

# Cwm Taf Local Health Board

## FOREWORD

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

### Statutory background

The Local Health Board was established on 1 October 2009 following the merger of Cwm Taf NHS Trust, Rhondda Cynon Taf Local Health Board and Merthyr Tydfil Local Health Board.

All the bodies which were in existence have prepared a set of statutory accounts for their final six month period from 1 April 2009 to 30 September 2009.

The LHB is required to prepare a set of accounts for the accounting year 2009-10 in accordance with the HM Treasury's Financial Reporting Manual Section 4.2.18 on a merger accounting basis. This requires the account to be prepared as if the new LHB had existed in its post 1 October 2009 configuration for the full 12 month period and for prior period comparators to be reported with these accounts.

### 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 National Health Service (Wales) Act 2006. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

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

## Operating Cost Statement for the year ended 31 March 2010

	Note	2009-10 £'000	2008-09 £'000
Expenditure on Primary Healthcare Services	3.1	135,701	128,547
Expenditure on healthcare from other providers	3.2	70,477	65,425
Expenditure on Hospital and Community Health Services	3.3	392,195	356,023
		<b>598,373</b>	549,995
Less: Miscellaneous Income	4	81,395	88,880
<b>LHB net operating costs before interest and other gains and losses</b>		<b>516,978</b>	461,115
Investment Income	8	52	740
Other (Gains) / Losses	9	38	25
Finance costs	10	5,319	10,135
<b>Net operating costs for the financial year</b>		<b>522,283</b>	470,535

## Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2010 is as follows:

	2009-10 £000
Net operating costs for the financial year	522,283
Less Non-discretionary expenditure	3,009
Less Revenue consequences of Bringing PFI schemes onto SoFP	255
<b>Net operating costs less non-discretionary expenditure and revenue consequences of PFI</b>	<b>519,019</b>
Revenue Resource Limit	519,037
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>18</b>

The notes on pages 7 to 58 form part of these accounts

## Statement of Financial Position as at 31 March 2010

		31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
	Notes			
<b>Non-current assets</b>				
Property, plant and equipment	11	318,479	303,493	296,668
Intangible assets	12	0	0	0
Trade and other receivables	15	1,433	315	3,877
Other financial assets	19	0	0	0
Other assets	20	0	0	0
<b>Total non-current assets</b>		<b>319,912</b>	<b>303,808</b>	<b>300,545</b>
<b>Current assets</b>				
Inventories	14	3,226	3,054	2,812
Trade and other receivables	15	41,085	35,045	23,011
Other financial assets	19	0	0	0
Other current assets	20	0	0	0
Cash and cash equivalents	18	1,492	15,880	4,514
		<b>45,803</b>	<b>53,979</b>	<b>30,337</b>
Non-current assets classified as "Held for Sale"	11	1,500	0	0
<b>Total current assets</b>		<b>47,303</b>	<b>53,979</b>	<b>30,337</b>
<b>Total assets</b>		<b>367,215</b>	<b>357,787</b>	<b>330,882</b>
<b>Current liabilities</b>				
Trade and other payables	16	52,781	53,497	49,292
Other financial liabilities	22	0	0	0
Provisions	17	28,334	24,973	16,447
Other liabilities	21	0	0	0
<b>Total current liabilities</b>		<b>81,115</b>	<b>78,470</b>	<b>65,739</b>
<b>Net current assets/ (liabilities)</b>		<b>(33,812)</b>	<b>(24,491)</b>	<b>(35,402)</b>
<b>Non-current liabilities</b>				
Trade and other payables	16	2,841	2,900	3,765
Other financial liabilities	22	0	0	0
Provisions	17	8,610	6,913	8,219
Other liabilities	21	0	0	0
<b>Total non-current liabilities</b>		<b>11,451</b>	<b>9,813</b>	<b>11,984</b>
<b>Total assets employed</b>		<b>274,649</b>	<b>269,504</b>	<b>253,159</b>
<b>Financed by :</b>				
<b>Taxpayers' equity</b>				
General Fund		254,911	257,023	250,515
Revaluation reserve		15,869	9,667	0
Donated asset reserve		3,684	2,814	2,644
Government grant reserve		185	0	0
<b>Total taxpayers' equity</b>		<b>274,649</b>	<b>269,504</b>	<b>253,159</b>

The financial statements on pages 2 to 58 were approved by the Board on 28th June 2010 and signed on its behalf by:

Chief Executive: Mrs. M S Foster

Date: 28th June 2010

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2010

	General Fund £000s	Revaluation reserve £000s	Donated asset reserve £000s	Government grant reserve £000s	Total reserves £000s
<b>Changes in taxpayers' equity for 2009-10</b>					
<b>Balance at 1 April 2009</b>	257,023	9,667	2,814	0	269,504
Net operating cost for the year	(522,283)				(522,283)
Net gain/(loss) on revaluation of property, plant and equipment	0	6,206	67	0	6,273
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	0	0	0
Receipt / (disposal) of donated or government granted assets	0	0	1,016	185	1,201
Movements in other reserves	(5)	0	0	0	(5)
Release of reserves to OCS	0	0	(213)	0	(213)
Non-cash charges - cost of capital	4,284				4,284
Transfers between reserves	4	(4)	0	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	0	0	0
<b>Total recognised income and expense for 2009-10</b>	(518,000)	6,202	870	185	(510,743)
Net Assembly funding	515,888				515,888
<b>Balance at 31 March 2010</b>	254,911	15,869	3,684	185	274,649

The notes on pages 7 to 58 form part of these accounts

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2009

	General Fund £000s	Revaluation reserve £000s	Donated asset reserve £000s	Government grant reserve £000s	Total reserves £000s
<b>Balance at 31 March 2008</b>	145,499	105,821	2,644	0	253,964
Changes in accounting policy	105,016	(105,821)	0	0	(805)
<b>Restated balance at 1 April 2008</b>	250,515	0	2,644	0	253,159
<b>Changes in taxpayers' equity for 2008-09</b>					
Net operating cost for the year	(470,535)				(470,535)
Net gain/(loss) on revaluation of property, plant and equipment	0	9,663	(90)	0	9,573
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	0	0	0
Receipt / (disposal) of donated or government granted assets	0	0	447	0	447
Movements in other reserves	0	0	(186)	0	(186)
Release of reserves to OCS	0	0	0	0	0
Non-cash charges - cost of capital	(996)				(996)
Transfers between reserves	(3)	4	(1)	0	0
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	0	0	0
<b>Total recognised income and expense for 2008-09</b>	(471,534)	9,667	170	0	(461,697)
Net Assembly funding	478,042				478,042
<b>Balance at 31 March 2009</b>	257,023	9,667	2,814	0	269,504

The notes on pages 7 to 58 form part of these accounts

**Statement of Cash flows for year ended 31 March 2010**

	<b>2009-10</b>	2008-09
	<b>£'000</b>	£'000
<b>Cash Flows from operating activities</b>		
Net operating cost before interest	(516,978)	(461,115)
Movements in Working Capital	35 (6,310)	(4,747)
Other cash flow adjustments	36 64,330	38,510
Provisions utilised	17 (7,721)	(4,723)
Interest paid	(4,213)	(10,171)
<b>Net cash outflow from operating activities</b>	<b>(470,892)</b>	(442,246)
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(59,749)	(25,349)
Proceeds from disposal of property, plant and equipment	145	181
Purchase of intangible assets	0	0
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
Interest received	56	748
Rental Income	0	0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(59,548)</b>	(24,420)
<b>Net cash inflow/(outflow) before financing</b>	<b>(530,440)</b>	(466,666)
<b>Cash flows from financing activities</b>		
Welsh Assembly Government funding (including capital)	515,888	478,042
Capital receipts surrendered	0	0
Capital grants received	522	358
Capital element of payments in respect of finance leases and on-SoFP	(358)	(368)
Cash transferred (to)/ from other NHS bodies	0	0
<b>Net financing</b>	<b>516,052</b>	478,032
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(14,388)</b>	11,366
<b>Cash and cash equivalents at 1 April 2009</b>	<b>15,880</b>	4,514
<b>Cash and cash equivalents at 31 March 2010</b>	<b>1,492</b>	15,880

The notes on pages 7 to 58 form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2009-10 Local Health Board Manual for Accounts and 2009-10 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income and funding

The main source of funding for the Local Health Boards are allocations (Assembly Funding) from the Welsh Assembly Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Assembly funding is recognised in the financial period in which the cash is received. Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Assembly Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit. Funding for the acquisition of fixed assets received from the Welsh Assembly Government is credited to the general fund.

Miscellaneous income is income which relates directly to the operating activities of the Local Health Board and is not funded directly by the Welsh Assembly Government. This includes payment for services uniquely provided by the LHB for the Welsh Assembly Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

#### 1.4 Employee benefits

##### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

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

## Retirement benefit costs

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

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

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

## 1.5 Other expenses

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

## 1.6 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised if:

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

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

### Valuation

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



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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

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

For 2009-10 no indexation is applied to the Land and Properties of NHS Wales bodies because they have been subject to a Modern Equivalent Asset revaluation exercise. The equipment of NHS Wales LHBs is subject to indexation. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

### **Subsequent expenditure**

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

## **1.7 Intangible assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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

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

### **Measurement**

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

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

### **1.8 Depreciation, amortisation and impairments**

Freehold land and properties under construction are not depreciated.

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

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### **1.9 Borrowing costs**

Borrowing costs are recognised as expenses as they are incurred.

### **1.10 Donated assets**

Donated assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. Donated assets are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the operating cost statement. On sale of donated assets the net book value is transferred from the donated asset reserve to the general fund.

### **1.11 Government grants**

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by the Welsh Assembly Government. Revenue grants are treated as deferred income initially and credited to the operating cost statement to match the expenditure to which it relates. Capital grants are credited to the government grant reserve. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the operating cost statement.

