

Denbighshire LHB

FOREWORD

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

Statutory background

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

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

Performance Management and Financial Results

From inception Local Health Boards in Wales must comply fully with the Treasury's Resource Accounting Manual. As a result the Income and Expenditure Account has been replaced by an Operating Cost Statement as the primary statement of in-year expenditure. Assembly funding is allocated on receipt directly to the General Fund in the Balance Sheet.

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 11. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	Total £000	2003-04 Total £000
Expenditure	4.1,4.2,4.3, 4.4	128,214	119,636
Miscellaneous income	3.1	1,249	1,185
Net operating costs		<u>126,965</u>	<u>118,451</u>

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

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

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

BALANCE SHEET AS AT 31 MARCH 2005

	Note	£000	Restated 31 March 2004 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	13	16
CURRENT ASSETS			
Debtors	6.1	474	145
Cash at bank and in hand		639	70
Total Current Assets		1,113	215
Creditors: amounts falling due within one year	6.2	7,468	5,790
Net current assets / (liabilities)		(6,355)	(5,575)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	381	79
TOTAL NET ASSETS		(6,723)	(5,638)
FINANCED BY:			
General fund	6.5	(6,723)	(5,638)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
TOTAL		(6,723)	(5,638)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	£000	restated 2003-04 £000
Net operating costs	(126,965)	(118,451)
Adjust for non-cash transactions	142	54
Adjust for movements in working capital other than cash	1,349	(3,167)
Utilisation of provisions	(65)	0
	<hr/>	<hr/>
Net cash outflow from operating activities	(125,539)	(121,564)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	(20)
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	(20)
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(125,539)	(121,584)
FINANCING:		
Net Assembly funding (including capital)	126,108	121,657
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	126,108	121,657
	<hr/>	<hr/>
Increase / (decrease) in cash	569	73

Notes to the cash flow statement

	£000	restated 2003-04 £000
Adjust for movements in working capital other than cash		
(Increase)/decrease in debtors	(329)	29
Increase/(decrease) in creditors	1,678	(3,196)
	1,349	(3,167)

Adjustment for non-cash transactions

	£000	restated 2003-04 £000
Depreciation and other write-offs	3	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	367	68
Capital charge interest	(228)	(14)
	142	54

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	569
Cash inflow from new debt	0
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	569
Non cash changes in debt	0
Net debt at 1 April 2004	70
Net debt at 31 March 2005	639

Analysis of changes in net debt

	As at 1 April 2004	Cash flows	Other changes	As at 31 March 2005
	£000	£000	£000	£000
Cash at bank and in hand	70	569	0	639
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
TOTAL	70	569	0	639

Notes to the Account

1. Accounting Policies

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

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

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

1.2 Income and funding

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

Operating income is income which relates directly to the operating activities of the LHB. It principally comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

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

1.3 Taxation

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

a. Capitalisation

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

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

b. Valuation

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

Land and Buildings

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

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

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

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

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

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

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

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

1.6 Donated assets

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

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

1.7 Research and development

Research and development expenditure is charged to the Operating Cost Statement in the year in which it is incurred, except insofar as it relates to a clearly defined project and benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2004-05 was : **£112,319.55** , (2003-04 **£48,388.67**)

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

The Scheme is subject to a full valuation every four years. The last valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual

NHS Pension Scheme (England and Wales) Resource Account, published every October. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from the Stationary Office.

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

For 2004-05 the additional funding has been retained as a Central Budget by the Department of Health and has been paid direct to the NHS Pensions Agency and the employers' contribution has remained at 7%. From 2004-05 this funding will be devolved in full to NHS Pension Scheme employers and the employers' contribution rate will rise to 14%. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

Early payments of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice the final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, is payable.

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

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

FRS17 had been fully adopted from 2003/04.

Up to 31 March 2002, the additional liabilities arising from early retirements not funded by the scheme, which took place prior to 6 March 1995, were recharged to the Health Authority and included within operating expenses as they arose. For post 5 March 1995 early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the LHB commits itself to the retirement, regardless of the method of payment.

1.9 Foreign currency

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

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2004/05 financial year was 3.5%.

1.11 Provisions

The LHB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms.

