework is sufficient to provide the tLHB with assurance that the risk of irregular payments to dentists is minimised.

Internal Audit have reviewed these arrangements and in their opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

6. Pensions Contributions Assurance Statement

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

7. 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 tLHB processes. During 2008-09 these reports have not highlighted any significant internal control problems and, where appropriate, tLHB management has responded positively to recommendations made. Detailed Action Plans have been agreed with the tLHB's Internal Auditors to address areas where improvements can be made.

Signed.....
Chief Executive
(on behalf of the Board)

Date:..... 2009

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

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

Respective responsibilities of Directors, the Chief Executive and the Auditor

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

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

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

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

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

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

Basis of audit opinions

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

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

Opinion

In my opinion:

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

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

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

Jeremy Colman
Auditor General for Wales
19 June 2009

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

ACCOUNT OF - 2008-2009

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

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2009 and subsequent financial years in respect of the 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 2009 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2009 and subsequent years, the account of the 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 Welsh Ministers

Signed :

Dated :

ACCOUNT OF - 2008-2009

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

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