### **1.12 Non-current assets held for sale**

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the operating cost statement. On disposal, the balance for the asset on the revaluation reserve, donated asset reserve or government grant reserve is transferred to the General Fund.

### **1.13 Leases**

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

#### **1.13.1 The Local Health Board as lessee**

Amounts held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the operating cost statement.

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

#### **1.13.2 The health board as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Local

Health Board's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

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

#### **1.14 Inventories**

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

#### **1.15 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **1.16 Provisions**

Provisions are recognised when the Local Health Board has a present legal or constructive obligation as a result of a past event, it is probable that the Local Health Board will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

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

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

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

#### **1.17 Clinical negligence costs**

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top-sliced allocations based on direct invoicing to the Welsh Assembly Government. The Welsh Risk Pool is hosted by Betsi Cadwaladr University Local Health Board.

## **1.18 Financial assets**

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

### **1.18.1 Financial assets are initially recognised at fair value.**

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

### **1.18.2 Financial assets at fair value through OCS**

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

### **1.18.3 Held to maturity investments**

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

### **1.18.4 Available for sale financial assets**

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

### **1.18.5 Loans and receivables**

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

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

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

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

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

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

### **1.19 Financial liabilities**

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

#### **1.19.1 Financial liabilities are initially recognised at fair value.**

Within the Financial Instruments Note 32, financial liabilities are classified as either financial liabilities 'at fair value through OCS' or other financial liabilities.

#### **1.19.2 Financial liabilities at fair value through OCS**

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

#### **1.19.3 Other financial liabilities**

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

### **1.20 Cost of Capital**

The cost of capital applies to all the assets and liabilities of the Local Health Board, less cash balances held at the Office of the Paymaster General and donated assets. The charge rate applied to capital charges in the 2009-10 financial year was 3.5% (2008-09: 3.5%)

### **1.21 Value Added Tax**

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

### **1.22 Foreign currencies**

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the operating cost statement. At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

### **1.23 Third party assets**

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

### **1.24 Losses and Special Payments**

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

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

### **1.25 Pooled budget**

The Local Health Board has not entered into any pooled budgets with Local Authorities.

### **1.26 Critical Accounting Judgements and key sources of estimation uncertainty**

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

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

### **1.27 Key sources of estimation uncertainty**

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

Significant estimations are made in relation to on going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool.

Significant estimations are also made for continuing care costs resulting from claims post 1 April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.

Estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilities are adjusted in the following reporting period.

### **1.28 Private Finance Initiative (PFI) transactions**

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

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

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

#### **Services received**

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

#### **PFI asset**

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

#### **PFI liability**

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

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

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

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

#### **Lifecycle replacement**

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

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

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



**Assets contributed by the LHB to the operator for use in the scheme**

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

**Other assets contributed by the LHB to the operator**

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

**1.29 Contingencies**

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

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

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

### **1.30 EU Emissions Trading Scheme**

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from the government grant reserve. The provision is settled on surrender of the allowances. The asset, provision and government grant reserve are valued at fair value at the end of the reporting period.

## 2. Achievement of Operational Financial Balance

### 2.1 Revenue Resource Limit

The results reporting whether the LHB has achieved Operational Financial Balance are shown on the face of the Operating Cost Statement. This shows Cwm Taf Local Health Board remained within its Revenue Resource Limit achieving an underspend of £18k.

### 2.2 Capital Resource Limit

**2009-10**  
**£000**

The LHB is required to keep within its Capital Resource Limit :

<b>Gross capital expenditure</b>	58,238
Add: Loss in respect of disposals of donated assets	0
Less NBV of disposed property, plant and equipment and intangible assets	(184)
Less capital grants	(185)
Less donations	(1,016)
<b>Charge against Capital Resource Limit</b>	<u>56,853</u>
Capital Resource Limit	<u>57,038</u>
<b>(Over) / Underspend against Capital Resource Limit</b>	<u><u>185</u></u>

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2009-10 Total £'000	2008-09 £'000
General Medical Services	43,193		43,193	41,971
Pharmaceutical Services	16,089	(335)	15,754	15,317
General Dental Services	15,318		15,318	14,847
General Ophthalmic Services	0	3,344	3,344	3,033
Other Primary Health Care expenditure	3,519		3,519	28
Prescribed drugs and appliances	54,573		54,573	53,351
<b>Total</b>	<b>132,692</b>	<b>3,009</b>	<b>135,701</b>	<b>128,547</b>

#### 3.2 Expenditure on healthcare from other providers

	2009-10 £'000	2008-09 £'000
Goods and services from other NHS Wales Health Boards	24,540	23,498
Goods and services from other NHS Wales Trusts	5,541	5,032
Goods and services from other non Welsh NHS bodies	998	869
Local Authorities	122	91
Voluntary organisations	1,381	1,810
NHS Funded Nursing Care	2,499	2,635
Continuing Care	29,753	25,438
Private providers	0	0
Specific projects funded by the Welsh Assembly Government	230	661
National Public Health Service / Public Health Wales	1,979	1,981
Business Services Centre / Business Services Partnership	2,122	2,171
Other	1,312	1,239
<b>Total</b>	<b>70,477</b>	<b>65,425</b>

**3.3 Expenditure on Hospital and Community Health Services**

	<b>2009-10</b>	2008-09
	<b>£'000</b>	£'000
Goods and services from other NHS bodies	4,427	4,458
Goods and services from NHS Foundation Trusts	0	0
Goods and services from non-NHS bodies	305	461
Directors' costs	1,779	1,923
Staff costs	273,194	261,543
Supplies and services - clinical	33,643	33,701
Supplies and services - general	4,356	4,067
Consultancy Services	680	500
Establishment	5,951	5,644
Transport	518	554
Premises	11,380	12,616
External Contractors	102	141
Depreciation	15,691	21,507
Amortisation	0	0
Fixed asset impairments and reversals (Property, plant & equipment)	32,147	6,498
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets (by class)	0	0
Capital charge interest	4,012	(997)
Audit fees	865	485
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	1,824	1,361
Research and Development	0	0
Other operating expenses	1,321	1,561
<b>Total</b>	<b>392,195</b>	<b>356,023</b>

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

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	9,439	8,883
Personal injury	921	417
All other losses and special payments	8	53
Defence legal fees and other administrative costs	510	8
Gross increase/(decrease) in provision for future payments	<b>10,878</b>	<b>9,361</b>
Premium for other insurance arrangements	0	0
Irrecoverable debts	336	181
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(9,390)</b>	<b>(8,181)</b>
<b>Total</b>	<b>1,824</b>	<b>1,361</b>

Personal injury includes £231,711 (2008-09 £145,687) in respect of permanent injury benefits

#### 4. Miscellaneous Income

	2009-10	2008-09
	£'000	£'000
Local Health Boards	34,263	29,929
Health Commission Wales	7,194	6,112
NHS trusts	2,374	2,794
Strategic health authorities and primary care trusts	410	504
Foundation Trusts	0	0
Local authorities	4,551	4,488
Welsh Assembly Government	324	11,997
Non NHS:		
Prescription charge income	0	0
Dental fee income	2,847	3,239
Private patient income	183	150
Overseas patients (non-reciprocal)	10	30
Injury Costs Recovery (ICR) Scheme	1,836	2,138
Other income from activities	209	142
Patient transport services	0	0
Education, training and research	9,622	9,613
Charitable and other contributions to expenditure	355	441
Transfer from the donated asset reserve	213	186
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	426	612
Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	783	1,259
Accommodation and catering charges	1,535	1,664
Mortuary fees	131	132
Staff payments for use of cars	369	361
Business unit - Welsh Health Estates	3,629	3,329
Other	10,131	9,760
<b>Total</b>	<b>81,395</b>	<b>88,880</b>

## 5. Employee benefits and staff numbers

### 5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2008-09
	£000	£000	£000	£000	£000
Salaries and wages	236,528	216	3,127	239,871	228,106
Social security costs	16,969	0	0	16,969	16,200
Employer contributions to NHS Pension Scheme	28,709	0	0	28,709	27,291
Other pension costs	0	0	0	0	65
Other employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
<b>Total</b>	<b>282,206</b>	<b>216</b>	<b>3,127</b>	<b>285,549</b>	<b>271,662</b>

### 5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2008-09
	Number	Number	Number	Number	Number
Medical and dental	627	0	20	647	671
Ambulance staff	0	0	0	0	0
Administrative and estates	1,459	5	2	1,466	1,533
Healthcare assistants and other support staff	1,613	0	0	1,613	1,543
Nursing, midwifery and health visiting staff	2,554	0	6	2,560	2,538
Nursing, midwifery and health visiting learners	19	0	0	19	18
Scientific, therapeutic and technical staff	984	0	3	987	980
Social care staff	0	0	0	0	0
Other	1	0	0	1	6
<b>Total</b>	<b>7,257</b>	<b>5</b>	<b>31</b>	<b>7,293</b>	<b>7,289</b>

### 5.3. Retirements due to ill-health

During 2009-10 (prior year 2008-09) there were 21(25) 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 £1,205,751. (£1,454,763)

### 5.4 Employee benefits

The LHB does not have an employee benefit scheme.

## 5.5 Pension costs

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

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

### a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

### b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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 website. Copies can also be obtained from The Stationery Office.

### c) Scheme provisions

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 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 member's pension is normally payable to the surviving spouse.

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

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

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



## 6. Operating leases

### LHB as lessee

The lease information below relates to lease agreements for buildings, vehicles and equipment. There are no significant leasing arrangements that require further disclosure.

