

Carmarthenshire 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 [Carmarthenshire](#)
- 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	245,529	217,783
Miscellaneous income	3.1	3,614	2,338
Net operating costs		<u>241,915</u>	<u>215,445</u>

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

	£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 2007

	Note	£000	31 March 2006 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	26	34
CURRENT ASSETS			
Debtors	6.1	2,178	2,157
Cash at bank and in hand		526	503
Total Current Assets		2,704	2,660
Creditors: amounts falling due within one year	6.2	14,840	12,003
Net current assets / (liabilities)		(12,136)	(9,343)
Creditors: amounts falling due after more than one year	6.3	622	622
Provisions for liabilities and charges	6.4	629	265
TOTAL NET ASSETS		(13,361)	(10,196)
FINANCED BY:			
General fund	6.5	(13,361)	(10,196)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
TOTAL		(13,361)	(10,196)

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

	£000	2005-06 £000
Net operating costs	(241,915)	(215,445)
Adjust for non-cash transactions	263	(236)
Adjust for movements in working capital other than cash	2,817	(494)
Utilisation of provisions	(265)	(16)
	<hr/>	<hr/>
Net cash outflow from operating activities	(239,100)	(216,191)
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	(239,100)	(216,191)
FINANCING:		
Net Assembly funding (including capital)	239,123	216,472
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	239,123	216,472
	<hr/>	<hr/>
Increase / (decrease) in cash	23	281

Notes to the cash flow statement**Adjust for non-cash transactions**

	£000	2005-06 £000
Depreciation and other write-offs	10	9
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	629	123
Capital charge interest	(376)	(368)
	<u>263</u>	<u>(236)</u>

Adjust for movements in working capital other than cash

	£000	2005-06 £000
(Increase)/decrease in debtors	(143)	(1,017)
Increase/(decrease) in creditors	2,960	523
	<u>2,817</u>	<u>(494)</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	23
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>23</u>
Non cash changes in debt	0
Net debt at 1 April 2006	(119)
Net debt at 31 March 2007	<u>(96)</u>

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	503	23	0	526
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>(119)</u>	<u>23</u>	<u>0</u>	<u>(96)</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2007 was £
523,352

Analysis of capital expenditure, financial investments and associated receipts

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

Reconciliation of loan issues and repayments to cash movements

	Issues	2005-06 Repayments	Net Movement
	£'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	2005-06 Disposals	Net Movement
	£'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 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 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.)

b. Valuation

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

Land and Buildings

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

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

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District

Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

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

All adjustments arising from indexation and five - yearly revaluations are taken to the Revaluation Reserve.

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

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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. 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.

1.16 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

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. 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

	2006-07	2005-06
	£000	£000
Net operating costs for the financial year	241,915	215,445
Non-discretionary expenditure	1,867	2,375
Operating costs less non-discretionary expenditure	240,048	213,070
Revenue Resource Limit	235,837	213,089
Under / (over) spend against Revenue Resource Limit	(4,211)	19
Unplanned resource brokerage received	0	0
Operational Financial Balance	(4,211)	19

Notes

Carmarthenshire Local Health Board has not achieved operational financial balance in 2006-7 and therefore failed its statutory duty to remain within its Revenue Resource Limit. The outturn position at the end of March 2007 shows an overspend of £4.211m.

The LHB and Carmarthenshire NHS Trust agreed a balanced SAFF/ SCEP for 2006-7 with Regional Office on 5th July 2006.

A Community SCEP in the sum of £4.779m designed to address the deficit of the Carmarthenshire NHS Trust was agreed with Regional Office. The SAFF documents detailed the financial risks facing the community in 2006-7.

Chief amid these risks for the LHB being Continuing Care.

Despite management actions during 2006-7 the Community SCEP did not deliver the required savings.

During the latter part of 2006 several meetings took place between the Chief Executives of the Carmarthenshire NHS Trust, the LHB and the Turnaround Director in order to agree the performance to date and forecast for the year against the 2006-7 Community SCEP.

The Turnaround Director identified a SCEP deficit of £1.694 m and attributed the following amounting to £0.762million to the LHB.

