

Gwynedd LHB

FOREWORD

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

Statutory background

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

- agreeing the action which is necessary to improve the health and health care of the population of [Gwynedd](#) ;
- 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

From inception Local Health Boards in Wales must comply fully with the Treasury's Resource Accounting Manual. As a result the Income and Expenditure Account has been replaced by an Operating Cost Statement as the primary statement of in-year expenditure. Assembly 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 11. 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 2005

	Note	Total £000	2003-04 Total £000
Expenditure	4.1,4.2,4.3, 4.4	156,123	145,279
Miscellaneous income	3.1	1,373	1,402
Net operating costs		<u>154,750</u>	<u>143,877</u>

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2005**

	£000	Restated £000
Unrealised surplus on revaluation / indexations of fixed assets	20	11
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>20</u>	<u>11</u>

Adjustments have been made to the comparative figures in respect of Assembly funding in both the Balance Sheet and General Fund in the form of a prior period adjustment. No prior period adjustment has been made in respect of the operating cost statement, cash flow statement or SRGL. Full details of the adjustments made are set out in Note 7 Prior Period Adjustment.

BALANCE SHEET AS AT 31 MARCH 2005

	Note	£000	Restated 31 March 2004 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	306	247
CURRENT ASSETS			
Debtors	6.1	148	83
Cash at bank and in hand		1,542	74
Total Current Assets		1,690	157
Creditors: amounts falling due within one year	6.2	9,039	7,805
Net current assets / (liabilities)		(7,349)	(7,648)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	0	210
TOTAL NET ASSETS		(7,043)	(7,611)
FINANCED BY:			
General fund	6.5	(7,198)	(7,746)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	155	135
TOTAL		(7,043)	(7,611)

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 2005

	£000	restated 2003-04 £000
Net operating costs	(154,750)	(143,877)
Adjust for non-cash transactions	(197)	176
Adjust for movements in working capital other than cash	1,169	(2,220)
Utilisation of provisions	(284)	0
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Net cash outflow from operating activities	(154,062)	(145,921)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	(51)	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	(51)	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(154,113)	(145,921)
FINANCING:		
Net Assembly funding (including capital)	155,581	145,998
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
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Net cash inflow / (outflow) from financing	155,581	145,998
	<hr/>	<hr/>
Increase / (decrease) in cash	1,468	77

Notes to the cash flow statement

	£000	restated 2003-04 £000
Adjust for movements in working capital other than cash		
(Increase)/decrease in debtors	(65)	99
Increase/(decrease) in creditors	1,234	(2,319)
	<u>1,169</u>	<u>(2,220)</u>

Adjustment for non-cash transactions

	£000	restated 2003-04 £000
Depreciation and other write-offs	12	9
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	74	172
Capital charge interest	(283)	(5)
	<u>(197)</u>	<u>176</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	1,468
Cash inflow from new debt	0
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>1,468</u>
Non cash changes in debt	0
Net debt at 1 April 2004	<u>74</u>
Net debt at 31 March 2005	<u>1,542</u>

Analysis of changes in net debt

	As at 1 April 2004	Cash flows	Other changes	As at 31 March 2005
	£000	£000	£000	£000
Cash at bank and in hand	74	1,468	0	1,542
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
TOTAL	<u>74</u>	<u>1,468</u>	<u>0</u>	<u>1,542</u>

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Resource Accounting Manual (RAM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHB'S. Under Resource Accounting the treatment of debtors and creditors for Assembly funding was incorrectly applied for transactions made in 2003/04 and for inherited LHB balances. This has been addressed for 2004/05, and the impact of this change in accounting policy has been corrected as set out in Note 7 "Prior Period Adjustment". 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.

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.

Operating income is income which relates directly to the operating activities of the LHB. It principally comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. 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.

b. Valuation

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

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BICS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 30 September 2002.

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

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

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

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

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

Intangible assets are amortised over the estimated lives of the assets.

