

Carmarthenshire 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 178,000

- 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 2008

	Note	Total £000	2006-07 Total £000
Expenditure	4.1,4.2,4.3, 4.4	255,142	245,529
Miscellaneous income	3.1	4,267	3,614
Net operating costs		<u>250,875</u>	<u>241,915</u>

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008**

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

BALANCE SHEET AS AT 31 MARCH 2008

			31 March 2007
	Note	£000	£000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	17	26
CURRENT ASSETS			
Debtors	6.1	1,617	2,301
Cash at bank and in hand		105	526
		<u>1,722</u>	<u>2,827</u>
Total Current Assets		1,722	2,827
Creditors: amounts falling due within one year	6.2	15,347	14,963
Net current assets / (liabilities)		(13,625)	(12,136)
Creditors: amounts falling due after more than one year	6.3	622	622
Provisions for liabilities and charges	6.4	1,497	629
		<u>1,497</u>	<u>629</u>
TOTAL NET ASSETS		(15,727)	(13,361)
FINANCED BY:			
General fund	6.5	(15,727)	(13,361)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
		<u>0</u>	<u>0</u>
TOTAL		(15,727)	(13,361)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date19th June 2008..... Date.....19th June 2008.....

Adopted by the Board on.....19th June 2008.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	£000	2006-07 £000
Net operating costs	(250,875)	(241,915)
Adjust for non-cash transactions	438	263
Adjust for movements in working capital other than cash	1,068	2,817
Utilisation of provisions	(69)	(265)
	<hr/>	<hr/>
Net cash outflow from operating activities	(249,438)	(239,100)
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	(249,438)	(239,100)
FINANCING:		
Net Assembly funding (including capital)	249,017	239,123
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	249,017	239,123
	<hr/>	<hr/>
Increase / (decrease) in cash	(421)	23

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2006-07 £000
Depreciation and other write-offs	9	10
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	937	629
Capital charge interest	(508)	(376)
	<u>438</u>	<u>263</u>

Adjust for movements in working capital other than cash

	£000	2006-07 £000
(Increase)/decrease in debtors	684	(143)
Increase/(decrease) in creditors	384	2,960
	<u>1,068</u>	<u>2,817</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(421)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>(421)</u>
Non cash changes in debt	0
Net debt at 1 April 2007	(96)
Net debt at 31 March 2008	<u>(517)</u>

Analysis of changes in net debt

	As at 1 April 2007	Cash flows	Other changes	As at 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	526	(421)	0	105
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	(622)	0	0	(622)
	<u>(96)</u>	<u>(421)</u>	<u>0</u>	<u>(517)</u>
Total	(96)	(421)	0	(517)

Amount held in Office of Paymaster General bank accounts as at 31 March 2008 was £105,448

Analysis of capital expenditure, financial investments and associated receipts

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

Reconciliation of loan issues and repayments to cash movements

	Issues	2007-08	Net Movement
		Repayments	
	£'000	£'000	£'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	2007-08	Net Movement
		Disposals	
	£'000	£'000	£'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 (FRM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHBs. 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.

LHBs 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 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 £250,000 and individually have a cost of more than £5,000

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 (BCIS). 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.

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

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 there from can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the 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 employers, General Practices and other bodies, allowed under the direction of 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 a defined contribution scheme : the cost to the NHS body participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which 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 investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of valuation on this basis took place as at 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations the Government Actuary provides an annual update of the scheme liabilities for FRS17 purposes. The latest assessment of the liabilities of the scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) resource account , published annually. These accounts can be viewed on the Business Service Authority Pensions Division website at www.nhspa.gov.uk. Copies can also be obtained from the Stationery Office.

The conclusion of the 2004 investigation was that the scheme had accumulated a notional deficit of £3.3 billion against notional assets as at 31 March 2004. This is after making some allowance for the one off effective of pay modernisation, but before taking into account any of the scheme changes which come into effect on 1 April 2008. Taking into account the changes in the benefit and contribution structure effective from 1 April 2008, employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008 employees paid contributions of 6% (manual staff 5%) of their pensionable pay. From 1 April 2008 employees will pay contributions according to a tiered scale from 5% up to 8.5% 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 sum for those who die after retirement is payable.

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 Income & Expenditure Account 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 (AVC's) 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.

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 2007/08 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. 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 General Practitioners for the provision of Family Health Services is defined by the National Assembly as "non-discretionary" and is deducted from net operating costs for the purposes of assessing outturn against revenue resource limit in note 2.1.

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

1.17 New Dental Contract

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

Contractors who underperformed against their contracted level of Units of Dental Activity, (UDAs) by a margin of 5% or less, are contractually allowed to retain their payments for the year and deliver the underperformance of UDAs within the new financial year 2008-09.