<b>Payments recognised as an expense</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Minimum lease payments	<b>1,689</b>	1,811
Contingent rents	<b>0</b>	0
Sub-lease payments	<b>0</b>	0
<b>Total</b>	<b>1,689</b>	1,811

<b>Total future minimum lease payments</b>	<b>£000</b>	£000
<b>Payable</b>		
Not later than one year	<b>1,432</b>	959
Between one and five years	<b>3,715</b>	2,425
After 5 years	<b>10,026</b>	6,554
<b>Total</b>	<b>15,173</b>	9,938

Total future sublease payments expected to be received are £

### LHB as lessor

[General description of significant leasing arrangements]

<b>Rental revenue</b>	<b>£000</b>	£000
Rent	<b>0</b>	0
Contingent rents	<b>0</b>	0
<b>Total revenue rental</b>	<b>0</b>	0

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

## 7. Public Sector Payment Policy - Measure of Compliance

### 7.1 Prompt payment code - measure of compliance

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

<b>NHS</b>	<b>Number</b>	<b>£000</b>
Total bills paid 2009-10	4,141	47,916
Total bills paid within target	4,041	47,394
Percentage of bills paid within target	97.6%	98.9%
<b>Non-NHS</b>		
Total bills paid 2009-10	107,628	126,447
Total bills paid within target	103,586	123,371
Percentage of bills paid within target	96.2%	97.6%
<b>Total</b>		
Total bills paid 2009-10	111,769	174,363
Total bills paid within target	107,627	170,765
Percentage of bills paid within target	96.3%	97.9%

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

	<b>2009-10</b>	2008-09
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**8. Investment Income**

	2009-10 £000	2008-09 £000
<b>Rental revenue :</b>		
PFI Finance lease income	0	0
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue :</b>		
Bank accounts	52	740
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>52</b>	<b>740</b>

**9. Other gains and losses**

	2009-10 £000	2008-09 £000
Gain/(loss) on disposal of property, plant and equipment	(38)	(25)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through OCS	0	0
Change in fair value of financial liabilities at fair value through OCS	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>(38)</b>	<b>(25)</b>

**10. Finance costs**

	2009-10 £000	2008-09 £000
Interest on loans	0	0
Interest on obligations under finance leases	26	32
Interest on obligations under PFI contracts		
main finance cost	102	107
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Provisions unwinding of discount	86	255
Other interest expense	0	0
<b>Total interest expense</b>	<b>214</b>	<b>394</b>
PDC dividends payable	5,105	9,741
Other finance costs	0	0
<b>Total</b>	<b>5,319</b>	<b>10,135</b>

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2009</b>	39,235	226,487	6,443	59,101	49,361	505	7,494	3,205	391,831
Indexation	0	0	0	0	964	5	0	62	1,031
Additions - purchased	0	3,975	0	47,437	3,854	0	1,470	305	57,041
Additions - donated	0	135	0	872	9	0	0	0	1,016
Additions - government granted	0	0	0	122	0	0	47	11	180
Transfer from/into other NHS bodies	35	(35)	0	(50)	302	(252)	0	0	0
Reclassifications	0	44,138	0	(44,861)	17	0	999	(293)	0
Revaluations	(8,039)	(28,470)	(2,200)	0	(42)	0	0	0	(38,751)
Impairments	0	(17,081)	0	0	0	0	0	0	(17,081)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	(1,475)	(25)	0	0	0	0	0	0	(1,500)
Disposals	(136)	(446)	0	0	(2,374)	(79)	(98)	0	(3,133)
<b>At 31 March 2010</b>	<b>29,620</b>	<b>228,678</b>	<b>4,243</b>	<b>62,621</b>	<b>52,091</b>	<b>179</b>	<b>9,912</b>	<b>3,290</b>	<b>390,634</b>
<b>Depreciation at 1 April 2009</b>	0	45,818	481	96	35,241	210	4,170	2,322	88,338
Indexation	0	0	0	0	684	4	0	45	733
Reclassifications	0	149	0	(96)	5	0	(5)	(53)	0
Revaluations	0	(29,029)	(496)	0	(79)	0	0	0	(29,604)
Impairments	0	(53)	0	0	0	0	0	0	(53)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	(432)	0	0	(2,340)	(79)	(99)	0	(2,950)
Provided during the year	0	10,457	118	0	3,949	8	937	222	15,691
<b>At 31 March 2010</b>	<b>0</b>	<b>26,910</b>	<b>103</b>	<b>0</b>	<b>37,460</b>	<b>143</b>	<b>5,003</b>	<b>2,536</b>	<b>72,155</b>
<b>Net book value at 1 April 2009</b>	<b>39,235</b>	<b>180,669</b>	<b>5,962</b>	<b>59,005</b>	<b>14,120</b>	<b>295</b>	<b>3,324</b>	<b>883</b>	<b>303,493</b>
<b>Net book value at 31 March 2010</b>	<b>29,620</b>	<b>201,768</b>	<b>4,140</b>	<b>62,621</b>	<b>14,631</b>	<b>36</b>	<b>4,909</b>	<b>754</b>	<b>318,479</b>
<b>Net book value at 31 March 2010 comprises :</b>									
Purchased	29,011	200,259	4,140	61,642	13,978	28	4,856	702	314,616
Donated	609	1,509	0	857	653	8	6	41	3,683
Government Granted	0	0	0	122	0	0	47	11	180
	29,620	201,768	4,140	62,621	14,631	36	4,909	754	318,479
<b>Asset financing :</b>									
Owned	29,470	199,592	863	62,621	14,475	36	4,909	754	312,720
Held on finance lease	0	239	0	0	156	0	0	0	395
On-SoFP PFI contracts	150	1,937	3,277	0	0	0	0	0	5,364
PFI residual interests	0	0	0	0	0	0	0	0	0
	29,620	201,768	4,140	62,621	14,631	36	4,909	754	318,479

The net book value of land, buildings and dwellings at 31 March 2010 comprises :

	£000
Freehold	235,289
Long Leasehold	0
Short Leasehold	239
	<b>235,528</b>

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2008</b>	45,929	214,945	4,952	40,700	46,820	230	6,850	2,921	363,347
Indexation	(6,647)	6,207	192	1,203	1,405	7	0	88	2,455
Additions - purchased	0	2,769	0	18,690	2,605	7	831	112	25,014
Additions - donated	0	0	0	95	0	261	7	84	447
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	1,587	0	(1,587)	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	979	1,433	0	0	0	0	0	2,412
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	(47)	0	(134)	0	(1,469)	0	(194)	0	(1,844)
<b>At 31 March 2009</b>	<b>39,235</b>	<b>226,487</b>	<b>6,443</b>	<b>59,101</b>	<b>49,361</b>	<b>505</b>	<b>7,494</b>	<b>3,205</b>	<b>391,831</b>
<b>Depreciation at 1 April 2008</b>	0	28,179	345	96	32,320	193	3,553	1,993	66,679
Indexation	0	744	10	0	970	6	0	60	1,790
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	(4)	0	(1,444)	0	(190)	0	(1,638)
Provided during the year	0	16,895	130	0	3,395	11	807	269	21,507
<b>At 31 March 2009</b>	<b>0</b>	<b>45,818</b>	<b>481</b>	<b>96</b>	<b>35,241</b>	<b>210</b>	<b>4,170</b>	<b>2,322</b>	<b>88,338</b>
<b>Net book value at 1 April 2008</b>	<b>45,929</b>	<b>186,766</b>	<b>4,607</b>	<b>40,604</b>	<b>14,500</b>	<b>37</b>	<b>3,297</b>	<b>928</b>	<b>296,668</b>
<b>Net book value at 31 March 2009</b>	<b>39,235</b>	<b>180,669</b>	<b>5,962</b>	<b>59,005</b>	<b>14,120</b>	<b>295</b>	<b>3,324</b>	<b>883</b>	<b>303,493</b>
<b>Net book value at 31 March 2009 comprises :</b>									
Purchased	38,432	179,774	5,962	58,745	13,577	34	3,316	838	300,678
Donated	803	895	0	260	543	261	8	45	2,815
Government Granted	0	0	0	0	0	0	0	0	0
	<b>39,235</b>	<b>180,669</b>	<b>5,962</b>	<b>59,005</b>	<b>14,120</b>	<b>295</b>	<b>3,324</b>	<b>883</b>	<b>303,493</b>
<b>Asset financing :</b>									
Owned	39,107	178,511	2,587	59,005	13,656	295	3,324	883	297,368
Held on finance lease	0	434	0	0	464	0	0	0	898
On-SoFP PFI contracts	128	1,724	3,375	0	0	0	0	0	5,227
PFI residual interests	0	0	0	0	0	0	0	0	0
	<b>39,235</b>	<b>180,669</b>	<b>5,962</b>	<b>59,005</b>	<b>14,120</b>	<b>295</b>	<b>3,324</b>	<b>883</b>	<b>303,493</b>

The net book value of land, buildings and dwellings at 31 March 2009 comprises :

	£000
Freehold	225,432
Long Leasehold	0
Short Leasehold	434
	<b>225,866</b>

**11. Property, plant and equipment (continued)****11.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance brought forward 1 April 2009</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the year	1475	25	0	0	0	1500
Less assets sold in the year	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2010</b>	<b>1475</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1500</b>
<b>Balance brought forward 1 April 2008</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

An offer has been accepted for Llwynypia Hospital which has been replaced by Ysbyty Cwm Rhondda. The sale will take place in early 10/11.

**11. Property, plant and equipment (continued.)**

Disclosures:

I) Assets totalling £1.016m were purchased with donated funds.

£'000

Arts Council for Wales	Art Works	15
Macmillan	Chemotherapy Day Unit	979
Endowment fund	Various	22

ii) Assets are restated to current value annually using indices provided by the District Valuer via the Assembly. At five yearly intervals an independent professional valuation is undertaken of Land and Buildings.