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 relates 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. 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 total employer contribution payable in 2004-05 was : [£155,482.20](#), ([2003-04 £54,031.30](#))

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003.

The Scheme is subject to a full valuation every four years. The last valuation took place as at 31 March 2003. 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 every October. 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.

NHS bodies are directed by the National Assembly to charge employers pension costs contributions to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation employer contribution rates from 2003-04 were set at 14% (7% for 2002-03) of pensionable pay. Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full.

For 2003-04 the additional funding has been retained as a Central Budget by the Department of Health and has been paid direct to the NHS Pensions Agency and the employers' contribution has remained at 7%. From 2004-05 this funding will be devolved in full to NHS Pension Scheme employers and the employers' contribution rate will rise to 14%. 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, 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.

FRS17 had been fully adopted from 2003/04.

Up to 31 March 2002, the additional liabilities arising from early retirements not funded by the scheme, which took place prior to 6 March 1995, were recharged to the Health Authority and included within operating expenses as they arose. For post 5 March 1995 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 2004/05 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 3.5% in real terms.

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

At 31 March 2005 litigation claims with an assessed value of **£0.00** had been made against the LHB. These claims are disputed and until they are resolved, it is not possible to determine the LHB's liability, if any.

1.15 Deferred Income

Income received from the National Assembly from Wales has been carried forward from health authorities into LHB's in accordance with WHC 2003 (115). No deferred allocations are allowed in year unless the funds have been received from non-governmental bodies.

2.1 Achievement of Operational Financial Balance

	£000	2003-04 £000
Net operating costs for the financial year	154,750	143,877
Non-discretionary expenditure	2,786	12,392
Operating costs less non-discretionary expenditure	151,964	131,485
Revenue Resource Limit	151,991	132,076
Under / (over) spend against Revenue Resource Limit	27	591
Unplanned resource brokerage received	0	0
Operational Financial Balance	27	591

In order to achieve financial balance, a Service Change and Efficiency plan was agreed between the LHB and its partners. This Service Change and Efficiency plan delivered efficiencies of £390,750 for Gwynedd LHB which was agreed with the North West Wales NHS Trust and approved by the Board.

3.1 Miscellaneous income

	£000	Restated 2003-04 £000
Fees & Charges	0	0
Prescription charge income	1,021	1,063
Income for trust impairments	0	0
Deferred Income brought forward	285	167
Other	67	172
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Total	1,373	1,402
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Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2003-04 Total
	£000	£000	£000	£000
General Medical services	21,603	0	21,603	12,195
Pharmaceutical services		1,806	1,806	3,338
General Dental services	0	1	1	10
General Ophthalmic services	0	979	979	922
Other Primary health care expenditure	1,644	0	1,644	1,419
Prescribed drugs and appliances	16,279		16,279	20,734
TOTAL	39,526	2,786	42,312	38,618

4.2 Secondary and Community health care

	Total £000	2003-04 Total £000
NHS Trusts:		
Provider 1 - North West Wales	93,070	86,013
Provider 2 - North East Wales	4,554	4,072
Provider 3 - Conwy and Denbighshire	3,526	3,424
Provider 4 - Ceredigion and Mid Wales	2,404	2,178
Provider 5 - Robert Jones and Angles Hunt Orthopaedic	1,394	1,273
Provider 6 - Royal Liverpool	409	594
Provider 7 - Powys Healthcare	391	341
Provider 8 -		
Provider 9 -		
Provider 10 -		
Other Welsh NHS trusts	315	342
Other non Welsh NHS trusts	505	1,973
Local Authorities	0	0
Voluntary Organisations	149	146
NHS Funded Nursing Care	1,718	559
Continuing Care	2,365	2,245
Private providers	170	249
Specific projects funded by Welsh Assembly Government	0	0
Other	4	0
TOTAL	110,974	103,409

For 2003-04 this note included amounts paid to Walton Centre for Neurology. For 2004-05, the commissioning of this service has now transferred to the Health Commission Wales.