Emergency Medical Admissions Avoidance £0.401 m

Assessment Unit PPH £0.195 m

Prescribing £0.150 m

Continuing Care £0.050 m

Contingency £(0.034) m

The Chief Executive for the NHS In Wales instructed the LHB to include the financial effects of the SCEP deficit in its 2006-7 accounts.

The LHB also provided some £186,000 of funding over and above the LTA to Carmarthenshire NHS Trust in respect of Delayed Transfers of Care and Palliative Care.

The LHB has also invested the following amounts in the Carmarthenshire NHS Trust in 2006-7:-

SAFF Monies £4.6 m

High Cost Drugs £0.4 m

Wanless Monies £1.294m

These combined investments made by the LHB in the Carmarthenshire NHS Trust amount to some £6m leaving the LHB with insufficient flexibility with which to manage the financial risks that materialised in 2006-7.

One of the most significant financial risks highlighted in the SAFF was Continuing Care and during 2006-7 the LHB recorded a substantial overspend amounting to £4.4 m against budget.

The LHB is currently funding high cost care packages for patients in their home setting, high cost packages for mental health patients placed out of county and for children with complex needs.

The LHB is experiencing growing demand across all sectors of Continuing Care and has also experienced an increase in the number of retrospective claims and Ombudsman appeals during 2006-7.

For 2007-8 the LHB will have a Strategic Change and Efficiency Plan (SCEP) to address its own deficit and the Carmarthenshire NHS Trust will also have a SCEP to address its own deficit. The LHB is still in discussion with the Mid & West Wales Regional Office regarding the formal approval of the SCEP and therefore the SCEP has not been agreed at the time of completing these accounts.

3.1 Miscellaneous income

	£000	2005-06 £000
Fees & Charges	0	0
Prescription charge income	1,649	1,056
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	1,965	1,282
Total	3,614	2,338

Other	£000
Dental Aneasthesia	149
Low Vision	678
GP Registrar	707
Pathways	402
Expert Patient Programme	21
Other	8
Total	1,965

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2005-06 Total
	£000	£000	£000	£000
General Medical services	22,115	0	22,115	21,955
Pharmaceutical services	6,673	548	7,221	7,137
General Dental services	8,331	0	8,331	52
General Ophthalmic services	0	1,319	1,319	1,362
Other Primary health care expenditure	2,073	0	2,073	2,049
Prescribed drugs and appliances	34,542		34,542	33,119
Total	73,734	1,867	75,601	65,674

4.2 Secondary and Community health care

	Total	2005-06 Total
	£000	£000
NHS Trusts:		
Provider 1 - .. Carmarthen	109,776	100,276
Provider 2 - .. Pembrokeshire & Derwen	17,634	16,318
Provider 3 - .. Swansea	14,050	12,521
Provider 4 - .. Cardiff & Vale	1,715	1,342
Provider 5 - .. Ceredigion	512	474
Provider 6 - .. Bro Morgannwg	584	320
Provider 7 - .. Powys	166	153
Provider 8 - .. Velindre	161	132
Provider 9 - .. Welsh Ambulance	168	148
Provider 10 - Gwent	101	96
Other Welsh NHS trusts	169	176
Other non Welsh NHS trusts	694	241
Local Authorities	1,331	1,710
Voluntary Organisations	295	304
NHS Funded Nursing Care	1,891	2,195
Continuing Care	14,112	8,342
Private providers	563	2,175
Specific projects funded by Welsh Assembly Government	0	0
Other	331	314
Total	164,253	147,237

4.3 Other programme expenditure

	2005-06	2005-06
	£000	£000
Salaries and wages	1,228	728
National Public Health Service	1,039	960
Losses, special payments and irrecoverable debts	1	0
Research and development	0	0
Other	1,176	676
	<hr/>	<hr/>
Total	3,444	2,364

4.4 Administration expenditure

	2005-06	2005-06
	£000	£000
Non-officer members' remuneration	122	122
Other salaries and wages	909	1,048
Establishment expenses	183	213
Transport and moveable plant	0	0
Premises and fixed plant	105	178
External contractors	33	28
Auditors' remuneration - audit fee	97	77
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	1,125	1,170
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	9	9
Amortisation	0	0
Capital charge interest	(376)	(368)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	24	31
	<hr/>	<hr/>
Total	2,231	2,508

Note

Included in the Auditors Remuneration is an amount of £18,000 for the external audit of the BSC attributable to the Carmarthenshire LHB.

