Hywel Dda University 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 established on 1 October 2009 and comprises the former organisations of Hywel Dda NHS Trust and Carmarthenshire, Ceredigion and Pembrokeshire Local Health Boards.

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 Statement of Comprehensive Net Expenditure, which shows the net operating cost incurred by the LHB which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

The statutory duty for Local Health Boards is enacted in the National Health Service (Wales) Act 2006. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is the Achievement of Operational Financial Balance on page 2. This note compares net operating costs expended against Resource Limits allocated by the Welsh Government and measures whether operational financial balance has been achieved in year.

Hywel Dda University Local Health Board's yearend financial position of £19.225m deficit reflects the on-going requirement for major service redesign in order to be able to deliver our statutory breakeven duty.

The need for significant service change has been acknowledged by Welsh Government and Wales Audit Office, and through public consultation, the first set of service transfers has begun.

However, it is also evident that the scale of redesign required remains substantial and will require a pragmatic rolling programme of service change for many years. This fact will undoubtedly be reflected in the audit opinion, and will necessitate on-going discussion with Welsh Government, our partner organisations, our key stakeholders, our staff and our residents.

Statement of Comprehensive Net Expenditure
for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
Expenditure on Primary Healthcare Services	3.1	**171,809**	167,692
Expenditure on healthcare from other providers	3.2	**166,287**	161,480
Expenditure on Hospital and Community Health Services	3.3	**421,029**	427,978
		759,125	757,150
Less: Miscellaneous Income	4	**56,107**	58,127
LHB net operating costs before interest and other gains and losses		**703,018**	699,023
Investment Income	8	**0**	0
Other (Gains) / Losses	9	**4**	20
Finance costs	10	**47**	48
Net operating costs for the financial year		**703,069**	699,091

Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2014 is as follows:

	2013-14 £000	2012-13 £000
Net operating costs for the financial year	**703,069**	699,091
Less Non-discretionary expenditure	592	648
Less Revenue consequences of Bringing PFI schemes onto SoFP	0	0
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	**702,477**	**698,443**
Revenue Resource Limit	683,252	698,499
Under / (over) spend against Revenue Resource Limit	**(19,225)**	56

The notes on pages 8 to 60 form part of these accounts

Note 3.1 -During the year the Local Health Board has experienced item growth cost pressures of £2.7m in Primary Care Prescribing, and Welsh Government funded cost pressures of £0.9m in GMS services.
Note 3.2 - Main movement is due to no benefit from balance Provision for CHC & Ombudsman included in 2012-13, not in 2013-14.

Other Comprehensive Net Expenditure

	2013-14	2012-13
	£'000	£'000
Net gain / (loss) on revaluation of property, plant and equipment	2,285	61
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	(158)	0
(Gain) / loss on other reserves	0	0
Impairment and reversals	0	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0
Other comprehensive net expenditure for the year	2,127	61
Total comprehensive net expenditure for the year	700,942	699,030

Statement of Financial Position as at 31 March 2014

	Notes	31 March 2014 £'000	31 March 2013 £'000
Non-current assets			
Property, plant and equipment	11	226,775	220,852
Intangible assets	12	637	432
Trade and other receivables	15	31,074	30,016
Other financial assets	19	0	0
Other assets	20	0	0
Total non-current assets		258,486	251,300
Current assets			
Inventories	14	8,768	8,354
Trade and other receivables	15	11,859	12,786
Other financial assets	19	0	0
Other assets	20	0	0
Cash and cash equivalents	18	361	158
		20,988	21,298
Non-current assets classified as "Held for Sale"	11	644	484
Total current assets		21,632	21,782
Total assets		280,118	273,082
Current liabilities			
Trade and other payables	16	64,843	68,055
Other financial liabilities	22	0	0
Provisions	17	5,759	5,872
Other liabilities	21	0	0
Total current liabilities		70,602	73,927
Net current assets/ (liabilities)		(48,970)	(52,145)
Non-current liabilities			
Trade and other payables	16	0	0
Other financial liabilities	22	0	0
Provisions	17	33,073	31,798
Other liabiliities	21	0	0
Total non-current liabilities		33,073	31,798
Total assets employed		176,443	167,357
Financed by :			
Taxpayers' equity			
General Fund		157,242	150,267
Revaluation reserve		19,201	17,090
Total taxpayers' equity		176,443	167,357

The financial statements on pages 2 to 7 were approved by the Board on 4th June 2014 and signed on its behalf by:

Chief Executive.. Date 4/6/14

The notes on pages 8 to 60 form part of these accounts

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2014

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2013-14			
Balance at 1 April 2013	150,267	17,090	**167,357**
Net operating cost for the year	(703,069)	0	**(703,069)**
Net gain/(loss) on revaluation of property, plant and equipment	0	2,285	**2,285**
Net gain/(loss) on revaluation of intangible assets	0	0	**0**
Net gain/(loss) on revaluation of financial assets	0	0	**0**
Net gain/(loss) on revaluation of assets held for sale	0	(158)	**(158)**
Impairments and reversals	0	0	**0**
Movements in other reserves	0	0	**0**
Transfers between reserves	16	(16)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to/from LHBs	0	0	**0**
Total recognised income and expense for 2013-14	(703,053)	2,111	**(700,942)**
Net Welsh Government funding	710,028		**710,028**
Balance at 31 March 2014	157,242	19,201	**176,443**

The notes on pages 8 to 60 form part of these accounts

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2012-13			
Balance at 1 April 2012	160,444	17,170	**177,614**
Net operating cost for the year	(699,091)		**(699,091)**
Net gain/(loss) on revaluation of property, plant and equipment	0	61	**61**
Net gain/(loss) on revaluation of intangible assets	0	0	**0**
Net gain/(loss) on revaluation of financial assets	0	0	**0**
Net gain/(loss) on revaluation of assets held for sale	0	0	**0**
Impairments and reversals	0	0	**0**
Movements in other reserves	0	0	**0**
Transfers between reserves	141	(141)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to/from LHBs	0	0	**0**
Total recognised income and expense for 2012-13	(698,950)	(80)	**(699,030)**
Net Welsh Government funding	688,773		**688,773**
Balance at 31 March 2013	150,267	17,090	**167,357**

The notes on pages 8 to 60 form part of these accounts

Statement of Cash flows for year ended 31 March 2014

	notes	2013-14 £'000	2012-13 £'000
Cash Flows from operating activities			
Net operating cost for the financial year		**(703,069)**	(699,091)
Movements in Working Capital	34	**(2,829)**	(9,070)
Other cash flow adjustments	35	**27,578**	48,865
Provisions utilised	17	**(9,060)**	(8,361)
Net cash outflow from operating activities		**(687,380)**	(667,657)
Cash Flows from investing activities			
Purchase of property, plant and equipment		**(22,909)**	(22,391)
Proceeds from disposal of property, plant and equipment		**256**	124
Purchase of intangible assets		**(340)**	(72)
Proceeds from disposal of intangible assets		**0**	0
Payment for other financial assets		**0**	0
Proceeds from disposal of other financial assets		**0**	0
Payment for other assets		**0**	0
Proceeds from disposal of other assets		**0**	0
Net cash inflow/(outflow) from investing activities		**(22,993)**	(22,339)
Net cash inflow/(outflow) before financing		**(710,373)**	(689,996)
Cash flows from financing activities			
Welsh Government funding (including capital)		**710,028**	688,773
Capital receipts surrendered		**0**	0
Capital grants received		**548**	543
Capital element of payments in respect of finance leases and on-SoFP		**0**	0
Cash transferred (to)/ from other NHS bodies		**0**	0
Net financing		**710,576**	689,316
Net increase/(decrease) in cash and cash equivalents		**203**	(680)
Cash and cash equivalents (and bank overdrafts) at 1 April 2013		**158**	838
Cash and cash equivalents (and bank overdrafts) at 31 March 2014		**361**	158

The notes on pages 8 to 60 form part of these accounts

Notes to the Accounts

1. Accounting policies
The accounts have been prepared in accordance with the 2013-14 Local Health Board Manual for Accounts and 2013-14 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention
These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Acquisitions and discontinued operations
Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income and funding
The main source of funding for the Local Health Boards (LHBs) are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Welsh Government funding is recognised in the financial period in which the cash is received.
Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.
Funding for the acquisition of fixed assets received from the Welsh Government is credited to the general fund.
Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.
Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits
Short-term employee benefits
Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs
Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

1.5 Other expenses
Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.6 Property, plant and equipment
Recognition
Property, plant and equipment is capitalised if:
- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation
All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for the LHBs services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

In 2012-13 a formal revaluation exercise was applied to land and properties. Land and buildings have been indexed with indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the Revaluation Reserve are reported in the Statement of Net Comprehensive Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the General Fund.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE.

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement
The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 Depreciation, amortisation and impairments
Freehold land and assets under construction and properties held for sales are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the LHB checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

1.9 Research and Development
Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity 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 SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Donated assets
Following the accounting policy change outlined in the Treasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

1.11 Government grants
Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the grant preclude immediate recognition of the gain.

1.12 Non-current assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

1.13 Leases
Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

1.13.1 The Local Health Board as lessee
Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Net Expenditure.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.13.2 The Local Health Board as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.14 Inventories
Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.15 Cash and cash equivalents
Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.16 Provisions
Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision . An onerous contract is considered to exist where the LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the LHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.17 Clinical negligence costs
The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool is hosted by Velindre NHS Trust.

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

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

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

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

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

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the LHB assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

1.19 Financial liabilities

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

1.19.1 Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities at fair value through the Statement of Comprehensive Net Expenditure or other financial liabilities.

1.19.2 Financial liabilities at fair value through the Statement of Comprehensive Net Expenditure

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

1.19.3 Other financial liabilities

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

1.20 Value Added Tax

Most of the activities of the LHB are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.21 Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.22 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 24 to the accounts.

1.23 Losses and Special Payments
Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the SoCNE on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

The LHB accounts for all losses and special payments gross (including assistance from the WRP). The LHB accrues or provides for the best estimate of future pauouts for cerain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For thoses claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.24 Pooled budget
The LHB has entered into pooled budgets with Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in Note 31.

The pool is hosted by one organisation. Payments for services provided are accounted for as miscellaneous income. The LHB accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

1.25 Critical Accounting Judgements and key sources of estimation uncertainty
In the application of the LHB's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.26 Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Provision for clinical negligence and personal injury claims are arrived at based on advice received from Welsh Health Legal Services and the LHB's own legal advisors Morgan Cole. Given the nature of such claims, figures could be subject to significant change in future periods. The potential financial effect of such uncertainty is minimised by the cost recognised by the LHB is capped at £0.025m per case with the excess reclaimed from the Welsh Risk Pool. An associated Welsh Risk Pool debtor is separately identified in the debtors note.
b. The LHB includes a provision for retrospective claims for continuing healthcare funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing healthcare and the actual costs incurred by individuals in care homes. The provision is based on information made available to the LHB at the time of these accounts and could be subject to significant change as outcomes are determined.

c. As in prior years due to the relatively short timescale available to prepare the annual accounts, the primary care expenditure disclosed contains a number of estimates where the value of actual liabilities was not available prior to the date of the accounts submission, the main areas being:

GMS Enhanced Services
GMS Quality and Outcomes Framework
Prescribing
Dental
Pharmacy

d. The LHB provides for potential bad debts both as a result of specific disputes and based on an assessment of the ability to collect for non NHS debtors, this is separately identified in the debtor note and any movement in the expenditure note. In addition where there is sufficient doubt on recoverability of NHS debt the LHB recognise a credit note provision which is netted off NHS debtors in the balance sheet and written back against income.

e. In line with IAS19 the LHB has reviewed the level of annual leave taken by its staff to 31st March. Based on a sample the LHB has accrued an estimate of the cost of untaken leave.

1.27 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The LHB therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Net Expenditure.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Net Expenditure.

Lifecycle replacement
Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the LHBs criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the LHB to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the LHBs Statement of Financial Position.

Other assets contributed by the LHB to the operator
Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the LHB through the asset being made available to third party users.

1.28 Contingencies
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.29 Carbon Reduction Commitment Scheme

Carbon Reduction Commitment Scheme allowances are accounted for as government grant funded intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be measured initially at cost. Scheme assets in respect of allowances shall be valued at fair value where there is evidence of an active market.

1.30 Absorption accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

1.31 Accounting standards that have been issued but not yet been adopted.

During 2013-14 there have been no standards issued by the IASB that have not been adopted.

1.32 Accounting standards that have been issued but not yet been adopted.

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year:

IFRS 9 Financial Instruments - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

1.33 Accounting standards issued that have been adopted early

During 2013-14 there have been no accounting standards that have been adopted early.
All early adoption of accounting standards will be led by HM Treasury.

1.34 Charities

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the LHB has established that as the LHB is the corporate trustee of the linked NHS Charity (Hywel Dda General Fund Charity), it is considered for accounting standards compliance to have control of Hywel Dda General Fund Charity as a subsidiary and therefore is required to consolidate the results off Hywel Dda General Fund Charity within the statutory accounts of the LHB. The determination of control is an accounting standards test of control and there has been no change to the operation of Hywel Dda General Fund Charity or its independence in its management of charitable funds.

However, the LHB has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will consolidate/disclose the Charitable Accounts of Local Health Boards in the Welsh Government Consolidated Accounts. Details of the transactions with the charity are included in the related parties' notes.

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The LHB has not achieved Operational Financial Balance as shown on the face of the Operating Cost Statement.

2.2 Capital Resource Limit

	2013-14	2012-13
	£000	£000
The LHB is required to keep within its Capital Resource Limit :		
Gross capital expenditure	**22,321**	23,607
Add: Losses on disposal of donated assets	**0**	0
Less NBV of property, plant and equipment and intangible assets disposed	**(256)**	(144)
Less capital grants received	**(6)**	(36)
Less donations received	**(542)**	(507)
Charge against Capital Resource Limit	**21,517**	22,920
Capital Resource Limit	**21,572**	22,959
(Over) / Underspend against Capital Resource Limit	**55**	39

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited	Non-cash limited	2013-14 Total	2012-13
	£'000	£'000	£'000	£'000
General Medical Services	60,763		**60,763**	59,447
Pharmaceutical Services	19,044	(3,249)	**15,795**	15,687
General Dental Services	19,980		**19,980**	19,698
General Ophthalmic Services	0	3,841	**3,841**	3,712
Other Primary Health Care expenditure	5,446		**5,446**	5,851
Prescribed drugs and appliances	65,984		**65,984**	63,297
Total	**171,217**	**592**	**171,809**	167,692

3.2 Expenditure on healthcare from other providers

	2013-14	2012-13
	£'000	£'000
Goods and services from other NHS Wales Health Boards	**33,456**	33,410
Goods and services from other NHS Wales Trusts	**4,631**	4,530
Goods and services from other non Welsh NHS bodies	**1,898**	1,449
Goods and services from WHSSC	**67,307**	66,495
Local Authorities	**5,936**	5,575
Voluntary organisations	**1,385**	1,360
NHS Funded Nursing Care	**3,328**	3,326
Continuing Care	**45,158**	42,758
Private providers	**3,023**	2,493
Specific projects funded by the Welsh Government	**0**	0
Other	**165**	84
Total	**166,287**	161,480

3.3 Expenditure on Hospital and Community Health Services

	2013-14	2012-13
	£'000	£'000
Directors' costs	2,001	1,989
Staff costs	313,334	306,073
Supplies and services - clinical	54,784	52,401
Supplies and services - general	4,116	4,640
Consultancy Services	1,215	403
Establishment	9,552	9,550
Transport	1,193	1,073
Premises	13,502	13,375
External Contractors	275	286
Depreciation	13,511	13,329
Amortisation	135	147
Fixed asset impairments and reversals (Property, plant & equipment)	4,254	22,489
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Audit fees	421	481
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	2,372	1,453
Research and Development	0	0
Other operating expenses	364	289
Total	**421,029**	427,978

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

	2013-14	2012-13
Increase/(decrease) in provision for future payments:	£000	£000
Clinical negligence	6,849	13,981
Personal injury	1,888	1,103
All other losses and special payments	625	256
Defence legal fees and other administrative costs	561	219
Gross increase/(decrease) in provision for future payments	9,923	15,559
Premium for other insurance arrangements	0	0
Irrecoverable debts	73	(80)
Less: income received/ due from Welsh Risk Pool	(7,624)	(14,026)
Total	2,372	1,453

Personal injury includes £759,570 (2012-13 £336,287) in respect of permanent injury benefits.