The valuation in the annual accounts is based on an estimate provided by the Dental Practice Division in May 2008. 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 2008-09.

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

	2006-07	
	£000	£000
Net operating costs for the financial year	250,875	241,915
Non-discretionary expenditure	2,008	1,867
Operating costs less non-discretionary expenditure	248,867	240,048
Revenue Resource Limit	248,879	235,837
Under / (over) spend against Revenue Resource Limit	12	(4,211)
Unplanned resource brokerage received	0	0
Operational Financial Balance	12	(4,211)

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

The LHB received brokerage of £1,400,000 from Flintshire LHB and £800,000 from Wrexham LHB.

Both these sums are repayable in 2008-09.

After arranging this brokerage the LHB received an increase in its Continuing Care funding of £1,420,000.

The LHB was instructed by WAG not to undo any previously agreed brokerage arrangements but instead to broker in turn its Continuing Care funding to Powys LHB £1,182,000 and Swansea LHB £238,000.

Again this brokerage is repayable in 2008-09.

3.1 Miscellaneous income

	£000	2006-07 £000
Fees & Charges	0	0
Prescription charge income	175	1,649
Dental fee income	1,114	0
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	<u>2,978</u>	<u>1,965</u>
Total	<u>4,267</u>	<u>3,614</u>

Other income is comprised as follows

Dental Anaesthesia	£149,223
Low Vision	£651,759
GP Registrar	£657,872
Pathways	£660,105
Expert Patient Programme	£60,130
ESR	£351,033
All other	£447,987
Total	£2,978,109

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2006-07 Total
	£000	£000	£000	£000
General Medical services	24,304	0	24,304	22,115
Pharmaceutical services	6,798	546	7,344	7,221
General Dental services	9,341	0	9,341	8,331
General Ophthalmic services	0	1,462	1,462	1,319
Other Primary health care expenditure	1,821	0	1,821	2,073
Prescribed drugs and appliances	32,923	0	32,923	34,542
Total	75,187	2,008	77,195	75,601

4.2 Secondary and Community health care

	Total	2006-07 Total
	£000	£000
NHS Trusts:		
Provider 1 - ... Carmarthenshire	112,518	109,776
Provider 2 - ... Pembrokeshire & Derwen	18,146	17,634
Provider 3 - ... Swansea	14,851	14,050
Provider 4 - ... Cardiff & Vale	2,046	1,715
Provider 5 - ... Ceredigion	528	512
Provider 6 - ... Bro Morgannwg	680	584
Provider 7 - ... Powys	166	166
Provider 8 - ... Velindre	187	161
Provider 9 - ... Welsh Ambulance	164	168
Provider 10 - . Gwent	115	101
Other Welsh NHS trusts	225	169
Other non Welsh NHS trusts	474	694
Local Authorities	1,085	1,331
Voluntary Organisations	351	295
NHS Funded Nursing Care	1,754	1,891
Continuing Care	17,132	14,112
Private providers	651	563
Specific projects funded by Welsh Assembly Government	0	0
Other	333	331
Total	171,406	164,253

4.3 Other programme expenditure

	£000	2006-07 £000
Salaries and wages	2,211	1,228
National Public Health Service	1,076	1,039
Losses, special payments and irrecoverable debts	0	1
Research and development	0	0
Other	967	1,176
Total	4,254	3,444

4.4 Administration expenditure

	£000	2006-07 £000
Non-officer members' remuneration	131	122
Other salaries and wages	983	909
Consultancy services	31	
Establishment expenses	218	183
Transport and moveable plant	0	0
Premises and fixed plant	141	105
External contractors	0	33
Auditors' remuneration - audit fee	80	97
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	1,205	1,125
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	9	9
Amortisation	0	0
Capital charge interest	(508)	(376)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	(3)	24
Total	2,287	2,231

Included in the BSC recharge is an amount in the sum of £16,000 for the external audit of the BSC attributable to Carmarthenshire LHB.

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

	Total	2006-07 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	1
Defence legal fees and other administrative costs	<u>0</u>	<u>0</u>
Gross increase / decrease in provision for future payments	0	1
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
Total	<u>0</u>	<u>1</u>

Personal injury includes £ nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2006-07 £000
Hire of plant and machinery	0	0
Other operating leases	23	21
Total	23	21

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2006-07 Land and Buildings £000	2006-07 Other Leases £000
Operating leases which expire:				
Within 1 year	0	11	0	21
Between 1 and 5 years	0	2	0	0
After 5 years	0	10	0	0

4.7 Executive Directors and staff costs

	Total £000	2006-07 Total £000
Salaries and wages	2,830	2,616
Social security costs	224	222
Employer contributions to NHSPA	367	329
Other pension costs	0	0
Agency / seconded staff	388	85
Total	3,809	3,252

