

# Monmouthshire Local Health Board

## **FOREWORD**

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

### **Statutory background**

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

- agreeing the action which is necessary to improve the health and health care of the population of [Monmouthshire](#)
- 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 13. 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 2007**

	Note	Total £000	2005-06 Total £000
Expenditure	4.1,4.2,4.3, 4.4	<b>115,562</b>	101,600
Miscellaneous income	3.1	<b>1,450</b>	1,120
<b>Net operating costs</b>		<b><u>114,112</u></b>	<b><u>100,480</u></b>

**STATEMENT OF RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2007**

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

**BALANCE SHEET AS AT 31 MARCH 2007**

	Note	£000	31 March 2006 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
<b>CURRENT ASSETS</b>			
Debtors	6.1	2,087	1,860
Cash at bank and in hand		324	473
<b>Total Current Assets</b>		<b>2,411</b>	<b>2,333</b>
Creditors: amounts falling due within one year	6.2	9,481	8,817
<b>Net current assets / (liabilities)</b>		<b>(7,070)</b>	<b>(6,484)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	127	24
<b>TOTAL NET ASSETS</b>		<b>(7,197)</b>	<b>(6,508)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(7,197)	(6,508)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
<b>TOTAL</b>		<b>(7,197)</b>	<b>(6,508)</b>

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 2007**

	<b>£000</b>	<b>2005-06 £000</b>
<b>Net operating costs</b>	<b>(114,112)</b>	<b>(100,480)</b>
Adjust for non-cash transactions	<b>(122)</b>	<b>(252)</b>
Adjust for movements in working capital other than cash	<b>437</b>	<b>(441)</b>
Utilisation of provisions	<b>0</b>	<b>(32)</b>
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(113,797)</b>	<b>(101,205)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire fixed assets	<b>0</b>	<b>0</b>
Receipts from the sale of fixed assets	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) before financing</b>	<b>(113,797)</b>	<b>(101,205)</b>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	<b>113,648</b>	<b>101,526</b>
Surrender of income from sale of fixed assets	<b>0</b>	<b>0</b>
Donations	<b>0</b>	<b>0</b>
Capital element of finance lease rental payments	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from financing</b>	<b>113,648</b>	<b>101,526</b>
	<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>	<b>(149)</b>	<b>321</b>

**Notes to the cash flow statement**

**Adjust for non-cash transactions**

	£000	2005-06 £000
Depreciation and other write-offs	0	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	103	0
Capital charge interest	(225)	(252)
	<u>(122)</u>	<u>(252)</u>

**Adjust for movements in working capital other than cash**

	£000	2005-06 £000
(Increase)/decrease in debtors	(227)	(181)
Increase/(decrease) in creditors	664	(260)
	<u>437</u>	<u>(441)</u>

**Reconciliation of net cash flow to movement in net debt**

	£000
Increase/(decrease) in cash in the period	(149)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>(149)</u>
Non cash changes in debt	0
<b>Net debt at 1 April 2006</b>	<b>473</b>
<b>Net debt at 31 March 2007</b>	<b><u>324</u></b>

**Analysis of changes in net debt**

	As at 1 April 2006	Cash flows	Other changes	As at 31 March 2007
	£000	£000	£000	£000
Cash at bank and in hand	473	(149)	0	324
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>473</u>	<u>(149)</u>	<u>0</u>	<u>324</u>
<b>Total</b>	<b>473</b>	<b>(149)</b>	<b>0</b>	<b>324</b>

**Amount held in Office of Paymaster General bank accounts as at 31 March 2007 was £328,765.35**

**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	2005-06 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
<b>Total financial investment and associated receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation of fixed assets and disposals**

	Additions £'000	2005-06 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
<b>Total cash movement on asset additions and disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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 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 Loses. 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.

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 in England and Wales. 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 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 annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://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, 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 2006/07 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 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

All other expenditure is classified as administration expenditure.