Clinical Redress arising during the year was £49,087 (2012-13 £39,775)

4. Miscellaneous Income

	2013-14	2012-13
	£'000	£'000
Local Health Boards	17,795	17,386
WHSSC	903	535
NHS trusts	2,725	2,807
Strategic health authorities and primary care trusts	4,116	4,128
Foundation Trusts	0	0
Local authorities	4,617	3,854
Welsh Government	7,765	8,973
Non NHS:		
Prescription charge income	11	11
Dental fee income	2,819	2,680
Private patient income	186	232
Overseas patients (non-reciprocal)	46	44
Injury Costs Recovery (ICR) Scheme	1,126	1,233
Other income from activities	878	2,011
Patient transport services	0	0
Education, training and research	8,532	8,196
Charitable and other contributions to expenditure	469	1,735
Receipt of donated assets	542	507
Receipt of Government granted assets	6	36
Non-patient care income generation schemes	377	383
NWSSP, Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	69	60
Accommodation and catering charges	1,422	1,472
Mortuary fees	145	151
Staff payments for use of cars	313	245
Business Unit	0	0
Other	1,245	1,448
Total	56,107	58,127

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of 15.8% (2012-13 12.6%) to reflect expected rates of collection.

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2012-13
	£000	£000	£000	£000	£000
Salaries and wages	265,161	1,877	4,183	**271,221**	265,218
Social security costs	20,661	0	0	**20,661**	20,256
Employer contributions to NHS Pension Scheme	31,368	0	0	**31,368**	30,491
Other pension costs	184	0	0	**184**	0
Other employment benefits	0	0	0	**0**	0
Termination benefits	0	0	0	**0**	0
Total	317,374	1,877	4,183	**323,434**	315,965
Charged to capital				**369**	333
Charged to revenue				**323,065**	315,632
				323,434	315,965

The movement in Permanent staff costs - Salaries and Wages, is attributable to 1% pay award and cost of increments.

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2012-13
	Number	Number	Number	Number	Number
Medical and dental	723	9	24	**756**	741
Ambulance staff	0	0	0	**0**	0
Administrative and estates	1,252	12	0	**1,264**	1,347
Healthcare assistants and other support staff	814	0	1	**815**	780
Nursing, midwifery and health visiting staff	3,857	2	21	**3,880**	3,857
Nursing, midwifery and health visiting learners	0	0	0	**0**	0
Scientific, therapeutic and technical staff	833	1	2	**836**	819
Social care staff	0	0	0	**0**	0
Other	4	1	0	**5**	3
Total	7,483	25	48	7,556	7,547

5.3. Retirements due to ill-health

During 2013-14 there were 17 early retirements from the LHB agreed on the grounds of ill-health (21 in 2012-13 - £1,254,464). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,334,107.

5.4 Employee benefits

	2013-14	2012-13
	£000	£000
	0	0
	0	0
	0	0

5.5 Reporting of other compensation schemes - exit packages

	Total number of exit packages by cost band	Total number of exit packages by cost band
	Number	Number
	2013-14	2012-13
Exit package cost band		
<£10,000	1	1
£10,000 to £25,000	9	1
£25,000 to £50,000	4	3
£50,000 to £100,000	0	2
£100,000 to £150,000	0	1
£150,000 to £200,000	1	0
£200,000+	0	0
Total number of exit packages by type	**15**	8
Total resource cost £	507,294	414,537

5.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the LHB in the financial year 2013-14 was £185,000 - £190,000 (2012-13, £180,000 - £185,000). This was 7 times (2012-13, 7) the median remuneration of the workforce, which was £27,840 (2012-13, £27,625)

In 2013-14, 6 (2012-13, 3) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £14,294 to £209,049 (2012-13 £14,153 to £199,557).

A change to the remuneration of the most highly paid director:
Hywel Dda University Local Health Board was recently granted University Status, which has had a significant impact on the credibility of the Local Health Board and this demonstrates the significant dedication and work involved by the Chief Executive in developing and strengthening partnerships with our local Universities. The Health Boards Remuneration Committee considered this and in accordance with its powers around the management of Executive Salary pay scales it decided to award one additional increment.

5.7 Pension costs

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

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation
A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.
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) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation
The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while future scheme terms are developed as part of the reforms to public service pension provision due to be implemented in 2015.

The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and after consideration of the advice of the Scheme Actuary. A formal valuation for funding purposes as at March 2012 is currently close to completion and will be used to inform the contribution rates applicable from 1 April 2015.

c) Scheme provisions
The NHS Pension Scheme provides defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "defined benefit" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in inflation in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used as the measure of inflation and replaced the Retail Prices Index (RPI).
Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional pension in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

6. Operating leases

LHB as lessee

The Provider arm of the Local Health Board has several operating leases arrangements in place, which include:

- leases for vehicles
- leases for smaller medical and surgical items which are valued at less than £5,000 each
- at the end of the primary lease period these items are returned to the lessor

Payments recognised as an expense	**2013-14**	2012-13
	£000	£000
Minimum lease payments	**1,941**	2,179
Contingent rents	**0**	0
Sub-lease payments	**0**	0
Total	**1,941**	2,179

Total future minimum lease payments		
Payable	**£000**	£000
Not later than one year	**1,084**	1,182
Between one and five years	**803**	990
After 5 years	**0**	0
Total	**1,887**	2,172

There are no future sublease payments expected to be received.

LHB as lessor

Rental revenue	**£000**	£000
Rent	**0**	0
Contingent rents	**0**	0
Total revenue rental	**0**	0

Total future minimum lease payments		
Receivable	**£000**	£000
Not later than one year	**0**	0
Between one and five years	**0**	0
After 5 years	**0**	0
Total	**0**	0

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

The Welsh Government requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government has set as part of the Health Board financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

	2013-14	2013-14	2012-13	2012-13
NHS	Number	£000	Number	£000
Total bills paid	3,555	190,413	3,530	256,730
Total bills paid within target	3,138	187,348	3,279	255,764
Percentage of bills paid within target	88.3%	98.4%	92.9%	99.6%
Non-NHS				
Total bills paid	288,673	393,441	288,739	280,674
Total bills paid within target	274,948	379,287	276,007	267,417
Percentage of bills paid within target	95.2%	96.4%	95.6%	95.3%
Total				
Total bills paid	292,228	583,854	292,269	537,403
Total bills paid within target	278,086	566,635	279,286	523,181
Percentage of bills paid within target	95.2%	97.1%	95.6%	97.4%

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

	2013-14	2012-13
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	0

The Local Health Board has achieved it's prompt payment target of 95% for payment of the number of Non NHS invoices. Per Welsh Government guidance, during 2013-14 Contractor payments have been re-classified as Non NHS payments, in 2012-13 these were included as NHS payments.

Technical guidance was issued by Welsh Government on 30th October 2013 which clarified the procedure for calculating compliance with PSPP figures. This guidance was implemented by the Health Board and where possible retrospective changes have been made to the PSPP target in order to comply with this guidance.
For the period from April to October, the Health Board used the methodology that had been in place since the Health Board had been formed. This differed from the new guidance in terms of when the clock started to measure compliance As a consequence the performance figure reported for 2013/14 is a composite of two methodologies.

8. Investment Income

	2013-14	2012-13
	£000	£000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	0

9. Other gains and losses

	2013-14	2012-13
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	(4)	(20)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	(4)	(20)

10. Finance costs

	2013-14	2012-13
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts		
main finance cost	0	0
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
Total interest expense	0	0
Provisions unwinding of discount	47	48
Other finance costs	0	0
Total	47	48

11.1 Property, plant and equipment

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction & on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2013	24,470	162,503	7,977	4,595	60,940	310	18,590	3,993	**283,378**
Indexation	0	2,212	155	0	0	0	0	0	**2,367**
Additions - purchased	0	4,477	0	13,406	2,431	5	801	313	**21,433**
Additions - donated	0	83	0	147	291	0	21	0	**542**
Additions - government granted	0	0	0	0	0	0	6	0	**6**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	6,898	0	(6,898)	(20)	0	0	20	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Reversal of impairments	0	1,033	0	0	0	0	0	0	**1,033**
Impairments	(410)	(4,546)	(319)	(370)	(70)	0	0	0	**(5,715)**
Reclassified as held for sale	(225)	(465)	0	0	0	0	0	0	**(690)**
Disposals	0	0	0	0	(2,529)	(26)	(2,205)	(9)	**(4,769)**
At 31 March 2014	23,835	172,195	7,813	10,880	61,043	289	17,213	4,317	**297,585**
Depreciation at 1 April 2013	0	5,550	532	0	40,439	239	13,894	1,872	**62,526**
Indexation	0	76	6	0	0	0	0	0	**82**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	(8)	0	0	8	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Reversal of impairments	0	34	0	0	0	0	0	0	**34**
Impairments	0	(461)	(56)	0	(49)	0	0	0	**(566)**
Reclassified as held for sale	0	(8)	0	0	0	0	0	0	**(8)**
Disposals	0	0	0	0	(2,529)	(26)	(2,205)	(9)	**(4,769)**
Provided during the year	0	5,946	322	0	5,294	37	1,540	372	**13,511**
At 31 March 2014	0	11,137	804	0	43,147	250	13,229	2,243	**70,810**
Net book value at 1 April 2013	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**
Net book value at 31 March 2014	23,835	161,058	7,009	10,880	17,896	39	3,984	2,074	**226,775**
Net book value at 31 March 2014 comprises :									
Purchased	23,595	157,904	7,009	10,734	16,664	39	3,928	2,074	**221,947**
Donated	240	3,154	0	146	1,203	0	50	0	**4,793**
Government Granted	0	0	0	0	29	0	6	0	**35**
At 31 March 2014	23,835	161,058	7,009	10,880	17,896	39	3,984	2,074	**226,775**
Asset financing :									
Owned	23,835	161,059	7,009	10,879	17,896	39	3,984	2,074	**226,775**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2014	23,835	161,059	7,009	10,879	17,896	39	3,984	2,074	**226,775**

The net book value of land, buildings and dwellings at 31 March 2014 comprises :

	£000
Freehold	**190,480**
Long Leasehold	**1,422**
Short Leasehold	**0**
	191,902

11.1 Property, plant and equipment

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction & on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2012	23,782	174,549	8,234	17,709	61,736	592	16,970	3,475	**307,047**
Indexation	0	0	0	0	0	0	0	0	**0**
Additions - purchased	0	2,465	0	14,023	4,221	0	1,737	547	**22,993**
Additions - donated	0	0	0	0	475	0	32	0	**507**
Additions - government granted	0	0	0	0	36	0	0	0	**36**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	19,144	0	(19,291)	95	146	(148)	(29)	**(83)**
Revaluations	2,214	(19,999)	(56)	(92)	(10)	0	0	0	**(17,943)**
Reversal of impairments	0	0	0	0	0	0	0	0	**0**
Impairments	(1,256)	(13,511)	(2)	(7,754)	(47)	0	0	0	**(22,570)**
Reclassified as held for sale	(270)	(145)	(199)	0	0	0	0	0	**(614)**
Disposals	0	0	0	0	(5,566)	(428)	(1)	0	**(5,995)**
At 31 March 2013	24,470	162,503	7,977	4,595	60,940	310	18,590	3,993	**283,378**
Depreciation at 1 April 2012	0	16,993	1,006	0	40,853	571	12,260	1,639	**73,322**
Indexation	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	(1)	58	(64)	(52)	**(59)**
Revaluations	0	(16,993)	(1,006)	0	(5)	0	0	0	**(18,004)**
Reversal of impairments	0	0	0	0	0	0	0	0	**0**
Impairments	0	(48)	0	0	(33)	0	0	0	**(81)**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	(5,553)	(428)	0	0	**(5,981)**
Provided during the year	0	5,598	532	0	5,178	38	1,698	285	**13,329**
At 31 March 2013	0	5,550	532	0	40,439	239	13,894	1,872	**62,526**
Net book value at 1 April 2012	23,782	157,556	7,228	17,709	20,883	21	4,710	1,836	**233,725**
Net book value at 31 March 2013	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**
Net book value at 31 March 2013 comprises :									
Purchased	24,230	153,842	7,445	4,595	19,086	67	4,658	2,121	**216,044**
Donated	240	3,111	0	0	1,379	4	38	0	**4,772**
Government Granted	0	0	0	0	36	0	0	0	**36**
At 31 March 2013	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**
Asset financing :									
Owned	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**

The net book value of land, buildings and dwellings at 31 March 2013 comprises :

	£000
Freehold	187,424
Long Leasehold	1,444
Short Leasehold	0
	188,868

11. Property, plant and equipment (continued)

i) Acquisitions shown as donated assets within Note 11 were bought using monies donated by the the public into the Charitable Funds, and contributions from League of Friends and other Charities.

During 2013/14 fixed assets purchased to the following value were funded by the following:

Hywel Dda General Fund Charity (1147863)	Medical Equipment	£235,752
Hywel Dda General Fund Charity (1147863)	IT Equipment	£20,764
League of Friends Contributions	Ward Refurbishment	£83,357
League of Friends Contributions	Medical Equipment	£54,911
Charitable Contributions	IT Equipment	£511
Ty Cymorth Hospice Committee	Refurbishment	£146,460
Total Donated Assets		**£541,755**

During 2013/14 IT Equipment purchased to the following value were funded by:

Flying Start Grant - Pembrokeshire County Council	£6,015

ii) A revaluation exercise was undertaken of completed schemes within the financial period, the effective date of revaluation were:

- 1st September 2013 - Mynydd Mawr Reprovision, Prince Philip Hospital
- 30th October 2013 - Renal Unit, Withybush Hospital

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2013	140	344	0	0	0	**484**
Plus assets classified as held for sale in the year	225	457	0	0	0	**682**
Revaluation	(22)	(136)	0	0	0	**(158)**
Less assets sold in the year	(150)	(110)	0	0	0	**(260)**
Add reversal of impairment of assets held for sale	0	0	0	0	0	**0**
Less impairment of assets held for sale	(8)	(96)	0	0	0	**(104)**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2014	185	459	0	0	0	**644**
Balance brought forward 1 April 2012	0	0	0	0	0	**0**
Plus assets classified as held for sale in the year	270	344	0	0	0	**614**
Revaluation	0	0	0	0	0	**0**
Less assets sold in the year	(130)	0	0	0	0	**(130)**
Add reversal of impairment of assets held for sale	0	0	0	0	0	**0**
Less impairment of assets held for sale	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2013	140	344	0	0	0	**484**

The properties sold during the year were Hakin Health Centre and Tir y Garreg, Kidwelly
Hakin Health Centre was sold for £70,000 in June 2013. The recognised loss on sale of the Asset was £1,399
Tir y Garreg was sold for £190,000 in July 2013. The recognised loss on sale of the Asset was £2,850

Other Assets classed as For Sale During the year were
Mynydd Mawr, Tumble Site & 13 Goring Road, Llanelli

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure-internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2013	880	0	39	0	0	0	919
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	280	0	60	0	0	0	340
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(6)	0	(8)	0	0	0	(14)
Gross cost at 31 March 2014	1,154	0	91	0	0	0	1,245
Amortisation at 1 April 2013	475	0	12	0	0	0	487
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	130	0	5	0	0	0	135
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	(19)	0	19	0	0	0	0
Disposals	(6)	0	(8)	0	0	0	(14)
Amortisation at 31 March 2014	580	0	28	0	0	0	608
Net book value at 1 April 2013	405	0	27	0	0	0	432
Net book value at 31 March 2014	574	0	63	0	0	0	637
At 31 March 2013							
Purchased	562	0	63	0	0	0	625
Donated	12	0	0	0	0	0	12
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
Total at 31 March 2014	574	0	63	0	0	0	637

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2012	753	0	11	0	0	0	**764**
Revaluation	0	0	0	0	0	0	**0**
Reclassifications	61	0	22	0	0	0	**83**
Reversal of impairments	0	0	0	0	0	0	**0**
Impairments	0	0	0	0	0	0	**0**
Additions- purchased	66	0	6	0	0	0	**72**
Additions- internally generated	0	0	0	0	0	0	**0**
Additions- donated	0	0	0	0	0	0	**0**
Additions- government granted	0	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	**0**
Transfers	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	0	**0**
Gross cost at 31 March 2013	**880**	**0**	**39**	**0**	**0**	**0**	**919**
Amortisation at 1 April 2012	270	0	11	0	0	0	**281**
Revaluation	0	0	0	0	0	0	**0**
Reclassifications	59	0	0	0	0	0	**59**
Reversal of impairments	0	0	0	0	0	0	**0**
Impairment	0	0	0	0	0	0	**0**
Provided during the year	146	0	1	0	0	0	**147**
Reclassified as held for sale	0	0	0	0	0	0	**0**
Transfers	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	0	**0**
Amortisation at 31 March 2013	**475**	**0**	**12**	**0**	**0**	**0**	**487**
Net book value at 1 April 2012	**483**	**0**	**0**	**0**	**0**	**0**	**483**
Net book value at 31 March 2013	**405**	**0**	**27**	**0**	**0**	**0**	**432**
At 31 March 2013							
Purchased	387	0	27	0	0	0	**414**
Donated	18	0	0	0	0	0	**18**
Government Granted	0	0	0	0	0	0	**0**
Internally generated	0	0	0	0	0	0	**0**
Total at 31 March 2013	**405**	**0**	**27**	**0**	**0**	**0**	**432**

Computer Software & Licences are capitalised at their purchased price.

