

Conwy Local Health Board

FOREWORD

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

Statutory background

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

- agreeing the action which is necessary to improve the health and health care of the population of Conwy
- supporting and financing General Practitioner-led purchasing of the services needed to meet agreed priorities, including charter standards and guarantees;
- supporting and funding the contractor professions;
- the commissioning of health promotion, emergency planning and other regulatory tasks;
- the stewardship of resources including the financial management and monitoring of performance in critical areas;
- eliciting and responding to the views of local people and organisations and changing and developing services at a pace and in ways that they will accept.

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Operating Cost Statement, which shows the net operating cost incurred by the LHB which is funded by the Assembly. This funding is allocated on receipt directly to the General Fund in the Balance Sheet.

The statutory duty for Local Health Boards is enacted in the 2002 NHS Reform and Health Care Professionals Act. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 13. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	Total £000	2006-07 Total £000
Expenditure	4.1,4.2,4.3, 4.4	169,145	161,904
Miscellaneous income	3.1	2,918	2,682
Net operating costs		<u>166,227</u>	<u>159,222</u>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	0	1
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	<u>0</u>	<u>1</u>

BALANCE SHEET AS AT 31 MARCH 2008

	Note	£000	31 March 2007 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	32	44
CURRENT ASSETS			
Debtors	6.1	764	492
Cash at bank and in hand		211	1,083
Total Current Assets		975	1,575
Creditors: amounts falling due within one year	6.2	10,280	10,040
Net current assets / (liabilities)		(9,305)	(8,465)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	1,233	1,104
TOTAL NET ASSETS		(10,506)	(9,525)
FINANCED BY:			
General fund	6.5	(10,507)	(9,526)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	1	1
TOTAL		(10,506)	(9,525)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	2006-07	2006-07
	£000	£000
Net operating costs	(166,227)	(159,222)
Adjust for non-cash transactions	(98)	203
Adjust for movements in working capital other than cash	(32)	1,347
Utilisation of provisions	(135)	(35)
	<hr/>	<hr/>
Net cash outflow from operating activities	(166,492)	(157,707)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(166,492)	(157,707)
FINANCING:		
Net Assembly funding (including capital)	165,620	158,766
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	165,620	158,766
	<hr/>	<hr/>
Increase / (decrease) in cash	(872)	1,059

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2006-07 £000
Depreciation and other write-offs	12	12
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	264	530
Capital charge interest	(374)	(339)
	<u>(98)</u>	<u>203</u>

Adjust for movements in working capital other than cash

	£000	2006-07 £000
(Increase)/decrease in debtors	(272)	110
Increase/(decrease) in creditors	240	1,237
	<u>(32)</u>	<u>1,347</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(872)
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	(872)
Non cash changes in debt	0
Net debt at 1 April 2007	<u>1,083</u>
Net debt at 31 March 2008	<u>211</u>

Analysis of changes in net debt

	As at 1 April 2007	Cash flows	Other changes	As at 31 March 2008
	£000	£000	£000	£000
Cash at bank and in hand	1,083	(872)	0	211
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>1,083</u>	<u>(872)</u>	<u>0</u>	<u>211</u>
Total	<u>1,083</u>	<u>(872)</u>	<u>0</u>	<u>211</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2008 was £195k

Analysis of capital expenditure, financial investments and associated receipts

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

Reconciliation of loan issues and repayments to cash movements

	Issues £'000	2007-08	Net Movement £'000
		Repayments £'000	
Total issues and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
Total financial investment and associated receipts	0	0	0

Reconciliation of fixed assets and disposals

	Additions £'000	2007-08	Net Movement £'000
		Disposals £'000	
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
Total cash movement on asset additions and disposals	0	0	0

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHB'S. The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

These accounts have been prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and in accordance with directions issued by the National Assembly for Wales (the Assembly) and approved by Treasury.