- The last valuation was carried out as at 1st April 2009.
- The valuation was carried out by the Valuation Office Agency
- The April 2009 valuation restated the Trust estate to Modern Equivalent Asset basis for specialised operational property and existing use value for non-specialised property.

iii) Asset valuations have been updated in line with the valuation exercise carried out on 1st April 2009. The effect of the adjustment is a reduction of £1,519,885 on Buildings and £7,845,149 on Land. Impairments also arose following valuation upon the completion, of Ysbyty Cwm Rhondda and Phase 1 of the Ward Refurbishment scheme at Prince Charles Hospital, of £10,294,229 and £6,722,244 respectively.

iv) The Trust Board deemed that Gilfach Goch Health Centre would become surplus to requirements in 2009 upon completion of a new build. The District Valuer's assessment of open market value in 2009 for Gilfach Goch was £150k. Depreciation has been accelerated accordingly to achieve open market value at the disposal date which has taken place in 2009/10.

v) The Trust Board deemed that Llwynypia Hospital would become surplus to requirements in 2009/10 upon completion of Ysbyty Cwm Rhondda Hospital. The District Valuer's assessment of open market value in 2009 is £1.5million. Depreciation has been accelerated accordingly to achieve open market value at the disposal date.

vi) The Trust Board has deemed that Aberdare Hospital and Mountain Ash Hospital will become surplus to requirements in 2011 upon completion of Cynon Valley Neighbourhood Hospital. The District Valuer's assessment of open market value in 2011 for Aberdare Hospital is £4million and for Mountain Ash Hospital £850k. Depreciation has been accelerated accordingly to achieve open market value at the disposal date.

**12. Intangible non-current assets**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	2009-10 Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2009</b>	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Gross cost at 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation at 1 April 2009</b>	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Amortisation at 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2010</b>						
Purchased	0	0	0	0	0	0
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
<b>Total at 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**12. Intangible non-current assets (continued)**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	2008-09 Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2008</b>	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Gross cost at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation at 1 April 2008</b>	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Amortisation at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2009</b>						
Purchased	0	0	0	0	0	0
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
<b>Total at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**13 . Impairments**

	2009-10		2008-09	
	Property, plant & equipment	Intangible assets	Property, plant & equipment	Intangible assets
	£000	£000	£000	£000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Loss as a result of catastrophe	0	0	0	0
Abandonment in the course of construction	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Changes in market price	32,147	0	0	0
Others	0	0	6,498	0
<b>Total</b>	<b>32,147</b>	<b>0</b>	<b>6,498</b>	<b>0</b>
<b>Impairments charged in the year to the revaluation reserve</b>				
Charged to revaluation reserve	312	0	0	0

£15.1m impairment arose following a revaluation of land and buildings as at 1st April 2009. The exercise restated the Health Board's estate to Modern Equivalent Asset valuation in line with International Financial Reporting Standards. This is also a consequence of the latest accounting guidance prohibiting a negative revaluation reserve.

£6.7m impairment arose following valuation of a completed element of the Ward Refurbishment scheme at Prince Charles Hospital.

£10.3m impairment arose upon the completion of Ysyby Cwm Rhondda which became operational in February 2010.

**14. Inventories**

	<b>31 March</b>	31 March	1 April
	<b>2010</b>	2009	2008
	<b>£000</b>	£000	£000
Drugs	<b>1,120</b>	997	1,026
Consumables	<b>2,057</b>	2,025	1,760
Energy	<b>49</b>	32	26
Work in progress	<b>0</b>	0	0
Other	<b>0</b>	0	0
<b>Total</b>	<b><u>3,226</u></b>	<u>3,054</u>	<u>2,812</u>

**15. Trade and other Receivables**

<b>Current</b>	<b>31 March 2010 £000</b>	31 March 2009 £000	1 April 2008 £000
Welsh Assembly Government	728	2,128	823
Welsh Health Boards	4,685	2,104	3,282
Welsh NHS Trusts	320	142	262
Non - Welsh Trusts	1	205	0
Other NHS	64	0	0
Welsh Risk Pool	24,744	21,448	10,803
Capital debtors	1,833	1,367	465
Other debtors	6,712	6,421	5,972
Provision for irrecoverable debts	(849)	(464)	(426)
Pension Prepayments	0	0	0
Other prepayments and accrued income	2,847	1,694	1,830
<b>Sub total</b>	<b>41,085</b>	<b>35,045</b>	<b>23,011</b>
<b>Non-current</b>			
Welsh Assembly Government	0	0	0
Welsh Health Boards	0	0	0
Welsh NHS Trusts	0	0	0
Non - Welsh Trusts	0	0	0
Other NHS	0	0	0
Welsh Risk Pool	1,192	60	3,608
Capital debtors	0	0	0
Other debtors	0	0	0
Provision for irrecoverable debts	0	0	0
Pension Prepayments	0	0	0
Other prepayments and accrued income	241	255	269
<b>Sub total</b>	<b>1,433</b>	<b>315</b>	<b>3,877</b>
<b>Total</b>	<b>42,518</b>	<b>35,360</b>	<b>26,888</b>

**Receivables past their due date but not impaired**

By up to three months	2,461	2,996	1,260
By three to six months	335	17	40
By more than six months	122	11	19
	<b>2,918</b>	<b>3,024</b>	<b>1,319</b>

**Provision for impairment of receivables**

Balance at 1 April	(464)	426	0
Amount written off during the year	7	(8)	0
Amount recovered during the year	149	(170)	0
(Increase) / decrease in receivables impaired	(541)	216	0
Balance at 31 March	<b>(849)</b>	<b>464</b>	<b>0</b>

The most significant factor used to determine the impairment is the length of time the debts have remained outstanding.

In 2007-08 this additional information on the organisation's debtor profile was not required and therefore the prior period figures for 1 April 2008 are not available.

**16. Trade and other payables**

<b>Current</b>	<b>31 March 2010 £000</b>	31 March 2009 £000	1 April 2008 £000
Welsh Assembly Government	40	147	320
Welsh Health Boards	2,656	2,833	2,729
Welsh NHS Trusts	351	430	294
Other NHS	624	957	576
Income tax and social security	6,327	5,447	5,364
Non-NHS creditors	3,069	4,540	6,041
Capital Creditors	1,183	3,117	1,118
Overdraft	0	0	0
Rentals due under operating leases	0	0	0
Obligations under finance leases, HP contracts and PFI contracts	248	337	435
Pensions: staff	4,112	3,220	3,065
Accruals	29,392	28,915	28,623
Deferred Income	508	467	727
Other creditors	4,271	3,087	0
<b>Total</b>	<b>52,781</b>	<b>53,497</b>	<b>49,292</b>
<b>Non-current</b>			
Welsh Assembly Government	0	0	0
Welsh Health Boards	0	0	0
Welsh NHS Trusts	0	0	0
Other NHS	0	0	0
Income tax and social security	0	0	0
Non-NHS creditors	0	0	0
Capital Creditors	0	48	701
Overdraft	0	0	0
Rentals due under operating leases	0	0	0
Obligations under finance leases, HP contracts and PFI contracts	2,841	2,852	3,064
Pensions: staff	0	0	0
Accruals	0	0	0
Deferred Income	0	0	0
Other creditors	0	0	0
<b>Total</b>	<b>2,841</b>	<b>2,900</b>	<b>3,765</b>

## 17. Provisions

	At 1 April 2009	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors and between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>								
Clinical negligence	20,061	0	0	14,674	(4,672)	(6,529)	0	23,534
Personal injury	1,080	0	85	930	(804)	(250)	49	1,090
All other losses and special payments	109	0	0	8	(51)	0	0	66
Defence legal fees and other administration	730	0	71	661	(381)	(199)		882
Pensions relating to former directors	0			0	0	0	0	0
Pensions relating to other staff	208			0	0	0	0	208
Restructuring	0			0	0	0	0	0
Other	2,785			1,984	(1,593)	(622)		2,554
<b>Total</b>	<b>24,973</b>	<b>0</b>	<b>156</b>	<b>18,257</b>	<b>(7,501)</b>	<b>(7,600)</b>	<b>49</b>	<b>28,334</b>

<b>Non Current</b>								
Clinical negligence	0	0	0	1,294	0	0	0	1,294
Personal injury	1,956	0	(85)	331	0	(90)	0	2,112
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration	71	0	(71)	48	(3)	0		45
Pensions relating to former directors	0			0	0	0	0	0
Pensions relating to other staff	2,130			0	(217)	(419)	37	1,531
Restructuring	0			0	0	0	0	0
Other	2,756			981	0	(109)		3,628
<b>Total</b>	<b>6,913</b>	<b>0</b>	<b>(156)</b>	<b>2,654</b>	<b>(220)</b>	<b>(618)</b>	<b>37</b>	<b>8,610</b>

<b>TOTAL</b>								
Clinical negligence	20,061	0	0	15,968	(4,672)	(6,529)	0	24,828
Personal injury	3,036	0	0	1,261	(804)	(340)	49	3,202
All other losses and special payments	109	0	0	8	(51)	0	0	66
Defence legal fees and other administration	801	0	0	709	(384)	(199)		927
Pensions relating to former directors	0			0	0	0	0	0
Pensions relating to other staff	2,338			0	(217)	(419)	37	1,739
Restructuring	0			0	0	0	0	0
Other	5,541			2,965	(1,593)	(731)		6,182
<b>Total</b>	<b>31,886</b>	<b>0</b>	<b>0</b>	<b>20,911</b>	<b>(7,721)</b>	<b>(8,218)</b>	<b>86</b>	<b>36,944</b>

## Expected timing of cash flows:

	Within 1 year	2 and 5 years	6 and 10 years	After 10 years	After 50 years	After 75 years	Total
	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	23,534	1,294	0	0	0	0	24,828
Personal injury	1,090	623	1,489	0	0	0	3,202
All other losses and special payments	66	0	0	0	0	0	66
Defence legal fees and other administration	882	45	0	0	0	0	927
Pensions relating to former directors	0	0	0	0	0	0	0
Pensions relating to other staff	208	871	660	0	0	0	1,739
Restructuring	0	0	0	0	0	0	0
Other	2,554	3,628	0	0	0	0	6,182
<b>Total</b>	<b>28,334</b>	<b>6,461</b>	<b>2,149</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,944</b>

The provisions for litigation claims are based on independent legal advice at the time of preparing the accounts. The amounts and timings are best estimates and can change in future periods as further information becomes available. The Pension provision relates to estimates for amounts payable to the NHS Pension Scheme to cover the costs of staff given early retirement. The liability is based on estimates received from the NHS Pension Agency discounted to present value.