### **1.16 New Dental Contract**

On 1 April 2006 a new dental contract was introduced in England and Wales. LHB's are now responsible for commissioning dental services and organising payment through the Dental Practice Division of the Business Services Authority.

Contractors who have underperformed against their contracted level of Units of Dental Activity, (UDA's) by a margin of 5% or less, are contractually allowed to retain their payments for the year and deliver the underperformance of UDA's within the new financial year 2007-08.

The valuation in the annual accounts is based on an estimate provided by the Dental Practice Division in May 2007. The final outturn will not be available until after the publication of the annual accounts, and any variance will be recognised in the accounts for 2007-08.

The LHB's superannuation liability is contingent upon :  
the actual UDA performance against the annual contracted target to arrive at a final gross earnings for the year;  
the declared split of the gross final earnings over the performers registered on each individual contract.

To calculate the LHB's liability in respect of year end under or over performance, the baseline financial value of any under or over achievement against contracted activity is multiplied by a factor of 0.439, (the standard superannuation assumption for the profit element of gross earnings within the dental sector) and 0.14. (the superannuation employee contribution rate.)

## 2.1 Achievement of Operational Financial Balance

	£000	2005-06 £000
Net operating costs for the financial year	114,112	100,480
Non-discretionary expenditure	1,195	1,413
Operating costs less non-discretionary expenditure	112,917	99,067
Revenue Resource Limit	112,923	99,071
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>6</b>	<b>4</b>
Unplanned resource brokerage received	0	0
<b>Operational Financial Balance</b>	<b>6</b>	<b>4</b>

Since the inception of the LHB, all LHB financial targets have been met including the achievement of operational financial balance. Forecasts for the financial year 2007/08 indicate that the level of resources allocated to the LHB are likely to be sufficient to allow the LHB to achieve both service targets and financial balance.

The LHB, together with partner organisations across Gwent, are in the process of finalising a Strategic Change and Efficiency Plan (SCEP) to mitigate against the risk of a financial deficit, whilst aiming to achieve financial targets. The Monmouthshire LHB SCEP includes a £4.244m net savings target in 2007-08. It is anticipated that the SCEP will receive formal sign off by the Welsh Assembly Government in June 2007.

### 3.1 Miscellaneous income

	£000	2005-06 £000
Fees & Charges	0	0
Prescription charge income	1,447	1,024
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	3	96
<b>Total</b>	<b>1,450</b>	<b>1,120</b>
Other		

**Expenditure:**
**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2005-06 Total
	£000	£000	£000	£000
General Medical services	16,730	0	16,730	16,286
Pharmaceutical services	2,198	394	2,592	2,684
General Dental services	3,853	0	3,853	31
General Ophthalmic services	0	801	801	727
Other Primary health care expenditure	779	0	779	669
Prescribed drugs and appliances	11,637	0	11,637	10,653
<b>Total</b>	<b>35,197</b>	<b>1,195</b>	<b>36,392</b>	<b>31,050</b>

**4.2 Secondary and Community health care**

	Total	2005-06 Total
	£000	£000
<b>NHS Trusts:</b>		
Provider 1 - .. Gwent Healthcare NHS Trust	63,011	56,696
Provider 2 - .. Cardiff & Vale NHS Trust	1,699	1,444
Provider 3 - .. Velindre NHS Trust	1,566	1,296
Provider 4 - .. Gloucester Hospitals NHS Trust	1,774	1,234
Provider 5 - .. Hereford Hospitals NHS Trust	1,439	1,127
Provider 6 - .. North Bristol NHS Trust	592	433
Provider 7 - .. Powys LHB	297	329
Provider 8 - .. Gloucester Partnerships NHS Trust	211	173
Provider 9 - .. West Gloucestershire PCT	203	201
Provider 10 - United Bristol Hospital NHS Trust	179	101
Other Welsh NHS trusts	314	483
Other non Welsh NHS trusts	489	418
Local Authorities	1,096	1,153
Voluntary Organisations	269	205
NHS Funded Nursing Care	1,954	1,761
Continuing Care	117	0
Private providers	479	164
Specific projects funded by Welsh Assembly Government	13	0
Other	659	969
<b>Total</b>	<b>76,361</b>	<b>68,187</b>