Expenditure with Local Authorities is as follows : £NIL

4.3 Other programme expenditure

	£000	2003-04 £000
Salaries and wages	203	124
National Public Health Service	653	625
Losses, special payments and irrecoverable debts	0	396
Research and development	0	0
Other	58	8
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TOTAL	914	1,153

4.4 Administration expenditure

	£000	2003-04 £000
Non-officer members' remuneration	73	82
Other salaries and wages	887	770
Establishment expenses	179	177
Transport and moveable plant	20	11
Premises and fixed plant	59	93
External contractors	7	33
Auditors' remuneration - audit fee	70	83
Auditors' remuneration - other fees	13	0
Business Services Centre recharge	864	816
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	12	9
Capital charge interest	(283)	(5)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Costs of disposal of fixed assets	0	0
Other	22	30
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TOTAL	1,923	2,099

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

	Total	2003-04 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	0	0
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Gross increase / decrease in provision for future payments	0	0
Contributions to Welsh Risk Pool/insurance premiums	0	396
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
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Total charge	0	396
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Personal injury includes £000 in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2003-04 £000
Hire of plant and machinery	0	0
Other operating leases	0	0
TOTAL	0	0

Commitments under non-cancellable operating leases:

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

4.7 Executive Directors and staff costs

	Total £000	2003-04 Total £000
Salaries and wages	905	775
Social security costs	68	65
Employer contributions to NHSPA	117	54
Other pension costs	0	0
Agency / seconded staff	0	0
TOTAL	1,090	894

Within Primary health care staff costs of £322,000 were incurred.

4.8 Board Directors' remuneration

	£000	2003-04 £000
Non-officer members' remuneration	80	70
Executive Directors' remuneration:		
basic salaries	242	179
benefits	3	3
performance related bonuses	0	0
pension contributions	34	13
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
TOTAL	359	265

	£000	Chief Executive £000
Basic Salary	25	59
Benefits	0	3
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	4	8
TOTAL	29	70

Remuneration waived by directors and allowances paid in lieu:

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

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and cont- ract staff	Staff on inward second- ment	Total	2003-04
	Number	Number	Number	Number	Number
Executive Board Members	5	0	0	5	3
Other Local Health Board Staff	35	0	0	35	23
Recharged staff	0	0	0	0	0
TOTAL	40	0	0	40	26

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
b.	0
c.	0
d.	0
TOTAL	0

4.10 Salary and pension entitlements of senior managers

Remuneration

Name and title	Salary	2004-05 Other	Benefits in	Salary	2003-04 Other	Benefits in
	£5k bands	Remuneration £5k bands	Kind Rounded to nearest £100	£000	Remuneration £000	Kind £000
Executive directors						
Mrs Grace Lewis-Parry, Chief Executive	55-60	0	29	55-60	0	3
Mr Alun Griffiths, Director of Finance	45-50	0	0	35-40	0	0
Mr Peter Liptrot, Director of Nursing	45-50	0	0	45-50	0	0
Dr Fraser Campbell, Medical Director	40-45	0	0	40-45	0	0
Mrs Clare Jones, Director of Development and Performance Management	45-50	0	0	45-50	0	0
Non officer members						
Dr Lyndon Miles, Chairman	25-30	0	0	20-25	0	0
Dr Chris Tillson, GP	5-10	0	0	5-10	0	0
Dr Edwin Williams, GP	5-10	0	0	5-10	0	0
Dr David Robyns-Owen, GP	0-5	0	0	0-5	0	0
Dr Helen Roberts, GP	0-5	0	0	0-5	0	0
Dr Gwion Rhys, GP	0-5	0	0	0-5	0	0
Mr Mike Butler, Dentist	0-5	0	0	0-5	0	0
Mr Sion Llewelyn, Pharmacist	5-10	0	0	5-10	0	0
Mr Peter Harrop, Optometrist	5-10	0	0	5-10	0	0
Mr Denis McAteer, Lay Member	5-10	0	0	5-10	0	0
Mr Mark Sadler, Voluntary Sector	5-10	0	0	5-10	0	0
Mrs Jean Pugh, Voluntary Sector	0-5	0	0	0-5	0	0
Mrs Bridget Lloyd, Nurse	0-5	0	0	0-5	0	0
Mrs Elizabeth Miers, Therapist	0-5	0	0	0-5	0	0
Mrs Gwenan Job, Carer	5-10	0	0	5-10	0	0
Mr Glyn Hughes, Local Authority	0-5	0	0	0-5	0	0
Mrs Patricia Larsen, Local Authority	0-5	0	0	0-5	0	0
Mr Dafydd Lewis, Local Authority	0-5	0	0	0-5	0	0
Mr Richard Parry-Hughes, Local Authority	0-5	0	0	0-5	0	0
Mr Glanville Owen, Associate CHC Member	0-5	0	0	0-5	0	0
Mr Gareth Owen, Associate CHC Member	0-5	0	0	0-5	0	0
Mr Peter Clarke, Associate TUC Member	0-5	0	0	0-5	0	0
Mrs Kate Elis-Williams, Associate Trust Director	0-5	0	0	0-5	0	0
Dr Paul Birch, Associate Trust Consultant	0-5	0	0	0-5	0	0
Mr Robert HW Williams	0-5	0	0	0-5	0	0