LHB's are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

Acquisitions and Discontinued Operations

Activities are considered to be "acquired" and disclosed as such, only if they are acquired from outside the public sector. Activities are considered to be "discontinued" and disclosed as such, only if they cease entirely or are transferred outside the public sector.

1.2 Income and funding

The main source of funding for the LHB is resource allocations from the Assembly within an approved cash limit, which is credited to the general fund when the associated cash is received. Income disclosed in the Operating Cost Statement reflects only the amounts other than Assembly Funding.

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, (or any other other material types of income if this disclosure would not be sufficient).

It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

Income is accounted for by applying the accruals convention. Income is recognised in the period in which services are provided.

1.3 Taxation

The LHB is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Intangible fixed assets

Intangible assets which can be valued, are capable of being used in a LHB's activities for more than one year and have a cost equal to or greater than £5,000;

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

1.5 Tangible fixed assets

a. Capitalisation

Tangible fixed assets are capitalised if they are capable of being used for a period which exceeds one year and:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost equal to or greater than £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- form part of the initial setting - up cost of a new building, irrespective of their individual or collective cost.
- form part of an IT network which collectively has a cost more than £5,000 and individually have a cost of more than £250,000

b. Valuation

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

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BICS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 1 April 2007.

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

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

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

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

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

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

1.6 Donated assets

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

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

1.7 Research and development

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

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

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State in England and Wales. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation took place as at 31 March 2003 however the revaluation is to be aligned with the full valuation and will take place in 2008.

The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999.

Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from the Stationary Office.

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

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

Additional pension liabilities arising from early retirements are not funded by the scheme, which except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the LHB commits itself to the retirement, regardless of the method of payment.

1.9 Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Resulting exchange gains and losses are taken to the Operating Cost Statement.

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2007/08 financial year was 3.5%.

1.11 Provisions

The LHB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. Provisions are only recognised where the amount of economic benefit is probable, and the amount of the transfer can reasonably be estimated.

1.12 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The LHB does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.13 Leases

Where substantially all the risks and rewards of ownership of a leased asset are borne by the LHB, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the OCS over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the OCS on a straight line basis.

1.14 Contingent liabilities

- a possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the LHB's control;

 - a present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or

 - a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.
- Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the LHB's control. Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable.

1.15 Deferred Income

Deferred income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent. Only third party income between non-government bodies may be recognised.

1.16 Expenditure

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and finance leases and is recognised on the accruals basis. Interest payable is not shown separately on the face of the Operating Cost Statement, but is included within expenditure.

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

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

1.17 New Dental Contract

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

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

The valuation in the annual accounts is based on an estimate provided by the Dental Practice Division in May 2008. The final outturn will not be available until after the publication of the annual accounts, and any variance will be recognised in the accounts for 2008-09.

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

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

2.1 Achievement of Operational Financial Balance

	£000	2006-07 £000
Net operating costs for the financial year	166,227	159,222
Non-discretionary expenditure	297	256
Operating costs less non-discretionary expenditure	165,930	158,966
Revenue Resource Limit	165,953	158,979
Under / (over) spend against Revenue Resource Limit	23	13
Unplanned resource brokerage received	0	0
Operational Financial Balance	23	13

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

Resource brokerage

In March 2008, Conwy LHB received a late and unforecast additional allocation from the Welsh Assembly Government of £955,000 for Continuing Health Care cost pressures. This funding has been brokered through the Assembly into the 2008-09 financial year.

Cash Brokerage

Conwy Local Health Board brokered £3 million cash into 2007-08 from 2006-07. At 31st March CLHB brokered £3.7 million surplus cash into the 2008-09 financial year. This cash surplus arose due to the difference in timing of payments to creditors.

Forecast Financial Position 2008-09

See additional information on page 36.

3.1 Miscellaneous income

	£000	2006-07 £000
Fees & Charges	888	552
Prescription charge income	43	510
Dental fee income	882	666
Income for trust impairments	0	10
Deferred Income released to revenue	20	0
Other	<u>1,085</u>	<u>944</u>
Total	<u>2,918</u>	<u>2,682</u>

Other

Note:

Other miscellaneous income for both 2006/07 and 2007/08 includes values for unutilised creditors written back.