Note 4.7 Reconciliation

	2007-08 £'000	2006-07 £'000
Note 4.1	856	758
Note 4.2	0	0
Note 4.3	2,024	1,580
Note 4.4	928	909
Members NI	0	5
Total	3,808	3,252

4.8 Board Directors' remuneration

	£000	2006-07 £000
Non-officer members' remuneration	103	96
Executive Directors' remuneration:		
basic salaries	335	326
benefits	6	6
performance related bonuses	0	0
pension contributions	40	40
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
	<hr/>	<hr/>
Total	484	468

	Chairman £000	Chief Executive £000
Basic Salary	34	89
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	12
	<hr/>	<hr/>
Total	34	101

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:

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff Number	Agency, temporary and contract staff Number	Staff on inward second- ment Number	Total Number	2006-07 Number
Executive Board Members	5	0	0	5	4
Other Local Health Board Staff	89	3	0	92	84
Recharged staff	10	0	0	10	3
Total	104	3	0	107	91

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:		
Leased car	6,000	6,000
b.	0	0
c.	0	0
d.	0	0
Total	6,000	6,000

4.10 Retirements due to ill-health

During 2007-08 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 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	2006-07 £000
Non- NHS			
Total bills paid 2007-2008	72,829	32,047	24,411
Total bills paid within target	72,431	31,283	23,941
Percentage of bills paid within target	99.5%	97.6%	98.1%

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	2006-07 £000
NHS			
Total bills paid 2007-2008	747	154,774	148,876
Total bills paid within target	667	153,788	148,566
Percentage of bills paid within target	89.3%	99.4%	99.8%

	Number	£000	2006-07 £000
Total			
Total bills paid 2007-2008	73,576	186,821	173,287
Total bills paid within target	73,098	185,071	172,507
Percentage of bills paid within target	99.4%	99.1%	99.5%

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

	2006-07 £	2006-07 £
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 2007	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2008	0	0	0	0	0
Accumulated amortisation at 1 April 2007	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 2008	0	0	0	0	0
Net book value at 1 April 2007	0	0	0	0	0
Net book value at 31 March 2008	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 2007	0	0	0	0	0	0	0	50	50
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 2008	0	0	0	0	0	0	0	50	50
Depreciation									
At 1 April 2007	0	0	0	0	0	0	0	24	24
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	9	9
At 31 March 2008	0	0	0	0	0	0	0	33	33
Net book value									
at 1 April 2007	0	0	0	0	0	0	0	26	26
Net book value									
at 31 March 2008	0	0	0	0	0	0	0	17	17
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2008 comprises:

	£000	2006-07 £000
Freehold	0	0
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
Total	0	0
	<hr/>	<hr/>

Net profit/(loss) on disposal of fixed assets

	£000	2006-07 £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

		2006-07
	£000	£000
Amounts falling due within one year:		
National Assembly for Wales	55	260
Health Commission Wales	3	174
Local Health Boards	114	109
Primary Care Trusts	0	85
NHS Trusts	27	239
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	1,066	987
Provision for irrecoverable debts	(258)	(235)
Pension Prepayments:	0	0
Other prepayments and accrued income	610	682
	<hr/>	<hr/>
Sub total	1,617	2,301
	<hr/>	<hr/>
Amounts falling due after more than one year:		
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
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
Total	1,617	2,301
	<hr/>	<hr/>

6.2 Creditors

	£000	2006-07 £000
Amounts falling due within one year:		
National Assembly for Wales	0	36
Health Commission Wales	0	0
Local Health Boards	54	25
NHS Trusts	887	1,502
Primary Care Trusts	0	85
Income tax and social security	39	0
Non-NHS creditors	944	146
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	13,399	13,162
Deferred Income	24	7
Other creditors	0	0
	<hr/>	<hr/>
Total	15,347	14,963

6.3 Creditors

	Total £000	2006-07 Total £000
Amounts falling due after more than one year:		
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	622	622
Pensions: staff	0	0
Other	0	0
	<hr/>	<hr/>
Total	622	622

6.4 Provisions for liabilities and charges

	At 1 April 2007	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 2008
	£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	0
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	629			937	0	(69)		1,497
Total	629	0	0	937	0	(69)	0	1,497

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	1,497	0	0	1,497
Total	1,497	0	0	1,497

The LHB estimates that in 2008-09 it will receive £'000 , and in 2009-10 and beyond £'000 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
At 1 April 2007	(13,361)
Net operating cost for the financial year	(250,875)
Net Assembly funding (including capital)	249,017
Capital charge interest	(508)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2008	(15,727)

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2007	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2008	0

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2007	0
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2008	0

6.8 Contingent liabilities -**The following contingent losses/gains have not been included in the accounts**

Nature:	2006-07	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	11,400	12,400
Total	11,400	12,400

Uncertainties affecting outcome:

A recent court judgement in the case of Grogan v Bexley NHS Care Trust ruled that the primary health need approach should be used when assessing care requirements. Where an individual's care is of a primary health need then all care costs should be met by the NHS. This may have an impact on the level of LHB Continuing Care costs in cases where the LHB has not assessed eligibility for care using the primary health need approach. An all Wales review is underway to try and assess the effect on the NHS in Wales.