Computer Software & Licences are not indexed as IT assets are not subject to indexation .

The assets are amortised monthly over their expected life.

The gross carrying amount of all fully amortised intangible assets still in use as at 31st March 2014 was £264,915

13 . Impairments

	2013-14		2012-13	
	Property, plant & equipment	Intangible assets	Property, plant & equipment	Intangible assets
	£000	£000	£000	£000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	0	0
Others (specify)	4,254	0	22,489	0
Total of all impairments	4,254	0	22,489	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	4,254	0	22,489	0
Charged to Revaluation Reserve	0	0	0	0
	4,254	0	22,489	0

£4,254,335 of the Impairment loss recognised is due to the impact of good housekeeping valuations which have been undertaken on schemes completed and brought into use, it also reflects the reversal of impairments as a consequence of indexation applied to building assets during 2013-14.

14.1 Inventories

	31 March 2014 £000	31 March 2013 £000
Drugs	**2,913**	2,979
Consumables	**5,601**	5,090
Energy	**254**	285
Work in progress	**0**	0
Other	**0**	0
Total	**8,768**	8,354
Of which held at realisable value	**0**	0

14.2 Inventories recognised in expenses

	31 March 2014 £000	31 March 2013 £000
Inventories recognised as an expense in the period	**0**	0
Write-down of inventories (including losses)	**69**	69
Reversal of write-downs that reduced the expense	**0**	0
Total	**69**	69

15. Trade and other Receivables

Current	31 March 2014 £000	31 March 2013 £000
Welsh Government	132	933
WHSSC	561	798
Welsh Health Boards	780	798
Welsh NHS Trusts	290	450
Non - Welsh Trusts	11	586
Other NHS	904	1
Welsh Risk Pool	2,616	1,904
Local Authorities	1,173	1,823
Capital debtors	147	0
Other debtors	3,990	4,290
Provision for irrecoverable debts	(514)	(441)
Pension Prepayments	0	0
Other prepayments and accrued income	1,769	1,644
Sub total	11,859	12,786
Non-current		
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	31,069	30,002
Local Authorities	0	0
Capital debtors	0	0
Other debtors	5	14
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	31,074	30,016
Total	42,933	42,802

Receivables past their due date but not impaired

By up to three months	249	604
By three to six months	1	8
By more than six months	4	6
	254	618

Provision for impairment of receivables

Balance at 1 April	(441)	(539)
Transfer to other NHS Wales body	0	0
Amount written off during the year	44	86
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	(117)	12
Bad debts recovered during year	0	0
Balance at 31 March	(514)	(441)

In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies

Receivables VAT

Trade receivables	580	351
Other	0	0
Total	580	351

16. Trade and other payables

Current	31 March 2014 £000	31 March 2013 £000 Restated
Welsh Government	1	0
WHSSC	705	195
Welsh Health Boards	3,844	3,682
Welsh NHS Trusts	878	1,339
Other NHS	6,362	5,570
Taxation and social security payable / refunds	3,188	3,548
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	2	2
NI contributions payable to HMRC	3,164	3,048
Non-NHS creditors	6,111	7,014
Local Authorities	2,146	4,035
Capital Creditors	4,385	5,166
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	0	0
Accruals	29,267	29,351
Deferred Income:		
Deferred Income brought forward	283	116
Deferred Income Additions	213	283
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(281)	(116)
Other creditors	4,575	4,822
Total	64,843	68,055

Non-current	31 March 2014 £000	31 March 2013 £000 Restated
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	0	0
Accruals	0	0
Deferred Income :		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
Total	0	0

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.

17. Provisions

	At 1 April 2013	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2014
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	26	0	0	5,630	1,752	(2,198)	(4,502)	0	708
Personal injury	2,026	0	0	123	1,198	(694)	(129)	45	2,569
All other losses and special payments	0	0	0	0	626	(625)	(1)	0	0
Defence legal fees and other administration	15	0	0	391	235	(61)	(502)		78
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	72			0	35	(24)	0	1	84
Restructuring	0			0	0	0	0	0	0
Other	3,733		0	0	329	(1,631)	(111)		2,320
Total	5,872	0	0	6,144	4,175	(5,233)	(5,245)	46	5,759
Non Current									
Clinical negligence	29,457	0	0	(5,630)	13,654	(3,493)	(4,055)	0	29,933
Personal injury	831	0	0	(123)	841	(125)	(22)	0	1,402
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	1,510	0	0	(391)	1,567	(209)	(739)		1,738
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
Total	31,798	0	0	(6,144)	16,062	(3,827)	(4,816)	0	33,073
TOTAL									
Clinical negligence	29,483	0	0	0	15,406	(5,691)	(8,557)	0	30,641
Personal injury	2,857	0	0	0	2,039	(819)	(151)	45	3,971
All other losses and special payments	0	0	0	0	626	(625)	(1)	0	0
Defence legal fees and other administration	1,525	0	0	0	1,802	(270)	(1,241)		1,816
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	72			0	35	(24)	0	1	84
Restructuring	0			0	0	0	0	0	0
Other	3,733		0	0	329	(1,631)	(111)		2,320
Total	37,670	0	0	0	20,237	(9,060)	(10,061)	46	38,832

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015 31 March 2020	Between 1 April 2020 31 March 2025	Thereafter	Total
					£000
Clinical negligence	12,321	18,320	0	0	30,641
Personal injury	2,696	1,275	0	0	3,971
All other losses and special payments	0	0	0	0	0
Defence legal fees and other administration	931	885	0	0	1,816
Pensions relating to former directors	0	0	0	0	0
Pensions relating to other staff	84	0	0	0	84
Restructuring	0	0	0	0	0
Other	2,320	0	0	0	2,320
Total	18,352	20,480	0	0	38,832

The expected timing of cashflows are based on best available information, but they could change on the basis of individual case changes.

Other provisions includes provisions arising from Continuing Health Care.

Permanent injury provision is included in the 'Personal injury' line, there were 2 new Permanent injury cases in 2013-14.

17. Provisions (continued)

	At 1 April 2012	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2013
Current	£000	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	266	0	0	962	621	(968)	(855)	0	26
Personal injury	1,794	0	0	59	488	(303)	(58)	46	2,026
All other losses and special payments	0	0	0	0	261	(256)	(5)	0	0
Defence legal fees and other administration	92	0	0	387	155	(85)	(534)		15
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	120			0	(27)	(23)	0	2	72
Restructuring	0			0	0	0	0	0	0
Other	3,304		0	3,416	644	(830)	(2,801)		3,733
Total	5,576	0	0	4,824	2,142	(2,465)	(4,253)	48	5,872
Non Current									
Clinical negligence	21,786	0	0	(962)	19,924	(5,582)	(5,709)	0	29,457
Personal injury	349	0	0	(59)	890	(132)	(217)	0	831
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	1,481	0	0	(387)	941	(182)	(343)		1,510
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	3,416		0	(3,416)	0	0	0		0
Total	27,032	0	0	(4,824)	21,755	(5,896)	(6,269)	0	31,798
TOTAL									
Clinical negligence	22,052	0	0	0	20,545	(6,550)	(6,564)	0	29,483
Personal injury	2,143	0	0	0	1,378	(435)	(275)	46	2,857
All other losses and special payments	0	0	0	0	261	(256)	(5)	0	0
Defence legal fees and other administration	1,573	0	0	0	1,096	(267)	(877)		1,525
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	120			0	(27)	(23)	0	2	72
Restructuring	0			0	0	0	0	0	0
Other	6,720		0	0	644	(830)	(2,801)		3,733
Total	32,608	0	0	0	23,897	(8,361)	(10,522)	48	37,670

18. Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	158	838
Net change in cash and cash equivalent balances	203	(680)
Balance at 31 March	361	158
Made up of:		
Cash held at GBS	1,114	424
Commercial banks and cash in hand	(753)	(266)
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	361	158
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	361	158

19. Other Financial Assets

	Current		Non-current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Financial assets				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through SoCNE	0	0	0	0
Held to maturity investments carried at amortised cos	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
	0	0	0	0

20. Other assets

	Current		Non-current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Carbon Reduction Commitment Scheme	0	0	0	0
Other assets	0	0	0	0
	0	0	0	0

21. Other liabilities

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Lease incentives	**0**	0	**0**	0
PFI asset -deferred credit	**0**	0	**0**	0
Other [specify]	**0**	0	**0**	0
	0	0	**0**	0

22. Other financial liabilities

Financial liabilities	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Financial assets carried at fair value through SoCNE	**0**	0	**0**	0
	0	0	**0**	0

23. Related Party Transactions

Total value of transactions with Board members and key senior staff in 2013-2014

	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£	£	£	£
Borth Surgery	990,442	1,091	90,745	265
Ceredigion County Council	5,911,000	858,000	76,257	149,000
Gwalia Housing	577,676	27,993	111,427	3,095
Trinity St Davids University	16,381	0	920	0
Pembrokeshire County Council	7,639,000	2,091,000	306,748	314,000
Dyfed Powys Police Authority	20,771	0	0	3,500
Marie Curie Cancer Care Wales	429,303	0	0	0
Swansea University	417,964	148,817	26,940	14,338
Alliance Healthcare UK Ltd	4,816,400	0	202	0
Aberystwyth University	30,934	0	0	0

The Welsh Government is regarded as a related party. During the year Hywel Dda University Local Health Board has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body, namely

	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£000	£000	£000	£000
Welsh Government	2	725,800	1	132
Welsh Health Specialised Services Committee (WHSSC)	67,686	903	705	561
Abertawe Bro Morgannwg University Health Board	33,944	4,405	3,188	88
Aneurin Bevan University Health Board	314	426	83	6
Betsi Cadwaladr University Health Board	336	3,941	150	31
Cardiff and Vale University Health Board	5,467	756	227	72
Cwm Taf University Health Board	228	345	22	13
Powys Local Health Board	620	7,923	174	570
Welsh Risk Pool				33,685
Public Health Wales	1,645	1,666	300	145
Velindre NHS Trust	3,547	1,826	380	137
Welsh Ambulance Services NHS Trust	2,328	72	198	8

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

Name	Details	Interests
Mr Chris Martin	Chairman	Non-Executive Adviser to Alliance Healthcare Uk Ltd
		Member of Marie Curie Wales National Advisory Board
Dr Sue Fish	Medical Director	Husband is a County Councillor for Ceredigion County Council
		Half Share in Borth Surgery, Ceredigion Premises
Mr Eifion Griffiths	Independent Board Member	Board Member of Grwp Gwalia
		Governor of Trinity St Davids University
Mr Simon Hancock	Independent Board Member	Cabinet Member of Pembrokeshire County Council
Mrs Julie James	Independent Board Member	Member of the Marie Curie Cancer Care Wales Advisory Board
		Member of Court Swansea University
		Member of Dyfed Powys Police Misconduct Panel
		Director of WG Local Government and Communities
Professor Melanie Jasper	Independent Board Member	Head of School of Human & Health Science, Swansea University

24. Third Party assets

The LHB held £758,718 cash at bank and in hand at 31 March 2014 (31 March 2013, £724,458) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £624,888 at 31 March 2014 (31 March 2013, £586,511). This has been excluded from the Cash and Cash equivalents figure reported in the Accounts.

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2013-14 :				
Welsh Government	132	0	1	0
Welsh Local Health Boards	3,396	31,069	3,844	0
Welsh NHS Trusts	290	0	878	0
Welsh Health Special Services Committee	561	0	705	0
All English Health Bodies	934	0	1,615	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	5	0	0	0
Miscellaneous	0	0	4,755	0
Credit note provision	-23	0	0	0
Sub total	**5,295**	**31,069**	**11,798**	**0**
Other Central Government Bodies				
Other Government Departments	4	0	0	0
Revenue & Customs	580	0	6,354	0
Local Authorities	1,173	0	2,146	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	4,807	5	44,545	0
TOTAL	**11,859**	**31,074**	**64,843**	**0**
2012-13 :				
Welsh Government	933	0	0	0
Welsh Local Health Boards	3,019	30,002	3,682	0
Welsh NHS Trusts	450	0	1,339	0
Welsh Health Special Services Committee	798	0	195	0
All English Health Bodies	598	0	997	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	1	0	0	0
Miscellaneous	0	0	4,573	0
Credit note provision	-329	0	0	0
Sub total	5,470	30,002	10,786	0
Other Central Government Bodies				
Other Government Departments	34	0	0	0
Revenue & Customs	0	0	6,598	0
Local Authorities	1,823	0	4,035	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	5,459	14	46,636	0
TOTAL	12,786	30,016	68,055	0

26. Losses and special payments

Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial year

	Amounts paid out during period to 31 March 2014		Approved to write-off to 31 March 2014	
	Number	£	Number	£
Clinical negligence	54	5,691,121	29	7,132,475
Personal injury	43	819,819	17	450,962
All other losses and special payments	147	625,114	144	625,114
Total	244	7,136,054	190	8,208,551

Analysis of cases which exceed £300,000 and all other cases

		Amounts paid out in year	Cumulative amount	Approved to write-off in year
Cases exceeding £300,000		£	£	£
Case Ref	Case Type	0	0	0
06RR6MN0020	Clinical Neg	57,500	632,500	632,500
06RVAMN0010	Clinical Neg	946,672	1,165,215	0
06RVAMN0011	Clinical Neg	35,107	1,985,107	1,985,107
08RR6MN0017	Clinical Neg	30,000	515,000	515,000
08RVAMN0002	Clinical Neg	63,237	607,365	607,365
08RVAMN0009	Clinical Neg	50,000	1,100,000	0
09RYNMN0034	Clinical Neg	395,000	395,000	0
10RYNMN0061	Clinical Neg	438,312	438,312	0
11RYNMN0019	Clinical Neg	827,000	917,000	0
12RYNMN0024	Clinical Neg	816,259	1,866,259	1,866,259
		0	0	0
		0	0	0
		0	0	0
		0	0	0
Sub-total		**3,659,087**	**9,621,758**	**5,606,231**
All other cases		3,476,967	6,525,953	2,602,320
Total cases		**7,136,054**	**16,147,711**	**8,208,551**

27. Contingencies

27.1 Contingent liabilities

	2013-14	2012-13
Provisions have not been made in these accounts for the following amounts :	£'000	£'000
Legal claims for alleged medical or employer negligence	62,788	42,875
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	876	838
Continuing Health Care costs	12,341	13,148
Other	0	0
Total value of disputed claims	76,005	56,861
Amounts recovered in the event of claims being successful	60,671	41,303
Net contingent liability	15,334	15,558

Further to the publication by Welsh Government on 1st May 2014 of new cut-off dates for the assessment of eligibility of Continuing NHS Healthcare cases during the period 1 April 2003 to 31 July 2013, further contingent liabilities in addition to those disclosed above as 'CHC' may arise. It is not possible at the time of preparation of these accounts to quantify the potential further contingent liabilities which may arise.

27.2 Contingent assets

	2013-14	2012-13
	£'000	£'000
	0	0
	0	0
	0	0
	0	0

28. Capital commitments

Contracted capital commitments at 31 March	2013-14	2012-13
	£'000	£'000
Property, plant and equipment	12,801	18,318
Intangible assets	0	0
	12,801	18,318

The decrease in capital commitments is mainly attributable to the fact that the Renal Unit scheme at Withybush General Hospital has completed in year and the progression against the contract of the "Front of House" scheme at Bronglais General Hospital.

29. Finance leases

29.1 Finance leases obligations (as lessee)

The Local Health Board as at 31st March 2014 had no remaining finance lease contracts.