The figure for Prescription charge income for 2006/07 has been restated to reflect the proportion relating to Dental fee income to allow comparison to 2007/08.

Expenditure:

4.1 Primary health care

	Cash limited	Non cash limited	Total	2006-07 Total
	£000	£000	£000	£000
General Medical services	16,609	0	16,609	16,452
Pharmaceutical services	4,350	(516)	3,834	3,710
General Dental services	4,696	2	4,698	4,327
General Ophthalmic services	0	811	811	744
Other Primary health care expenditure	510	0	510	491
Prescribed drugs and appliances	20,222	0	20,222	20,167
Total	46,387	297	46,684	45,891

4.2 Secondary and Community health care

	Total	2006-07 Total
	£000	£000
NHS Trusts:		
Provider 1 - .. Conwy and Denbighshire	66,341	63,683
Provider 2 - .. North West Wales	32,461	31,789
Provider 3 - .. North East Wales	2,897	2,728
Provider 4 - .. Robert Jones and Agnes Hunt Orthopaedic	1,114	1,079
Provider 5 - .. Royal Liverpool and Broadgreen	460	523
Provider 6 - .. Welsh Ambulance Services	55	101
Provider 7 - .. South Manchester University	155	179
Provider 8 - .. Liverpool Women's Hospital	121	119
Provider 9 - ..	0	0
Provider 10 - ..	0	0
Other Welsh NHS trusts	80	69
Other non Welsh NHS trusts	656	714
Local Authorities	0	139
Voluntary Organisations	392	259
NHS Funded Nursing Care	3,230	2,965
Continuing Care	10,238	7,378
Private providers	668	763
Specific projects funded by Welsh Assembly Government	0	0
Other	202	0
Total	119,070	112,488

4.3 Other programme expenditure

	£000	2006-07 £000
Salaries and wages	687	741
National Public Health Service	756	730
Losses, special payments and irrecoverable debts	8	1
Research and development	0	0
Other	401	253
	<hr/>	<hr/>
Total	1,852	1,725

4.4 Administration expenditure

	£000	2006-07 £000
Non-officer members' remuneration	95	97
Other salaries and wages	819	823
Consultancy services	0	0
Establishment expenses	74	152
Transport and moveable plant	12	12
Premises and fixed plant	96	121
External contractors	19	21
Auditors' remuneration - audit fee	73	88
Auditors' remuneration - other fees	0	0
Business Services Centre and Business Support Partnership recharge	673	801
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	12	12
Amortisation	0	0
Capital charge interest	(374)	(339)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	40	12
	<hr/>	<hr/>
Total	1,539	1,800

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

	Total	2006-07 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	8	1
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	8	1
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
Total	8	1
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2006-07 £000
Hire of plant and machinery	0	0
Other operating leases	89	90
Total	89	90

Commitments under non-cancellable operating leases:

	Land and Buildings	Other Leases	2006-07 Land and Buildings	2006-07 Other Leases
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	0	0	0
Between 1 and 5 years	89	0	90	0
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	Total	2006-07 Total
	£000	£000
Salaries and wages	1,452	1,408
Social security costs	122	120
Employer contributions to NHSPA	202	194
Other pension costs	0	0
Agency / seconded staff	19	5
Total	1,795	1,727

Note:

The costs detailed above in Note 4.7 comprises amounts in other notes as follows:

Note 4.1: £289k

Note 4.3 £687k

Note 4.4: £819k

4.8 Board Directors' remuneration

	£000	2006-07 £000
Non-officer members' remuneration	95	98
Executive Directors' remuneration:		
basic salaries	237	248
benefits	11	10
performance related bonuses	0	0
pension contributions	33	35
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	376	391

	Chief Chairman	Chief Executive
	£000	£000
Basic Salary	28	79
Benefits	0	4
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	11
Total	28	94

Remuneration waived by directors and allowances paid in lieu:

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

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

No performance- related bonuses have been paid to any officers of Conwy LHB.