To date claims have been received by the LHB from local authorities/ individuals for retrospective care costs which they believe should have been funded by the LHB on the basis of primary health need. However the court ruling has not been tested by any case re-assessment and in the LHB's view is unlikely to result in any additional costs in respect of past years.

As a result, no provision has been made for any potential costs which might arise.

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	72	0	39	622
Balances with local authorities	384	0	114	0
Balances with NHS trusts and Foundation trusts	27	0	887	0
Balances with Local Health Boards	114	0	54	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	1,020	0	14,253	0
Total at 31 March 2008	1,617	0	15,347	622
Balances with other central government bodies	776	0	36	622
Balances with local authorities	310	0	0	0
Balances with NHS trusts and Foundation trusts	239	0	1,587	0
Balances with Local Health Boards	194	0	25	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	659	0	13,192	0
Total at 31 March 2007	2,178	0	14,840	622

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:

	2006-07	
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 2007-2008 **0**

Carmarthenshire 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 Carmarthenshire 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,

NHS Trusts with which the LHB commissions healthcare , in particular those scheduled in Note 4.2 of the accounts

Powys LHB, which operates the Business Services Centre on behalf of LHBs in Wales

The National Public Health Service

Ceredigion, Pembrokeshire, Powys & Swansea LHBs, where the financial transactions relate to the funding for patients registered with a General Practitioner within the boundary of one LHB but reside within the Boundary of the other.

In addition, the LHB has a significant number of material transactions with other Government departments and other Central and Local Government bodies. Most of these transactions have been with the Carmarthenshire County Council.

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

Name	Details	Interests
Mr Paul Barnett	Associate Member	Carmarthenshire NHS Trust
Dr Peter Thomas	Associate Member	Carmarthenshire NHS Trust
Mr Bruce McLernon	Local Authority Member	Carmarthenshire County Council
Mr Chris Burns	Local Authority Member	Carmarthenshire County Council
Mr Jake Morgan	Local Authority Member	Carmarthenshire County Council
Clr Kevin Madge	Local Authority Member	Carmarthenshire County Council
Dr Chris John	Vice Chair Audit & Risk Committee	GP Contractor
Dr Alan Scourfield	GP Member	GP Contractor
Dr Rob Lewis	GP Member	GP Contractor
Mr Chris James	Chair of Audit & Risk Committee	Pharmacy Contractor
Dr Edward Lloyd-Jones	Dental Member	Dental Contractor
Dr Michael Thomas	Chair Clinical Governance Committee	National Public Health Service
Mr Jon Pearson	Therapy Member	Carmarthenshire NHS Trust
Mrs Deris Williams	Voluntary Sector Member	Menter Cwm Gwendraeth

6.12 Related Party transactions

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 are 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	7	140
Total losses and special payments	7	140

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
Sub-total	0	0	0
All other cases	0	0	0
Total cases	0	0	0

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	2006-07 £000
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	0	0
	<hr/>	<hr/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
Total	0	0

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

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

6.16 Pooled Budgets

Where Local Health Boards are part of a project financed by a pooled budget, they should include details in this note. The Local Health Board should disclose its contribution to the pooled budget, a description of the project and the total annual expenditure. A memorandum account of the fund should also be disclosed.

7 Additional Information

All-Wales Low Vision Scheme

Carmarthenshire LHB is host to the Welsh Assembly Government All-Wales Low Vision Scheme. The LHB received funding from the Welsh Assembly Government to administer the scheme, reimburse suppliers for the provision of visual aids and make payments to optometrists accredited to provide this service to patients. The funding received, in 2007-08 was £651,759.

Condition Management Programme

Carmarthenshire LHB also hosts the Condition Management Programme (CMP) scheme on behalf of the Department of Work and Pensions. The scheme is active in the Counties of Carmarthenshire, Ceredigion and Pembrokeshire

The funding received in 2007-08 was £660,105.

The aim of the CMP team is to help as many Incapacity Benefit customers as possible back into sustainable employment.

Expert Patient Programme

Carmarthenshire LHB also hosts the Expert Patient Programme. This is a lay led self management programme for anyone with a long-term chronic health condition. The scheme is active in the counties of Carmarthenshire, Ceredigion, Pembrokeshire and Swansea.