4.10 Salary and pension entitlements of senior managers cont'd

Pension Benefits

Name and title	Real increase in pension & related lump sum at age 60	Total accrued pension & related lump sum at age 60 at	Cash Equivalent transfer value at	Cash Equivalent transfer value at	Real increase in Cash equivalent transfer value at
	£2.5k bands £000	31 Mar 2005 £5k bands £000	31 Mar 2005 £000	31 Mar 2004 £000	£000
Executive directors					
Mrs Grace Lewis-Parry Chief Executive	2.5-5	45-50	150	132	14
Mr Peter Liptrot Nurse Director	2.5-5	50-55	197	178	14
Mrs Clare Jones Director of Development and Performance	0-2.5	25-30	69	63	5
Dr Fraser Campbell Medical Director	5-7.5	95-100	287	251	28
Mr Alun Griffiths Director of Finance	5-7.5	25-30	78	56	21

As Non officer members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non officer members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV – This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

4.11 Retirements due to ill-health

During 2004-05 there were 0 early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £0.

4.12 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	2003-04 £000
NON-NHS			
Total bills paid 2004-2005	1,337	2,245	568
Total bills paid within target	1,240	2,162	537
Percentage of bills paid within target	92.7%	96.3%	94.5%

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	2003-04 £000
NHS			
Total bills paid 2004-2005	480	108,602	106,642
Total bills paid within target	474	108,560	106,620
Percentage of bills paid within target	98.8%	100.0%	100.0%

TOTAL

Total bills paid 2004-2005	1,817	110,847	107,210
Total bills paid within target	1,714	110,722	107,157
Percentage of bills paid within target	94.3%	99.9%	100.0%

[See Note 7 for further explanation](#)

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

	2003-04 £	£
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross replacement cost at 1 April 2004	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2005	0	0	0	0	0
Accumulated amortisation at 1 April 2004	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 2005	0	0	0	0	0
Net book value at 1 April 2004	0	0	0	0	0
Net book value at 31 March 2005	0	0	0	0	0

Tangible fixed assets

5.2 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	dwelling	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2004	44	184	0	0	0	0	0	28	256
Indexation	3	16	0	0	0	0	0	1	20
Additions - purchased	0	0	0	0	0	0	0	51	51
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 2005	47	200	0	0	0	0	0	80	327
Depreciation									
At 1 April 2004	0	5	0	0	0	0	0	4	9
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	7	0	0	0	0	0	5	12
At 31 March 2005	0	12	0	0	0	0	0	9	21
Net book value									
at 1 April 2004	44	179	0	0	0	0	0	24	247
at 31 March 2005	47	188	0	0	0	0	0	71	306
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