Amounts payable under finance leases:

Land	**31 March 2014 £000**	31 March 2013 £000
Minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

29.1 Finance leases obligations (as lessee) continued

Amounts payable under finance leases:

Buildings	**31 March 2014**	31 March 2013
Minimum lease payments	**£000**	£000
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

Other	**31 March 2014**	31 March 2013
Minimum lease payments	**£000**	£000
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

29.2 Finance leases obligations (as lessor) continued

The Local Health Board has no finance leases receivable as a lessor.

Amounts receivable under finance leases:

	31 March 2014 £000	31 March 2013 £000
Minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

The Local Health Board has no PFI operational schemes deemed to be off-Statement of Financial Position

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2014	31 March 2013
	£000	£000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	0	0
Total estimated capital value of off-SoFP PFI contracts	0	0

30.2 PFI schemes on-Statement of Financial Position

The Local Health Board has no PFI operational schemes deemed to be on-Statement of Financial Position

Total obligations for on-Statement of Financial Position PFI contracts due:

	On SoFP PFI Capital element 31 March 2014	On SoFP PFI Imputed interest 31 March 2014	On SoFP PFI Service charges 31 March 2014
	£000	£000	£000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	0	0	0

	On SoFP PFI Capital element 31 March 2013	On SoFP PFI Imputed interest 31 March 2013	On SoFP PFI Service charges 31 March 2013
	£000	£000	£000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	0	0	0
Total present value of obligations for on-SoFP PFI contrac	0		

30.3 Charges to expenditure

	2013-14	2012-13
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	0	0
Total expense for Off Balance sheet PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	0	0

The LHB is committed to the following annual charges

	31 March 2014	31 March 2013
PFI scheme expiry date:	£000	£000
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	0	0
Total	0	0

The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.

30.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	0	0
Number of PFI contracts which individually have a total commitment > £500m	0	0

PFI Contract	On /off statement of financial

30.5 The LHB has no Public Private Partnerships

The Local Health Board has no Public Private Partnerships.

31. Pooled budgets

The Local Health Board has entered into a pooled budget with Ceredigion County Council on the 1st April 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and a memorandum note to the final accounts will provide details of the joint income and expenditure. The pool is hosted by Ceredigion County Council. The financial operation of the pool is governed by a pooled budget agreement between Ceredigion County Council and the Health Board. Payments for services provided by Ceredigion County Council in the sum of £306,000 are accounted for as expenditure in the accounts of the Local Health Board. The Local Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

The Local Health Board has entered into a pooled budget with Carmarthenshire County Council on the 1st October 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and a memorandum note to the final accounts will provide details of the joint income and expenditure. The pool is hosted by Carmarthenshire County Council. The financial operation of the pool is governed by a pooled budget agreement between Carmarthenshire County Council and the Local Health Board. Payments for services provided by Carmarthenshire County Council in the sum of £412,097 are accounted for as expenditure in the accounts of the Local Health Board. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

The Local Health Board has entered into an agreement with Carmarthenshire County Council on the 31st March 2011 under section 33 of the NHS (Wales) Act 2006 for the provision of Carmarthenshire Community Health and Social Care services. The section 33 agreement itself will initially only provide the framework for taking forward future schedules and therefore references all community based health, social care (adults & children) and related housing and public protection services so that if any future developments are considered there will not have to prepare a separate agreement. There are currently no pooled budgets related to this agreement.

The Local Health Board has entered into an agreement with Pembrokeshire County Council on the 31st March 2011 under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and from 1st October 2012 the agreement has operated as a pooled fund. The Local Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement and the sum of £365,470 has been accounted for as expenditure in the accounts of the Local Health Board.

32. Financial Instruments

Financial assets	At "fair value" through SoCNE	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	36,363	0	0	36,363
Cash at bank and in hand	361	0	0	361
Other financial assets	4,074	0	644	4,718
Total at 31 March 2014	40,798	0	644	41,442

Financial liabilities	At "fair value" through SoCNE	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	29,006	0	29,006
Total at 31 March 2014	29,006	0	29,006

Financial assets	At "fair value" through SoCNE	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	35,472	0	0	35,472
Cash at bank and in hand	158	0	0	158
Other financial assets	5,335	0	484	5,819
Total at 31 March 2013	40,965	0	484	41,449

Financial liabilities	At "fair value" through SoCNE	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	31,823	0	31,823
Total at 31 March 2013	31,823	0	31,823

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The LHB has 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 in undertaking its activities.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

33. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is 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 listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

Currency risk
The LHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHB has no overseas operations. The LHB therefore has low exposure to currency rate fluctuations.

Interest rate risk
LHBs are not permitted to borrow. The LHB therefore has low exposure to interest rate fluctuations

Credit risk
Because the majority of the LHB's funding derives from funds voted by the Welsh Government the LHB has low exposure to credit risk.

Liquidity risk
The LHB is required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. The LHB is not, therefore, exposed to significant liquidity risks.

34. Movements in working capital

	2013-14	2012-13
	£000	£000
(Increase)/decrease in inventories	(414)	(1,021)
(Increase)/decrease in trade and other receivables - non - current	(1,058)	(8,184)
(Increase)/decrease in trade and other receivables - current	927	(2,139)
(Increase)/decrease in other current assets	0	0
(Increase)/decrease in trade and other payables - non - current	0	0
(Increase)/decrease in trade and other payables - current	(3,212)	3,419
Increase/(decrease) in other current liabilities	0	0
Total	(3,757)	(7,925)
Adjustment for accrual movements in fixed assets -creditors	781	(1,145)
Adjustment for accrual movements in fixed assets -debtors	147	0
Other adjustments	0	0
	(2,829)	(9,070)

35. Other cash flow adjustments

	2013-14	2012-13
	£000	£000
Depreciation	13,511	13,329
Amortisation	135	147
(Gains)/Loss on Disposal	4	20
Impairments and reversals	4,254	22,489
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	(542)	(507)
Government Grant assets received credited to revenue but non-ca	(6)	(36)
Non-cash movements in provisions	10,222	13,423
Total	27,578	48,865

36. Cash flow relating to exceptional items

The Local Health Board had no exceptional items relating to the cashflow during 2013-14.

37. Events after the Reporting Period

As at the date of the accounts the Minister for Health and Social Services has confirmed that he is unable to approve the Local Health Board's three year integrated medium term plan and the Local Health Board is required to undertake further work. For 2014-15, a one year 'delivery agreement' plan is being developed for agreement at Accountable Officer level.

38. Operating segments

The Hywel Dda University Local Health Board has identified the organisations full Board as the Chief Operating Decision Maker (CODM) under IFRS 8. Only the full Board can allocate resources to the various services. The organisation is constituted as an integrated Local Health Board with seamless service delivery. The management and reporting for the operations of the Local Health Board to the CODM is through three Counties. Whilst these may be seen as segments they each provide the same spectrum of integrated services and therefore the Local Health Board has aggregated them into one healthcare segment as provided for under IFRS 8. The Local Health Board has no non healthcare activities.

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

I certify that I have audited the financial statements of Hywel Dda University Local Health Board for the year ended 31 March 2014 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

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

As explained more fully in the Statements of the Chief Executive's and Directors' Responsibilities set out on pages 60 and 61, the Chief Executive and Directors are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Hywel Dda University Local Health Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Executive and Directors; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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 read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Hywel Dda University Local Health Board as at 31st March 2014 and of its net operating costs, its recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Basis for Qualified Opinion on Regularity

The LHB has breached its resource limit by spending £19.2 million over the amount that it was authorised to spend in the year. This spend constitutes irregular expenditure.

Qualified Opinion on Regularity

In my opinion except for the irregular expenditure of £19.2 million 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.

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers; and
- 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

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

A separate substantive report is being made - please see my report attached.

Huw Vaughan Thomas
Auditor General for Wales
24 June 2014

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

Introduction

Under Section 61 of the Public Audit (Wales) Act 2004, I am required to examine, certify and report on the annual financial statements of Hywel Dda University Local Health Board (the Health Board).

My audit certificate on page 60 contains my opinion that the financial statements give a "*true and fair view* in accordance with the National Health Service (Wales) Act 2006 and directions made there under by the Welsh Ministers.

It also includes my opinion on whether the expenditure and income shown in the financial statements have been applied to the purposes intended by the National Assembly for Wales and whether the financial transactions conform with the authorities that govern them. This is known as my '*regularity* opinion'. This year I have qualified my regularity opinion on the basis that the Health Board has breached its resource limit. I explain this below.

The financial regime within which each Local Health Board (LHB) is required to operate, prescribes a formal annual 'resource limit'. This is a statutory net expenditure limit, requiring each LHB to function strictly within the resource limit that is set for it by the Welsh Government for that financial year.

Where an LHB's net expenditure exceeds the resource limit, that expenditure is deemed to be unauthorised and is therefore irregular. In such circumstances, I am required to qualify my regularity opinion, irrespective of the value of the excess spend.

For the 2013-14 financial year, the Health Board incurred net expenditure of £702.5 million. Its final resource limit was £683.3 million. This meant that the Health Board has exceeded its resource limit by £19.2 million.

So whilst my 'true and fair view' opinion was unqualified, I have qualified my 'regularity' opinion on the financial statements of the Board for the year ended 31 March 2014.

I have decided to issue a narrative report alongside my audit certificate to explain the basis of this qualification of my audit opinion and to provide further details about the financial position and the planning arrangements of the Health Board.

Financial pressures and additional funding received in year

Current financial pressures across the NHS are well known. The total funding for Welsh Health services in 2013-14 showed only a very small real terms increase of 0.06% from the previous year, however individual Heath Board allocations do not necessarily mirror this position.

Based on an anticipated resource allocation of £659 million, the Health Board estimated its 2013-14 funding gap to be £56 million including repayment of £2.3 million of brokerage received in 2012-13.

The Health Board's 2013-14 Financial Plan, approved in March 2013 put plans in place at the start of the financial year to reduce this gap by £28 million leaving an estimated shortfall of £28 million.

Throughout the year, both the Health Board and Welsh Government paid close attention to the monthly reported outturn and to the forecast year end position. Forecasts were regularly updated and as is usual, various adjustments to the Health Board's resource limit were made by the Welsh Government to reflect specific agreed activities and their costs. The net effect of these adjustments after the first six months of the year was a revised resource limit of £676 million, and a forecast year end deficit of £32 million.

In October 2013, the Minister for Health and Social Services announced additional resource funding of £150 million to 'meet new demands and pressures in the current financial year'. The Health Board's share of this was £18.96 million, with £14.43 million contributing to a decrease in its forecast year end deficit at month seven to £17.1 million, and £4.53 million contributing to other cost pressures. However this, combined with the savings made from cost improvement and avoidance plans, was not sufficient to prevent the Health Board from failing to meet its resource limit at year end by an overspend of £19.2 million.

As detailed above, the Health Board failed to meet its resource limit and as a result I have qualified my regularity opinion.

Financial Planning and Implications for 2014-15

The new *NHS Finance (Wales) Act 2014* which takes effect from 1 April 2014, amends the NHS (Wales) Act 2006 and gives additional resource flexibility to LHBs (subject to formal approval of their plans by the Welsh Ministers), by allowing them to balance their income with their expenditure over a three-year rolling period (instead of a one year period) starting with the 2014-15 financial year (as year 1 of the new arrangements). The 2014 Act also brings three year medium term planning onto a more formal footing by making it a statutory duty.

The statutory duty to compile a rolling three year integrated medium term plan, starting from 2014-15, approved annually by the Welsh Government is an essential foundation to the delivery of sustainable quality health services. On 31 March 2014 the Health Board submitted a three year plan to the Welsh Government starting from 2014-15 to 2016-17 which showed expenditure to be significantly in excess of the anticipated resource limit over the three years. Furthermore, when the requirement to recover the £19.2 million overspend in 2013-14 is also included, the financial gap over the three year period is in excess of £170 million.

As at the date of this report the Minister for Health and Social Services has confirmed that he is unable to approve the Health Board's three year integrated medium term plan and the Health Board is required to undertake further work. For 2014-15, a one year 'delivery agreement' plan is being developed for agreement at Accountable Officer level.

I intend to publish a report on the performance of and outlook for the NHS later this year, which will consider these issues in more detail across the entirety of NHS Wales. In addition I will be monitoring the Health Board's financial performance as the 2014-15 year progresses.

Huw Vaughan Thomas
Auditor General for Wales

24 June 2014

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 Welsh Government.

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 4/6 2014 .... Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, 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 principles laid down by the Welsh Ministers with the approval of the Treasury

- make judgements and estimates which are responsible and prudent

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

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

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

By Order of the Board

Signed:

Chairman: .... Dated: 4/6 2014

Chief Executive: .... Dated: 4/6 2014

Director of Finance: Karen Miles .... Dated: 4/6 2014

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 2011 and subsequent financial years in respect of the Local Health Boards (LHB)1, in the form specified in paragraphs [2] to [7] below.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

(a) the accounting guidance of the Government Financial Reporting Manual (FReM), which is in force for the financial year in which the accounts are being prepared, and has been applied by the Welsh Government and detailed in the NHS Wales LHB Manual for Accounts;

(b) any other specific guidance or disclosures required by the Welsh Government.

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2011 and subsequent years shall comprise a statement of comprehensive net expenditure, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied by the Welsh Assembly Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2011 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, changes in taxpayers' equity and cash flows during the year.

5. The account shall be signed and dated by the Chief Executive of the LHB.

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.

Signed by the authority of Welsh Ministers

Signed : Chris Hurst Dated :

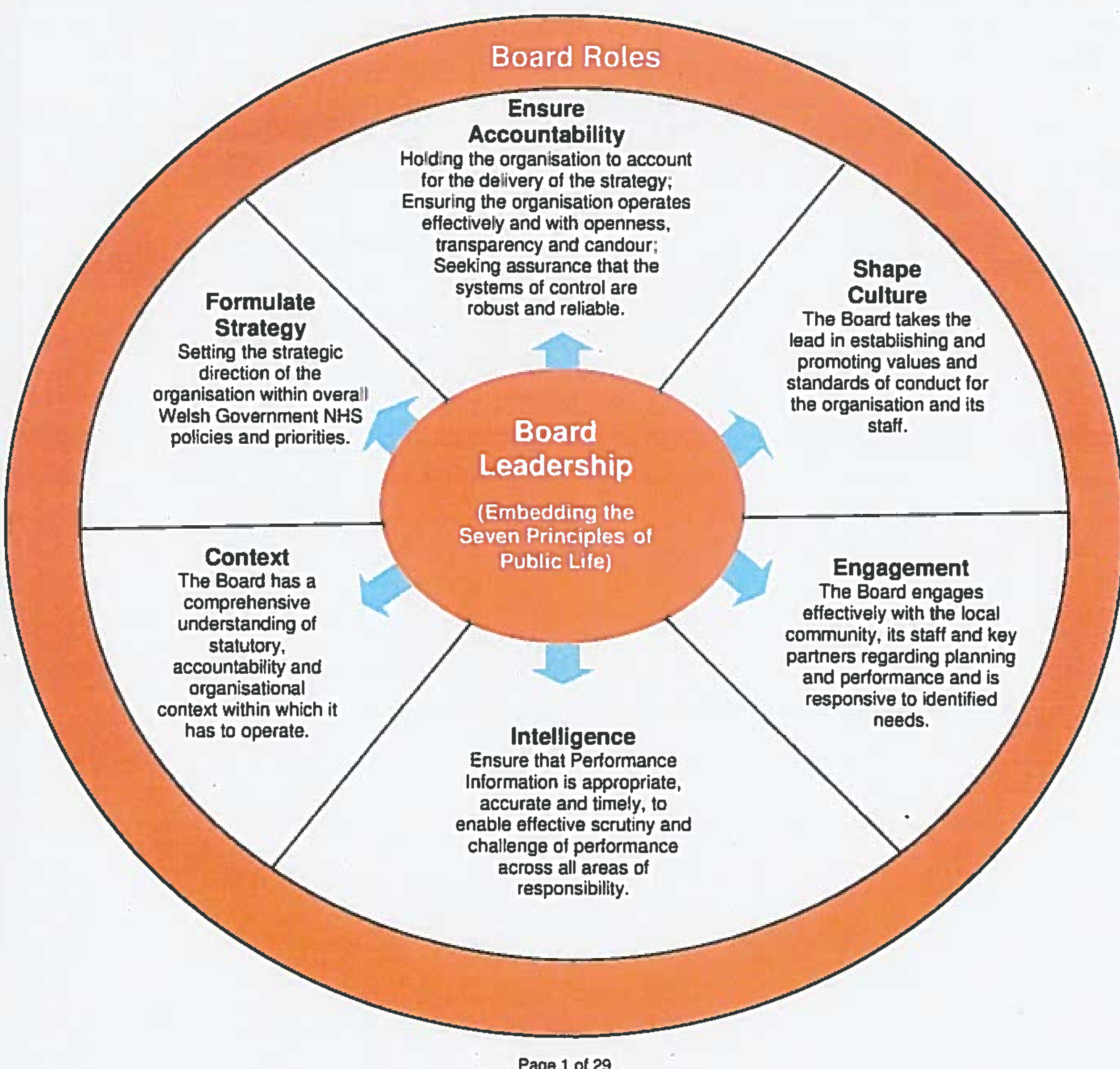
1. Please see regulation 3 of the 2009 No.1559 (W.154); NATIONAL HEALTH SERVICE, WALES; The Local Health Boards (Transfer of Staff, Property, Rights and Liabilities) (Wales) Order 2009

Annual Governance Statement 2013-14

Scope of Responsibility

The Board is accountable for Governance, Risk Management and Internal Control. As Accountable Officer and Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports the 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. These are carried out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales.