Contingent Liabilities

A recent court judgement in the case of Grogan v Bexley NHS Care Trust ruled that the primary health need approach should be used when assessing care requirements. Where an individual's care is of a primary health need then all care costs should be met by the NHS. This may have an impact on the level of LHB Continuing Care costs in cases where the LHB has not assessed eligibility for care using the primary health need approach. An all Wales review is underway to try and assess the effect on the NHS in Wales.

To date claims have been received by the LHB from local authorities/ individuals for retrospective care costs which they believe should have been funded by the LHB on the basis of primary health need. However the court ruling has not been tested by any case re-assessment and in the LHB's view is unlikely to result in any additional costs in respect of past years. As a result, no provision has been made for any potential costs which might arise.

Therefore a contingent liability of £11.4 million has been disclosed in note 6.8

**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:19th June 2008 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 each financial year. The Welsh Ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Welsh Ministers with the approval of the Treasury.
- make judgments 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:19th June 2008

Chief Executive: Dated:19th June 2008

Director of Finance: Dated:19th June 2008

STATEMENT ON 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.

Whilst I retain personal responsibility for internal control and risk management on behalf of the organisation I am supported in this by assigning specific roles to other Executive Directors and through the Committee structure of the LHB.

The Risk Management Strategy which is updated at least annually and as required to reflect changes to the regulatory framework and the introduction of Healthcare Standards, defines these responsibilities.

In accordance with the LHB's Standing Orders, the LHB Board has determined that certain of its powers have been delegated to Committees. The Audit & Risk Committee is responsible for reviewing the establishment and maintenance of an effective system of internal control and risk management and providing independent verification to the Board on these systems. The Clinical Governance Committee is responsible for ensuring that the LHB has systems and processes in place to ensure accountability at all levels for the delivery of patient centered, safe, high quality care within a reporting and learning culture. In order to ensure a coordinated approach to the management of risk there is cross representation from each Committee on the other. The Chair of the LHB also meets the Chairs and Vice Chairs of the Audit & Risk and Clinical Governance Committees on a bi-monthly basis.

The Audit & Risk Committee and Clinical Governance Committee both report directly to the Board.

The Director of Finance takes the overall lead for risk on behalf of the Chief Executive whilst the Director of Nursing leads on Clinical Governance.

The Welsh Assembly Government are kept informed of risks through the Annual Operating Framework process and in particular through the quarterly review of the Balanced Scorecard where particular risks to achieving organisational targets are highlighted and discussed. Weekly monitoring to Regional Office also flags areas where potential risks may arise. Risks are also routinely flagged in the Financial Monitoring Returns submitted to WAG on a monthly basis. Both the Balanced Scorecard and the Financial Monitoring Returns are also presented to the LHB Board.

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 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

STATEMENT ON INTERNAL CONTROL

3. Capacity to handle risk

The LHB's approach to handling risk is set out in its Risk Management Strategy which was last ratified by the Board in January 2008. The Strategy sets out the LHB's attitude towards risk in its policy statement which describes how the LHB is committed to the development of an integrated approach to risk management that ensures that all areas of risk, including organisational, financial and clinical risk are considered, in order to support a system of risk management that is fully representative of all areas of the Local Health Board's work.

The Risk Management Strategy emphasises that the management of risk should be considered as part of everyone's daily working responsibilities. However, it also recognises the need for leadership in this process and therefore assigns specific key roles and responsibilities.

The Risk Management Strategy outlines the roles of the Audit & Risk Committee (supported by the Risk Group), the Clinical Governance Committee (supported by its sub-structure) and individuals in undertaking this process.

The Chief Executive has overall accountability for risk management within the LHB and as Accountable Officer, is responsible for systems of internal control and implementing the policies set by the Board.

The Director of Finance has delegated responsibility for ensuring the implementation of effective systems of control and risk management and is responsible for reporting risks to the Audit and Risk Committee and the LHB Board. The Nurse Director is the lead on clinical governance issues and is responsible for reporting clinical risks to the Clinical Governance Committee.

Directors are responsible for ensuring that risk is managed effectively within their own directorates and areas of responsibility. This includes the implementation of the policies of the LHB within their span of control and for ensuring that staff understand and apply the LHB policy and strategy in relation to risk management. This includes appropriate training and awareness. Directors play a key role in the application of the LHB's risk management system and must ensure that risks pertaining to their part of the service are identified and managed in accordance with that system.

The Business Manager is responsible for co-coordinating the corporate and organisational risk management function within the Local Health Board under the direction of the Director of Finance. A co-ordinated approach to risk management is undertaken in conjunction with the Clinical Governance Officer who is responsible for managing clinical risk, including maintaining an event reporting system.

Line managers are responsible for managing risk effectively within their teams and areas of designated responsibility.