Expenditure with Local Authorities is as follows :

	£000	£000
S28s/S31 agreements	1,029	1,030
Other	67	123
<b>Total</b>	<b>1,096</b>	<b>1,153</b>

### 4.3 Other programme expenditure

	£000	2005-06 £000
Salaries and wages	676	266
National Public Health Service	488	450
Losses, special payments and irrecoverable debts	0	5
Research and development	0	0
Other	97	0
	<hr/>	<hr/>
<b>Total</b>	<b>1,261</b>	<b>721</b>

### 4.4 Administration expenditure

	£000	2005-06 £000
Non-officer members' remuneration	89	97
Other salaries and wages	911	870
Establishment expenses	103	129
Transport and moveable plant	0	0
Premises and fixed plant	46	136
External contractors	12	14
Auditors' remuneration - audit fee	70	67
Auditors' remuneration - other fees	4	0
Business Services Centre recharge	534	548
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	0	0
Amortisation	0	0
Capital charge interest	(225)	(252)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	4	33
	<hr/>	<hr/>
<b>Total</b>	<b>1,548</b>	<b>1,642</b>

Included in the Business Services Centre recharge is an amount of £15,100 for the external audit of the Business Services Centre attributable to Monmouthshire LHB (2005/06: £14,700)

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

	<b>Total</b>	<b>2005-06 Total</b>
	<b>£000</b>	<b>£000</b>
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	5
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	5
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>5</b>
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

#### 4.6 Hire and operating lease rentals

	£000	2005-06 £000
Hire of plant and machinery	0	0
Other operating leases	77	42
<b>Total</b>	<b>77</b>	<b>42</b>

#### Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2005-06 Land and Buildings £000	2005-06 Other Leases £000
<b>Operating leases which expire:</b>				
Within 1 year	0	0	0	0
Between 1 and 5 years	77	0	431	0
After 5 years	0	0	0	0

#### 4.7 Executive Directors and staff costs

	Total £000	2005-06 Total £000
Salaries and wages	1,579	1,161
Social security costs	131	97
Employer contributions to NHSPA	212	157
Other pension costs	0	0
Agency / seconded staff	15	32
<b>Total</b>	<b>1,937</b>	<b>1,447</b>

Expenditure in respect of payroll costs has been reflected in Notes 4.1, 4.2, 4.3 and 4.4 as follows:

	2006-07	2005-06
Note 4.1 (Other Primary Healthcare Expenditure)	234	229
Note 4.2 (Other Secondary Care Expenditure)	116	120
Note 4.3 (Salaries and Wages)	676	228
Note 4.4 (Other Salaries and Wages)	911	870
	<b>1,937</b>	<b>1,447</b>

Costs have been reallocated between these categories to provide an improved comparison between years.

#### 4.8 Board Directors' remuneration

	£000	2005-06 £000
Non-officer members' remuneration	89	97
Executive Directors' remuneration:		
basic salaries	190	226
benefits	0	0
performance related bonuses	0	0
pension contributions	27	31
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>Total</b>	<b>306</b>	<b>354</b>

	£000	Chief Executive £000
Basic Salary	28	83
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	12
<b>Total</b>	<b>28</b>	<b>95</b>

#### Remuneration waived by directors and allowances paid in lieu:

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

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

The LHB does not operate a performance related bonus scheme.