In addition to the above Executive Directors' remuneration, the LHB incurred costs totalling approximately £30,000 for a six month secondment from the North West Wales NHS Trust to the post of Nurse Director. Further details are reported in note 6.12.

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2006-07
	Number	Number	Number	Number	Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	38	0	0	38	39
Recharged staff	0	0	0	0	0
Total	42	0	0	42	43

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

Expenditure on staff benefits

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

4.10 Retirements due to ill-health

During 2007-08 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be nil.

4.11 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2006-07 £000
Non- NHS			
Total bills paid 2007-2008	4,258	16,396	14,113
Total bills paid within target	4,182	16,334	14,017
Percentage of bills paid within target	98.2%	99.6%	99.3%

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

	Number	£000	2006-07 £000
NHS			
Total bills paid 2007-2008	836	106,932	95,064
Total bills paid within target	816	106,905	95,027
Percentage of bills paid within target	97.6%	100.0%	100.0%

	Number	£000	2006-07 £000
Total			
Total bills paid 2007-2008	5,094	123,328	109,177
Total bills paid within target	4,998	123,239	109,044
Percentage of bills paid within target	98.1%	99.9%	99.9%

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

	2006-07 £	£
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2008	0	0	0	0	0
Accumulated amortisation at 1 April 2007	0	0	0	0	0
Provided during the year	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2008	0	0	0	0	0
Net book value at 1 April 2007	0	0	0	0	0
Net book value at 31 March 2008	0	0	0	0	0

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2007	0	3	0	0	0	0	0	58	61
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2008	0	3	0	0	0	0	0	58	61
Depreciation									
At 1 April 2007	0	3	0	0	0	0	0	14	17
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0	12	12
At 31 March 2008	0	3	0	0	0	0	0	26	29
Net book value									
at 1 April 2007	0	0	0	0	0	0	0	44	44
Net book value									
at 31 March 2008	0	0	0	0	0	0	0	32	32
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

Tangible Fixed Assets (continued)

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

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

Net profit/(loss) on disposal of fixed assets

	£000	2006-07 £000
During the year the LHB disposed of fixed assets with the net book value of,	0	0
The gross proceeds from the sale(s) were	0	0
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the National Assembly for Wales the net proceeds from disposal of and retained the costs of disposal, met of,	0	0
	0	0

6.1 Debtors

	£000	2006-07 £000
Amounts falling due within one year:		
National Assembly for Wales	11	43
Health Commission Wales	0	32
Local Health Boards	340	124
Primary Care Trusts	0	0
NHS Trusts	79	34
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	77	66
Provision for irrecoverable debts	(37)	(5)
Pension Prepayments:	0	0
Other prepayments and accrued income	291	195
Sub total	761	489
Amounts falling due after more than one year:		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	3	3
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	3	3
Total	764	492

6.2 Creditors

Amounts falling due within one year:	2006-07	
	£000	£000
National Assembly for Wales	0	0
Health Commission Wales	14	0
Local Health Boards	41	82
NHS Trusts	812	547
Primary Care Trusts	0	0
Income tax and social security	46	44
Non-NHS creditors	5,417	4,930
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	3,950	4,417
Deferred Income	0	20
Other creditors	0	0
Total	10,280	10,040

6.3 Creditors

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

6.4 Provisions for liabilities and charges

	At 1 April 2007	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2008
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	1	0	0	0	0	(1)	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0		0
Sub-total	1	0	0	0	0	(1)	0	0
Pensions	0			0	0	0	0	0
Other	1,103			264	0	(134)		1,233
Total	1,104	0	0	264	0	(135)	0	1,233

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	1,233	0	0	1,233
Total	1,233	0	0	1,233

The LHB estimates that it will receive nil in 2008-09 and nil in 2009-10 and beyond from the Welsh Risk Pool in respect of losses and special payments.