The principle role of the Board during the year has been to exercise leadership, direction and control as shown in the following figure:



The Board functions as a corporate decision making body, with Executive Directors and Independent Members being equal members sharing corporate responsibility for all the decisions of the Board.

The Board is supported by the Director of Corporate Services, who in performing the Board Secretary function, provides advice on all aspects of corporate governance within the University Health Board.

During the year the Health Board attained University Health Board status, reflective of its positive reputation for research and the mutually fruitful, often innovative relationship and close working with the various Universities across a wide range of subjects including education, research and development.

The Board has been constituted to comply with the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009. In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of Champion roles where they act as ambassadors for these matters. Board and Committee Membership and Champion roles during 2013-14, were as follows:

NAME	POSITION	AREA OF EXPERTISE REPRESENTATION ROLE	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES
Chris Martin	*Chair*		• (Chair) The Board. • Remuneration Committee. • Litigation Committee. • ex-officio member of all committees	Carers. Information Delivery Plan.
Sian-Marie James	*Vice Chair*	*Primary, Community Services and Mental Health Services*	• (Vice Chair) The Board. • Quality and Safety Committee (Chair from December 2013.) • Integrated Governance Committee. • Mental Health Act Monitoring Committee (Chair) • Charitable Funds Committee • Audit Committee.	Mental Health. Emergency Planning. Public and Patient Involvement. Counter Fraud.
Julie James	*Independent Member*	*Third Sector*	• Quality & Safety Committee from October 2013. • Audit Committee from November 2013. • Integrated Governance Committee until October 2013 • Charitable Fund Committee Chair until October 2013	Third Sector. HR. Concerns.
Mike Ponton	*Independent Member*	*Community*	• Integrated Governance Committee from October 2013. • Audit Committee from November 2013.	Children and Young People's Services. Armed Forces and Veterans.
Melanie Jasper	*Independent Member*	*University*	• Quality and Safety Committee. • Charitable Funds Committee.	
Neil Sandford	*Independent Member*	*Trade Union*	• Quality and Safety Committee. • Integrated Governance Committee. • Remuneration Committee.	Violence & Aggression
Don Thomas	*Independent Member*	*Finance*	• Audit Committee Chair from November 2013 • Quality and Safety Committee • Finance Committee • Remuneration Committee • Integrated Governance Committee Chair until October 2013.	Finance
Eifion Griffiths	*Independent Member*	*Capital, Estates & Service Redesign*	• Mental Health Act Monitoring Committee. • Charitable Funds Committee from	Estates. Sustainable Development.

NAME	POSITION	AREA OF EXPERTISE REPRESENTATION ROLE	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES
			December 2013. • Integrated Governance Committee. • Audit Committee Chair until October 2013	Security Management.
David Powell	*Independent Member*	*Information, Communications & technology*	• Audit Committee. • Integrated Governance Committee. • Mental Health Act Monitoring Committee.	IT Systems and Services. Information Governance and IT Security. Patient Information and Records. Organ Donation.
Margaret Rees-Hughes	*Independent Member*	*Community*	• Audit Committee. • Charitable Funds Committee Chair from December 2013. • Quality and Safety Committee Chair until October 2013. • Integrated Governance Committee from October 2013. • Mental Health Act Monitoring Committee	Cleaning, Hygiene and Infection Management. Welsh Language. Unscheduled Care.
Simon Hancock (wef 01.08.2013)	*Independent Member*	*Local Authority*	• Charitable Funds Committee. • Integrated Governance Committee. • Audit Committee.	Older People.
Chris Davies	*Associate Member*	*(Chair) Stakeholder Reference Group*		*N/A*
Parry Davies	*Associate Member*	*Directors of Social Services*		*N/A*
Sandra Morgan	*Associate Member*	*Acting Chair (Healthcare Professionals Forum)*		*N/A*
Trevor Purt	*Chief Executive*		• Ex-officio member of all committees.	*N/A*
Karen Howell	*Deputy CEO*		• Integrated Governance Committee. • Mental Health Act Monitoring Committee.	*N/A*
Karen Miles	*Executive Director of Finance & Economic Reform*		• Integrated Governance Committee. • In attendance Member of Audit Committee	*N/A*
Sue Fish	*Executive Medical Director*		• Integrated Governance Committee.	Delayed Transfers of Care. Length of Stay.
Caroline Oakley	*Executive Director of Nursing & Midwifery*		• Integrated Governance Committee.	Children
Kathryn Davies	*Executive Director of Therapies & Health Sciences*		• Integrated Governance Committee.	Chronic Disease Management. Long Term Care.
Janet Wilkinson	*Executive Director of Workforce & OD*		• Integrated Governance Committee.	Stroke
Teresa Owen	*Executive Director of Public Health*		• Integrated Governance Committee.	*N/A*
Paul Hawkins	*Executive Director of Operations & Delivery*		• Integrated Governance Committee.	*N/A*
Sarah Jennings	*Director of Strategic Partnerships*			Armed Forces. Older People. Coaching.
Chris Wright	*Director of Corporate Services*	Board Secretary	• Integrated Governance Committee. • In attendance Member of Audit Committee	Veterans
Phil Kloer	*Director of Clinical Services*		• Integrated Governance Committee.	*N/A*

At a local level, Health Boards in Wales must agree Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the LHB (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice, and, together with the adoption of a scheme of matters reserved to the Board; a scheme of delegations to officers and others; and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the University Health Board and define - its 'ways of working'. These documents, together with the range of corporate policies set by the Board make up the Governance Framework.

The following table outlines dates of Board and Committee meetings held during 2013-14, highlighting any meetings that were inquorate:-

Meeting	Dates of Meeting											
Board	23.5.13	05.6.13	25.7.13		26.09.13		28.11.13		30.01.14		27.03.14	
Audit	14.5.13	5.6.13	9.7.13		10.09.13		12.11.13		14.01.14		11.03.14	
Charitable Funds	18.6.13	3.9.13	12.12.13*		04.03.14							
Quality & Safety	10.4.13	18.6.13*	20.8.13		15.10.13		14.11.13		10.12.13	20.01.14	18.02.14	18.03.14
Mental Health	4.6.13	30.9.13	11.12.13		4.2.14*							
Integrated Governance	23.4.13	3.6.13	25.6.13	30.7.13	11.9.13	1.10.13	29.10.13	26.11.13	17.12.13	21.1.14	25.2.14	25.3.14
*meeting not quorate												

Any decisions taken where a Committee was inquorate were either ratified at the next quorate meeting or approved by Chair's Action and subsequently ratified at Committee.

As detailed above, the Board is supported in its role by a number of committees, each chaired by an Independent Member to reflect independence and objectivity, which provide scrutiny on the delivery of key areas of work. The committees, the work of the key ones being more fully explained later in this statement, have met regularly during the year with update and annual reports received by the Board.

In addition to the above Committees, the Health Board is also required to have three Advisory Groups, these being:

- **Stakeholder Reference Group**

Engages with and has involvement into the Board's strategic direction, advises on service improvement proposals and provides feedback to the Board on the impact of its operations on the communities it serves. The Board received assurance reports following each meeting but there were no matters requiring board level consideration or approval.

- **Local Partnership Forum**

Provides the formal mechanism through which the University Health Board works together with Trade Unions and professional bodies to improve health services for the population it serves. It is the forum where key stakeholders engage with each other to inform debate and seek to agree local priorities on workforce and health service issues. Assurance was provided to the Board that strategic workforce risks have been mitigated across the University Health Board through partnership working and engagement.

- **Healthcare Professionals' Forum**

Provides advice to the Board on all professional and clinical issues it considers appropriate. During the year, key risks and issues / matters of concern discussed included implementation of the Clinical

Services Strategy, the Acute Services Review and the Integrated Medium Term Plan, with the Board being informed accordingly.

- **Committees of the Board**

In addition to the above, the Welsh Health Specialised Services Committee (WHSSC) (Wales) Regulations 2009 (SI 2009 No. 3097) made provision for the constitution of a "Joint Committee". This committee comprises all the Local Health Boards and is effectively seen as a sub committee of each Board, with Hywel Dda University Health Board being represented by the Director of Finance and Economic Reform, who attends on behalf of the CEO. The University Health Board also has representation on a committee of NHS Wales Shared Services Partnership which is considered as a sub committee of the Board, at which Hywel Dda is represented by the Director of Workforce and Organisational Development. A more recent development is the establishment of the Emergency Ambulances Services Committee at which the University Health Board will have representation.

Governance

In line with good governance practices, the current Standing Orders and Standing Financial Instructions have been reviewed internally with minor non material changes made. This is pending a comprehensive review which will be necessitated on release of the Welsh Government's revised Model Standing Orders, Standing Financial Instructions and Scheme of Reservation and Delegation of Powers, following legislative changes when the NHS Finance (Wales) Bill is implemented.

This exercise was extended to reviewing the role of its Sub Committees' and Advisory Groups' Terms of Reference, ensuring that the remit of each is capable of delivering the required scrutiny and assurance agenda.

Although as Chief Executive I retain accountability, the Scheme of Delegation reflects the responsibilities and accountabilities delegated to Executive Directors for the delivery of the University Health Board's objectives, whilst ensuring that high standards of public accountability, probity and performance are maintained.

The governance structure of the Health Board accords with the Welsh Government's Governance e-manual and Citizen Centred Governance Principles in that the seven principles together with their key objectives provide the regulatory framework for the business conduct of the University Health Board and define its 'ways of working'. These arrangements support the principles included in H M Treasury's "Corporate Governance in Central Government Departments: Code of good practice 2011".

One of the underpinning principles recognised by the Board is that governance is about vision, strategy, leadership, probity and ethics as well as assurance and transparency, and should provide confidence to all stakeholders, not only to the regulators, in the delivery of objectives.

During the year, the University Health Board undertook an evidence based self assessment of its governance arrangements, with a triangulation being made with other sources of assurance and recognised best practice guidance on governance arrangements. All of these placed emphasis on the collective role of the Board, the strong relationship between leadership capacity and performance and the impact of Board governance arrangements on the achievement of strategic objectives. The UHB noted its current position and supporting evidence, together with identifying any actions required which would enhance existing arrangements. The composite action plan emanating from the assessments and other work undertaken was developed in line with the overarching themes identified from the best practice guidance referred to above and is aligned to the following areas:

Improvement Area	Primary Rationale
Production of accurate and timely information / data for Board.	Receiving timely relevant and accurate information is paramount to aiding decision making.
Board Cohesion and Consensus.	Effectiveness of the Board and sub committees - aligning Board agendas with strategic objectives and collective role of the Board
Focus on Quality and Safety.	Dedicated board time to clinical and quality issues - clearly aligned clinical and quality issues to strategic objectives.
Probity.	Boards should be seen to demonstrate probity and transparency in their decision making, ensuring resources are used effectively and efficiently.
Strategy.	Boards are integral to setting strategic goals and should focus on strategic achievements.
Financial Stewardship.	Board assures itself that the UHB is operating effectively, efficiently and economically and with probity in its use of resources.

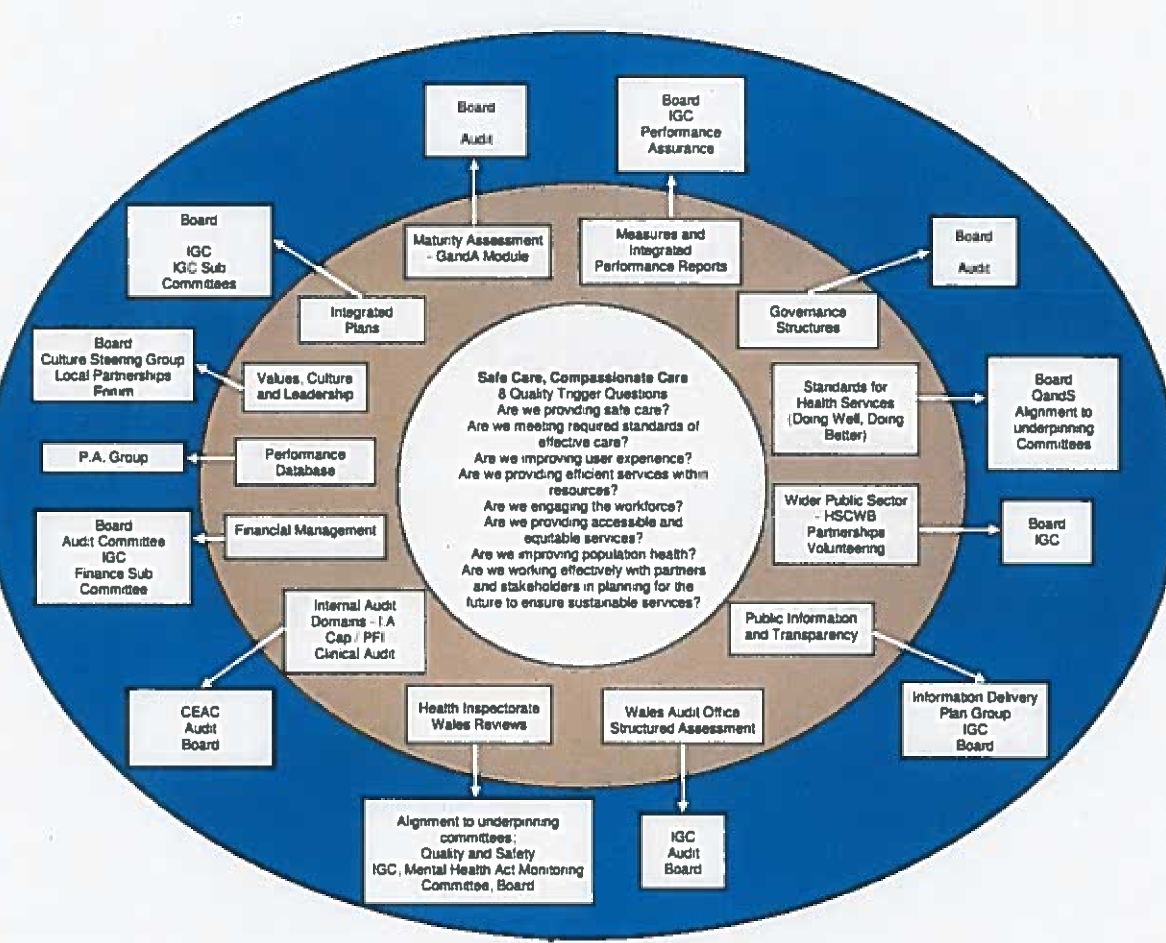
The delivery of the plan has been monitored by the Audit Committee. The UHB can demonstrate steady progress against all elements contained within the composite plan.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

The Board draws on assurances from a number of different sources in order to demonstrate that the system of internal control has been in place, and combined, these provide the body of evidence required to support the continuous assessment of the effectiveness of the management of risk and internal control. The structured mapping of assurances is one of the fundamental steps in building an assurance framework and the University Health Board's assurance framework, mapped to "Safe Care, Compassionate Care", demonstrating how internal control has been in place for the year ended 31st March 2014, is shown below:



Board
Audit
Board
IGC
Performance
Assurance
Board
IGC
IGC Sub
Committees
Maturity Assessment
- GandA Module
Measures and
Integrated
Performance Reports
Board
Audit
Integrated
Plans
Governance
Structures
Board
Culture Steering Group
Local Partnerships
Forum
Values, Culture
and Leadership
Safe Care, Compassionate Care
8 Quality Trigger Questions
Are we providing safe care?
Are we meeting required standards of
effective care?
Are we improving user experience?
Are we providing efficient services within
resources?
Are we engaging the workforce?
Are we providing accessible and
equitable services?
Are we improving population health?
Are we working effectively with partners
and stakeholders in planning for the
future to ensure sustainable services?
Standards for
Health Services
(Doing Well, Doing
Better)
Board
QandS
Alignment to
underpinning
Committees
P.A. Group
Performance
Database
Board
Audit Committee
IGC
Finance Sub
Committee
Financial Management
Wider Public Sector
- HSCWB
Partnerships
Volunteering
Board
IGC
Internal Audit
Domains - I.A
Cap / PFI
Clinical Audit
Public Information
and Transparency
CEAC
Audit
Board
Health Inspectorate
Wales Reviews
Wales Audit Office
Structured Assessment
Information Delivery
Plan Group
IGC
Board
Alignment to underpinning
committees;
Quality and Safety
IGC, Mental Health Act Monitoring
Committee, Board
IGC
Audit
Board

Aims of Risk Management

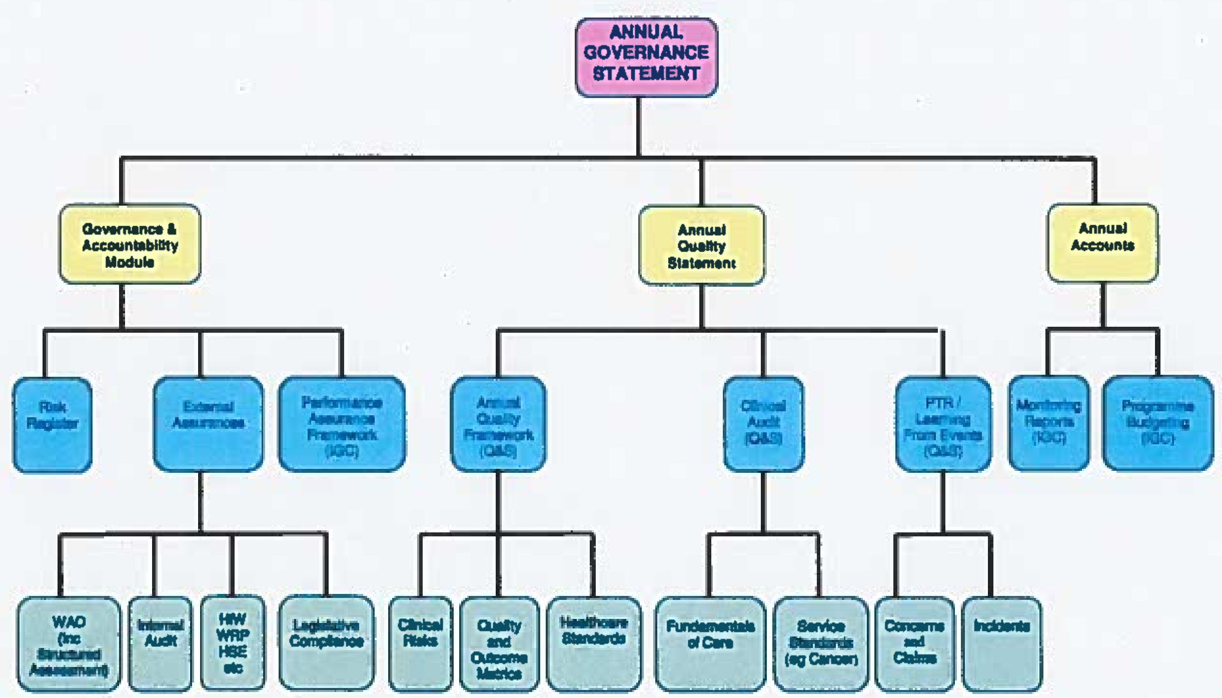
The University Health Board views soundly based risk management as an integral element of effective governance and it is seen as central to its management processes in that risks are considered in terms of effect of uncertainty of objectives. The systems and processes in place have ensured achievement of the main risk management aims of:

Our Risk Profile

The delivery of healthcare services carries inherent risk. The University Health Board, in acknowledging that effective risk management is integral to the successful delivery of its services, has systems and processes in place which identifies and assesses risks, decides on appropriate responses and then provides assurance that the responses are effectual. The implications of risks taken by management in pursuit of improved outcomes in addition to the potential impact of risk-taking on and by its local communities, partner organisations and other stakeholders, is understood by the Board.

Risk and Assurance Framework

The Health Board has an established assurance framework and internal controls to address risks as shown in the following figure:


ANNUAL GOVERNANCE STATEMENT
Governance & Accountability Module
Annual Quality Statement
Annual Accounts
Risk Register
External Assurances
Performance Assurance Framework (IGC)
Annual Quality Framework (Q&S)
Clinical Audit (Q&S)
PTR / Learning From Events (Q&S)
Monitoring Reports (IGC)
Programme Budgeting (IGC)
WAO (inc Structured Assessment)
Internal Audit
HIW WRP HSE etc
Legislative Compliance
Clinical Risks
Quality and Outcome Metrics
Healthcare Standards
Fundamentals of Care
Service Standards (eg Cancer)
Concerns and Claims
Incidents

The above considers the full range of the organisation's activities and responsibilities and ensures that the following disciplines are in place:

- Well defined strategies and policies are put into practice in all relevant parts of the organisation and are regularly reviewed.
- High quality services are delivered efficiently and effectively.
- Performance is regularly and rigorously monitored with effective measures implemented to tackle poor performance.
- Laws and regulations are complied with.
- Information used by the UHB is relevant, accurate, reliable and timely.
- Financial resources are safeguarded by being managed efficiently and effectively.
- Human and other resources are appropriately managed and safeguarded.

Risk Management Strategy and Policy

- Provides a framework for managing risk across the organisation, which is consistent with best practice and Welsh Government guidelines.
- Provides a clear, structured and systematic approach to the management of risk to ensure that risk assessment is an integral part of clinical, managerial and financial processes across the organisation.
- Sets out the role of the Board, Standing Committees and individual responsibilities of the Chief Executive, Executive Directors, managers and all staff in managing risk.
- Ensures the University Health Board has mechanisms in place to identify the key risks and barriers to achieving its key strategic objectives in terms of safety, quality and finance.
- Is explicit as to risk management expectations of working with partners / stakeholders.
- Is underpinned by a **Risk Management Procedure.**
- Acknowledges that a certain degree of risk is unavoidable and the Health Board needs to take action in a way that it can justify, to manage risk to a tolerable level; the amount of risk that it judges as tolerable and justifiable is the "**Risk Appetite**" encapsulated as:

Risk Appetite
Hywel Dda University Health Board recognises effective risk management is a key component of corporate and clinical governance and is integral to the delivery of its objectives in service provision to the citizens of the health community. It is acknowledged that whilst a certain degree of risk is inherent in all the UHBs activities, the UHB will not accept risks that materially impair on the ability to deliver services to a high standard of safety and quality. As such the UHB will not accept risks that materially impair its reputation or cause any disrepute with its stakeholders.

On completion of the University Health Board's internal restructuring in the early part of 2014-15, the Strategy and Policy will be revised to incorporate updated guidance on effective and enhanced risk management and the changes in the University Health Board's regulatory framework for risk management and reporting. This work will incorporate review of the University Health Board's risk appetite framework.

Risk Management Procedure

- Framework providing detailed guidance on the risk assessment process to be undertaken across the whole organisation in order to populate the University Health Board's risk register in a consistent manner.
- Includes the processes of risk analysis and evaluation and makes it clear that the level of detail in a risk assessment should be proportionate to the risk.

- Risk management requires participation, commitment and collaboration from all staff and the process starts with the systematic identification of risks throughout the organisation, documented on risk registers.
- Executive Directors, County Directors and Senior Managers are also responsible for ensuring that staff understand and apply both the University Health Board's Strategy and Procedure in relation to risk management.

The Management of Risk
Effective risk management is integral in enabling the University Health Board to achieve its objectives, both strategic and operational in delivering safe, high quality services and patient care. The University Health Board manages risk within a framework that devolves responsibility and accountability throughout the organisation, discharged through a County and Directorate (Executive Directors portfolio) structure and aligned with Committee reporting.

- Operational Risk Registers are developed at service delivery level within Counties and support directorates / areas of service managed strategically across the Health Board. These are populated, reviewed and monitored within each county / support directorate structure through individual Senior Management Team arrangements.
- All Executive Directors take responsibility for risk identification, management and mitigation within their areas of work and practice, in line with the management and accountability arrangements of the Health Board.
- The University Health Board's Corporate (Thematic) Risk Register, populated from thematic risks identified within Directorate risk registers, is reviewed on a regular basis and is in the public domain.

Risk is reviewed, with this being further articulated when commentating on the review of effectiveness, in the following governance and assurance committees:
- **Integrated Governance Committee (IGC).**
- **Quality and Safety Committee (Q&S).**
- **Audit Committee.**

The risk management framework continues to evolve with an improved understanding of its role in effective decision making across the University Health Board as a multi facetted organisation. As a result of the University Health Board constantly reviewing and evaluating its processes for the managing and reporting of risk, since April 2013, risk scrutiny sessions have been undertaken on a periodical basis. The sessions, facilitated by members of the corporate governance team, required risk owners to be present to explain and discuss the rationale for the scoring of risks, in particular those in the high or extreme category, to Independent Members of the Board.

These sessions also allow for increased and in depth scrutiny over what is afforded at various sub committees of the Board. This was recognised in the 2013 Structured Assessment undertaken by the Wales Audit Office as strengthening the University Health Board's risk management arrangements and providing greater assurance that risks are being robustly managed and embedding risk management within operational areas.

The Independent Members of the Board participating in the sessions concur that this is a beneficial exercise empowering them with a better understanding of the University Health Board's risks and in many instances, the underpinning issues, including cross directorate concerns. This view has been reciprocated by many of the risk leads / owners as it has assisted them with understanding the purpose of the risk register, with the involvement of the Independent Members demonstrating that the

Board is genuinely interested in the risks that are faced by those delivering the services. As a result, the scrutiny sessions are now integral to risk management within the University Health Board.

Specific risk themes emanating from the sessions were observed by the Independent Members on the various scrutiny panels with the following risks being prominent in a number of registers:

- The lack of available capital impacting on the areas of both primary and secondary care estates and information technology infrastructure across the University Health Board.
- Risks aligned to both Quality and Safety and Workforce in that there is an inability to release staff for essential training in relation to skills updating and the low number of Personal Development Reviews being progressed.
- The Medical Director's risk register capturing a number of risks being identified on the underpinning service / county risk registers.

As a consequence of the scrutiny sessions, some risks were added to the University Health Board's Corporate Risk Register.

Integral to the culture and ethos of proactive risk management is the dissemination of learning from good practice and systems are in place to distribute information from external sources such as the National Patient Safety Agency and Welsh Risk Pool to appropriate staff. The University Health Board has mechanisms in place across the organisation to learn lessons from claims, incidents or untoward occurrences, ensuring that corrective action is taken where required. The dissemination of both lessons learnt and areas of good practice is achieved through a variety of mechanisms including discussion at relevant committees, e.g. Putting Things Right Committee. The role of individual staff in managing risk is also supported by a framework of policies and procedures which promote learning from experience and sharing of best practice. Training opportunities, including presentations, are available throughout the University Health Board to staff at all levels with tailored training for individual roles also undertaken.

Working with Partners / Stakeholders
Working with partner organisations is becoming a prominent factor and although delivering services through partners can bring significant benefits and innovation, it is recognised that the University Health Board has less direct control than if delivering them alone. An environment where services and projects are increasingly being delivered through partner organisations can lead to risks around failing to align agendas and ineffective communication.

Risk Profile
In enacting the risk appetite of the organisation, the Board has given consideration to its principle objectives, both strategic and operational, and identified the principal risks that may threaten the achievement of those objectives. In doing so, the Board is aware that the process involves managing potential principal risks and not merely being reactive in the event of any risk exposure. It acknowledges that the modernisation of delivery of health care services cannot be achieved without risks being taken, the subsequent consequences of taking those risks and mitigating actions to manage any such risks. The risk management arrangements in place enable the principal risks to be identified whilst also ensuring that these risks are not considered in isolation as they are derived from the prioritisation of all risks flowing through the organisation.

The determination that the risk is at an acceptable level should be made in the light of an adequate assessment of the probability of occurrence and an understanding of the severity of the outcome. In applying this principle, enacting the Health Board's risk appetite is summarised in the following table:

Low risk	**Manageable Risks** The Health Board is content to carry these risks and will record that the risk has been identified but no further action required.
Moderate Risk	**Material Risks** Risks that the Health Board should be concerned about. These risks need to be managed by the directorate / division / team / county in which they have been identified. They might, depending on impact, need ongoing assurance to the Board.
High Risk	
Extreme Risk	**Significant Risks** The Board will need to be most concerned about these risks which will need proactive review and oversight.

The areas of highest risk, together with the management of those risks, faced by the University Health Board during 2013-14 are reflected in the following table:

RISK PROFILE

Risk Area	Mitigation
Finance	
• Non delivery of savings targets resulting in breach of financial targets and financial duties. (Applies particularly to workforce, productivity, efficiency savings, Continuing Health Care, medicines management and cost containment).	• Quality, Resource and Utilisation Programme Office and Group in place. • Weekly monitoring of out-turn. • Monitoring through UHB's committee structure.
Quality and Safety	
• Concerns regarding the management of patients across integrated care pathways for diabetes, cardiology, and Multi Disciplinary Team (MDT) working in cancer services together with poor communication issues, leading to compromised or suboptimal patient care.	• Whole care pathway redesign in progress. • Work continuing to ensure the necessary information is available for the MDTs and communication is improved.
• Delays in the length of time taken to investigate concerns exacerbating the likelihood of the incident / complaint recurring before remedial action is taken, with lack of ownership and follow up of action plans, leading to litigation as a result of poor clinical practice or errors.	• Detailed incident reporting processes, procedures and policies in place. • Robust committee structure in place. • Turnaround plan in place to improve performance.
• Patient Safety and quality of service provided, compromised due to increasing referral rates capacity, impacting on waiting times, diagnostic and treatment access to services and beds and follow up appointments in the areas of urology, endoscopy, radiology, pathology and neurology, and failure to maintain standards as a result of poor practices.	• Quality and Safety Committee and supporting sub structure. • Suite of policies and processes to investigate incidents and learn from errors. • Training programme in place. • Transformation Team reviewing patient flow to ensure system improvements & backlogs addressed.
• The backlog of medical equipment either out of service (>£3m) or in need of replacement exceeds the limited funding available in the discretionary capital programme. This could lead to either a risk to patient safety, health outcomes or business / service continuity.	• Prioritisation of equipment purchases through Capital Planning Group, including key stakeholders. • Programme of standardisation of key equipment to provide greater resilience across the UHB. The UHB is sharing the risk exposure with Welsh Government (WG) associated with the significant reduction in Discretionary Capital funding over the next 3 years.

Risk Area	Mitigation
Workforce	
• Recruitment and retention issues and the age profile of our staff leading to shortages in some medical specialities, primary care and other clinical areas and the need to use locum and agency staff on a temporary basis. • Inadequate staffing levels impact on our ability to deliver high quality services to patients with the potential for clinical isolation with instances of single handed consultants, the potential to breach European Working Time Directive, failure to maintain rotas and training rotas and sickness levels rising with a significant impact on finances.	• Use of agency / bank / locum staff. • Temporary collapsing of services where necessary. • Bed management. • Management of rotas. • Continuous dialogue with the Deanery and relevant Royal Colleges. • Workforce and Organisational Development procedures and practices. • Development of medical workforce plan. • Recruitment and Retention Strategy. • Monitored through UHB committee structure.
Performance	
• Failure to achieve targets and priorities set by WG in the 2013-14 Delivery Framework.	• Robust monitoring mechanism in place both internally through the committee structures and externally via both internally and external audit.
• Data quality is a key component in decision-making, accurate reporting and management processes within the organisation. There is potential for unvalidated data sets to be utilised within the Health Board to support decisions which could have service or financial consequences.	• Review of all roles and responsibilities to be undertaken. • Development of policy and procedures.
Strategy	
• Sustainability of current service models including compliance issues with professional standards.	• Further work being progressed to develop the service model to meet standards necessary for the UHB. • Internal monitoring arrangements in place.
• Primary Care - insufficient project or financial mechanisms in place for transition of resources from existing services to primary care. This will impact on the ability to shift services from secondary to primary care, resulting in difficulties in delivering care closer to home.	• The UHB has enacted various planning and pathway development groups to develop and monitor the position.
Estates	
• Compliance issues within the estates infrastructure in relation to a number of estates related legislative requirements and statutory obligations. This includes suboptimal accommodation for some service areas, including Primary Care, with situation exacerbated by lack of available capital to address all issues.	• All issues have day-to-day operational mitigation in place to ensure safety particular to the specific risk identified.
Corporate Issues	
• Sub optimal IT systems across the Health Board requiring ongoing support, upgrade and development in order to meet service and statutory requirements.	• 5 year Capital development plan identifying all IT risks requiring capital funding has been developed and resources are being considered. • Monitoring through the UHBs Committee Structure and on an all Wales basis.