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

	Total	2005-06 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	1	0
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	1	0
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/>
Total	1	0
	<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	21	20
Total	21	20

Commitments under non-cancellable operating leases:

	Land and Buildings	Other Leases	2005-06 Land and Buildings	2005-06 Other Leases
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	21	0	10
Between 1 and 5 years	0	0	0	10
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	Total	2005-06 Total
	£000	£000
Salaries and wages	2,616	1,899
Social security costs	222	156
Employer contributions to NHSPA	329	258
Other pension costs	0	0
Agency / seconded staff	85	23
Total	3,252	2,336

4.8 Board Directors' remuneration

	£000	2005-06 £000
Non-officer members' remuneration	96	90
Executive Directors' remuneration:		
basic salaries	326	322
benefits	6	6
performance related bonuses	0	0
pension contributions	40	52
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	468	470

	£000	Chief Executive £000
Basic Salary	34	88
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	12
Total	34	100

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 cont- ract staff Number	Staff on inward second- ment Number	Total Number	2005-06 Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	80	4	0	84	66
Recharged staff	3	0	0	3	1
Total	87	4	0	91	71

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. Leased Car	0	6
b.	0	0
c.	0	0
d.	0	0
Total	0	6

4.10 Retirements due to ill-health

During 2006-07 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £.....

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
Non- NHS			
Total bills paid 2006-2007	10,761	24,411	16,810
Total bills paid within target	10,574	23,941	16,120
Percentage of bills paid within target	98.3%	98.1%	95.9%

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
NHS			
Total bills paid 2006-2007	645	148,876	133,869
Total bills paid within target	576	148,566	133,519
Percentage of bills paid within target	89.3%	99.8%	99.7%

	Number	£000	2005-06 £000
Total			
Total bills paid 2006-2007	11,406	173,287	150,679
Total bills paid within target	11,150	172,507	149,639
Percentage of bills paid within target	97.8%	99.5%	99.3%

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

	£	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
Gross cost at 1 April 2006	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2007	0	0	0	0	0
Accumulated amortisation at 1 April 2006	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 2007	0	0	0	0	0
Net book value at 1 April 2006	0	0	0	0	0
Net book value at 31 March 2007	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 2006	0	0	0	0	0	0	0	49	49
Indexation	0	0	0	0	0	0	0	1	1
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 2007	0	0	0	0	0	0	0	50	50
Depreciation									
At 1 April 2006	0	0	0	0	0	0	0	15	15
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	9	9
At 31 March 2007	0	0	0	0	0	0	0	24	24
Net book value									
at 1 April 2006	0	0	0	0	0	0	0	34	34
Net book value									
at 31 March 2007	0	0	0	0	0	0	0	26	26
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 2007 comprises:

	£000	2005-06 £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	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

	£000	2005-06 £000
Amounts falling due within one year:		
National Assembly for Wales	260	104
Health Commission Wales	174	194
Local Health Boards	109	128
Primary Care Trusts	85	85
NHS Trusts	239	187
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	864	1,112
Provision for irrecoverable debts	(235)	(91)
Pension Prepayments:	0	0
Other prepayments and accrued income	682	438
	<hr/>	<hr/>
Sub total	2,178	2,157
	<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	2,178	2,157

6.2 Creditors

	£000	2005-06 £000
Amounts falling due within one year:		
National Assembly for Wales	36	28
Health Commission Wales	0	194
Local Health Boards	25	103
NHS Trusts	1,502	994
Primary Care Trusts	85	85
Income tax and social security	0	3
Non-NHS creditors	204	505
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	23
Pensions: staff	0	0
Accruals	12,981	10,058
Deferred Income	7	10
Other creditors	0	0
	<hr/>	<hr/>
Total	14,840	12,003