All staff are responsible for undertaking their work in accordance with the principles laid down in the Risk Management Strategy and for identifying risks in the workplace and bringing these to the attention of senior managers. They should be familiar with all appropriate LHB policies, including health and safety procedures, designed to protect the health, safety and welfare of anyone affected by the LHB's business. Integral to this concept is a planned induction programme which includes staff responsibilities regarding risk awareness, incident and hazard reporting and availability of policies and procedures. In addition, all staff job descriptions detail individual's responsibilities towards the management of risk in all of their actions.

STATEMENT ON INTERNAL CONTROL

Risk Awareness sessions are also provided to staff to reinforce the Risk Management Strategy and highlight key issues to ensure that risk management is integral to employees day to day work.

Each department/Directorate must undertake a meaningful risk assessment of its area of operations. The LHB has developed Risk Assessment Guidelines for staff to undertake the risk assessment process which includes a template risk profiling tool and action plan.

The Risk Group is a forum where risks identified and action plans for the whole organisation can be discussed and cross-directorate issues addressed. The group is also responsible for ensuring that progress is being made on the action plans and highlighting areas of concern to feed into the Management Executive Committee (MEC) and Audit & Risk Committee. It also produces the Risk profile identifying which areas need to be addressed first. The Risk Group consists of representatives from each directorate (and specific teams within directorate where appropriate), and is chaired by the Director of Finance. The Clinical Governance Officer and the Business Manager support the group and are responsible for maintaining and updating the risk register.

Although primary care contractors (GPs, Dentists, Pharmacists and optometrists) are independent contractors, the LHB recognises that it has a responsibility to ensure that all contractors have effective risk management arrangements in place and are compliant with relevant statutory requirements placed upon them as employing businesses. The LHB, through its clinical governance structures, provides support for practices ensuring that appropriate policies are in place to address areas of risk, both clinical and non-clinical. All Practitioners are encouraged to share information in respect of risk and training and to have an open and reflective approach to significant events.

Learning from incidents that arise occurs in a number of ways such as discussions held at the Clinical Governance GP leads meets where incidents are discussed and lessons learnt shared; the Clinical Governance newsletter also highlights recent incidents including those from other LHB areas. The Staff forum and Staff meetings are also used to raise awareness and learn from past issues.

4. The risk and control framework

The Risk Management Strategy comprises five key elements -

- * Policy Statement
- * Organisational Arrangements
- * Approach to Risk Management
- * External Monitoring
- * Training, Awareness & Communication

The policy statement and organisational arrangements together with training have been outlined in the sections above. This section concentrates on the LHB's approach to Risk Management and the External Monitoring systems in place.

To manage risks effectively, all risks need to be systematically identified, analysed, controlled and monitored. The LHB needs to consider the three main risk areas relevant to its operation in undertaking the identification of risks:

- Strategic functions, e.g., resource allocations to primary and secondary care, health needs assessment.
- Internal operations, e.g., governance systems, controls assurance, financial and workplace safety.
- Adequacy of risk management within commissioned and contracted services.

For each of these areas the following elements then need to be considered as appropriate: Service/patient risks; Health and safety and related risk areas and Organisational and business risks.

The LHB then undertakes a structured assessment of the identified risks. Risks are prioritised according to a documented framework and are entered if appropriate onto the organisational risk register which enables the LHB to identify where additional resources, both financial and other need to be invested. In this way better decision making is supported through a solid understanding of all risks and likely impact, weakness and vulnerability in procedures, practices and policy changes are also highlighted and the LHB is helped to comply with the Healthcare Standards.

Healthcare Standards for Wales

The LHB has recently undertaken its second self assessment process against the range of Healthcare Standards for Wales for the period 2007/08. The Healthcare Standards are a common framework to support organisations in providing effective, timely and quality services. The standards are focused on improving the patient experience and placing the patient at the centre of how services are planned and delivered and providing a basis for continuous improvement. The process ensures organisation are held to account for the standard of service they provide and that patients are better informed of the performance delivered and what they should expect. Standards take a holistic approach and cover four domains namely patient experience, clinical outcomes, healthcare governance and public health. To this end a total organisational approach to their completion has been adopted as set out below.

The Role of the Board - the Codes of Conduct and Accountability of NHS Boards (WAG 2006) set out the strategic direction of the organisation and its values and standards. The Board has a collective responsibility for enabling the organisation to deliver high quality, safe, effective, healthcare. The Board needs to ensure high standards of corporate governance and clinical governance is in place. To enable this there has to be financial, human and other resources in place. The non-officer Board members are equal partners on the Board and are expected to bring skills and expertise on issues of strategy, performance and accountability. There has to be an understanding of and the ability to debate the Healthcare Standards criterion, maturity matrix scoring system and the improvement plan. The risks and strengths of the responses will need to be considered before there can be agreed sign off of the individual Standards.