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

At 31 March 2005 litigation claims with an assessed value of £0 had been made against the LHB. These claims are disputed and until they are resolved, it is not possible to determine the LHB's liability, if any.

1.15 Deferred Income

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

2.1 Achievement of Operational Financial Balance

	£000	2003-04 £000
Net operating costs for the financial year	126,965	118,451
Non-discretionary expenditure	3,154	9,929
Operating costs less non-discretionary expenditure	123,811	108,522
Revenue Resource Limit	123,818	108,524
Under / (over) spend against Revenue Resource Limit	7	2
Unplanned resource brokerage received	0	0
Operational Financial Balance	7	2

Please explain below if operational balance has not been reached and any details of Strategic Change Efficiency Plans (SCEP)

3.1 Miscellaneous income

	£000	Restated 2003-04 £000
Fees & Charges	0	0
Prescription charge income	905	980
Income for trust impairments	0	0
Deferred Income brought forward	343	106
Other	1	99
Total	1,249	1,185

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2003-04 Total
	£000	£000	£000	£000
General Medical services	14,797	0	14,797	9,047
Pharmaceutical services		2,204	2,204	3,141
General Dental services	0	141	141	93
General Ophthalmic services	0	809	809	736
Other Primary health care expenditure	1,173	0	1,173	849
Prescribed drugs and appliances	16,538		16,538	18,893
TOTAL	32,508	3,154	35,662	32,759

4.2 Secondary and Community health care

	Total £000	2003-04 Total £000
NHS Trusts:		
Provider 1 - Conwy and Denbighshire	77,211	70,843
Provider 2 - North East Wales	3,785	3,468
Provider 3 - North West Wales	107	473
Provider 4 - Robert Jones and Agnes Hunt Orthopaedic	850	950
Provider 5 - Countess of Chester	194	209
Provider 6 - Royal Liverpool and Broadgreen	347	478
Provider 7 -	0	0
Provider 8 -	0	0
Provider 9 -	0	0
Provider 10 -	0	0
Other Welsh NHS trusts	147	52
Other non Welsh NHS trusts	561	1,667
Local Authorities	32	28
Voluntary Organisations	384	376
NHS Funded Nursing Care	1,564	560
Continuing Care	3,791	4,026
Private providers	1,140	922
Specific projects funded by Welsh Assembly Government	0	0
Other	6	0
TOTAL	90,119	84,052

Expenditure with Local Authorities is as follows :

£000's

Denbighshire County Council

32

4.3 Other programme expenditure

	£000	2003-04 £000
Salaries and wages	251	205
National Public Health Service	543	518
Losses, special payments and irrecoverable debts	0	328
Research and development	0	0
Other	0	18
	<hr/>	<hr/>
TOTAL	794	1,069

4.4 Administration expenditure

	£000	2003-04 £000
Non-officer members' remuneration	87	88
Other salaries and wages	751	615
Establishment expenses	96	135
Transport and moveable plant	27	22
Premises and fixed plant	112	122
External contractors	0	2
Auditors' remuneration - audit fee	65	74
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	715	688
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	3	0
Capital charge interest	(228)	(14)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Costs of disposal of fixed assets	0	0
Other	11	24
	<hr/>	<hr/>
TOTAL	1,639	1,756

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

	Total	2003-04 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	0
Contributions to Welsh Risk Pool/insurance premiums	0	328
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
Total charge	0	328
	<hr/>	<hr/>

Personal injury includes £0 in respect of permanent injury benefits

For 2004/05 Local Health Board allocations were top sliced by the Welsh Assembly Government and Welsh Risk Pool premiums were paid directly by the Welsh Assembly Government.