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2005 comprises:

	£000
Freehold	235
Long leasehold	0
Short leasehold	0
	<hr/>
	235

TOTAL

Net profit/(loss) on disposal of fixed assets

	£000
During the year the LHB disposed of fixed assets with the net book value of,	0
The gross proceeds from the sale(s) were	0
giving a net profit/(loss) on disposal of	<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

6.1 Debtors

	£000	Restated 2003-04 £000
Amounts falling due within one year:		
National Assembly for Wales	3	1
Health Commission Wales	39	0
Local Health Boards	33	0
Primary Care Trusts	0	0
NHS Trusts	52	25
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	(87)	39
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Prepayments and accrued income	108	18
	<hr/>	<hr/>
Sub total	148	83
	<hr/>	<hr/>
Amounts falling due after more than one year:		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
TOTAL	148	83

6.2 Creditors

	£000	Restated 2003-04 £000
Amounts falling due within one year:		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	93	0
NHS Trusts	548	361
Primary Care Trusts	2	0
Income tax and social security	35	26
Non-NHS creditors	7,700	7,133
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	661	0
Deferred Income	0	285
	<hr/>	<hr/>
TOTAL	9,039	7,805

6.3 Creditors

	Total	2003-04 Total
Amounts falling due after more than one year:	£000	£000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
	<hr/>	<hr/>
TOTAL	0	0

6.4 Provisions for liabilities and charges

	At 1 April 2004	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 2005
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0		0
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	210			79	(5)	(284)		0
Total	210	0	0	79	(5)	(284)	0	0

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	0	0	0	0
Total	0	0	0	0

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2004	295
Prior period adjustment	<u>(8,041)</u>
At 1 April 2004 as restated	(7,746)
Net operating cost for the financial year	(154,750)
Net Assembly funding (including capital)	155,581
Capital charge interest	(283)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2005	<u>(7,198)</u>

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2004	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2005	<u>0</u>

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2004	135
Revaluation	0
Indexation	20
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2005	<u>155</u>

6.8 Contingent liabilities -

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

Nature:	£000	Uncertainties affecting outcome:
Legal claims for third parties liabilities	0	
Doubtful debts	0	
Other	0	
	<hr/>	
TOTAL	0	
	<hr/>	

Text (if applicable)

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	57	0	57	0
Balances with local authorities	2	0	284	0
Balances with NHS trusts and Foundation trusts	52	0	550	0
Balances with Local Health Boards	33	0	93	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	4	0	8055	0
Total at 31 March 2005	148	0	9039	0

6.10 Post balance sheet events

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

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

6.11 Capital commitments

The Local Health Board has the following capital commitments:

Contracted	0
Authorised but not contracted	0
TOTAL	<u>0</u>

6.12 Related Party transactions**£000**

Total value of transactions with Board members and key senior staff in 2004-2005

0

Gwynedd LHB is a body corporate established by order of the National Assembly.

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

NHS TRUSTS	£M
North West Wales	94
Conwy and Denbighshire	4
North East Wales	5
Ceredigion and Mid Wales	2

There were also material transactions with entities in England namely:-

Robert Jones and Agnes Hunt Orthopaedic NHS Trust	1
---	---

In addition, the Local Health Board has a significant number of material transactions with other Government Departments and other central and local Government bodies.

However, the following board members have declared involvement with organisations as noted with which the Board may have financial commitments:-

Executive Directors

Dr F Campbell, LHB Medical Director - GP Partner, Pendyffryn Medical Group, Prestatyn