#### 4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2005-06
	Number	Number	Number	Number	Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	47	1	0	48	32
Recharged staff	1	0	0	1	1
<b>Total</b>	<b>52</b>	<b>1</b>	<b>0</b>	<b>53</b>	<b>37</b>

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

#### Expenditure on staff benefits

Nature of expenditure:	£	£
a. ....	0	0
b. ....	0	0
c. ....	0	0
d. ....	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

#### 4.10 Retirements due to ill-health

During 2006-07 there were 0 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 £0

#### 4.11 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2005-06 £000
<b>Non- NHS</b>			
Total bills paid 2006-2007	1,232	5,471	5,018
Total bills paid within target	1,206	5,271	5,006
Percentage of bills paid within target	97.9%	96.3%	99.8%

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

	Number	£000	2005-06 £000
<b>NHS</b>			
Total bills paid 2006-2007	750	77,773	68,678
Total bills paid within target	715	76,258	68,657
Percentage of bills paid within target	95.3%	98.1%	100.0%

	Number	£000	2005-06 £000
<b>Total</b>			
Total bills paid 2006-2007	1,982	83,244	73,696
Total bills paid within target	1,921	81,529	73,663
Percentage of bills paid within target	96.9%	97.9%	100.0%

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

	2005-06 £	2005-06 £
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
<b>Gross cost at 1 April 2006</b>	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross replacement cost at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Accumulated amortisation at 1 April 2006</b>	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
<b>Accumulated amortisation at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2006</b>	0	0	0	0	0
<b>Net book value at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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 2006	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>At 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation</b>									
At 1 April 2006	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0	0	0
<b>At 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 1 April 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Value of assets held at open market value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2007 comprises:

	£000	2005-06 £000
Freehold	0	0
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>

## Net profit/(loss) on disposal of fixed assets

	£000	2005-06 £000
During the year the LHB disposed of fixed assets with the net book value of,	0	0
The gross proceeds from the sale(s) were	0	0
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the National Assembly for Wales the net proceeds from disposal of and retained the costs of disposal, met of,	0	0
	0	0

## 6.1 Debtors

<b>Amounts falling due within one year:</b>	<b>£000</b>	<b>2005-06 £000</b>
National Assembly for Wales	90	3
Health Commission Wales	0	0
Local Health Boards	35	60
Primary Care Trusts	0	0
NHS Trusts	433	300
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	1,507	1,502
Provision for irrecoverable debts	(17)	(17)
Pension Prepayments:	0	0
Other prepayments and accrued income	39	12
<b>Sub total</b>	<b>2,087</b>	<b>1,860</b>
<b>Amounts falling due after more than one year:</b>	<b>£000</b>	<b>£000</b>
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
<b>Sub total</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>2,087</b>	<b>1,860</b>

## 6.2 Creditors

<b>Amounts falling due within one year:</b>	<b>2005-06</b>	
	<b>£000</b>	<b>£000</b>
National Assembly for Wales	470	263
Health Commission Wales	0	0
Local Health Boards	399	175
NHS Trusts	1,342	2,180
Primary Care Trusts	0	0
Income tax and social security	0	7
Non-NHS creditors	266	63
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	400
Pensions: staff	0	0
Accruals	7,004	5,729
Deferred Income	0	0
Other creditors	0	0
<b>Total</b>	<b>9,481</b>	<b>8,817</b>

## 6.3 Creditors

<b>Amounts falling due after more than one year:</b>	<b>2005-06</b>	
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### 6.4 Provisions for liabilities and charges

	At 1 April 2006	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 2007
	£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
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pensions	0			0	0	0	0	0
Other	24			103	0	0		127
<b>Total</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>103</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>127</b>

#### 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	127	0	0	127
<b>Total</b>	<b>127</b>	<b>0</b>	<b>0</b>	<b>127</b>

The LHB estimates that in 2007-08 it will receive £0, and in 2008-09 and beyond £0 from the Welsh Risk Pool in respect of losses and special payments.