Of the clinical negligence and personal injury provision £25.9m is recoverable from the Welsh Risk Pool and is included within Note 15 Trade and Other Receivables.

## 17. Provisions (continued)

	At 1 April 2008	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors and between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>								
Clinical negligence	10,373	0	0	13,223	(2,489)	(1,046)	0	20,061
Personal injury	1,890	0	0	628	(1,162)	(278)	2	1,080
All other losses and special payments	139	0	0	53	(83)	0	0	109
Defence legal fees and other administration	789	0	0	591	(181)	(469)		730
Pensions relating to former directors	0			0	0	0	0	0
Pensions relating to other staff	200			0	(154)	0	162	208
Restructuring	0			0	0	0	0	0
Other	3,056			1,245	(953)	(563)		2,785
<b>Total</b>	<b>16,447</b>	<b>0</b>	<b>0</b>	<b>15,740</b>	<b>(5,022)</b>	<b>(2,356)</b>	<b>164</b>	<b>24,973</b>
<b>Non Current</b>								
Clinical negligence	3,409	0	0	0	(115)	(3,294)	0	0
Personal injury	1,169	0	0	67	629	0	91	1,956
All other losses and special payments	43	0	0	0	(43)	0	0	0
Defence legal fees and other administration	303	0	0	47	(118)	(161)		71
Pensions relating to former directors	0			0	0	0	0	0
Pensions relating to other staff	2,184			0	(54)	0	0	2,130
Restructuring	0			0	0	0	0	0
Other	1,111			1,645	0	0		2,756
<b>Total</b>	<b>8,219</b>	<b>0</b>	<b>0</b>	<b>1,759</b>	<b>299</b>	<b>(3,455)</b>	<b>91</b>	<b>6,913</b>
<b>TOTAL</b>								
Clinical negligence	13,782	0	0	13,223	(2,604)	(4,340)	0	20,061
Personal injury	3,059	0	0	695	(533)	(278)	93	3,036
All other losses and special payments	182	0	0	53	(126)	0	0	109
Defence legal fees and other administration	1,092	0	0	638	(299)	(630)		801
Pensions relating to former directors	0			0	0	0	0	0
Pensions relating to other staff	2,384			0	(208)	0	162	2,338
Restructuring	0			0	0	0	0	0
Other	4,167			2,890	(953)	(563)		5,541
<b>Total</b>	<b>24,666</b>	<b>0</b>	<b>0</b>	<b>17,499</b>	<b>(4,723)</b>	<b>(5,811)</b>	<b>255</b>	<b>31,886</b>

## Expected timing of cash flows:

	Within 1 year	2 and 5 years	6 and 10 years	After 10 years	After 50 years	After 75 years	Totals
	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	20,061	0	0	0	0	0	20,061
Personal injury	1,080	1,956	0	0	0	0	3,036
All other losses and special payments	109	0	0	0	0	0	109
Defence legal fees and other administration	730	71	0	0	0	0	801
Pensions relating to former directors	0	0	0	0	0	0	0
Pensions relating to other staff	208	832	1,298	0	0	0	2,338
Restructuring	0	0	0	0	0	0	0
Other	2,785	2,756	0	0	0	0	5,541
<b>Total</b>	<b>24,973</b>	<b>5,615</b>	<b>1,298</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,886</b>

The provisions for litigation claims are based on independent legal advice at the time of preparing the accounts. The amounts and timings are best estimates and can change in future periods as further information becomes available. The Pension provision relates to estimates for amounts payable to the NHS Pension Scheme to cover the costs of staff given early retirement. The liability is based on estimates received from the NHS Pension Agency discounted to present value.

Of the clinical negligence and personal injury provision £21.5m is recoverable from the Welsh Risk Pool and is included within Note 15 Trade and Other Receivables.

**18. Cash and cash equivalents**

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Balance at 1 April	<b>15,880</b>	4,514
Net change in cash and cash equivalent balances	<b>(14,388)</b>	11,366
Balance at 31 March	<b>1,492</b>	15,880
Made up of:		
Cash held at Office of HM Paymaster General / GBS	<b>1,457</b>	3,803
Commercial banks and cash in hand	<b>35</b>	77
Investments in National Loan Fund	<b>0</b>	12,000
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>1,492</b>	15,880
Bank overdraft - Office of HM Paymaster General / GBS	<b>0</b>	0
Bank overdraft - Commercial banks	<b>0</b>	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>1,492</b>	15,880

**19. Other Financial Assets**

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
<b>Financial assets</b>				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through OCS	0	0	0	0
Held to maturity investments carried at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
	<b>0</b>	<b>0</b>	0	0

**20. Other assets**

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
EU Emissions Trading Scheme Allowance	0	0	0	0
Prepayments	0	0	0	0
Other assets	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**21. Other liabilities**

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Lease incentives	0	0	0	0
PFI asset -deferred credit	0	0	0	0
Other [specify]	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**22. Other financial liabilities**

Financial liabilities	31 March	31 March	31 March	31 March
	2010 £000	2009 £000	2010 £000	2009 £000
Financial assets carried at fair value through OCS	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 23. Related Party Transactions

During the year none of the board members or members of the key management staff or parties related to them has undertaken any material transactions with the Local Health Board.

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

	2009 -2010	2009 -2010	2010	31 March 2010
	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£000	£000	£000	£000
Welsh Assembly Government	4,328	529,228	40	627
Health Commission Wales	67	7,206	67	102
<b>NHS Trusts</b>				
Public Health Wales	1,140	0	61	261
Velindre NHS Trust	6,985	2,367	209	57
Welsh Ambulance Services	1,447	86	86	7
<b>Local Health Boards</b>				
ABMU	10,708	8,340	769	624
Aneurin Bevan	1,190	21,689	32	1,876
Cardiff & Vale	22,325	9,546	1,729	1,428
Powys	2,997	1,431	46	457
<b>TOTAL</b>	<b>51,187</b>	<b>579,893</b>	<b>3,039</b>	<b>5,439</b>

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with ...

Rhondda Cynon Taf County Borough Council	5,386	4,299	1,044	1,445
Merthyr Tydfil County Borough Council	1,620	999	257	389

Cllr Russell Roberts, a non executive director of the LHB is also the Leader of Rhondda Cynon Taf County Borough Council  
Cllr Clive Jones, a non executive director of the LHB is a member of Merthyr Tydfil County Borough Council

The LHB has also received revenue payments from Cwm Taf NHS Charitable Funds totalling £0.355m (£0.419m in 2008-09) the Trustees for which are also members of the Trust Board.

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

Name	Details	Interests
Dr Chris D V Jones	Chairman	Duffryn Road Practice
Mr Selwyn Jones	Optometrist Representative	Gwynns Opticians Group Ltd
Dr Kurt I Burkhardt	GP Representative	Parc Canol Practice
Dr Hasmukh V Shah	GP Representative	Dr HV Shah Practice
Dr Wesley Saunders	GP Representative	Forest View Practice
Dr Kevin Thomas	GP Representative	Pontcae Medical Practice
Mr Shiraz Megji	Optometry Representative	Merthyr Optical Centre
Mr Mark Griffiths	Pharmacy Representative	Dowlais Pharmacy Ltd
Mr Huw Jones	Dental Representative	Courtland Dental Practice

## 24. Third Party assets

The LHB held £80,897 cash at bank and in hand at 31 March 2010 (31 March 2009: £97,100) which relates to monies held by the LHB on behalf of patients. The LHB also opens accounts in the name of individual patients, the balance of these accounts being £70,653 as at 31 March 2010 (31 March 2009: £87,735). This has been excluded from cash and cash equivalents figure reported in the accounts.

## 25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
<b>2009-10 :</b>				
Welsh Assembly Government	627	0	40	0
Welsh Local Health Boards	4,687	0	2,684	0
Welsh NHS Trusts	1,540	0	355	0
Health Commission Wales	102	0	67	0
All English Health Bodies	153	0	4,736	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	3	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-97	0	0	0
Sub total	<b>7,015</b>	<b>0</b>	7,882	0
Other Central Government Bodies				
Other Government Departments	16	0	4	0
Revenue & Customs	475	0	6,327	0
Local Authorities	1,896	0	1,446	0
Balances with Public Corporations and trading funds	0	0	4	0
Balances with bodies external to Government	<b>31,683</b>	<b>1,433</b>	<b>37,118</b>	<b>2,841</b>
<b>TOTAL</b>	<b>41,085</b>	<b>1,433</b>	<b>52,781</b>	<b>2,841</b>
<b>2008-09 :</b>				
Welsh Assembly Government	2,128	0	147	0
Welsh Local Health Boards	1,155	0	831	0
Welsh NHS Trusts	1,091	0	2,434	0
Health Commission Wales	60	0	0	0
All English Health Bodies	257	0	4,176	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	8	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-127	0	0	0
Sub total	<b>4,572</b>	<b>0</b>	7,588	0
Other Central Government Bodies				
Other Government Departments	54	0	67	0
Revenue & Customs	650	0	5,439	0
Local Authorities	1,064	0	1,281	0
Balances with Public Corporations and trading funds	0	0	209	0
Balances with bodies external to Government	<b>26,827</b>	<b>315</b>	<b>34,273</b>	<b>2,900</b>
<b>TOTAL</b>	<b>33,167</b>	<b>315</b>	<b>48,857</b>	<b>2,900</b>

## 26. Losses and special payments

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

### Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2010		Approved to write-off to 31 March 2010	
	Number	£	Number	£
Clinical negligence	42	4,672,290	16	722,832
Personal injury	78	803,541	34	408,748
All other losses and special payments	0	0	0	0
	69	110,166	69	198,682
<b>Total</b>	<b>189</b>	<b>5,585,997</b>	<b>119</b>	<b>1,330,262</b>