Risk Area	Mitigation
• Lack of updated robust, tested and resilient plans across the organisation could lead to service disruption, impact on patient care and have financial implications for the Health Board.	• Business Continuity Management policy ratified and in place. • Training provided across the Health Board.
• Unplanned events (pandemic viruses, mass casualty incidents, severe weather episodes, etc) having major impact in terms of resilience, service response and financial costs.	• Range of national, regional, strategies and local plans and policies in place. • Variety of monitoring groups in place.

The University Health Board's Corporate Risk Register which is in the public domain provides greater detail of the risks faced during the year and can be found on http://www.wales.nhs.uk/sitesplus/862/opendoc/225618.

The control framework
In addition to the evidence based self assessment of its governance arrangements referred to earlier in this statement, the University Health Board has also undertaken an assessment of its compliance with the Corporate Governance Code. The detailed assessment was reported to the Audit Committee with any emanating actions for improvement incorporated into the composite governance action plan. The assessment was however, clear in that the organisation has complied with the Corporate Governance Code.

The organisation uses the Doing Well, Doing Better: Standards for Health Services in Wales (SHSW) as its framework for gaining assurance on its ability to fulfil its aims and objectives for the delivery of safe, high quality health services. This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation.

As part of this process, the Board has completed the Governance and Accountability assessment module and has:

- Openly assessed its performance using the maturity matrix.
- Responded to feedback from Healthcare Inspectorate Wales.
- Plans in place to achieve the improvement actions identified within clearly defined.
- Timescales proportionate to the risk.

This process has been subject to independent internal assurance by the organisation's Head of Internal Audit.

The Self-Assessment Module is framed around three key themes:

- **Setting the direction.** Whether the UHB is clear about our purpose and role, direction and how it meets the needs of our community. Assessing if the UHB listens to users and partners and respond to what they say and whether it has a strong value base
- **Enabling delivery.** Whether the UHB has the right people, with the right skills, using the right equipment, in the right environment, and using the right information to do the right things in the right way to deliver high quality, safe services.
- **Delivering results, achieving excellence.** Assessing if the UHB is performing well, what our strengths and weaknesses are and whether we identify development areas if weaknesses exist.

The method of assessing how well the UHB is doing is through a maturity matrix that draws an overall conclusion - expressed at five different levels for each of the three key themes. The conclusions

drawn are based upon the extent to which it is felt that we can demonstrate our alignment with the positive statements within each theme.

The Self assessment and the Structured Assessment identified some areas of good practice however there where areas identified where further development was required. These have been included in the overall assessment section of each theme and monitoring of the agreed actions was and will continue to be undertaken by the Integrated Governance Committee with an update to a Board Organisational Development Session.

As a result of this mapping exercise, a self-assessment of **Level 4** (We have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation) for each of the main themes has been made. This judgement is based on evidence that all the areas could be strengthened and benefit from further development.

Hywel Dda Health Board					
Governance and Accountability Module.	Do not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve.	Are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	Are developing plans and processes and can demonstrate progress with some of their key areas for improvement.	Have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	Can demonstrate sustained good practice and innovation that is shared throughout the organisation / business, and which others can learn from.
Setting the Direction.					
Enabling Delivery.					
Delivering results achieving excellence.					
Overall Maturity Level.					

The organisation's review process involves both Internal Audit and the Independent Members reviewing standards and going below this high level to talk to staff that have to work with and operate the standards on a day-to-day basis.

The process adopted by the University Health Board has involved all the standards being reviewed in accordance with an agreed timeline, with Internal Audit reviewing a sample of standards in conjunction with the Independent Member assigned to that standard. For a selected number of standards, Internal Audit and the Independent Member visited ward and departments and met with the relevant staff, to ensure that the ethos and principles of the standards were understood and delivered, although not necessarily awareness of the existence of the standard itself. The mapping of professional standards to SHSW standards evidences how the standard is being implemented in practical terms and demonstrates the way the standards are embedded within the organisation.

Governance in Primary Care

Primary Care can also demonstrate a whole range of tools and avenues to demonstrate governance arrangements. The Clinical Governance Primary Care Self Assessment Tool (CGPSAT) is designed to encourage practices to reflect and assess the governance systems they have in place in order to facilitate safe and effective clinical practice, and can be mapped to Standards for Health Services in Wales. The CGPSAT may act as an assurance to other bodies such as the Health Board, the

General Medical Council and Community Health Councils that such systems are in place and effective or, if not, that the practice is planning to introduce or improve such systems.

Within Primary Care Services, any issues related to governance are raised at the quarterly meeting of the Primary Care Board, at which performance dashboards, including exception reports and risk registers are also considered. Any issues in Primary Care related to IT or Integrated Governance are taken to the Integrated Governance Committee for consideration, especially if it involves collaborative work to take place with both primary and secondary care to resolve some of the IT and governance issues.

The Complaints and Incidents Management "Putting Things Right" Facilitator has visited all practices to provide a better understanding of the handling and management of complaints in Primary Care. Practices follow this guidance when dealing with complaints and incidents and all have their own complaints procedures and the Quality and Outcomes Framework contains an annual review of complaints within the practice. All complaints concerning Primary Care received into the central hub are screened by the Quality manager to ascertain whether it is a matter for the practice to investigate the concern or whether the Health Board needs to investigate.

It is recognised within Primary Care that effective risk management is integral to achievement of all Health Board objectives. The Primary Care risk register highlights the current and ongoing risks in primary care and actions and progress are monitored and updated bi-monthly; it demonstrates that robust mitigation plans are in place wherever possible and highlights to the Health Board where there are risks but where currently no further action can be taken.

Engagement with 1000 Lives
The Health Board ensures it continues to benefit from its strategic relationship with the 1000 Lives Improvement Service, through regular participation with the client management meetings around bespoke support and improvement initiatives such as the Flow Collaborative, Hospital Acquired Thrombosis, Health Care Associated Infections and Rapid Response to Acute Illness Learning Set (RRAILS), all of which are underpinned by improvement methodologies.

The Board established an Improvement Academy the primary purpose of which is to achieve transformational change at scale and pace by providing a whole system approach to service, financial and quality improvement. This will be enacted through multi-disciplinary and multi-function development by focussing on specific pathway work, building on existing work, adopting the principles of 'lean' as a state of mind rather than a set of techniques and supporting innovation and continuous improvement. The Improvement Academy Steering Group, compiled from Executive Directors, oversees the development of the Improvement Academy and prioritises the programmes which will be supported. One of the key work streams of the Improvement Academy is Improving Quality Together, the all Wales organisational development approach to improvement. To date over 300 staff have completed Bronze IQT, with more than 40 completing silver. The UHB will be concentrating on benefits realisation of this increased capability and where possible will align projects undertaken through IQT silver with agreed work programmes.

Other control framework elements

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. Hywel Dda University Health Board operates under the ethos of patient-centred care, embedding the principles of equality, diversity and human rights in to guidance for Board, our approach to service planning and reporting mechanisms. Equality and

Diversity training is mandatory for all staff - Treat me Fairly' the Equality e-learning package is available to all staff as part of the Core Skills Framework and information on equality, diversity and human rights is available to staff and the public on our dedicated intranet and internet web pages.

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 Hywel Dda University Health Board would confirm that it acts strictly in compliance with the regulations and instructions laid down by the NHS Pensions Scheme and that control measures are in place with regard to all employer obligations. This includes the deduction from salary for employees, employer contributions and the payment of monies. Records are accurately updated both by local submission (Pensions On Line) and also from the interface with the Electronic Staff Record (ESR). Any error records reported by the NHS Pension Scheme which arise, are dealt with in a timely manner in accordance with Data Cleanse requirements.

The organisation has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with.

The Hywel Dda University Health Board undertakes a range of actions on carbon reduction, some of which has a link to preparedness for climate change. In addition to a carbon management strategy which tackles our own emissions, e.g. from energy use, the capital team develop the estate in line with Building Regulations and associated legislation. The UHB has also taken initial steps in addressing climate change in partnership with Local Service Board members in Carmarthenshire, which included an internal impact assessment.

Further to the National Health Service Finance (Wales) Act 2014 becoming law in Wales from 27th January 2014, new duties with regard to operational planning were placed upon the Local Health Boards. The majority of changes introduced by the Finance Act impact upon 2014-15 and future years. In order to comply with planning duties, it is a requirement that the Health Board has a plan prepared in accordance with the guidance issued, in place by the end of the 2013-14 financial year, for 2014-15 and subsequent years.

In response to this requirement, the Health Board developed its Three Year Integrated Medium Term Plan, "Your Future, Your Health". The plan brings together key elements of the UHB's services, from planning, staffing and delivery to finance, performance and governance, into a single service improvement plan and strategy for 2014-2017. This was approved in principle by the Board on the 28th March 2014 and submitted to the Welsh Government on the 31st March 2014, with a response being awaited.

A number of Ministerial Directions were given during the year, this information being available by accessing the following link:
http://wales.gov.uk/legislation/subordinate/nonsi/nhswales/2013/?lang=en

A schedule of the directions, outlining the actions required and the Health Board's response to implementing these was presented to the Audit Committee as an integral element of the suite of

documents evidencing governance of the organisation for the year. From this work it was evidenced that the Health Board was not impeded by any significant issues in implementing the actions required.

Data Security - During the year there have been two incidents relating to data security which have required reporting to the Information Commissioners Office.

ICO Security Breaches 2013 / 14

No.	Incident Type	Incident details	Outcomes
1	Inappropriate disclosure of patient identifiable information relating to a research project.	Following a detailed investigation, it is clear that the Health Board has not inappropriately disclosed patient identifiable information.	The Information Commissioner's Office has ruled that the Health Board has complied with the requirements of the Data Protection Act with no further action required.
2.	Inappropriate disclosure of employee personal payroll information.	Following a thorough investigation, it was apparent that the Health Board had not shared the information appropriately; this had been undertaken in accordance with HR policies.	System improvements have been made following the closure of the investigation. This case is currently with the Information Commissioners Office.

Control measures are in place to ensure that risks to data security are identified, managed and controlled. Additional measures taken during the year have included the UHB's Team Brief being used to convey information which supports good governance practices, included the guidance which must be followed when sharing information with any third party to ensure that appropriate risk assessment and security measures are carried out.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review 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 external auditors in their audit letter and other reports.

The Board

In governing the business of the organisation, all Executive Directors and Independent Members are collectively and corporately accountable for the Health Board's performance. This is fundamental to the Board's role in pursuing performance and ensuring that the interests of patients are central and creates a culture supporting open dialogue. The WAO 2013 Structured Assessment concluded that good progress had been made in strengthening clinical leadership, reducing silo working and developing leadership capacity and capability at senior to middle manager level. It was also reported that there is a cohesive and stable executive team with executive roles having been redefined to support delivery of its strategic and operational objectives. The self assessment of its governance arrangements also evidences that the Board concords with the principles of good governance expected of an effective Board. This will be further enhanced through the UHB working with Academi Wales, and will utilise the development programme available to all health bodies. The Board, in

working to a planned programme of work, adapted as necessary to respond to emerging events and circumstances has, during the year, included the following key items on its agenda:

- Approval of specific service delivery plans e.g. Cancer, Stroke, Oral Health, End of Life and Major Incident Plan.
- Approval of HDHB Annual Plan 2013-14.
- Annual Reports from its Sub Committees.
- The proposals for Ambulance Reform.
- Annual Quality Statement.
- The Strategic Direction of Charitable Funds.
- Patient Experience Proposals (Independent Members Walkabouts).
- Funded Nursing Care - for the Board to consider and approve decisions made by the CEOs' Peer Group.
- HDUHB Winter Plan - together with a proposal to temporarily reduce some non-urgent elective orthopaedic operations (for which the Health Board was commended for finding a way to manage winter pressures).
- Organisational design review focusing on bringing together the management of secondary care services.
- Restructuring of the Mental Health & Learning Disabilities service to create a designated Directorate.
- Patient stories and experience being included as a regular feature.

The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives and has been supported in this role by the work of the following main committees, each of which provides regular reports to the Board.

HYWEL DDA UNIVERSITY HEALTH BOARD
(THE BOARD)

INTEGRATED GOVERNANCE COMMITTEE
CONTROLS
- provides the internal control mechanism for risk management.
- scrutinise the detailed monitoring of the financial position including challenging the delivery of the savings targets and achievement of financial objectives.
- supported by a comprehensive structure of sub-committees.

AUDIT COMMITTEE
ASSURANCE
- critically reviews governance and assurance processes on which the Board places reliance.
- provides advice and assurance to the Board on the effectiveness of arrangements in place around
  - strategic governance;
  - assurance framework;
  - processes for risk management and internal control;
  - arrangements for Counter Fraud.
- facilitates and supports the attainment of effective processes of governance.

QUALITY and SAFETY COMMITTEE
CONTROLS
- pivotal role in risk
- management of clinical risk and providing assurance that clinical risks are managed.
- provides advice and assurance to the Board in relation to its responsibilities with regard to the quality and safety of healthcare.
- supported by a comprehensive sub-committee structure which has accountability for delivery of mitigation and managing operational issues.

MENTAL HEALTH ACT MONITORING COMMITTEE
CONTROLS
- assure the Health Board that the functions of the Mental Health Act 1983 are being carried out correctly.
- supported by a Sub-Committee, which has responsibility for reviewing and monitoring how the operation of the delegated functions of section 23 of the 1983 Act are being exercised (power of discharge.

Audit Committee

In supporting the Board by critically reviewing governance and assurance processes on which the Board places reliance, the Audit Committee has specifically commented during the year on:

- The scrutiny of the financial performance of the Health Board and obtaining reassurance on the sustainability and delivery of savings plans and the ability to meet statutory obligations.
- The Assurance Statement provided to the Welsh Government in response to all NHS Wales bodies being asked to undertake a self assessment of governance arrangements, and the action plan developed in response.
- The impact of major service changes, within a limited period, on the delivery of care
- The assurances on the improvements being made in delivering the clinical audit programme and the wider quality and safety agenda but at the same time noting there was potential for inadequate assurances if meetings of the Quality and Safety Committee were not regularly held.
- The assurances received that the University Health Board has enhanced its systems and procedures for identifying, mitigating and managing the key risks to achieving its service objectives, with the risks being reflected in the Corporate Risk Register
- Following concerns regarding data quality and data integrity, requiring escalation to the Corporate Risk Register, assurances received that a proposed way forward had been identified.
- Concerns regarding the lack of engagement from University Health Board partners with attendance at the Mental Health Act Monitoring Committee but that the issue was being actively pursued.
- A potential contravention of Standing Orders / Standing Financial Instructions with the Board to be kept informed of the outcome of the investigation.
- The Head of Internal Audit Opinion and other opinions on the adequacy of disclosure statements for 2013-14, including the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.
- Discussed and approved for recommendation to the Board, the Health Board's audited financial statements and Auditor General's Opinion.
- Receiving WAO performance and financial audit reports and monitoring delivering of the management response.

Any reports considered by the Committee receiving less than reasonable assurance rating or if any specific area of concern was identified, were subject to increased scrutiny, in order that suitable assurances could be obtained. One such area warranting this increased level of scrutiny related to the progress being made in addressing data quality issues, with the Audit Committee supporting the measures required to secure improvement.

The Audit Committee, in accordance with best governance practice, has undertaken a self assessment and evaluation of its own performance and operation, with members being constructive in their responses, commenting on processes and procedures, with areas for development being identified. In conclusion, it was concurred that the assessment demonstrated that the Committee is relatively effective in its performance and that the Board can take assurance from this.

Integrated Governance Committee (IGC)

The Committee provides the internal control mechanism for risk management regularly monitoring the Corporate Risk Register and other assurance mechanisms on behalf of the Board. It is supported by

a comprehensive structure of sub-committees with responsibility for identifying, managing and mitigating risk and providing IGC with the appropriate assurance.