4.6 Hire and operating lease rentals

	£000	2003-04 £000
Hire of plant and machinery	3	4
Other operating leases	28	36
TOTAL	31	40

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000
Operating leases which expire:		
Within 1 year	0	0
Between 1 and 5 years	28	3
After 5 years	0	0

4.7 Executive Directors and staff costs

	Total £000	2003-04 Total £000
Salaries and wages	822	699
Social security costs	70	60
Employer contributions to NHSPA	105	48
Other pension costs	0	0
Agency / seconded staff	5	13
TOTAL	1,002	820

4.8 Board Directors' remuneration

	£000	2003-04 £000
Non-officer members' remuneration	87	87
Executive Directors' remuneration:		
basic salaries	241	233
benefits	11	5
performance related bonuses	0	0
pension contributions	34	16
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
TOTAL	373	341

	£000	Chief Executive £000
Basic Salary	25	71
Benefits	0	3
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	10
TOTAL	25	84

Remuneration waived by directors and allowances paid in lieu:

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

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff Number	Agency, temporary and cont- ract staff Number	Staff on inward second- ment Number	Total Number	2003-04 Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	17	0	0	17	19
Recharged staff	1	0	0	1	1
TOTAL	22	0	0	22	24

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

Expenditure on staff benefits

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

4.10 Salary and pension entitlements of senior managers

Remuneration

Name and title	2004-05			2003-04		
	Salary £5k bands	Other Remuneration £5k bands	Benefits in Kind Rounded to nearest £100	Salary	Other Remuneration	Benefits in Kind
	£000	£000	£00	£000	£000	£000
Executive directors						
A Lawrie - Chief Executive	70-75	0	3.2	65-70	0	4
G Pierce-Williams - Medical Director	30-35	0	0	25-30	0	0
J Garrigan - Director of Finance	50-55	0	4.4	45-50	0	0
* J Williams - Director of Nursing	30-35	0	0	40-45	0	0
** Jane Trowman - Director of Nursing	5-10	0	0	0	0	0
Sally Baxter - Director of Development and Performance Management	45-50	0	3.7	45-50	0	1
Non officer members						
Mr M Hughes - Chairman	25-30	0	0	20-25	0	0
Mrs J Lovatt - Lay Member	5-10	0	0	5-10	0	0
Mrs K Kilcoyne - Vol. Sector Member	5-10	0	0	5-10	0	0
Mr A Benbow - Vol. Sector Member	5-10	0	0	5-10	0	0
Miss N Hughes - Carer Member	5-10	0	0	5-10	0	0
Dr R Barrie - GP Member	5-10	0	0	5-10	0	0
Dr M O'Donnell - GP Member	5-10	0	0	0-5	0	0
Mr R Bennett - Dentist Member	5-10	0	0	5-10	0	0
Mrs M Blanchard - Pharmacist Member	5-10	0	0	5-10	0	0
Mr A Hughes - Optometrist Member	5-10	0	0	5-10	0	0
Mrs M Wyn Hughes - Nurse Member	5-10	0	0	5-10	0	0
Mrs P Mainwaring - Therapy Member	0-5	0	0	0	0	0
***Dr A Heaton - GP Member				5-10	0	0

* denotes post held until 03/01/05

** denotes post commenced 17/01/05

*** denotes resignation during 2003/04

4.10 Salary and pension entitlements of senior managers cont'd**Pension Benefits**

Name and title	Real increase in pension & related lump sum at age 60	Total accrued pension & related lump sum at age 60 at 31 Mar 2005	Cash Equivalent transfer value at 31 Mar 2005	Cash Equivalent transfer value at 31 Mar 2004	Real increase in Cash equivalent transfer value at
	£2.5k bands £000	£5k bands £000	£000	£000	£000
Executive directors					
Alan Lawrie Chief Executive	2.5-5.0	70-75	202	180	16
Gwyn Pierce-Williams Medical Director	15.0-17.5	135-140	497	417	69
Joanna Garrigan Director of Finance	2.5-5.0	30-35	90	77	10
Julia Williams Director of Nursing	0-2.5	45-50	155	141	11
Jane Trowman Director of Nursing	0-2.5	35-40	105	95	8
Sally Baxter Director of Development and Performance Management	0-2.5	10-15	37	28	8

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

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

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

4.11 Retirements due to ill-health

During 2004-05 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £0.