The provision for Continuing Health Care included in the accounts relates only to those costs for Continuing Health Care occurring after 1st April 2003. All costs for which a provision has been established relating to periods pre 1st April 2003 will be accounted for elsewhere in the Wales health economy (in accordance with the Welsh Assembly Government requirements) as, although they relate to residents in the Conwy LHB area, they were incurred before Conwy LHB was established.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2007	(9,526)
Net operating cost for the financial year	(166,227)
Net Assembly funding (including capital)	165,620
Capital charge interest	(374)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2008	<u>(10,507)</u>

6.6 Donated asset reserve

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

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

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

6.8 Contingent liabilities -

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

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

Uncertainties affecting outcome:

The provision for Continuing Care of £1.233m included in Note 6.4 to the accounts relates only to those costs for Continuing Care occurring after 1st April 2003 that are subject to review by the NHS Ombudsman.

In January 2006 the High Court concluded that if, following health care assessment, a person's health care needs formed the primary reason for their residence in a nursing home, the NHS should fund the totality of the care (Grogan v Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested. No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement. The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of this judgement.

6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	26	0	119	0
Balances with local authorities	0	0	709	0
Balances with NHS trusts and Foundation trusts	79	0	812	0
Balances with Local Health Boards	340	0	41	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	316	3	8,599	0
Total at 31 March 2008	761	3	10,280	0
Balances with other central government bodies	87	0	69	0
Balances with local authorities	5	0	563	0
Balances with NHS trusts and Foundation trusts	34	0	547	0
Balances with Local Health Boards	123	0	82	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	243	0	8,779	0
Total at 31 March 2007	492	0	10,040	0

6.10 Post balance sheet events

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

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

6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2006-07
Contracted	0	0
Authorised but not contracted	0	0
Total	<u>0</u>	<u>0</u>

6.12 Related Party transactions

£000

Total value of transactions with Board members and key senior staff in 2007-2008 **0**

Conwy Local Health Board is a body corporate established by order of the National Assembly.

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

- 1 - Hospital & Community Health Services Resource Allocations
- 2 - General Medical Services Resource Allocations
- 3 - Pharmacy Contract Resource Allocations
- 4 - Dental Contract Resource Allocations
- 5 - Salary recharges to the Assembly
- 6 - Repayment of Continuing Care settlements

NHS Trusts	£000
Conwy and Denbighshire	66,794
North West Wales	32,572
North East Wales	2,950

There were also material transactions with NHS entities in England totalling approximately £2.5m. Within this total the two agreements which were individually for over £0.2m were:

	£000
Robert Jones and Agnes Hunt Orthopaedic	1,114
Royal Liverpool and Broadgreen	460

During the year no members of the Board, the LHB's senior management staff or other related parties have undertaken any material transactions with the Board.

Some General Practitioners who are members of Conwy Local Health Board are also practising GPs in the LHB area. Also, some members of the Board are NHS Trust employees.

The Ophthalmic and Pharmaceutical Local Health Board Members receive reimbursement for the provision of services from the LHB whilst Dental Members receive reimbursement from the Dental Practice Board for services provided on behalf of Conwy Local Health Board.

In 2007/2008, the LHB made payments of £989,000 to a number of voluntary and charitable organisations to provide services that support the health needs of the population.

Declarations of interest made by members of the Board are provided overleaf.