6.3 Creditors

	Total	2005-06 Total
Amounts falling due after more than one year:	£000	£000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	622	622
Pensions: staff	0	0
Other	0	0
	<hr/>	<hr/>
Total	622	622

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	0
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	265			629	0	(265)		629
Total	265	0	0	629	0	(265)	0	629

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	629	0	0	629
Total	629	0	0	629

The LHB estimates that in 2007-08 it will receive £'000 , and in 2008-09 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 2006	(10,196)
Net operating cost for the financial year	(241,915)
Net Assembly funding (including capital)	239,123
Capital charge interest	(373)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2007	(13,361)

6.6 Donated asset reserve

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

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

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

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	12,400	200
Total	12,400	200

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 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	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
Balances with other central government bodies	314	0	225	622
Balances with local authorities	719	0	0	0
Balances with NHS trusts and Foundation trusts	272	0	1,079	0
Balances with Local Health Boards	128	0	103	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	724	0	10,595	0
Total at 31 March 2006	2,157	0	12,002	622

6.10 Post balance sheet events

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

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

6.11 Capital commitments

The Local Health Board has the following capital commitments:

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

6.12 Related Party transactions

£000

Total value of transactions with Board members and key senior staff in 2006-2007

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 & Velindre NHS Trust

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	Pharmacy member	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 Derris Williams	Voluntary Sector Member	Menter Cwm Gwendraeth
Dr Terry Davies	Medical Director	GP Contractor (Part Year)
.....
.....
.....

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	7	1
Total losses and special payments	7	1

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

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

6.14 Financial Instruments

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/>
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. The account must be prepared by 31 May 2007 at the latest so that the Auditor General for Wales can complete his audit by 28 June 2007.

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 2006-07 was £678,000

Pathways To Work Team

Carmarthenshire LHB also hosts the Pathways to Work 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 2006-7 was £401,633

The aim of the Pathways to work 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 – Coughlan Review & The Grogan Judgment WHC 2006 (46)

A recent court judgment 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 be 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 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 £12.4 million has been disclosed in note 6.8

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

The 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

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.

In line with the LHB's Standing Orders certain functions have been delegated. 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 centred, safe, high quality care within a reporting and learning culture. In order to ensure a coordinated approach to the management of risk the Chairs and Vice Chairs of the Audit & Risk and Clinical Governance Committees meet twice yearly. The Terms of Reference of both committees are incorporated into the Risk Management Strategy of the Board.

The LHB meets quarterly with the Welsh Assembly Government to discuss performance issues and risk areas are flagged at these meetings. Risks are also routinely noted in the Monthly Financial Monitoring Returns and during the Service & Financial Framework (SaFF) development process.

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 2007 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

In addition to the roles and responsibilities of the LHB Board and the Accountable Officer, responsibility for ensuring the implementation of effective systems of internal control and risk management has been delegated to the Finance Director. The Nursing Director is the lead on clinical governance issues, whilst all LHB directors and line managers have a responsibility to ensure that risk is managed effectively within their own areas of delegated responsibility. In addition all staff job descriptions detail individual's responsibilities towards the management of risk in all of their actions. Also the induction programme for new starters includes risk management awareness.

The LHB has identified and emphasised, within its Risk Management Strategy, the importance of training, awareness and communication as part of embedding risk management within the organisation. This is a developing process which continues to build risk management into the mainstream work undertaken by all staff in the LHB. Areas which have been developed in the LHB, and have been recognised externally as good practice, include protected time for learning in general practice, the LHB's Risk Management Strategy, incident and hazard reporting and the development of policies and procedures.

The LHB has undertaken increased training on risk issues and the management of risk during the 2006-07 financial year.

4. The risk and control framework

The LHB's Risk Management Strategy sets out the organisational arrangements in place to ensure there is an integrated approach to risk management. In addition, the Strategy sets out the LHB's approach to risk management and the importance of training, communication and assessing risk as part of a continuing process to embed risk management into every aspect of the LHB's commissioning responsibilities.