LHB Board Members

Dr L Miles, Chairman	GP Partner, Bron Drew Surgery, Bangor. £0 Board member and editorial board member, 'Primary Care Report'. £0
Mrs Grace Lewis-Parry	Trustee and Board member, Institute of Rural Health. £0
Dr Helen Roberts	Director Roberts and Sons £0 Chair Arfon / Eryri branch NSPCC £0
Dr Paul Birch	Deputy Medical Director, North West Wales NHS Trust. £93,568,727
Mr Peter Clarke	Member of Gwynedd Community Health Council. £0
Mr Peter Harrop	Optometrist, Caernarfon. £200 Minutes secretary, North Wales Local Optical Committee. £0
Mrs Gwenan Job	Centre co-ordinator, Carers Outreach Service. £11,474
Mr Denis McAteer	Self employed management consultant. £2,004
Mr Glanville Owen	Chief Officer, North Gwynedd CHC. £0
Mr Gareth Owen	Chief Officer, Meirionnydd Community Health Council. £0 Treasurer, Tywyn Memorial Hospital Appeal Fund. £0

6.12 Related Party transactions

LHB Board Members continued

Mrs Jean Pugh Family Support Co-ordinator, Hafal. £0

Mr Mark Sadler Married to and employed by local solicitor Julie Barton who specialises in mental health and community care law.

Trustee Abbey Road Centre £21,729

Mr Robert HW Williams Abel Williams £0

North Wales tourism partnership £0

Mr D P Lewis Senior Position Gwynedd County Council £902,370

Mrs Kate Elis-Williams Executive Director, North West Wales NHS Trust. £93,568,727

Married to Corporate Director, Ynys Mon County Council. £0

Mr R Parry-Hughes Senior Position Gwynedd County Council £902,370

The General Practitioners who are Local Health Board Members are also practising GPs within the county of Gwynedd. The Ophthalmic and Pharmaceutical Local Health Board Members receive reimbursement for the provision of services from the Board whilst the Dental Member is an NHS Trust employee.

6.13 Losses and special payments

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	24	1,031
All other losses and special payments	55	78,859
Total losses and special payments	<u>79</u>	<u>79,890</u>

Analysis of cases which exceed £100,000 and all other cases

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £100,000	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	<u>0</u>	<u>0</u>	<u>0</u>
All other cases	<u>79,890</u>	<u>0</u>	<u>60,208</u>
Total cases	<u>79,890</u>	<u>0</u>	<u>60,208</u>

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
Within 1 year	0
Between 1 and 5 years	0
After 5 years	0
	<hr/>
Subtotal	0
	<hr/>
Less finance charges allocated to future periods	0
	<hr/>
TOTAL	0
	<hr/>

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

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

6.16 Pooled Budgets

Gwynedd LHB has no pooled budget arrangements.

7 Additional Information

Second Offer Commissioning Team

During 2004/05 Rhondda Cynon Taff LHB acted as host to the Second Offer Commissioning Team (S.O.C.T.). Rhondda Cynon Taff LHB received funding from the Assembly to cover the running costs of the S.O.C.T. and also the healthcare related costs for patients accessing treatments under the Second Offer Scheme.

The total healthcare related costs for 2004/05 was £6.892m, which included £17K in relation to the treatment of patients from the Gwynedd Local Health Board area.

Prior Period Adjustment (PPA)

Since their inception on 1st April 2003, LHBs have been within the Assembly's resource accounting boundary and their annual accounts should be compliant with HM Treasury's Resource Accounting Manual.

Under resource accounting, Assembly funding is no longer treated as 'income' but as 'funding', and, no debtors or creditors relating to Assembly funding should exist at the year end. In 2003/04 this aspect of resource accounting was not applied to LHB accounts for funding transactions made in 2003/04 or in relation to the balances they inherited from former Health Authorities. Hence the accounts in 2003/04 incorrectly included such balances.

A PPA was therefore required in 2004/05 to write out these balances and reflect the full introduction of resource accounting. The resulting net movement in debtor/creditor balances has been taken to the General Fund in the prior period.

Details of the PPA are set out below:

	(£'000)
Reduction in debtors	8041
Reduction in Creditors	0
Decrease in General Fund	8041

The effect of this PPA on the results of the 2003/04 accounts is to reduce the General Fund and reduce the net assets by £8041K.