The Committee during the year has constantly scrutinised the detailed and ongoing monitoring of the financial position including challenging the delivery of the savings targets and achievement of financial objectives. It has consistently informed the Audit Committee of the concerns regarding delivery of the Health Board's requirement to achieve break even and the maintenance of quality & safety standards given the current financial and performance challenges.

A revised Performance Assurance Framework, strengthening the Board's current performance arrangements to create a more effective system of performance, delivery and control was considered and approved by the Committee. In order to improve understanding & impact of decision making, including financial and operational, on quality and safety matters, a quality impact assessment will be introduced in going forward.

Quality and Safety Committee

The Quality and Safety Committee provides scrutiny on the arrangements for safeguarding and improving the quality and safety of patient centred healthcare in accordance with its stated objectives and the requirements and standards determined for the NHS in Wales. It also provides the focus for monitoring the risks that fall in the domain of Quality and Safety, receiving regular detailed reports on the most significant quality and safety risks facing the Health Board and the work being undertaken to mitigate these risks.

The Committee provides evidence based and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the quality and safety of healthcare. One of the sub committees with a key function is the Health and Safety Coordinating Group. The key focus of the group is to identify Health and Safety risks, ensure corrective action is taken and to assist the Health Board in reducing its potential liability in relation to risk by providing advice and support.

The Quality and Safety Committee has provided regular update reports to the Board with attention being brought to:

- Cardiology Services.
- Management of Oesophago-Gastric Cancers.
- Medical Devices Review.
- Follow up appointments.
- Radiology Services.
- Medical Directors risk register

The work of the Quality and Safety Committee is further supported by the work of the "Putting Things Right" (PTR) Committee, which has the specific remit of monitoring concerns issues, with the following improvements being reported for the year.

- A further reduction in the number of formal complaints received by 13% from last year, mainly due to the Patient Support and Advisory Team and concerns hub resolving concerns without the need to refer to the formal concerns process.
- Improvement in the level of assurance reporting from county teams / directorates in respect of trends / key issues and actions taken to ensure lessons learnt.
- A trend relating to delays and assurance in radiology reporting identified as part of the concerns process escalated to the Quality and Safety Committee and Board.

- Escalation of a concern in relation to delays in the follow up appointments process, following ongoing review of a previous S16 Ombudsman Report, with the Committee receiving assurance that an improvement plan is in place.
- A 30% reduction in the number of open complaints since July 2013 and compliance with 30 day target improved to 50% (77% including Patient Support and Advisory Service figures).

Notwithstanding the above the University Health Board recognises that further improvements need to be made in the processes for addressing and responding to concerns. The actions to ensure the improvements are made are incorporated into the concerns action plan.

Further information on the detailed work undertaken by the Quality and Safety Committee, focusing on patient care and outcomes, can be found in the Annual Quality Statement and / or by accessing the following link on the Health Board's website http://www.wales.nhs.uk/sitesplus/862/opendoc/218764.

Mental Health Act Monitoring Committee
All Board Members are the Hospital Managers (HMs) for the purposes of the Mental Health Act 1983 (the 1983 Act) and delegate their functions to Officers and Lay Members. HMs have a range of responsibilities, including:

- Ensuring that patient's care and treatment complies with the 1983 Act.
- Authority to detain patients admitted under the 1983 Act.
- Power to discharge certain patients (s.23 of the 1983 Act) - which can only be exercised by three or more members of a committee formed for that purpose.

Amongst other matters considered during the year, the Committee considered a number of positive reports from Healthcare Inspectorate Wales (HIW). Earlier concerns regarding engagement from partner organisations with the committee were being positively addressed by year end as were the committee arrangements.

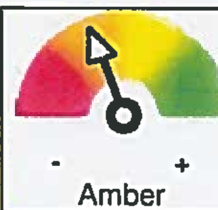
Future Arrangements
Following the internal review of the Board's governance structure, the decision was made to separate out reporting on in year delivery and monitoring, from strategy, planning and service reconfiguration. From 1st April 2014, a Board level Strategy & Planning Committee will be established with responsibility for the delivery of the three year planning cycle, major issues relating to strategic aims and will incorporate the current remits of the Implementation Board & Strategy & Planning Sub Committee.

Assurance

External / Independent Assurance to the Audit Committee, supporting the governance structure during the year and providing the scrutiny and assurance to underpin the effectiveness of the system of internal control was delivered by Internal and External Audit.

Internal Audit
Internal audit provide me as Chief Executive and Accountable Officer and the Board through the Audit Committee with a flow of assurance on the system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit Committee and is focussed on significant risk areas and local improvement priorities. The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

The Head of Internal Audit's overall opinion for 2013-14 concluded:

Limited assurance	 Amber	The Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.

In reaching this opinion the Head of Internal Audit has identified that of the eight assurance domains, three have been deemed to be primary domains. These are:

- Corporate governance, risk management and regulatory compliance;
- Financial governance and management; and
- Clinical governance, quality and safety.

According to the issued criteria for judgement the overall assurance rating of the organisation is, amongst others, dependent on the lowest assurance rating of the primary domains. The first two primary domains are reported as reasonable assurance, whilst the third primary domain, clinical governance and management, is reported as limited assurance. Thus overall the Health Board assurance level is one of limited assurance.

The rating of each assurance domain is based upon the audit work performed in that area and takes account of the relative significance of the issues identified. It should be recognised that many of the reviews were directed at high risk areas, the overarching opinion needs to be read in that context. Whilst acknowledging the Head of Internal Audit Opinion, it should be noted that 80% of the internal audit reports achieved a rating of substantial or reasonable with only 20% of the reports receiving a limited rating. See table below:

Internal Audit Assurance Rating	2013/14	
	No	%
Substantial	10	33
Reasonable	14	47
Limited	6	20
None	0	0
Total	30	100

Similarly for Capital and PFI it should be noted that 70% of the audit reports achieved a rating of substantial or reasonable with only 30% of the reports receiving a limited rating. See table below:

Capital and PFI Audit Assurance Rating	2013/14	
	No	%
Substantial	2	20
Reasonable	4	40
Limited	3	30
None	0	
No Rating Applicable	1	10
Total	10	100

During the year internal audit issued the following audit reports with a conclusion of limited assurance:

Subject	Issue	Action
Clinical Governance, Quality and Safety Domain		
Safety Alerts Management	Amendments required to revised draft policy / procedure and addressing of database issues.	Significant progress made since the audit and subsequent agreed action plan with 80% recommendations implemented with the remaining in train.
Review of Clinical Audit	Finalisation and approval of Clinical Audit Plan, Clinical Audit Policy and further development of processes.	Significant progress made with 86% of recommendations contained in an independently sourced review being implemented. The actions remaining are on a phased rolling programme of implementation.
Review of Concerns	Lack of robust processes to ensure consistency in reporting of, timely responses to, feedback provided from investigations and sharing of lessons learnt, following a concern being logged.	All recommendations are being progressed with a detailed update report to be presented to the June Putting things Right Committee.
Management and Reporting of Follow-up Waiting Lists	Lack of robust and inconsistent processes and practices across the Health Board.	Significant progress made with detailed action plans in place.
Strategic Planning, Performance Management and Reporting Domain		
Business Continuity 2013-14	Embedding development, cascading details and educating staff on requirements of BC plans.	Operational Performance Board charged with addressing identified issues. Emergency Planning Team progressing other agreed actions.
Information Governance and Security Domain		
Records Management	Poor security and storage of records. Duplicate records on Myrddin. Lack of Records Management training and guidance.	Many of the recommendations have already been recognised internally and incorporated into the work programmes of either the Health Records Committee or Information Governance Sub Committee.
Capital and Estates Management Domain		
Bronglais Front of House 2012-13	Key weaknesses from previous audits, centrally around project governance arrangements not being addressed.	Project governance arrangements currently being reviewed.
Residential Accommodation 2013-14	Inconsistent processes, procedures and operational management of residential accommodation across the Health Board.	UHB's Designated Accommodation Lead and Director of Operations and Delivery responsible for implementing agreed recommendations.
Follow up of Capital and Third Party Project Reports 2013-14	Lack of progress made with implementation of agreed recommendations from a selection of previous audits.	Escalated to Strategy and Planning Committee for action.
No audit reports were issued with a conclusion of no assurance.		
Internal Audit will undertake follow up reviews of all limited audits within the first quarter of 2014/2015. Implementation of recommendations is being monitored by the relevant UHB committee.		

In recognising that additional work was necessary the UHB commissioned the Good Governance Institute (GGI) to undertake a rapid of its clinical governance systems. The review of clinical

governance structures and process across the UHB concluded that there has been a palpable drive to transform services with significant focus on improving the effectiveness of clinical quality and safety assurance. This had happened at a time of considerable change as well as political, financial and other challenges.
No serious issues of concern were noted during the review and it was also noted that the UHB is able to demonstrate good evidence of learning from past experience. Many of the issued highlighted in the report were already known to the Board and will be added to the extant composite governance action plan.

The Audit Committee has received progress reports against delivery of the NHS Wales Shared Services Partnership Internal Audit and Capital (Specialised Services) plans at each meeting, with individual assignment reports also being received. The findings of their work are reported to management, and action plans are agreed to address any identified weaknesses. The assessment on adequacy and application of internal control measures can range from "No Assurance" through to "Substantial Assurance". Where appropriate, Executive Directors or other officers of the Health Board have been requested to attend in order to be held to account and to provide assurance that remedial action is being taken. A schedule tracking the implementation of all agreed audit recommendations is also provided to the Committee.

Wales Audit Office
As the University Health Board's appointed external auditor, WAO is responsible for scrutinising the Health Board's financial systems and processes, performance management, key risk areas and the Internal Audit function. The Wales Audit Office undertake financial and performance audit work specific to the University Health Board with all individual audit reviews being considered by the Audit Committee with additional assurances sought from Executive Directors and Senior Managers as appropriate. The WAO also provides information on the Auditor General's programme of national value for money examinations which impact on the University Health Board, with best practice being shared.

During the year, WAO undertook the Structured Assessment Year 4 review of the University Health Board which examined the arrangements to support good governance, effective quality assurance and the efficient, effective and economical use of resources. The progress made in addressing key issues identified in previous year's structured assessment was also scrutinised.

The assessment concluded that the organisation generally has arrangements which support good governance, quality assurance and the efficient, effective and economical use of resources. The arrangements have continued to evolve and mature although further improvements in certain areas such as planning and performance remain. A further conclusion was that achieving financial balance in 2013-14 and beyond, whilst maintaining quality and safety standards remains a significant challenge for the organisation.

The work undertaken as part of Structured Assessment contributed towards the WAO Annual Audit Report 2013. The key findings and conclusions emanating from the report are summarised as follows:

- Overall the UHB has a sound approach to financial management, although many of the actions undertaken to achieve financial breakeven may not be sustainable, with the UHB being very unlikely to achieve breakeven this year.
- The organisational structure has been strengthened with developments providing a strong foundation for the delivery of the UHB's objectives although there remain some capacity and capability risks at middle management level.

- Changes to the committee structure and operation along with improved risk management arrangements have further strengthened the UHB's assurance framework.
- Performance management arrangements have continued to be strengthened although further work is required to improve the underpinning data and to develop more comprehensive reporting arrangements on quality and safety of services.
- Information governance has been further improved although the UHB's ICT infrastructure presents significant risks.
- The UHB can demonstrate that it is listening to patients and staff but recognises the necessity to strengthen operational arrangements for capturing patient experience, respond to and address concerns and better utilisation of information to improve organisational learning.
- A commitment to strengthening quality and safety assurance and recognition that increased visibility and engagement with staff is needed from the leadership.
- Against a number of key indicators, the UHB's performance generally compares well to the rest of Wales, with some being better than the average and amongst the best performers. Despite this positivity, opportunities remain to improve quality and efficiency in other areas.
- The UHB is focussed on providing high quality services within its resources although longer term workforce plans to underpin service strategy need to be developed and there remains opportunity to improve the efficiency of some services.

The recommendations for improvement highlighted in the report have been encompassed in the composite governance action plan which is being progressed by the organisation.

Other sources of External / Independent Assurance

The governance structure is further supported by the work of other independent / external bodies:

- ***Welsh Risk Pool***

  An updated pilot clinical assessment process was introduced for 2013-14, undertaken in respect of the surgical pathway and considered surgical patients from preoperative assessment through to post operative care. The assessment format comprised a documentation review based on the requirements of the clinical evidence criteria. This included a review of policies, procedures, training logs and also clinical audit reports, where these are provided as evidence within the set criteria. This was supplemented with interviews with staff relevant to the area being assessed to gauge the extent to which the documented arrangements had been implemented. The University Health Board has developed an improvement plan in response to the assessment.

  The organisation has also been assessed against the WRP Concerns and Compensation Claims Management Standard which is reviewed annually to ensure that the organisation is dealing correctly with claims that are submitted to the Welsh Risk Pool for reimbursement. An Internal Audit review of Claims Management arrangements was undertaken to ensure that the function within the organisation is operating correctly and substantial assurance was obtained.

- ***Healthcare Inspectorate Wales (HIW)***

  The Board is provided with independent and objective assurance on the quality, safety and effectiveness of the services it delivers through reviews undertaken by and reported on by HIW. This work is additional to the assurances emanating from embedded of and assessment against the Standards for Healthcare in Wales and the completion of the Governance and Accountability Module. Any unannounced cleanliness or dignity and respect spot checks and any special themed reviews undertaken during then year would have been reported through the appropriate committee and any matters for concern escalated accordingly. The outcomes of any such reviews and any emanating action plans are discussed in the most appropriate forum with any lessons learnt shared throughout the Health Board.

Other review and assurance mechanisms

- ***Legislative Assurance Framework.***
  In the continuous development of the organisation's assurance framework and in recognising that the legal obligations of the University Health Board are wide ranging and complex, a legislative assurance framework has been developed. It provides the Board with assurance of compliance on those matters that present the highest risk in terms of likelihood and impact of non compliance and is a central record that captures the following three categories:
  - Details of all licensed and accredited functions, responsible individuals and inspection / review activity.
  - Activities subject to regulation and inspection scrutiny.
  - Other key pieces of legislation subject to scrutiny and sub-ordinate legislation.

The recent Internal Audit report on the above concluded in substantial assurance being awarded.

Review of economy, efficiency and effectiveness on the use of resources

The University Health Board's yearend financial position of £19.225m deficit reflects the on-going requirement for major service redesign in order to be able to deliver our statutory breakeven duty. The need for significant service change has been acknowledged by Welsh Government and Wales Audit Office, and through public consultation, the first set of service transfers has begun.

However, it is also evident that the scale of redesign required remains substantial and will require a pragmatic rolling programme of service change for many years. This fact will undoubtedly be reflected in the audit opinion, and will necessitate on-going discussion with Welsh Government, our partner organisations, our key stakeholders, our staff and our residents

Conclusion

As an organisation we recognise that the last twelve months have presented significant events and challenges. These mean that we need to ensure that our future strategy achieves the right balance between quality, performance and costs to ensure provision of safe, appropriate and sustainable services to the population of Hywel Dda University Health Board.

As detailed in the risk profile and the corporate risk register the UHB will continue to face significant challenges over the coming years, including:

- Quality, safety of our services – in terms of meeting recognised evidence-based, Royal College standards and the potential need for major service reconfiguration if services are to be sustainable; the number of serious incidents and complaints.
- Finance - both in terms of recurrent income and available capital.
- Workforce – in terms of workforce planning and the age profile of staff, the difficulty we experience in recruiting to some specialities and the challenge of maintaining clinical rotas across all main sites.

As described within this statement, the UHB has systems in place to control, manage, mitigate and provide assurance through our continually maturing governance structures in an open and transparent way. We recognise that the financial position remains a significant challenge and our governance systems are designed to monitor the implementation of our plans to ensure that the UHB continues to balance delivery against quality standards, cost impact and patient need. The Three

Year Integrated Medium Term Plan (IMTP) 2014-15 to 2016-17 describes the Health Board's vision and sets out the strategy over the next three years, with high level objectives and key areas for progress. Following initial feedback from Welsh Government, further development of the IMTP will be undertaken.

As Accountable Officer and based on the review process outlined above I have reviewed the relevant evidence and assurances in respect of internal control enacted during 2013-14. The Board and its Executive Directors are fully accountable in respect of the system of internal control. The Board has had in place during the year a system of providing assurance aligned to support delivery of both the policy aims and corporate objectives of the organisation.

My review confirms that the Board has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and that that no significant internal control or governance issues have been identified.

Signed by:

Chief Executive:
Date: 4th JUNE 2014