## 6.5 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2006</b>	<b>(6,508)</b>
Net operating cost for the financial year	<b>(114,112)</b>
Net Assembly funding (including capital)	<b>113,648</b>
Capital charge interest	<b>(225)</b>
Transfers to NHS bodies	<b>0</b>
Transfer to general fund of realised elements of the revaluation reserve	<b>0</b>
	<hr/>
<b>Balance at 31 March 2007</b>	<b><u>(7,197)</u></b>

## 6.6 Donated asset reserve

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

	£000
<b>Balance at 1 April 2006</b>	<b>0</b>
Additions	<b>0</b>
Impairments	<b>0</b>
Revaluation and indexation	<b>0</b>
Disposals and write-offs	<b>0</b>
Depreciation	<b>0</b>
	<hr/>
<b>Balance at 31 March 2007</b>	<b><u>0</u></b>

## 6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
<b>Balance at 1 April 2006</b>	<b>0</b>
Revaluation	<b>0</b>
Indexation	<b>0</b>
Transfer to general fund - realised revaluation	<b>0</b>
	<hr/>
<b>Balance at 31 March 2007</b>	<b><u>0</u></b>

## 6.8 Contingent liabilities -

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

Nature:	2005-06	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### Uncertainties affecting outcome:

In January 2006 the High Court concluded that if, following a healthcare assessment, a person's healthcare needs formed the primary reason for their residence in a nursing home, the NHS should fund the totality of their care (Grogan v Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested.

No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement. The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of the judgement.

## 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	90	0	470	0
Balances with local authorities	0	0	76	0
Balances with NHS trusts and Foundation trusts	433	0	1,342	0
Balances with Local Health Boards	35	0	399	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	1,529	0	7,194	0
<b>Total at 31 March 2007</b>	<b>2,087</b>	<b>0</b>	<b>9,481</b>	<b>0</b>
Balances with other central government bodies	3	0	263	0
Balances with local authorities	0	0	0	0
Balances with NHS trusts and Foundation trusts	300	0	2,180	0
Balances with Local Health Boards	60	0	175	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	1,497	0	6,199	0
<b>Total at 31 March 2006</b>	<b>1,860</b>	<b>0</b>	<b>8,817</b>	<b>0</b>

## 6.10 Post balance sheet events

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

1.	.....	0
	.....	
2.	.....	0
	.....	
<b>Total</b>		<b><u>0</u></b>

## 6.11 Capital commitments

The Local Health Board has the following capital commitments:

	2005-06	
Contracted	0	0
Authorised but not contracted	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>

## 6.12 Related Party transactions

Monmouthshire 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 Monmouthshire Local Health Board has a significant number of material transactions with the Assembly and with other entities for which the Assembly, together with the Department of Health in England, is regarded as the parent body.

NHS providers with which the LHB has had material transactions are disclosed in note 4.2 to the accounts.

Other related entities with which the LHB has had material transactions include:

	2006-07		2005-06	
	Income £000	Expenditure £000	Income £000	Expenditure £000
West Gloucestershire PCT	0	203	0	201
Bro Morganwg NHS Trust	0	84	0	73
Swansea NHS Trust	0	66	0	76
RNHRD NHS Trust	0	52	0	98

The LHB has a creditor balance as at 31 March 2007 with RNHRD NHS Trust of £10,630 (2005-06 £29,517) and West Gloucestershire PCT of £6,574 (2005-06 £15,875). There are no outstanding balances with Bro Morganwg NHS Trust and Swansea NHS Trust. (2005-06 £0).

In addition, the Local Health Board has a significant number of material transactions with other Government Departments and other central and local government bodies. The most significant of these transactions are as follows :

	2006-07		2005-06	
	Income £000	Expenditure £000	Income £000	Expenditure £000
Monmouthshire County Council	0	1,096	0	1,153

The LHB has a creditor balance as at 31 March 2007 with Monmouthshire County Council of £75,642 (2005-06 £104,281).

The following members of Monmouthshire County Council are members of the Board of Monmouthshire Local Health Board

B Hood  
V Nelmes  
E Hackett-Pain

The following officers of Monmouthshire County Council are members of the Board of Monmouthshire Local Health Board

D Jones  
M Wilkinson

## 6.12 Related Party transactions

The LHB has also had transactions with the following voluntary organisations, directors of which are non-officer members of the Board of the LHB:

	2006-07		2005-06	
	Income £000	Expenditure £000	Income £000	Expenditure £000
St Davids Foundation (E Saysell)	0	84	0	82
Crossroads (J Grove)	0	23	0	23

The LHB has a creditor balance as at 31 March 2007 with St Davids Foundation of £3,485 (2005-06 £3,485). There are no outstanding balances in respect of Crossroads (2005-06 £0).