4.12 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2003-04 £000
NON-NHS			
Total bills paid 2004-2005	1,054	1,436	647
Total bills paid within target	1,054	1,436	637
Percentage of bills paid within target	100.0%	100.0%	98.5%

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

	Number	£000	2003-04 £000
NHS			
Total bills paid 2004-2005	477	85,091	84,434
Total bills paid within target	475	85,033	84,414
Percentage of bills paid within target	99.6%	99.9%	100.0%

TOTAL

Total bills paid 2004-2005	1,531	86,527	85,081
Total bills paid within target	1,529	86,469	85,051
Percentage of bills paid within target	99.9%	99.9%	100.0%

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

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

5.1 Intangible Fixed Assets

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

Tangible fixed assets**5.2 Tangible assets at the balance sheet date:**

Cost or valuation	Buildings, excluding		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	dwelling	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2004	0	0	0	0	0	0	0	16	16
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2005	0	0	0	0	0	0	0	16	16
Depreciation									
At 1 April 2004	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0	3	3
At 31 March 2005	0	0	0	0	0	0	0	3	3
Net book value									
at 1 April 2004	0	0	0	0	0	0	0	16	16
Net book value									
at 31 March 2005	0	0	0	0	0	0	0	13	13
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0

Tangible Fixed Assets (continued)

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

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

Net profit/(loss) on disposal of fixed assets

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

6.1 Debtors

	£000	Restated 2003-04 £000
Amounts falling due within one year:		
National Assembly for Wales	10	23
Health Commission Wales	49	0
Local Health Boards	85	0
Primary Care Trusts	0	0
NHS Trusts	6	64
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	241	51
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Prepayments and accrued income	83	7
	<hr/>	<hr/>
Sub total	474	145
	<hr/>	<hr/>
Amounts falling due after more than one year:	£000	£000
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
TOTAL	474	145

6.2 Creditors

	£000	Restated 2003-04 £000
Amounts falling due within one year:		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	7	5
NHS Trusts	295	217
Primary Care Trusts	0	0
Income tax and social security	25	30
Non-NHS creditors	6,597	4,674
Capital Creditors	0	16
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	544	504
Deferred Income	0	344
	<hr/>	<hr/>
TOTAL	7,468	5,790

6.3 Creditors

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

6.4 Provisions for liabilities and charges

	At 1 April 2004	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2005
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0		0
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	79			367	0	(65)		381
Total	79	0	0	367	0	(65)	0	381

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	381	0	0	381
Total	381	0	0	381

The LHB estimates that in 2005-06 it will receive £0, and in 2006-07 and beyond £0 from the Welsh Risk Pool in respect of the losses and special payments.

Other provisions include amounts of reasonable certainty and uncertain timing relating to continuing healthcare services.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2004	(378)
Prior period adjustment	(5,260)
At 1 April 2004 as restated	(5,638)
Net operating cost for the financial year	(126,965)
Net Assembly funding (including capital)	126,108
Capital charge interest	(228)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2005	(6,723)

6.6 Donated asset reserve

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

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

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

6.8 Contingent liabilities -

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

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

Note 7 Ombudsman Report on Long Term Care, contains further details relating to note 6.8 and the Local Health Board position concerning the Ombudsman Report on Long Term Care and potential liabilities following this report.

6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	59	0	25	0
Balances with local authorities	49	0	714	0
Balances with NHS trusts and Foundation trusts	5	0	295	0
Balances with Local Health Boards	85	0	7	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	276	0	6427	0
Total at 31 March 2005	474	0	7468	0

6.10 Post balance sheet events

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

1. [There are no Post Balance Sheet Events.](#)
- 2.

TOTAL	<u>0</u>
-------	----------

6.11 Capital commitments

The Local Health Board has the following capital commitments:

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

6.12 Related Party transactions**£000**

Total value of transactions with Board members and key senior staff in 2004-2005 **0**

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

The LHB had no Capital transactions during the year.

The LHB is not responsible for Charitable Funds.

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

	£000
Conwy & Denbighshire Trust	77,211
North East Wales Trust	3,785
North West Wales NHS Trust	107

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

Robert Jones and Agnes Hunt	850
Royal Liverpool and Broadgreen	347

All other providers are less than £250k are therefore not considered material

During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Denbighshire LHB. However, Non Officer Board Members have declared their involvement within organisations as noted below with which the Board has financial commitments:-

- (a) Practicing GPs within the LHB area
- (b) The Ophthalmic and Pharmaceutical members receive reimbursement for the provision of services from the LHB
- (c) Board members and staff of North Wales NHS Trusts
- (d) Officers and Councillors of Denbighshire County Council
- (e) Members with a declared interest in voluntary organisations which receive grant assistance or who supply services to the LHB.