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

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £250,000</b>				
Case reference	Case type			
01RRSEM0001	Other	0	393,487	0
01RRSMN0016	Clinical Negligence	70,000	420,758	0
02RRSMN0012	Clinical Negligence	0	714,726	0
03RRSPI0020	Personal Injury	38,550	294,357	0
04RRSMN0039	Clinical Negligence	120,000	448,882	0
05RRSMN0043	Clinical Negligence	95,000	1,095,000	0
06RVEMN0021	Clinical Negligence	1,635,000	1,635,000	0
99RVEMN0020	Clinical Negligence	1,454,620	1,657,049	0
		0	0	0
		0	0	0
		0	0	0
<b>Sub-total</b>		<b>3,413,170</b>	<b>6,659,259</b>	<b>0</b>
<b>All other cases</b>		<b>2,172,827</b>	<b>4,700,278</b>	<b>1,330,262</b>
<b>Total cases</b>		<b>5,585,997</b>	<b>11,359,537</b>	<b>1,330,262</b>

## 27. Contingencies

### 27.1 Contingent liabilities

	2009-10 £'000	2008-09 £'000
Legal claims for alleged medical or employee negligence	62,765	59,776
Doubtful debts	0	0
Equal pay cases	0	0
Amounts recovered under insurance arrangements in the event of these claims being successful	(59,282)	(56,462)
<b>Net contingent liability</b>	<b>3,483</b>	<b>3,314</b>

Other litigation claims could arise in the future due to unknown incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them.

### 27.2 Contingent assets

0	0
<b>0</b>	<b>0</b>

### CONTINGENT LIABILITY – CHC

Potential liabilities for Continuing Care costs continue to be a significant financial issue for the Local Health Board(LHB)

The LHB is responsible for claims that relate to periods post 1 April 2003. Any claims that relate to periods prior to this date will be accounted for elsewhere within the NHS Wales economy in accordance with Welsh Assembly Government requirements.

The LHB has included £4.312m within the total provision shown in Note 17 in respect of 220 claims received as at 31st March 2010.

Cwm Taf LHB has a contingent liability for any further claims that it may receive in the future in respect of the period post 1 April 2003.

## 28. Capital commitments

<b>Contracted capital commitments at 31 March 2010 for</b>	2009-10	2008-09
Property, plant and equipment	58,793	84,470
Intangible assets	0	0
	<b>58,793</b>	<b>84,470</b>

Commitments relating to capital expenditure contracts at the balance sheet date were £58.793m (and in 2008/09 were £84.47m). The majority of commitments comprise the Cynon Valley Neighbourhood Hospital Scheme, the Prince Charles Hospital Ward Refurbishment Scheme and the Prince Charles Hospital Emergency Care Centre.

The Cynon Valley build commenced in November 2008 and is due for completion in the Autumn of 2011. The planned spend on this scheme is £78.907m, the funding for which has been approved by the Welsh Assembly Government.

The refurbishment of the wards at Prince Charles Hospital commenced in 2008 and is due for completion in the Autumn of 2012. The planned spend on this scheme is £53.267m and funding has been approved by the Welsh Assembly Government.

The Emergency Care Centre commenced in April 2009 and is due for completion in Summer 2011. The planned spend on this scheme is £23.226m and funding has been approved by the Welsh Assembly Government.

**29. Finance leases****29.1 Finance leases obligations (as lessee)**

The Buildings finance lease reported on page 47 relates to the building improvements to the Dental Teaching Unit. Other leases relate to equipment leases. There are no significant leasing arrangements which require further disclosure.

**Amounts payable under finance leases:**

<b>Land</b>	<b>31 March 2010 £000</b>	31 March 2009 £000	1 April 2008 £000
<b>Minimum lease payments</b>			
Within one year	0	0	0
Between one and five years	0	0	0
After five years	0	0	0
Less finance charges allocated to future periods	0	0	0
Minimum lease payments	<u>0</u>	<u>0</u>	<u>0</u>
Included in:			
Current borrowings	0	0	0
Non-current borrowings	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>			
Within one year	0	0	0
Between one and five years	0	0	0
After five years	0	0	0
Less finance charges allocated to future periods	0	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>	<u>0</u>
Included in:			
Current borrowings	0	0	0
Non-current borrowings	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

**29.1 Finance leases obligations (as lessee) continued****Amounts payable under finance leases:**

<b>Buildings</b>	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
<b>Minimum lease payments</b>			
Within one year	38	63	0
Between one and five years	137	0	0
After five years	121	0	0
Less finance charges allocated to future periods	(58)	0	0
<b>Minimum lease payments</b>	<b>238</b>	<b>63</b>	<b>0</b>
Included in:			
Current borrowings	26	0	0
Non-current borrowings	212	0	0
	<b>238</b>	<b>0</b>	<b>0</b>
<b>Present value of minimum lease payments</b>			
Within one year	26	63	0
Between one and five years	103	0	0
After five years	109	0	0
Less finance charges allocated to future periods	0	0	0
<b>Present value of minimum lease payments</b>	<b>238</b>	<b>63</b>	<b>0</b>
Included in:			
Current borrowings	0	0	0
Non-current borrowings	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other</b>	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
<b>Minimum lease payments</b>			
Within one year	123	192	376
Between one and five years	0	123	248
After five years	0	0	0
Less finance charges allocated to future periods	(3)	(13)	(45)
<b>Minimum lease payments</b>	<b>120</b>	<b>302</b>	<b>579</b>
Included in:			
Current borrowings	120	182	344
Non-current borrowings	0	120	235
	<b>120</b>	<b>302</b>	<b>579</b>
<b>Present value of minimum lease payments</b>			
Within one year	123	192	376
Between one and five years	0	123	248
After five years	0	0	0
Less finance charges allocated to future periods	(3)	(13)	(45)
<b>Present value of minimum lease payments</b>	<b>120</b>	<b>302</b>	<b>579</b>
Included in:			
Current borrowings	120	182	344
Non-current borrowings	0	120	235
	<b>120</b>	<b>302</b>	<b>579</b>

**29.2 Finance lease receivables (as lessor)**

The Local Health Board has no Finance leases where the Local Health Board acts as a lessor.

**Amounts receivable under finance leases:**

	<b>31 March 2010 £000</b>	31 March 2009 £000	1 April 2008 £000
<b>Gross investment in leases</b>			
Within one year	0	0	0
Between one and five years	0	0	0
After five years	0	0	0
Less finance charges allocated to future periods	0	0	0
Minimum lease payments	<u>0</u>	<u>0</u>	<u>0</u>
Included in:			
Current borrowings	0	0	0
Non-current borrowings	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>			
Within one year	0	0	0
Between one and five years	0	0	0
After five years	0	0	0
Less finance charges allocated to future periods	0	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>	<u>0</u>
Included in:			
Current borrowings	0	0	0
Non-current borrowings	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>



**30. Private Finance Initiative contracts****30.1 PFI schemes off-Statement of Financial Position**

The Local Health Board has no PFI schemes off-statement of Financial Position.

**30.2 PFI schemes on-Statement of Financial Position****Capital value of schemes included in Fixed Assets Note 11**

£000

Staff Residences - Royal Glamorgan Hospital

3,427

Contract start date:

09/10/1998

Contract end date:

21/09/2028

**Scheme Description**

The staff residences scheme covers the design, build, financing and operation of staff accommodation on the Royal Glamorgan Hospital site. A project agreement with entered into with Charter Housing Association on the 9th October 1998.

£000

Combined Heat and Power Plant-Prince Charles Hospital

1,937

Contract start date:

01/04/2004

Contract end date:

31/03/2029

**Scheme Description**

The contract is for the installation, operation, maintenance and ownership of a Combined Heat and Power plant and the complete management and operation of a central boiler plant installation, light fittings and building management system on the Prince Charles Hospital site.

The contract includes performance guarantees for the supply of hot water and electricity.

The charging structure requires the LHB to pay for heat (in the form of hot water) created from the electricity generated by the Combined Heat and Power plant being supplied free of charge to the LHB.

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

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
Not later than one year	<b>198</b>	198
Later than one year, not later than five	<b>794</b>	795
Later than five years	<b>2,635</b>	2,834
Sub total	<b>3,627</b>	3,827
Less: interest element	<b>896</b>	998
<b>Total</b>	<b>2,731</b>	2,829

**30.3 Charges to expenditure**

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £193,508.

The LHB is committed to the following annual charges

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	294	294
<b>Total</b>	<b>294</b>	<b>294</b>

**30.4 The LHB has no Public Private Partnerships**

### **31. Pooled budgets**

The Health Board has no pooled budgets.