6.12 Related Party transactions

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

Name	Details	Interests
David Scott	Chair	Employed part time Conwy Vol Servs Council
Wyn Thomas	Chief Executive	No disclosures
Dr Martin Duerden	Medical Director	Retainee in General Practice - Gyffin Surgery
Neil Stevens	Director of Finance	No disclosures
Pat Mowll	Director of Commissioning and PM	No disclosures
	(from 1/4/07 to 30/4/07, 1/5/07 to 12/10/07 job share with Sue Owen, 13/10/07 to 31/3/08)	
Sue Owen	Nurse Director	No disclosures
	(from 1/4/07 to 30/4/07 and from 13/10/07 to 31/3/08)	
	Director of Commissioning and PM	
	(from 1/5/07 to 12/10/07 job share with Pat Mowll)	
Sharon Thomas	Nurse Director (on secondment)	Employee of NW Wales NHS Trust
	(from 1/5/07 to 12/10/07)	
Andrew Jones	Director of Public Health	Wife is employee of NW Wales NHS Trust
	(to 16/11/07)	
Dr Rob Atenstaedt	Director of Public Health	No disclosures
	(from 17/11/07)	
Sue Davies	Non-Officer Member, Vol Sector	Employed by Conwy Connect
Catherine Dubourg	Non-Officer Member Dental	Principal Dentist Belmont House Surgery
Dr Paul Emmett	Non-Officer Member GP	Craig-y-Don Medical Practice. MorfaDoc
Dr Richard Evans	Associate Member	Agricultural Business, land tenancy, Consultant NW Wales NHS Trust
Jill Galvani	Associate Member	Director of C&D NHS Trust
Ian Howard	Co-opted Member	Director of C&D NHS Trust
Melvyn Hughes	Non-Officer Member Optician	Self-employed Optometrist Chair, Conwy Abbeyfield Society Trustee, Mary Hughes Memorial Member, Conwy Rotary Club
Bethan Jones	Non-Officer Member Local Authority	Corporate Director, Conwy County Borough Council
Gwenda Jones	Non-Officer Member Community	Vice Chair, Friends of Plan-y-Llan Care Home
Glyn Jones	Non-Officer Member, Local Authority	Conwy County Borough Councillor Lions Club International; Diabetes Wales
Peter Jones	Co-opted Member, CHC	Vice Chair, Conwy East CHC
Iain Mitchell	Non-Officer Member, Therapy	Director of Therapy Services, & Divisional General Manager Clinical Support Services, C&D NHS Trust Wife is Head of OT, Conwy Social Services
Janet Murfin	Non-Officer Member, Nurse (Vice Chair)	Adult Health Inspector for Care & Social Services Inspectorate of Wales; Salvation Army; Soroptomists International (April/May 07)
David Owen	Associate Member, CHC	Chair Conwy West CHC
Alice Robinson	Non-Officer Member, Carer	Conwy Alzheimers Society, Conwy Crossroads Macmillan Cancer Care, NWales Housing Assn
Adrian Taylor	Non-Officer Member, Pharmacy	Superintendent Pharmacist, Owen D Timothy Locum Pharmacist
Arthur Todd	Non-Officer Member, Local Authority	Conwy County Borough Councillor
Jan Tomlinson	Associate Member, Trade Union	Employee, Conwy & Denbighshire Trust
Keith Toy	Non-Officer Member, Local Authority	Conwy County Borough Councillor
Dr Mark Walker	Non-Officer Member, GP	Plas Menai Medical Centre Clinical Assistant, C&D NHS Trust Clinical Assistant sessions, NW Wales NHS Trust
Ann Westmoreland	Non-Officer Member, Vol Sector	Employee, Conwy Voluntary Services Council; Member, Conwy Valley Rotary Club
Dr David Whyler	Non-Officer Member, GP	Kinmel Bay Medical Centre; MorfaDoc; Sexual Health Practitioner C&D NHS Trust;

6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	132	7,797
Total losses and special payments	132	7,797

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
Sub-total	0	0	0
All other cases	7,797	0	7,797
Total cases	7,797	0	7,797

6.14 Financial Instruments

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

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

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

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

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

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

6.16 Pooled Budgets

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

Conwy LHB has not contributed to any pooled budget arrangements in 2007/2008.

7 Additional Information

Forecast Financial Position 2008-09

Local Health Boards are required to achieve a breakeven financial position each and every year except where a recovery plan has been approved by the Welsh Assembly Government in accordance with WHC(2004)34 Statutory Financial Duties of NHS Trusts and Local Health Boards. Where an approved recovery plan is in place, achievement of the breakeven duty will be measured over the life of the plan.