The names and relationships of the Board Members with the LHB during the year is as follows:

Dr Gwyn Pierce-Williams - General Practitioner

Dr Martin O'Donnell - General Practitioner

Dr Richard Barrie - General Practitioner

Mr Adrian Hughes - Optometrist

Mr Ian Howard - Conwy and Denbighshire NHS Trust

Dr David Gozzard - Conwy and Denbighshire NHS Trust

Mrs Pam Mainwaring - Conwy and Denbighshire NHS Trust

6.12 Related Party transactions

The names and relationships of the Board Members with the LHB during the year is as follows:

(Continued)

Mr Russell Bennett - Dentist

Mrs Sally Ellis - Denbighshire County Council

Mrs Miriam Blanchard - Pharmacist

Mr Iwan Prys-Jones - Denbighshire County Council

Mrs Mari Wyn Hughes - Nurse

Councillor Pauline Dobb - Councillor Denbighshire County Council

Mr Alan Benbow - Voluntary Sector

Mr Andrew Jones - Velindre NHS Trust

Mrs Karen Kilcoyne - Voluntary Sector

Miss Margaret Medley - Chair, Denbighshire Area Committee, Community Health Council

6.13 Losses and special payments

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	8	618
All other losses and special payments	97	64,795
Total losses and special payments	<u>105</u>	<u>65,413</u>

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £100,000	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
Sub-total	<u>0</u>	<u>0</u>	<u>0</u>
All other cases	<u>65,413</u>	<u>0</u>	<u>50,127</u>
Total cases	<u>65,413</u>	<u>0</u>	<u>50,127</u>

6.14 Financial Instruments

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

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

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

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

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

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

6.16 Pooled Budgets

During 2004/05 the Local Health Board did not operate any pooled budget arrangements.

7 Additional Information

Second Offer Commissioning Team

During 2004/05 Rhondda Cynon Taff LHB acted as host to the Second Offer Commissioning Team (S.O.C.T). Rhondda Cynon Taff LHB received funding from the Assembly to cover the running costs of the S.O.C.T. and also the healthcare related costs for patients accessing treatments under the Second Offer Scheme. The costs relating to Denbighshire Local Health Board were £59,000.

Prior Period Adjustment (PPA)

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

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

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

Details of the PPA are set out below:

	(£'000)
Reduction in debtors	5260
Reduction in Creditors	0
Decrease in General Fund	5260

The effect of this PPA on the results of the 2003/04 accounts is to reduce the General Fund and reduce the net assets by £5260K.

7 Additional Information Cont'd

Ombudsman Report on Long Term Care (note 6.8 refers)

A report by the Health Service Ombudsman into Continuing NHS Funded Healthcare found in four cases that the NHS should have fully funded the care of patients. As a result, special reviews are now being organised by the Health Authority's successor organisation Powys LHB.

The Ombudsman's inquiry called into question some of the criteria used for deciding who is eligible for continuing health care, and consequent funding decisions.

If people have been wrongly charged for their care in the past, they or their relative will be entitled to a refund of the money they paid to the nursing home or health care provider.

The NHS will review all cases since 1996 where patients or their representatives believe a past decision not to fund care might have been unjust, or where the funding of care was not considered when it should have been.

All cases which are found eligible for refund for care pre- 31 March 2003 will be funded by Powys LHB as the successor body to the Health Authority. Any cases post 1 April 2003 will be required to be funded by the LHB concerned.

Denbighshire LHB has made provision in the accounts where details are known. However, on the basis of the publicity surrounding the issue the LHB considers it prudent to raise a contingent liability for any cases which may come forward as a result of the increased awareness of the public.

It is not possible at this stage to confirm whether a further liability does or does not exist or to quantify any liability.

Forecast Financial Position 2005/2006

Denbighshire LHB is a principal member of the Conwy and Denbighshire Health Community. Our negotiations in respect of the Service and Financial Framework have not been concluded for 2005/2006. The Health Community is currently forecasting a deficit for 2005/2006 of £7.282 million. This is currently under review with the Welsh Assembly Government (WAG). This deficit currently sits on the Conwy and Denbighshire NHS Trust's forecast financial position and the Health Economy is currently addressing the deficit with a range of rationalisation measures. The WAG has been informed that these measures will not produce the required financial savings in year.