## 32. Financial Instruments

Financial assets	At "fair value" through OCS £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
Other financial assets	0	0	0	0
Cash at bank and in hand	0	1,492	0	1,492
Other financial assets	0	39,012	0	39,012
<b>Total at 31 March 2010</b>	<b>0</b>	<b>40,504</b>	<b>0</b>	<b>40,504</b>

Financial liabilities	At "fair value" through OCS £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	48,787	48,787
<b>Total at 31 March 2010</b>	<b>0</b>	<b>48,787</b>	<b>48,787</b>

Financial assets	At "fair value" through OCS £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
Other financial assets	0	0	0	0
Cash at bank and in hand	0	15,880	0	15,880
Other financial assets	0	33,411	0	33,411
<b>Total at 31 March 2009</b>	<b>0</b>	<b>49,291</b>	<b>0</b>	<b>49,291</b>

Financial liabilities	At "fair value" through OCS £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	50,483	50,483
<b>Total at 31 March 2009</b>	<b>0</b>	<b>50,483</b>	<b>50,483</b>

Financial assets	At "fair value" through OCS £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
Other financial assets	0	0	0	0
Cash at bank and in hand	0	4,514	0	4,514
Other financial assets	0	24,789	0	24,789
<b>Total at 1 April 2008</b>	<b>0</b>	<b>29,303</b>	<b>0</b>	<b>29,303</b>

Financial liabilities	At "fair value" through OCS £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	46,966	46,966
<b>Total at 1 April 2008</b>	<b>0</b>	<b>46,966</b>	<b>46,966</b>

## 33. Transition to IFRS

	General Fund £000s	Revaluation reserve £000s	Donation reserve £000s	Government grant reserve £000s	Total reserves £000s
<b>Taxpayers equity at 31 March 2009 under UKGAAP</b>	264435	615	2814	0	267864
Adjustment to remove negative balances on revaluation reserves	(6,498)	6498	0	0	0
<b>Adjusted Taxpayers equity at 31 March 2009</b>	<b>257937</b>	<b>7113</b>	<b>2814</b>	<b>0</b>	<b>267864</b>
<b>Adjustments for IFRS changes</b>					
PFI	(493)	2534	0	0	2041
Leases	(134)	20	0	0	(114)
Others (specify)	(287)	0	0	0	(287)
<b>Taxpayers equity at 31 March 2009 under IFRS</b>	<b>257023</b>	<b>9667</b>	<b>2814</b>	<b>0</b>	<b>269504</b>
<b>Net operating costs for 2008-09 under UKGAAP</b>	<b>(463,928)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(463,928)</b>
Adjustments for IFRS changes :					
PFI	(139)	0	0	0	(139)
Leases	30	0	0	0	30
Others (specify)	(6,498)	0	0	0	(6,498)
<b>Net operating costs for 2008-09 under IFRS</b>	<b>(470,535)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(470,535)</b>

### 34. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

#### Currency risk

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

#### Interest rate risk

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

#### Credit risk

Because the majority of the LHB's funding derives from funds voted by the National Assembly for Wales the LHB has low exposure to credit risk.

#### Liquidity risk

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

#### Maturity of financial liabilities

{This only needs to included if liquidity risk is material}

	<b>31 March 2010 £'000</b>	31 March 2009 £'000
In one year	0	0
In more than one year but not more than two years	0	0
In more than two years but not more than five years	0	0
In more than five years	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**35. Movements in working capital**

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
(Increase)/decrease in inventories	(172)	(242)
(Increase)/decrease in trade and other receivables	(7,452)	(8,594)
(Increase)/decrease in other current assets	0	0
Increase/(decrease) in trade and other payables	1,314	4,089
Increase/(decrease) in other current liabilities	0	0
<b>Total</b>	<b>(6,310)</b>	<b>(4,747)</b>

**36. Other cash flow adjustments**

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Depreciation	15691	21507
Amortisation	0	0
Impairments and reversals	32147	6498
Cost of Capital Charge	4012	(997)
Release of PFI deferred credits	0	0
Transfer from donated asset reserve	(213)	(186)
Transfer from government grant reserve	0	0
Non-cash movements in provisions	12693	11688
<b>Total</b>	<b>64330</b>	<b>38510</b>

**37. Cash flow relating to exceptional items**

There are no exceptional items

### 38. Establishment of General Fund opening balance as a result of Merger

As a result of the merger of Cwm Taf NHS Trust, Rhondda Cynon Taf Local Health Board and Merthyr Local Health Board the Public Dividend Capital of the trust was extinguished and re-set as part of the General Fund of the new body. The cumulative Income and Expenditure reserves were also aggregated with the General Funds of the predecessor bodies. Therefore, the opening balance of the General Fund of the new Local Health Board was established as follows

	<b>£'000</b>
Public Dividend Capital of Cwm Taf NHS Trust as at 31 March 2009	294054
Income and Expenditure Account of Cwm Taf NHS Trust as at 31 March 2009	(7,408)
General fund of Rhondda Cynon Taf LHB as at 31 March 2009	(23,706)
General fund of Merthyr Tydfil LHB as at 31 March 2009	(5,917)
	0
	0
	0
	0
<b>Opening General fund of Cwm Taf LHB as at 1 April 2009</b>	<b>257023</b>

### 39. Public Dividend Capital received between 1 April 2009 and 30 September 2009

Public Dividend Capital received between 1 April 2009 and 30 September 2009 by the predecessor Cwm Taf NHS Trust.

September 2009	£7,850,000
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### 40. Welsh Assembly Government loans

There were no loans with the Welsh Assembly Government



## **41. Events after the Reporting Period**

On the first of April Cwm Taf LHB together with the six other Welsh Local Health Boards jointly established the Welsh Health Specialised Service Committee. The Committee has been set up in accordance with the Welsh Health Specialised Services Committee Directions 2009. The Committee will be funded by contributions from each of the seven Local Health Boards.

Cwm Taf Local Health Board will act as host with responsibilities for setting up the Welsh Health Specialist Services Team and providing administration and management support to the Committee.

## **42. Operating segments**

Under IFRS8 the LHB has no reportable operating segments as it considers that all its healthcare operating segments are sufficiently similar to treat as one, and therefore need not report them separately.

**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 of 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 Government.

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

Date: 28th June 2010

Chief Executive: Mrs. M S Foster

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

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the LHB 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: Dr. CDV Jones

Dated: 28th June 2010

Chief Executive: Mrs. M S Foster

Dated: 28th June 2010

Director of Finance: Mr. D H Lewis

Dated: 28th June 2010

## **STATEMENT ON INTERNAL CONTROL**

### **1. Context**

This is the first operating year of Cwm Taf Local Health Board, which was established on 1 October 2009. This statement on internal control relates to arrangements within the Cwm Taf Local Health Board during the first 6 months of the organisation, 1 October 2009 to 31 March 2010.

### **2. 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.

Local Health Board and Trust Chief Executives' performance in the discharge of these personal responsibilities is assessed by the Head, Department for Health & Social Services, Chief Executive, NHS Wales. In addition, the Health Board's performance across a range of associated areas, including the management of risk, governance, financial and non-financial control, is monitored by the Welsh Assembly Government.

### **3. 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 period 1st October 2009 to 31st March 2010 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

### **4. Capacity to handle risk**

The Board has overall responsibility and authority for the risk management programme through the receipt and evaluation of reports indicating the status and progress of Health Board wide risk management activities. The Audit, Quality Patient Safety & Public Health and Corporate Risk Committees, comprising a variety of both Independent Members and Executive Directors, plus representatives from the Community Health Council, oversee the Health Board's risk management arrangements, making recommendations for change as appropriate.

Operational responsibility in terms of regularly monitoring progress with specific risks is delegated to the various sub-groups of the Board Sub Committees who then report to the relevant Committee as required. These include the Health Board's Divisional Integrated Governance Groups and the Health & Safety Committee, which includes membership from Executive Directors and divisional/directorate and locality representatives, specialist Risk Managers and staff safety representatives.

The Cwm Taf Health Board's Risk Management Strategy and Policy, was identified as an essential Policy to help inform the establishment of the new organisation which reinforced the principle that effective risk management practice is dependent upon ownership of the management of risks throughout the whole of the organisation. Staff are encouraged to take a proactive role in the identification and reporting of risks, with an emphasis on not apportioning blame, but rather to promote a learning culture within the Health Board.

The Policy clearly defines the respective roles and responsibilities of the Health Board, sub Committees, Managers and staff.

Staff awareness of the need to manage risks is encouraged through the provision of regular and ongoing training programmes.

### **5. The risk and control framework**

#### **Performance against the Healthcare Standards for Wales.**

For the October 2009 to March 2010 period, the internal controls assurance assessment process is aligned to the Annual Healthcare Standards Self Assessment process.

Guidance for developing the Statement on Internal Control (SIC) is outlined in the NHS Manual for Accounts Wales (2009/10), issued by the Welsh Assembly Government, which includes a requirement for the self assessment against the Healthcare Standards to form a key element of the internal controls assurance process.

The former document has identified the following four 'core' Healthcare Standards;

- Healthcare Standard 14 (Risk Management)
- Healthcare Standard 16 (Patient Safety)
- Healthcare Standard 27 (Governance)
- Healthcare Standard 28 (Clinical Governance)

The Health Board has recently completed its Annual assessment of the Healthcare Standards for Wales for the six month period 2009/10. This assessment was positively validated by a number of mechanisms, including Internal Audit and Healthcare Inspectorate Wales (HIW) from planned, unplanned and unannounced visits undertaken during the period in question.

Between October 2009 and March 2010, the Health Board has maintained continuity from the 2008/09 assessment and has worked with Internal Audit to review the four Core Standards so as to ensure that there has been continuity during the first six months of operating.

The Health Board also uses the outcome of the Annual Self Assessment to inform the development of the Annual Healthcare Standards Improvement Plan (2010/11) the development of which is being monitored through the Quality, Patient Safety & Public Health Committee.

Progress against the 2009/10 Plan and development of the 2010/11 'Draft' Plan was reported to South East Wales Regional Office during the last six months.

Towards the end of the operating year, the Health Board completed its Annual Self Assessment against the Healthcare Standards for Wales. This work was also reviewed by Internal Audit, who provided an opinion on the overall approach, a detailed review of the four 'core' standards and focused work on standards 5 (cleanliness), 8 (Dignity in care) and 17 (Safeguarding). As part of their review of the process, including the level of Board engagement, Internal Audit found that the Health Board has sufficient and necessary evidence to support their self assessed rating in respect of the 'Core' Healthcare Standards.

Performance against the 32 Healthcare Standards for Wales is self assessed against a Maturity Matrix ranging from level 1 (awareness) to level 5 (leading). This year's performance in relation to the four core Healthcare Standards is as follows.

**CWM TAF LOCAL HEALTH BOARD ANNUAL ACCOUNTS 2009-10**

<b>2009/10 (October - March)</b>				
<b>Standard</b>	<b>Corporate</b>	<b>Operational</b>	<b>User Experience</b>	<b>Overall</b>
14 (Risk Management)	4	4	3	4
16 (Patient safety)	3	3	3	3
27 (Governance)	3	3	3	3
28 (Clinical Governance)	3	3	3	3

Key: 1=Aware; 2=Responding; 3=Developing; 4=Practising; 5=Leading.