7 Additional Information Cont'd

Public Sector Payment Policy - Measure of Compliance

A considerable number of items were purchased during March 2004 as part of the LHB 2003/04 year end investment in primary care. As a result of the time taken to review the robustness of the paperwork supporting this investment, there was a delay in the payment of the associated invoices and the LHB did not fully achieve the payment target for non-NHS payments for April, May and June.

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

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

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

Date: 2005 Chief Executive

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

The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The National Assembly, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Assembly with the approval of the Treasury.
- make judgements and estimates which are responsible and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

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

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

By Order of the Board

Signed:

Chairman: Dated: 2005

Chief Executive: Dated: 2005

Director of Finance: Dated: 2005

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.

Gwynedd Local Health Board's system of internal control is structured around an ongoing risk management process that is designed to identify the principal risks to the LHB's objectives. In January 2005 the LHB began the process of implementing an 'Assurance Framework' which will better explain the relationship between the organisation's objectives and risks. The LHB's system of internal control is considered as part of quarterly reviews undertaken with the Welsh Assembly Government's North Wales Regional Office.

No adverse incidents relating to internal control or risk management have been identified during 2004-05.

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 2005 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

Gwynedd LHB's Risk Management Strategy sets out the LHB's policy and strategy in relation to Risk Management. The LHB's Audit Committee has reviewed and supported the development of the risk management process for 2004-05 as part of the development of the Assurance Framework.

Two Executive Directors have been delegated the responsibility for Risk Management.

- a) The Medical Director has responsibility for the management of clinical risk and the development of clinical governance.
- b) The Director of Finance has responsibility for the management of the risk management process (including health and safety) and the development of corporate governance in the LHB. The Director of Finance is also the Board lead for the implementation and completion of the Welsh Risk Management Standards.

Gwynedd LHB has adopted a systematic approach of focusing upon the identification of risks that could potentially threaten the achievement of the organisations primary objectives. The Audit and Clinical Governance Committees have embraced the process that enables risk management issues to be monitored and managed by the LHB.

Through the development of the risk management and assurance framework process in 2004-05 staff within the LHB have become familiar with and have contributed to an enhancing system. The LHB has continued to ensure that all staff have access to an appropriate level of training and support to enable them to undertake their duties effectively.

During 2004-05 the Audit and Clinical Governance Committees of Gwynedd LHB approved the development of an Assurance Framework that would assist in the effective management of risks and delivery of organisational objectives. The implementation of the Assurance Framework commenced in January 2005 and the roll-out of this internet based governance tool will be completed during the summer of 2005.

Gwynedd LHB has also been provided with guidance and direction from Mersey Internal Audit Agency on internal control and risk management matters. The LHB has also received guidance from the Welsh Risk Pool on the Welsh Risk Management Standards applicable to the LHB in 2004-05.

4. The risk and control framework

Gwynedd LHB's risk management framework is set out in the Risk Management Strategy approved by the Board. The key elements of the strategy include:

- * An Introduction and Background
- * Scope of Risk Management
- * Maintaining Financial Control Mechanisms
- * Achieving Clinical Governance
- * Risk Identification and Prioritisation
- * Risk Management Process
- * Responsibilities in the Risk Management Process
- * Monitoring and Audit

During 2004-05 the Audit and Clinical Governance Committees focused upon the assurance, risk and control agenda during a jointly held facilitated workshop. The workshop enabled non-officer board members together with directors and officers of the LHB to discuss governance matters that will have further embedded the concept of risk and assurance in the LHB.

The Audit Committee has throughout 2004-05 received assurances on the system of internal control from the following sources:

- * Reviews undertaken by Welsh Audit Office (formerly Audit Commission in Wales)
- * Reviews undertaken by Mersey Internal Audit Agency (the LHB's internal audit provider)
- * Outcomes to the completion of the Welsh Risk Management Standards
- * Management and Staff

During 2004-05 the risk and control framework has been enhanced. One measure that can be used to demonstrate the improvement in the risk and control framework in the LHB are the respective scores achieved in the completion of the Welsh Risk Management Standards.