GP, Optometry, Dental and Pharmacy Board members received payments to their medical, optical, dental or pharmacy practices from the LHB. These transactions were made under normal trading conditions i.e. as arm's length transactions:

Name	Practice	Board Position
Dr E Colter	Wye Dean Practice	Non-officer member
Dr A Gray	Gray Hill Surgery	Non-officer member
Dr H Messing	Chippenham Surgery	Non-officer member

The following Board members are employees of Gwent Healthcare NHS Trust

Dr B Boylan  
 A Cottom (until 27 June 2006)  
 W Warren (from 28 June 2006)

Dr L Hamilton Kirkwood occupied the post of Medical Director and Non Executive Director post in respect of the National Public Health Service until 31 July 2007.

Dr C Potter occupied the Non Executive Director post in respect of the National Public Health Service from September 2006.

R Morgan is a co-opted Non Executive Director from the Welsh Ambulance Services NHS Trust.

### 6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	0	0
<b>Total losses and special payments</b>	<b>0</b>	<b>0</b>

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

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

## 6.14 Financial Instruments

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

### Liquidity Risk

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

### Interest-rate Risk

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

### Foreign Currency Risk

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

## 6.15 Finance lease obligations

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

	£000	2005-06 £000
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	0	0
	<hr/>	<hr/>
<b>Subtotal</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>

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 Budget - Mardy Park Rehabilitation Centre

The LHB has entered into a pooled budget arrangement with Monmouthshire County Council. Under the arrangement funds are pooled under Section 31 of the Health Act 1999 to provide care to individuals who have rehabilitation needs. The pool is hosted by Monmouthshire County Council.

This memorandum note to the accounts provides details of the joint income and expenditure incurred under the arrangement.

<b>Gross Funding</b>	<b>Total</b>
	£
Monmouthshire County Council	143,241
Monmouthshire Local Health Board	143,241
<b>Total Funding</b>	<b>286,482</b>

### **Direct Expenditure:**

Employee Related	199,234
Premises Related	30,627
Transport Related	0
Supplies & Services	12,516
Agency & Contracted	9,428
<b>Direct Total</b>	<b>251,805</b>

### **Indirect Expenditure:**

Employee Related	0
Premises Related	1,333
Support Service Recharges	491
Capital Financing	2282
<b>Indirect Total</b>	<b>4,106</b>

<b>Total Expenditure</b>	<b>255,911</b>
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<b>Net (Under)/over spend</b>	<b>(30,571)</b>
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The surplus has been shared equally by the partners to the agreement.

## 6.17 Pooled Budget - Monnow Vale Health & Social Care Facility

The LHB has entered into a pooled budget arrangement with Gwent Healthcare NHS Trust and Monmouthshire County Council. Under the arrangement funds are pooled under Section 31 of the Health Act 1999 to provide health and social care inpatient, outpatient, clinic and day care facilities to individuals who have medical, social, community or rehabilitation needs. The pool is hosted by Gwent Healthcare NHS Trust.

This memorandum note to the accounts provides details of the joint income and expenditure incurred under the arrangement which is known as the Monnow Vale Health and Social Care Facility.