At the time of producing these accounts, the North West Wales Partnership Annual Operating Framework has been agreed. The Conwy and Denbighshire Partnership Annual Operating Framework plans are being further developed to mitigate the risk of not achieving the 2008/2009 Annual Operating Framework / Local Delivery Plan targets within the health economy's total resources available.

In addition to the above, the Local Health Board is attempting to manage its own 2008/2009 additional cost pressures. These include Primary Care, Prescribing and Continuing Health Care cost pressures.

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

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

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

Date: 2008 Chief Executive

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

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

- apply on a consistent basis accounting policies 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: 2008

Chief Executive: Dated: 2008

Director of Finance: Dated: 2008

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive for this Board, I have the responsibility for maintaining a sound system of internal control that supports achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and this organisation's assets for which I am personally responsible, in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

Conwy Local Health Board's system of internal control is based on an ongoing risk management process designed to identify the key risks to the LHB's objectives; to evaluate the nature of those risks and to manage them effectively, efficiently and economically. The LHB's responsibilities for internal control are also considered in the quarterly accountability reviews with the Welsh Assembly Government's North Wales Regional Office.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

Conwy LHB's Risk Management Strategy has been reviewed, revised and approved by the Board during 2007/2008. This Strategy identifies the responsibility and role of the Board, Audit Committee, Chief Executive, Directors and other staff in relation to risk management. The LHB's Risk Management Group embraces strategic issues, monitors all risks, controls assurance standards and formally reports to the Audit Committee on a quarterly basis.

The Chief Executive has delegated the operational responsibility for risk management to two executive directors. The Medical Director has responsibility for the management of clinical risk and the clinical governance agenda and the Director of Finance is the lead for the implementation of the LHB's risk management arrangements and controls assurance standards.

The LHB has adopted a top down approach whereby the key risks that could potentially threaten the achievement of the LHB's principal objectives have been identified. High level potential risks have been mapped to the LHB's objectives. Throughout the year Conwy LHB has routinely monitored and reviewed the risks identified and included in the LHB's risk register. Risk management awareness training has been provided during the year for all LHB staff and a risk awareness culture has been promulgated on a LHB wide basis.

Guidance has been received from the Welsh Risk Pool on the standards applicable to LHBs in 2007/2008. Advice has also been received from Mersey Internal Audit Agency on risk and internal control matters and the Local Counter Fraud Service on counter fraud and post payment verification measures.

4. The risk and control framework

The LHB's risk management framework is set out in the LHB's Risk Management Strategy that has been revised and approved by the Board during the year. The key elements of this strategy include:

- A summary policy/mission statement setting out the LHB's commitment to risk management;
- Support to staff and partners in providing services that are safe for patients;
- The LHB's policy on risk, strategic objectives and scope of the strategy;
- Risk processes including risk identification, prioritisation, and management arrangements;

STATEMENT ON INTERNAL CONTROL (CONT)

- Clarity on risk structures and designated responsibilities, monitoring and audit arrangements, risk assessment guidance, risk profiling, Risk Management Group processes, Welsh Healthcare Standards, corporate governance arrangements and incident reporting procedures.

The Welsh Risk Management Framework has been debated at Board level during the year. All staff recognise that risk management is everyone's business and are actively encouraged to identify risks, adverse incidents, near misses or hazards in an open and honest LHB environment.

The LHB has completed a self-assessment against the Welsh Healthcare Standards and the Welsh Risk Pool's Claims Standard in 2007/2008. Performance against most, if not all, Healthcare Standards contributes to overall good risk management across the range of the organisations' activities. The LHB was assessed as a top quartile performer last year and has reported improvements again in 2007/2008 against these standards. In particular, the LHB's assessment scores against the four key standards underpinning the management of risk (i.e. standards 14,16,27 and 28) were all 4 out of 5 i.e. 'Practicing'. This means that the LHB's strategic agenda is being progressed and monitored by the Board, there are well developed plans implemented throughout the organisation and the individual(s) experience is generally good.