To enable this key roles and responsibilities have been assigned and a timetable to ensure compliance with deadlines agreed.

The Role of the Operational Group - Healthcare Standards champions were nominated which included representatives from each directorate (and specific teams within directorate where appropriate), which ensures that standards are embedded across the whole organisation. The champions have overall responsibility for approximately 2 standards. The role of the champions was to search for the evidence required across the whole organization and update narrative. Regular reporting to the executive lead was also undertaken.

The Role of Management Executive Team - the function of individuals is to monitor progress against an agreed number of standards. The named person will be expected to challenge and apply rigor to the narrative and evidence provided. The Director of Nursing has seven standards and the remaining named individuals have five standards each. The standards have not been matched to individuals as each standard will have components which cover the organisation as a whole. The only exception to this is the four public health standards which will be the responsibility of the Director of Public Health plus one additional standard. It will be the responsibility of each member to ensure a matrix score for each standard has been completed for review by the sub group of the Board.

The Role of the Performance Management Group - the Board has a collective responsibility for enabling the organisation to deliver high quality, safe, effective, healthcare. The purpose of this group of Non-Office Members is to provide quality assurance to the process for the Healthcare Standards. The group will become board champions.

The Role of Internal Audit - Internal Audit will be reviewing certain elements of the self assessment and process this year. They have agreed to complete the following:

- Review the self-assessment input on the HIW Healthcare Standards tool for the 4 key Standards specified in the SIC. This will include a review of the "story", the evidence that supports the "story" and the appropriateness of the self-assessed score in consideration of the maturity matrix requirements.
- Assess the process adopted by each organisation in preparing and completing the self assessment.
- Review 2007/8 action plans and the process for monitoring progress. Attention to be given to evaluating what improvements have been demonstrated for those areas that were reported as being "aware" and/or "responding".
- Confirm that the Board are appropriately engaged.

Staff Focus - in order to inform staff a series of workshops was held to provide initial information about the process and then regular updates through staff and Directorate meetings.

Health Inspectorate Wales (HIW) Assessment for 2006-07

Healthcare Standards were introduced for the first time in 2006-07 with LHBs undertaking their own self assessment which were then subsequently verified by HIW. 2006-07 was seen as a developmental year with LHBs having to work to very tight timescales to complete the assessments. On the whole the LHB was scored as Developing against most standards. In particular the four key standards that underpin risk management were scored as follows -

Standard 14 was assessed by HIW as Developing (3)
Standard 16 was assessed by HIW as Developing (3)
Standard 27 was assessed by HIW as Responding(2)
Standard 28 was assessed by HIW as Developing (3)

Healthcare Standards Improvement Plan

Following the completion of the process for 2006-07 the LHB developed a Healthcare Standards Improvement Plan (HCSIP). The plan concentrated on fifteen key areas. This was in recognition that due to the size of the organisation and the tight timescales i.e. six months not all areas could be addressed in the first year. The HCSIP was approved by the Board in November 2007. Progress against the plan is regularly monitored and status against actions are updated by the Clinical Governance Officer. It is presented to Management Executive Committee along with quarterly Healthcare Standards Exception Reports, which have to be provided to Regional Office.

The LHB was asked to identify 10-12 key priorities for the HCSIP. Initially 13 key standards were identified however, this increased after the 2006-07 review report was received from HIW. Therefore fifteen standards with 44 actions against these standards were identified. All except five of these actions were achieved by year end and have been reported to Regional Office as key exceptions. These will be transferred to the HCSIP for 2008-09.

Following on from the HCSIP the LHB has assessed itself as improving in a number of key areas with performance being assessed as Developing in 23, Practising in 6 and Leading in 2. In particular in relation to the four key standards the LHB has assessed itself as follows -

- Standard 14 has been assessed as Developing (3)
- Standard 16 has been assessed as Developing (3)
- Standard 27 has been assessed as Developing (3)
- Standard 28 has been assessed as Practising (4)

Internal Audit reviewed the internal assessments of HIW standards and conclude that a consistent and robust internal assessment was undertaken by the LHB, and that significant assurance can be gained from the process used to assess the standards. Internal Audit confirm that the self assessed scores for the core standards were reasonable based on the evidence presented.

Embedding Healthcare Standards

Various mechanisms are used to embed the Healthcare Standards for Wales across the organisation:

- Healthcare Standards champions with representation from each directorate and specific teams within directorate where appropriate
- Executive Leads responsible for a set number of standards.
- Workshops held on Healthcare Standards
- Agendas from meetings cross referenced to the Healthcare Standards
- HCSIP regularly reported to Clinical Governance Steering Committee, MEC and Board

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 Practice Division (DPD) 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 LHB's internal auditors - there should also be checks to ensure the probity of dental expenditure.