	<b>Total</b>
	<b>£</b>
<b>Funding</b>	
Gwent Healthcare NHS Trust	1,500,782
Monmouthshire LHB	453,033
Monmouthshire County Council	734,252
<b>Total Funding</b>	<b>2,688,067</b>
<b>Expenditure</b>	
Staff	1,983,650
Non Staff	192,294
Unitary Charge	512,123
<b>Total Expenditure</b>	<b>2,688,067</b>
<b>Net under/over spend</b>	<b>0</b>

**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: ..... 2007 ..... 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: ..... 2007

Chief Executive: ..... Dated: ..... 2007

Director of Finance: ..... Dated: ..... 2007

## STATEMENT ON INTERNAL CONTROL

### 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. This is in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

The LHB's internal control framework is underpinned by Standing Orders and Standing Financial Instructions, which were formally adopted by the Board in March 2003. The Standing Orders include a scheme of delegation and the LHB has also adopted a detailed authorisation matrix determining authority for authorising the requisitioning of goods and services, payments and budget virements.

The LHB has undertaken self-assessments against the Welsh Risk Management Standards and agreed Action Plans for improvement.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks 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 2007 and up to the date of approval of the accounts, and accords with Welsh Assembly Government guidance.

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

Due to the nature of the LHB's operational practices, a significant volume of transactions are carried out by the Business Services Centre (BSC) under a Service Level Agreement. This Agreement cover the following key areas:

- Finance;
- Information Technology;
- Contractor Services;
- Human Resources.

The LHB needs to satisfy itself that the system of internal control associated with these services is robust and operating effectively. The LHB's Audit Committee regularly received internal and external audit reports on reviews and key systems, and processes at the BSC. These reports identify weaknesses in systems and appropriate recommendations, which are subsequently reflected in agreed Action Plans.

The LHB also places reliance on other key control mechanisms, including the work of the Prescribing Services Unit (PSU), the Post Payment Verification Unit (PPVU), BSC (GMS and Optometry PPV), Dental Practice Division and the activities of the Local Counter Fraud Specialist.

Health Solutions Wales (HSW) is responsible for the administration of both the PSU and PPVU.

Prescriptions are submitted to the PSU for pricing and payment schedules are then produced to enable LHBs to pay the dispensing contractors. Within the PSU there is a Business Support Team whose main function is to test check the pricing officers' work.

The PPVU's remit is to establish the validity of exemptions, and to follow up cases where no valid exemption can be demonstrated.

The Local Counter Fraud Specialist works closely with the LHB and for 2006-07 a counter fraud plan was agreed covering the following key areas:

- Development of an anti-fraud culture;
- Deterring fraud;
- Preventing fraud;
- Detecting fraud;
- Investigating fraud.

The Local Counter Fraud Specialist has attended a number of Audit Committee meetings to report on progress against the counter fraud plan and advise on any material matters in relation to fraud.

### **Capacity to Handle Risk**

The Board has agreed to discharge its responsibilities for corporate risk management through the Audit Committee and for clinical governance through the Clinical Governance Committee. There is a link established between these two Committees in relation to risk management. In addition, the LHB operates a Risk Management Group, whose membership comprises officers of the LHB, to discuss the operational aspects of risk management in the LHB. The Risk Management Group reports directly to the Audit Committee.

The overall accountability for the management of risk rests with the Chief Executive. The Director of Finance has delegated responsibility for risk management and the Medical Director is charged with responsibility for clinical governance. In the absence of the Medical Director, the Director of Nursing and Performance has interim responsibility for clinical governance.

Risk Management presentations have been given to the Board as part of development sessions and plans are in place to undertake a programme of additional risk management training for all staff. The LHB will work closely with the Welsh Risk Pool in the development of training programmes.

### **The Risk and Control Framework**

The Risk Management Strategy provides a framework for the organisation to manage risk through effective processes that include:

- Development of risk awareness throughout the organisation;
- Identification and analysis of potential risks to the organisation;
- Assessment of risks — financial, clinical and organisational;
- Elimination or mitigation of risks where possible;
- Development of policies, procedures and controls to minimise risks;
- Recording and monitoring of risks.

The LHB prioritises identified risks as either 'high', 'medium' or 'low'. The LHB accepts risks graded as 'low' on the basis that its limited resources must be first directed to those assessed as 'medium' or 'high'. Once the LHB has addressed the latter groupings, and the related risks have been reduced, then the LHB will begin to address risks assessed as 'low'.