The assessment process has been co-ordinated via the Head of Clinical Governance with the Medical Director as the the overall lead. Each standard has a lead who has access to the Toolkit on-line to allow cross over/exchange across the standards. All staff recognise that the Healthcare Standards are critical to the achievement of the LHB's overall objectives. The standards are embedded in the activity of the LHB with processes in place for training and supporting staff and to monitor progress with a formal timetable agreed by the Board, tool guidance issued in year, team briefs, Senior and Executive Management review and monitoring of progress at the Risk Management Group. Non-Executive leads have been assigned to each standard and Board Members have been provided with access to monitor the completion of the standards. The self assessment submission was signed off by the Chief Executive on 9th May, 2008.

Progress against the above standards has been routinely reported to the Risk Management Group, Clinical Governance and Audit Committees and the Board. The LHB's internal auditors have also reviewed these self-assessments and provided significant assurance on the process at the end of the year. The LHB has a Board agreed Healthcare Standards improvement plan in place and this is formally updated each year with actions being monitored on a regular basis and reported to the Board.

5. Review of effectiveness

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

STATEMENT ON INTERNAL CONTROL (CONT)

5. Review of effectiveness (continued)

The Audit Committee, as part of an integrated LHB committee structure, is pivotal in advising the Board on the effectiveness of the system of internal control. The Clinical Governance Committee supports the development of services by ensuring continuous quality improvement, safeguarding high standards of care and creating an environment in which excellence in clinical care can flourish. The Risk Management Group provides the Board, via the Audit Committee, with the overall assurance on the effectiveness of the Risk Management Framework and continually monitors, reviews and prioritises the risk management programme. I am also supported by the Board's role, which is to provide active leadership of the LHB within a framework of prudent and effective controls that enable risks to be assessed and managed.

The Audit Committee has been dealing with two aspects of internal financial control where weaknesses have been identified. These are as follows:

- There have been problems with the implementation of the Electronic Staff Record (ESR) which have continued throughout 2007/2008. Also arrangements for the payment of salaries and wages by way of the BSP do not provide for a reconciliation of monthly payments with postings across the individual accounts in the ledger. Work undertaken by Internal Audit and Wales Audit Office does not indicate that any material errors have occurred as a result.
- In addition to the checks required to obtain assurance on the adequacy of systems for making payments to primary healthcare contractors, there should also be checks to ensure the probity of expenditure for their services. Although the work undertaken by the LHB in 2007/2008 does not indicate any material irregular expenditure having occurred during the year, it is not sufficient to provide the LHB with assurance that the risk of irregular payments are minimised. The LHB plans to increase the amount of post payment verification work undertaken in future years to identify and minimise any risk of irregular payments.

The Internal Audit annual plan is agreed by the Director of Finance and approved by the Audit Committee. This encompasses the priorities set out in the Risk Management Framework. The Director of Finance and Audit Manager meet regularly throughout the year to review and monitor the annual plan. Detailed reports on areas of audit work covered are provided to the Director of Finance and other relevant managers. These reports and audit progress is also subject to regular Audit Committee review. The Wales Audit Office also provides a further assurance mechanism and, in particular, with their review of the LHB's annual accounts.

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.

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

Date:.....

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

I certify that I have audited the financial statements of Conwy Local Health Board for the year ended 31 March 2008 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

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

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

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

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

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

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

Basis of audit opinions

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

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

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

Without qualifying my opinion, I draw attention to Note 7 to the accounts, which sets out the financial position of the Conwy Local Health Board and the actions being taken to achieve financial balance.

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of affairs of Conwy Local Health Board as at 31 March 2008 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

My conclusion on Conwy Local Health Board arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
27 June 2008

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

ACCOUNT OF - 2007-2008

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

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2008 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2008 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2008 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of Welsh Ministers

Signed :

Dated :

ACCOUNT OF - 2007-2008

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

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