7 Additional Information Cont'd

[text here](#)

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

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

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

Date: 2005 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman: Dated: 2005

Chief Executive: Dated: 2005

Director of Finance: Dated: 2005

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

The system of internal control is based upon an ongoing risk management process designed to identify the principal risks to the organisation's objectives; to evaluate the nature of those risks and to manage them efficiently, effectively and economically.

The organisation's responsibilities for internal control are also considered and assessed in the quarterly accountability reviews with the Regional Office. No adverse issues relating to internal control, risk management or clinical governance have been identified in 2004/2005.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable (or acceptable) level rather than to eliminate all risks facing the organisation, 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 the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This system of internal control has been in place in the organisation for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Risk Management

The Risk Management Policy and Strategy sets out the responsibility and role of the Chief Executive in relation to Risk Management. The Chief Executive has delegated shared chairmanship of the Risk Management Steering Committee to the Medical Director and the Director of Finance.

The LHB has developed a robust Risk Management Framework in line with the guidance issued by the Director of Resources, NHS Wales in September 2003 (Supplementary Guidance for NHS Wales Local Health Boards: Statement on Internal Control 2003-04) and as set out in the Welsh Risk Management Standards.

The LHB commissioned Mersey Internal Audit to facilitate the production of an Assurance Framework in 2003/2004 which identified the key risks that could prevent the LHB from achieving the principal objectives. This was achieved with significant involvement of the Board and the Executive Team.

In 2004/2005 the LHB has developed an action plan emanating from the assurance framework, this seeks to ensure a strong link between the assurance framework and the Risk register and also to establish key controls on which the Board is not presently receiving assurances. This will be monitored through a standing agenda item on the Risk Management Steering Group, the minutes of which are reported back through the Clinical Governance and Audit Committees.

Whilst there is a risk management framework in place there are a number of areas to be developed. The LHB plans to introduce a corporate risk register across all areas of the organisation in 2005/2006 which will assist with the development of an organisation which is aware of the risks it faces. This will be facilitated through the LHB's Internal Audit plan for 2005/2006. This will enable risk management decision making to occur as near as practicable to the risk source and for those risks that cannot be dealt with locally to be passed upwards to the appropriate level.

Risk Management, risk assessment and incident reporting is included within core induction for staff. The core induction folder includes a section on risk management and a staff information leaflet is also provided. The training directory also includes risk management and staff will receive update briefings via the monthly staff briefing route. Key staff have received Route Cause Analysis training, which will be cascaded throughout the LHB.

4. The risk and control framework

The risk management framework is set out in the Risk Management Policy and Strategy which has been subject to revision in 2004/2005. The key elements of the strategy include:

- An executive summary from the Chief Executive that sets out the commitment to risk management.
- Aims and Objectives
- Principles
- Designated responsibilities including Committees and Working Groups
- Risk Management Processes that includes the identification, evaluation, analysis, risk control, review and follow up.
- Training arrangements
- Dissemination to key stakeholders
- Risk Management Objectives
- Principle Committees for managing risks, including summarised Terms of Reference

The system of internal control is underpinned by compliance with the requirements of the Welsh Risk Management Standards. The scores as assessed by the LHB and externally verified by Mersey Internal Audit Agency and the Welsh Risk Pool were as follows: (Standard I is self assessed)

Standard	Description	Assessment Period	Assessed / Audited By	Target	Score	2003/2004 Score
A	Risk Management Policy and Strategy	Full Year	WRP	75%	81%	51%
B	Risk Assessment and Treatment	Full Year	WRP	75%	63%	53%
C	Incident and Hazard Reporting	Full Year	WRP	75%	75%	89%
D	Policies and Procedures	Full Year	MIAA	75%	82%	n/a
E	Governance	Full Year	MIAA	75%	88%	79%
F	Financial Management	Full Year	MIAA	75%	93%	82%
G	Facilitating Safe Primary Care	Six Months	WRP	50%	79%	n/a
I	Records Management	Six Months	Self	50%	73%	n/a

As a minimum, Local Health Boards are required to achieve a compliance score of 70% overall for standards A, B, C and G, the actual achievement for the LHB was 74%.