During the 2006-07 financial year the LHB has been required to undertake self-assessments against the Welsh Risk Management Standards. LHBs are required to achieve a score of at least 75% in respect of each of the standards. The LHB's performance against the 8 standards (as agreed with Internal Audit) is summarised below.

- Standard A - Risk Management Policy & Strategy - 77% (Target 75%)
- Standard B - Risk Assessment & Treatment - 75% (Target 75%)
- Standard C - Incident and Hazard Reporting - 86% (Target 75%)
- Standard D - Policies and Procedures - 98% (Target 75%)
- Standard E - Governance - 93% (Target 75%)
- Standard F - Financial Management - 86% (Target 75%)
- Standard G - Facilitating the Safe Provision of Primary Care - 76% (Target 75%)
- Standard H - Complaints 77% (Target 75%)
- Standard I - Records Management - 77% (Target 75%)

As part of the process Action Plans have also been agreed for each of the Standards to address areas identified for improvement. Implementation and review of performance against the Action Plans will be undertaken by the Risk Management Group and reported to the Audit Committee and Board.

In addition, the Welsh Risk Pool undertook an assessment of seven standards in May 2007. The draft report included the following scores

- Standard A - Risk Management Policy & Strategy - 66% (Target 75%)
- Standard B - Risk Assessment & Treatment - 76% (Target 75%)
- Standard C - Incident and Hazard Reporting - 94% (Target 75%)
- Standard D - Policies and Procedures - 96% (Target 75%)
- Standard G - Facilitating the Safe Provision of Primary Care - 72% (Target 75%)
- Standard H - Complaints 83% (Target 75%)
- Standard I - Records Management - 64% (Target 75%)

The LHB is currently preparing a response addressing the issues raised in the draft report.

### **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 and Audit 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 Committee and Clinical Governance Committee. In addition the reports submitted to the Board by executives identify risk issues for consideration.

The Audit Committee monitors the effectiveness of the system of internal control through receipt and review of internal and external audit reports and the associated management action taken. These reports are based on a systematic review of the LHB processes, this allows the effectiveness of controls to be assessed and supports continuous improvement. The Board is notified of issues as appropriate through the Audit Committee reports. The Clinical Governance Committee monitors clinical risks and where appropriate reports to the Board.

The Welsh Risk Management Standards have been used as benchmarks to ensure an effective system of management and internal control is established and can be demonstrated to the Board.

During the year a breakdown in internal control was identified in regard to the proper segregation of duties for the procurement of services and authorisation of payments. The expenditure involved amounted to £86,499. The matter was fully investigated with the support of the LHB's external auditors. An action plan was approved by the Audit Committee and has since been implemented to address the issues identified.

Apart from the matter outlined above, the system of internal control operating within the LHB has been assessed and reviewed during the financial year and I can confirm that there are no other significant internal control problems existing within Monmouthshire Local Health Board.

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

Date:.....

## **AUDITORS' REPORT**

### **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 on pages 1 to 36 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 7 to 12.

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

### **Respective responsibilities of Directors, the Chief Executive and Auditor**

As described on page 38 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and Welsh Ministers' 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 Welsh Ministers' 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 was consistent with the audited financial statements as it was not available at the time of my audit.

I review whether the statement on pages 39 to 42 reflects the Board's compliance with the Treasury and Welsh Ministers' 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 LHB 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 Monmouthshire Local Health Board as at 31 March 2007 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 Welsh Ministers;
- 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 Welsh Ministers; and
- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

My conclusion on Monmouthshire LHB's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 will be reported separately in the published Annual Audit Letter.

Jeremy Colman  
Auditor General for Wales  
27 June 2007

Wales Audit Office  
2-4 Park Grove  
Cardiff  
CF10 3PA

## **ACCOUNT OF - 2006-2007**

### **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 2007 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 2007 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 2007 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 :

Dated :

## **ACCOUNT OF - 2006-2007**

### **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.