In 2007-08 the following work was undertaken on the probity of dental expenditure:

a) The DPB's Probity Activity Report 2007-08 for Carmarthenshire LHB confirmed that the following work was undertaken:

(i) Benefit Eligibility Checks

The DPD selects regular samples of patients who have claimed help with NHS dental charges, weighted towards the higher value claims, to confirm whether the patient was eligible to the help they claimed. The sample for Carmarthenshire covered the following categories: HC2, HC3, Tax Credit Exemption Certificate, Income Support, Income-based Jobseeker's Allowance and Pension Credit Guarantee Credit, with the results demonstrated below.

Results of initial checks with Agencies completed during period
Confirmed 2597 Not confirmed 318 Unresolved 266 Total 3181

Follow up checks are carried out and following further investigation by the DSD a total of 6 cases were not entitled to help with patient charges.

(ii) Patient Questionnaires

The questionnaires are used to assess how closely the patients' recollection of events match the information supplied on the FP17s (the FP17 being the claim form detailing treatment) together with a few questions about patient satisfaction. Results from questionnaires are analysed both nationally and at LHB level with respect to particular risk areas. The analysis of 2007-08 saw a total of 1842 questionnaires being issued with 1079 responses received.

For a number of reasons it is not possible to use the results of patient questionnaire as evidence of wrongdoing, but they can be useful for providing a base assessment of risk within a LHB.

iii) Record Card Checks

A sample of 10 randomly selected patient record cards (counting as one check) selected from each of 10 contracts in every LHB will be examined annually. LHBs receive a summary report advising them of the results of the checks and appropriate indicators of potential problems.

b) Work undertaken by the LHB

During 2007-08 the LHB performed reconciliations between the Contract Payment Report and the Dental Contract Authorisation Schedule which forms the basis for the payments on line system (pol). The initial reconciliation confirmed that the 3% uplift for 2007-08 had been correctly applied to pol, and that payments made were in accordance with the agreed monthly allocation for the contracts. Subsequent reconciliations confirmed that correct payments were being made in respect of Vocational Dental Payments and updated authorisation schedules, whilst the detailed analysis of additions and deductions was also reconciled to individual contracts.

Work was also undertaken to monitor the Units of Dental Activity/ Units of Orthodontic activity levels agreed in each contract on a monthly basis.

Mid year statement detailing activity were sent to all contractors. Any underperformance issues within the remit of the GDS/PDS contracts were discussed with the relevant contractors, and where appropriate contract adjustments made.

Towards the year end, preliminary statements including both activity and financial information were sent to all contractors in order to outline their projected year end positions.

Where following year end reviews a shortfall in contracted activity is identified, recoveries are initiated for the value of the underperformance

The LHB receives inspection reports from the DPD on a quarterly basis, those contracts that fall outside of a tolerance range for specific criteria are detailed in the exception reports.

The LHB evaluates these exception reports in a systematic manner in order to identify areas of concern

c) Work done by Internal Audit

The Internal Audit Agency met with both Dental Practice Division (DPD) personnel and the Internal Auditors of the DPD as there was evidence in the early months of the contract that the system was not working properly. Whilst not meeting all the concerns, the discussions went some way to allaying some of them.

5. Review of effectiveness

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

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.

The following supporting systems are also in place :

- * Standing Orders and Standing Financial Instructions,
- * Counterfraud Policy,
- * The Audit & Risk Committee has at least six meetings planned each year,
- * There is a Clinical Governance Committee, with supporting advisory structures,
- * There is a Terms of Services and Remuneration Committee in place,
- * There is a sub-committee which considers patient and public issues,
- * There is a budgetary control system - including performance review - in place,
- * Service agreements are in place between the LHB and BSC for the provision of finance, HR, IM&T and primary care contractor support services,
- * Financial control procedures are in place to cover key systems,
- * The LHB Board regularly receives and reviews financial and performance reports, including specific reports on those areas which are key priorities and/or represent significant risks to the delivery of the LHB's main priorities.
- * A Risk Group has been established in-year to further enhance the risk management processes within the organisation.

6. Significant internal control problems (if applicable)

No significant internal control problems have been identified. The LHB is committed to regularly reviewing the key components of its internal controls and risk management arrangements.

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 Carmarthenshire LHB for the year ended 31st March 2008 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 there under 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 there under. 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, Carmarthenshire LHB 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 Carmarthenshire LHB'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 Carmarthenshire LHB'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 Carmarthenshire LHB'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 Carmarthenshire LHB as at 31 March 2008 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 the directions made there under by Welsh Ministers.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

My conclusion on Carmarthenshire LHB's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
20 June 2008

Wales Audit Office
24 Cathedral Road
Cardiff

ACCOUNT OF - 2007-2008

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 2008 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 2008 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 2008 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 - 2007-2008

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.