The Welsh Risk Pool identified a number of areas of good practice within the LHB, to be shared across Wales, examples of which included the Clinical Governance Strategy, the Clinical Governance Practice Self – Assessment tool, the Risk Management and Communications Strategies and the use of joint posts to support clinical governance across Conwy and Denbighshire LHB's.

Welsh Risk Pool Standards have been self-assessed during the year and action plans have been drawn up for each of the Standards and approved by the Risk Management Steering Committee. These actions plans will be reviewed as a standing agenda item for the Risk Management Steering Committee. The core standards have been assessed by either the Welsh Risk Pool (Standards A,B,C,G), Internal Audit (Standards D,E,F) or self assessed (Standard I) at the end of the financial year; this provides assurance on the relevance and adequacy of the evidence provided to support the self-assessment process.

Other mechanisms include the

- Directorate Risk Registers (to be developed in 2005/2006)
- Education and training
- Policies approval and ratification
- Management have access to incidents in their own area of responsibility and evidence is requested to confirm that risk is being discussed and communication at all levels.
- The Clinical Governance Practice Self Assessment Monitoring Framework introduced in 2004/2005. Practices have identified their key strengths and weaknesses and have produced a practice development plan in relation to clinical governance, the Quality and Outcomes framework of the New GMS Contract and achievement of enhanced services accreditation.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by work of the internal auditors and the Executive Directors 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 effectiveness of the system of internal control by the Board, the Audit Committee, Risk Management Steering Group and Clinical Governance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The contribution to the review of effectiveness for each of the sources is as follows:

- The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Internal audit provide regular reports to the Audit Committee and to the Director of Finance. The Audit Committee also receives details of actions that remain outstanding following any follow up of previous audit work. The Director of Finance also meets with the Audit Manager.
- The Welsh Risk Pool and their external assessment of the four Welsh Risk Pool standards and the scoring of Welsh Risk Management Standards provides me with additional assurances.
- The LHB were awarded the Silver standard for Health at Work this provides me with assurance that progress is being made to promote the health of employees. The Health at Work: The Corporate Standard assessment team praised the communication systems within the organisation, in particular the well developed staff forum.

- Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance through review of performance against objectives.
- The Assurance Framework itself provides me with further evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed and that an action plan has been drawn up as a result of this review.
- The Board's role is to provide active leadership of the LHB within a framework of prudent and effective controls that enable risk to be assessed and managed
- The Audit Committee, as part of an integrated committee structure provides a pivotal role in advising the Board on the effectiveness of the system of internal control.
- The Risk Management Steering Group and Clinical Governance Committee are key components by which I am able to assess the effectiveness and assure the Board of risk management generally and clinical risk.
- There is a nominated Local Counter Fraud Specialist with a remit on building a strong anti-fraud culture throughout the organisation.

There have been a number of new challenges for the LHB in 2004/05 for which systems were developed and will continue to be improved during 2005/06. Financial pressures were identified and managed effectively within year. The main areas relate to prescribing, continuing healthcare and issues relating to the GMS contract.

Any significant internal control issues would be reported to the Board via the Audit Committee.
There have been no significant internal controls issues identified during 2004/2005.

Signed _____ Chief Executive

Date _____ (On behalf of the board)

Report of the Auditor General for Wales

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

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

Respective responsibilities of Directors, the Chief Executive and Auditor

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

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

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

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

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and 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 mis-statement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In my opinion:

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

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
01 August 2005

Wales Audit Office
2-4 Park Grove
Cardiff CF10 3PA

ACCOUNT OF - 2004-2005

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

LOCAL HEALTH BOARDS

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2005 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

(a) generally accepted accounting practice in the United Kingdom (UK GAAP);

(b) the accounting and disclosure requirements of the Companies Act;

(c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;

(d) accounting guidance approved by the FRAB and contained in the Resource Accounting Manual, as detailed in the LHB Manual for Accounts, but specifically excluding schedules 1 and 5;

(e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2005 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2005 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

ACCOUNT OF - 2004-2005

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

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