*Note: The 2009/10 self assessed scores have been internally validated by Internal Audit.*

<b>2008/09 (Cwm Taf Trust)</b>				
<b>Standard</b>	<b>Corporate</b>	<b>Operational</b>	<b>User Experience</b>	<b>Overall</b>
14 (Risk Management)	4	4	4	4
16 (Patient safety)	4	3	4	4
27 (Governance)	4	4	4	4
28 (Clinical Governance)	4	4	4	4
<b>2008/09 (Rhondda Cynon Taff tLHB)</b>				
<b>Standard</b>	<b>Corporate</b>	<b>Operational</b>	<b>User Experience</b>	<b>Overall</b>
14 (Risk Management)	4	4	3	4
16 (Patient safety)	4	4	4	4
27 (Governance)	4	4	4	4
28 (Clinical Governance)	4	4	4	4
<b>2008/09 (Merthyr Tydfil LHB)</b>				
<b>Standard</b>	<b>Corporate</b>	<b>Operational</b>	<b>User Experience</b>	<b>Overall</b>
14 (Risk Management)	4	4	3	4
16 (Patient safety)	4	4	4	4
27 (Governance)	4	4	4	4
28 (Clinical Governance)	4	4	4	4

**Performance against the externally assessed Welsh Risk Management Standards**

In addition to the Healthcare Standards the following standards are externally assessed by the Welsh Risk Pool and the Health Board's performance against their requirements are shown below:

**Performance against the externally assessed Welsh Risk Management Standards**

In addition to the Healthcare Standards the following standards are externally assessed by the Welsh Risk Pool and the Health Board's performance against their requirements are shown below:

Individual Standards Compliance Score	
• S5:Claims Management	74
• CA 1: Maternity	93
• CA 2: Theatres	90
• CA 3: A&E	98
Assessment score	92
Adjusted assessment score (out of 50)	42
<b>Interview Score</b>	
Interview Score (out of 50)	38
<b>Overall Compliance Score</b>	84%

The Health Board's approach to the management of risk is outlined in the Risk Management Strategy and Policy. During the period the following specific measures were in place to support risk management:

- Fully established and functioning Committee structures to ensure risk management is regularly reviewed at a strategic level, operationally supported by working groups;
- Two of the Health Board's nine Strategic Goals are
  - **'to establish a regulatory framework and ensure compliance and**
  - **to ensure all healthcare services provided are clinically effective, safe and of a high quality'**.
- Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.
- Risk co-ordinators established with the responsibility for communicating and facilitating the risk management agenda within their respective areas;
- The establishment, review and maintenance of a Corporate Risk Register which identifies Corporate Risks and is informed by Unit/Divisional/Directorate/Locality Risk Registers/Profiles which are documented, maintained, updated and monitored;
- Action plans developed at departmental, locality, directorate, divisional unit and Health Board level to allocate responsibility and resources for improving controls and reducing risks;
- Board received reports on progress made during the year in the management of key risks;
- The establishment of a risk based approach to the consideration and allocation of Health Board resources;
- The purchase and roll out of the WAG funded 'Credits for Cleaning' and 'Risk Management' Audit Tool' software which enabled the management and monitoring of environmental cleanliness more effectively. All Health Board sites have been provided with PDA for audit purposes and all sites download onto the C4C data base.
- The undertaking of the Cleanliness Audit, which in accordance with the audit tool involved the carrying out an Environmental Cleanliness audit at all functional cleaning areas in support the Infection Prevention and Control AOF target 16 to achieve locally agreed HAI reduction targets.



- The introduction and development of the cleaning operative's proficiency certificate award from the British Institute of Cleaning Science as the minimum standard of training for its high risk functional cleaning area staff (e.g. wards) and additional and rapid response cleaning staff.
- The operational approach to risk management is supported by appropriate training and guidance for staff.
- The process outlined in the Health Board's Strategy for managing risk was applied to a broad spectrum of risk including: impact on the safety of patients, staff or public (physical /psychological harm; Quality/Complaints/Audit; Business objectives / Projects; Statutory duty/Inspections; Human resources / Organisational development /Staffing /Competence; Adverse publicity / Reputation; Finance including claims; and Environmental impact.
- The Health Board worked closely with its external stakeholders to minimise the wider impact of any significant potential risks, and included Community Health Council representation in its Committee structures.
- The Health and Safety Executive has undertaken an inspection of the systems in place to manage the risk of violence and aggression. The recommendations made in their report will be addressed with the Violence and Aggression Scorecard, progress against which is monitored by the Corporate Risk Committee.

### 6. 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 and the work of the Audit Committee, Quality Patient Safety & Public Health Committee and the Corporate Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The scrutiny of these arrangements is in part informed through the internal mechanisms already referred to, but also through the independent and impartial views and opinions expressed by a range of bodies external to the Health Board. These include:

- Welsh Assembly Government;
- Wales Audit Office;
- Internal Audit (Price Waterhouse Coopers)
- Healthcare Inspectorate Wales (HIW);
- Welsh Risk Pool (WRP);
- Community Health Councils;
- Health & Safety Executive;
- Post Graduate Medical Education and Training Board (PMETB), Post Graduate and Under Graduate Deanery's, Royal Colleges and other Academic bodies;
- Mental Health Act Commissioners
- Other Accredited Bodies.

The Board received additional assurance from the detailed scrutiny undertaken by its Audit Committee, which is in turn advised by Internal Audit (Price Waterhouse Coopers), External Audit (Wales Audit Office) and the Local Counter Fraud Specialist. In addition, the following actions were taken during the year to seek to further strengthen the system of internal control:

- In April 2010, Cwm Taf Local Health Board completed its first organisational self assessment against the 32 Healthcare Standards for Wales. Elements of the submission were validated by HIW and Internal Audit, between October 2009 and March 2010. However, that process has not fully concluded.

- In advance of this self assessment, the Health Board drafted and submitted a 'draft' Annual Healthcare Standards Improvement Plan (2010/11). Following conclusion of the self assessment the 'draft' plan was further reviewed, strengthened and a final draft submitted to Welsh Assembly Government in May 2010.
- The Audit Committee met regularly during the period and considered and agreed an audit plan. Various reports were received and scrutinised at the Committee including monitoring of audit recommendations. Where appropriate, reports were referred to Quality, Patient Safety & Public Health Committee for consideration.
- In order to strengthen the Health Board's integrated Governance arrangements, the Board established a joint meeting where the Chief Executive and the Chairs and Executive leads for each of the Board's Sub Committees meet to discuss and guide Committee agenda areas.
- The Health Board appointed PricewaterhouseCoopers as its internal auditors effective from 1 October 2009. Since their appointment the auditors have completed a number of reviews as part of its core programme. Moderate to high assurance was provided in relation to all areas subject to review on Core Financial Systems, Governance, capital projects and continuing healthcare. The overall opinion given on the adequacy and effectiveness of the systems of control is moderate assurance.
- In the first six months to 30 September 2009 the appointed auditors at all three predecessor organisations, PricewaterhouseCoopers and RSM Bentley Jennison provided opinions on the systems of internal control. PricewaterhouseCoopers provide a moderate assurance opinion based on the areas subject to review whilst RSM Bentley Jennison concluded for Merthyr Tydfil LHB and Rhondda Cynon Taff LHB that sufficient work had been undertaken to conclude that arrangements were adequate and effective.
- The Health Board has maintained a Corporate Risk Register aligned to its Strategic Goals. A number of Divisions/Directorates developed risk registers based on the corporate template.
- Significant progress was made against the Action Plans to mitigate against the risks associated with Asbestos and Legionella and plans were developed to manage the requirements of the Dangerous Substances and Explosive Atmosphere regulations.
- A revised system of Facilities Governance has been developed incorporating all areas of risk, a scorecard method of reporting has been introduced providing a robust method of managing, monitoring and reporting progress against agreed action plans
- The Health Board purchased Datixweb for incident reporting and risk assessment as the means by which the process can be both simplified and made accessible to staff at all levels of the organisation. The systems will be rolled out over the year ahead and provide the means by which the Risk Register is developed, monitored and used to inform management decisions.
- The Health Board established a Complaints Review Panel and Claims Review Panel.

The main aim of the above measures is to ensure that the Health Board's Governance arrangements, policies and procedures are entirely fit for purpose, thereby ensuring that control arrangements are fully sustainable, regardless of changes in personnel. Throughout the period there was stability at Executive and Independent Member level of the Health Board.

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.

**7. Significant internal control problems**

No significant internal control problems to note.

Signed: Mrs. M S Foster  
Chief Executive (on behalf of the Board)

Date: 28th June 2010

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

I certify that I have audited the financial statements of Cwm Taf Local Health Board for the year ended 31 March 2010 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

**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 thereunder 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 thereunder. 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, Cwm Taf 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 Cwm Taf Local Health Board's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Cwm Taf 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 opinion**

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 Cwm Taf LHB's circumstances, and are consistently applied and adequately disclosed.

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

**Opinion**

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of affairs of Cwm Taf Local Health Board as at 31 March 2010 and of its net operating costs, its 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 thereunder 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 Cwm Taf Local Health Board's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010 will be reported separately in the published Annual Audit Letter

Gillian Body  
Auditor General for Wales  
July 2010

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

**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 2010 and subsequent financial years in respect of the Local Health Boards (LHB)<sup>1</sup>, in the form specified in paragraphs [2] to [7] below.

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

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

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

**FORM AND CONTENT**

3. The account of the LHB for the year ended 31 March 2010 and subsequent years shall comprise an operating cost statement, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FRoM and applied by the Welsh Assembly Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2010 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

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

**MISCELLANEOUS**

6. The direction shall be reproduced as an appendix to the published accounts.

7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated : 17.06.2010

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