▪
▪
▪
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Table 1 summarises the scores achieved against the Welsh Risk Management Standards in 2004-05 (and also in 2003-04).

Table 1: Level of compliance against Welsh Risk Management Standards in 2004-05 and 2003-04

Standard	Compliance 2003-04	Compliance 2004-05
A: Risk Management Policy and Strategy*	58%	65%
B: Risk Assessment and Treatment*	50%	70%
C: Incident and Hazard Reporting*	61%	67%
D: Policies and Procedures	61%	70%
E: Governance*	62%	80%
F: Financial Management*	62%	86%
G: Safe Provision of Primary Care	n/a	69%
I: Records Management	n/a	71%

*= Core Standard

The average score for all standards in 2004-05 was 72%. For 2004-05 the target scores for the core standards were 75%. Therefore, whilst considerable improvement against 2003-04 scores can be shown further work is still required to enable the LHB to reach the target of 75%.

Formal action plans following the completion of the Welsh Risk Management Standards for 2004-05 will form the basis of the developmental work for 2005-06.

Unfortunately, the work undertaken in 2004-05 to develop and implement the internet based Assurance Framework (commenced in January 2005) could not be considered for the purpose of Welsh Risk Management Standard scoring, as any such system should be in place throughout the year.

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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

* The Director of Internal Audit's opinion provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work.

* The Audit Committee, as part of an integrated committee structure, is pivotal in advising the Board on the effectiveness of the system of internal control.

* The annual Internal Audit plan is agreed by the Director of Finance and encompasses the priorities set out and discussed by the Audit Committee.

- * The Director of Finance and Audit Manager meet throughout the year to review and monitor the annual plan. Detailed reports on areas of work covered are provided to the Director of Finance and to the relevant manager. These reports and agreed action plans are also subject to Audit Committee review.
- * The Welsh Audit Office (formerly Audit Commission in Wales) provides a further assurance mechanism in particular their review of the Annual Accounts.
- * Executive Directors, managers and officers within the organisation who have responsibility for the development and maintenance of the system of internal control also provide me with assurances when requested.
- * There have been no significant internal control issues identified during 2004-05.
- * Risk Management is an integral part of everyone's job and is increasingly becoming a key process by which the LHB ensures it achieves its primary objectives.
- * 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 will flourish.

■

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

■

ACCOUNT OF - 2004-2005

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY THE NATIONAL ASSEMBLY FOR WALES IN ACCORDANCE WITH SECTION 98(2) OF THE NATIONAL HEALTH SERVICE ACT 1977 AND WITH THE APPROVAL OF TREASURY

LOCAL HEALTH BOARDS

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2005 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 Resource Accounting Manual, 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 2005 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 2005 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

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

ACCOUNT OF - 2004-2005

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 Resource Accounting Manual.
4. NHS bodies are not required to provide the historical cost information described in paragraph (33) of Schedule 4 to the Companies Act.

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the account has been prepared to comply with a Direction given by the National Assembly for Wales in accordance with section 98(2) of the NHS Act 1977.
2. The foreword shall also contain a description of the statutory background and main functions of the LHB together with a fair review of their operational and financial activities and a summary of their performance against targets.

Report of the Auditor General for Wales

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

I certify that I have audited the financial statements on pages 2 to 37 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 to 10.

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on page 39 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made thereunder and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword/other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent mis-statements or material inconsistencies with the financial statements.

I review whether the statement on pages 40 to 43 reflect the Board's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury and the Assembly or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and

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 mis-statement, whether caused by error, or by fraud or other irregularity or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

At this time, the final Annual Report is not available. I have, therefore, given my opinion on these accounts without having seen whether the other information that will be contained within the Annual Report is consistent with these audited accounts.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Gwynedd Local Health Board as at 31 March 2005 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the National Assembly for Wales; and
- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
1st August 2005

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