Work in the following areas have taken place during the financial year:

- 1) Ongoing review of financial control procedures and the development of new procedures relating to the implementation of new primary care contracts (e.g. Dental),
- 2) Review and enhancement of the clinical risk component of the LHB's risk management strategies,
- 3) Implementation of protected learning time for primary care staff,
- 4) Ongoing provision of internal and external audit,
- 5) Delivery against SaFF targets and other key targets, and
- 6) Ongoing staff training and development in relation to financial management, risk management and other aspects of corporate governance.

The LHB has completed detailed self-assessments against the Welsh Risk Management Standards in place for 2006/07. The Welsh Risk Pool expects an overall compliance of 75% in the standards to be

The draft report issued by the Welsh Risk Pool has assessed the LHB's performance as follows:

	Raw Score	WRP Weighting	Weighted Score
Standard A Risk Management Policy and Strategy	75	100	75
Standard B Risk Assessment & Treatment	83	100	83
Standard C Incident and Hazard Reporting	84	100	84
Standard D Policies and Procedures	86	25	21
Standard G Facilitating Safe and Provision of Primary Care	64	100	64
Standard H Claims & Compliments	61	50	31
Standard I Records Management	63	25	16

Average Score 75%

This position may change when the final report is received.

Internal Audit has also reviewed all Standards completed by the LHB with the following outcome:

Standard A Risk Management Policy and Strategy	78
Standard B Risk Assessment & Treatment	82
Standard C Incident and Hazard Reporting	93
Standard D Policies and Procedures	98
Standard E Governance	95
Standard F Financial Management	85
Standard G Facilitating Safe and Provision of Primary Care	86
Standard H Claims & Compliments	79
Standard I Records Management	82

Average Score 86%

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 2006/07 the following work was undertaken on the probity of dental expenditure:

a) The DPB's Probity Activity Report 2006/07 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 2976 Not confirmed 396 Unresolved 323 Total 3695

Follow up checks are carried out and penalty charges issued and debt recovered where appropriate.

(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. As the system was only implemented in January, the analysis for 2006/07 is therefore limited to the period January to March 2007, with a total of 163 questionnaires being issued for Carmarthenshire. For a number of reasons it is not possible to use the results of patient questionnaires 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 2006/07 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 2006/07 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.

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. The internal audit plan for 2006/07 included the dental contract.

Although this work does not indicate that any material irregular dental expenditure occurred during 2006/07, it is not sufficient to provide the LHB with assurance that the risk of irregular payments to dentists are minimised. The LHB plans to increase the work undertaken in future years to identify and minimise any risk of irregular payments to dentists. The LHB, in conjunction with both Internal Audit and the LCFS will agree a programme of work, assisted by the DPD who will provide further assessment of the concerns in question, analyses of FP17 data and routine monitoring checks.

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.

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, including the development of procedures to cover new contracts implemented with primary care service providers, and
- * 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.

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.

Signed:.....

Chief Executive
(on behalf of board)

Date:.....

AUDITORS' REPORT

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

I certify that I have audited the financial statements on pages 2 to 35 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 37 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made there under and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

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

I review whether the statement on pages 38 & 39&39(2) reflects the Board's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of Opinion

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

Carmarthenshire LHB

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.

The LHB has breached its resource limit by spending £4.211m over the amount that it was authorised to spend in the year.

This constitutes irregular expenditure

I also draw your attention to Note 2.1 , which sets out the financial position of the Board and the actions being taken to achieve financial balance.

It was the LHB's intention to publish all Directors remuneration and Directors were advised of this requirement accordingly. However, the LHB is unable to disclose details of one Director as the individual believes that such a disclosure would be prejudicial. The individual concerned is seeking their own legal advice regarding their future position in this respect.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Carmarthenshire 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 there under by the National Assembly for Wales;
- except for the non disclosure of the elements of the remuneration report as set out above the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the National Assembly for Wales; and
- Except for irregular expenditure of £4.211m in the year explained in the paragraph above , 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 Carmarthenshire LHBs 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
28th June 2007

Wales Audit Office
Deri House
Park Grove
Cardiff

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 2006 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

FORM AND CONTENT

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

4. For the financial year ended 31 March 2006 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of the National Assembly of Wales

Signed :Jeff Buggle

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.