

# Merthyr Tydfil Local Health Board

## FOREWORD

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

### Statutory background

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

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

### Performance Management and Financial Results

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

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 16. 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 2009**

	<b>Note</b>	<b>Total £000</b>	<b>2007-08 Total £000</b>
Expenditure	4.1,4.2,4.3, 4.4	<b>92,597</b>	90,058
Miscellaneous income	3.1	<b>1,167</b>	1,003
<b>Net operating costs</b>		<b><u>91,430</u></b>	<b><u>89,055</u></b>

**STATEMENT OF RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2009**

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

**BALANCE SHEET AS AT 31 MARCH 2009**

	Note	£000	31 March 2008 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
<b>CURRENT ASSETS</b>			
Debtors	6.1	837	915
Cash at bank and in hand		90	743
<b>Total Current Assets</b>		<b>927</b>	<b>1,658</b>
Creditors: amounts falling due within one year	6.2	5,934	6,479
<b>Net current assets / (liabilities)</b>		<b>(5,007)</b>	<b>(4,821)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	910	718
<b>TOTAL NET ASSETS</b>		<b>(5,917)</b>	<b>(5,539)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(5,917)	(5,539)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
<b>TOTAL</b>		<b>(5,917)</b>	<b>(5,539)</b>

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 2009**

	<b>£000</b>	<b>2007-08 £000</b>
<b>Net operating costs</b>	<b>(91,430)</b>	<b>(89,055)</b>
Adjust for non-cash transactions	<b>74</b>	<b>(170)</b>
Adjust for movements in working capital other than cash	<b>(467)</b>	<b>569</b>
Utilisation of provisions	<b>(97)</b>	<b>76</b>
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(91,920)</b>	<b>(88,580)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire fixed assets	<b>0</b>	<b>0</b>
Receipts from the sale of fixed assets	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) before financing</b>	<b>(91,920)</b>	<b>(88,580)</b>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	<b>91,267</b>	<b>88,840</b>
Surrender of income from sale of fixed assets	<b>0</b>	<b>0</b>
Donations	<b>0</b>	<b>0</b>
Capital element of finance lease rental payments	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from financing</b>	<b>91,267</b>	<b>88,840</b>
	<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>	<b>(653)</b>	<b>260</b>

**Notes to the cash flow statement****Adjust for non-cash transactions**

	£000	2007-08 £000
Depreciation and other write-offs	0	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	289	15
Capital charge interest	(215)	(185)
	<u>74</u>	<u>(170)</u>

**Adjust for movements in working capital other than cash**

	£000	2007-08 £000
(Increase)/decrease in debtors	78	(218)
Increase/(decrease) in creditors	(545)	787
	<u>(467)</u>	<u>569</u>

**Reconciliation of net cash flow to movement in net debt**

	£000
Increase/(decrease) in cash in the period	(653)
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	(653)
Non cash changes in debt	0
<b>Net debt at 1 April 2008</b>	<u>743</u>
<b>Net debt at 31 March 2009</b>	<u>90</u>

**Analysis of changes in net debt**

	As at 1 April 2008	Cash flows	Other changes	As at 31 March 2009
	£000	£000	£000	£000
Cash at bank and in hand	743	(653)	0	90
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
<b>Total</b>	<u>743</u>	<u>(653)</u>	<u>0</u>	<u>90</u>

**Amount held in Office of Paymaster General bank accounts as at 31 March 2009 was £102,966**

This differs from the cash at bank figure above due to unrepresented cheques.

**Analysis of capital expenditure, financial investments and associated receipts**

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

**Reconciliation of loan issues and repayments to cash movements**

	<b>Issues</b>	<b>2008-09 Repayments</b>	<b>Net Movement</b>
	£'000	£'000	£'000
Total issues and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
<b>Total financial investment and associated receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation of fixed assets and disposals**

	<b>Additions</b>	<b>2008-09 Disposals</b>	<b>Net Movement</b>
	£'000	£'000	£'000
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
<b>Total cash movement on asset additions and disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **Notes to the Account**

### **1. Accounting Policies**

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

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

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

### **Acquisitions and Discontinued Operations**

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

### **1.2 Income and funding**

The main source of funding for the LHB is resource allocations from the Welsh Assembly Government 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 Welsh Assembly Government Funding.

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, 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 are capitalised if they 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, except capitalised Research and Development which is carried at historic cost. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

## 1.5 Tangible fixed assets

### a. Capitalisation

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

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

### b. Valuation

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

### Land and Buildings

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

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

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

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

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

### Equipment

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at Depreciated Replacement Cost.



### **Assets in the course of construction**

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

### **c. Depreciation, amortisation and impairments**

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

### **1.6 Donated assets**

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

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

### **1.7 Research and development**

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

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

## 1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. 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, based on a five year valuation cycle), and a FRS17 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 schemes 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) FRS17 Accounting Valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date 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 be obtained from The Stationery Office.

### **Scheme provisions as at 31 March 2008**

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 income and expenditure account at the time the LHB 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.

### **Scheme provisions from 1 April 2008**

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website [www.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk).

### **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 2008-09 financial year was **3.5%**.

### **1.11 Provisions**

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

### **1.12 Liquid resources**

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

### **1.13 Leases**

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

### **1.14 Contingent liabilities**

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

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

- a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events met wholly within the LHB's control. Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable.

### **1.15 Deferred Income**

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

### **1.16 Expenditure**

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

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

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

## **1.17 Financial Instruments**

### **Financial Assets**

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

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; 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.

## **Financial Liabilities**

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

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

**2.1 Achievement of Operational Financial Balance**

	<b>£000</b>	<b>2007-08 £000</b>
Net operating costs for the financial year	<b>91,430</b>	89,055
Non-discretionary expenditure	<b>359</b>	347
Operating costs less non-discretionary expenditure	<b>91,071</b>	<b>88,708</b>
Revenue Resource Limit	<b>91,087</b>	88,732
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>16</b>	<b>24</b>
Unplanned resource brokerage received	<b>0</b>	<b>0</b>
<b>Operational Financial Balance</b>	<b>16</b>	<b>24</b>

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

During 2007/08 the LHB received Resource Brokerage of £1,100k and provided Resource Brokerage of £500k to other NHS bodies. This resulted in a net increase in the 2007/08 Revenue Resource Limit of £600k, for which there has been a corresponding reduction in the Revenue Resource Limit for 2008/09. The Revenue Resource limit of £91,087k shown above is therefore after a net reduction of £600k in respect of Resource Brokerage received in 2007/08.

During 2007/08 the LHB received Cash Brokerage of £1,100k and provided Cash Brokerage of £660k to other NHS bodies. This resulted in a net increase in the 2007/08 Cash Limit of £440k, for which there has been a corresponding repayment in the Cash Limit in 2008/09. The LHB also provided cash brokerage of £900k to other NHS bodies during 2008/09 and this sum will be repaid to the LHB during 2009/10.



### 3.1 Miscellaneous income

	£000	2007-08 £000
Fees & Charges	0	0
Prescription charge income	0	0
Dental fee income	508	458
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other	659	545
<b>Total</b>	<b>1,167</b>	<b>1,003</b>

Other

"Other Miscellaneous Income" includes a sum of £254,000 in respect of CHC funding from the Welsh Assembly Government via Rhondda Cynon Taf tLHB.

**Expenditure:****4.1 Primary health care**

	Cash limited	Non cash limited	Total	2007-08 Total
	£000	£000	£000	£000
General Medical services	8,762	0	8,762	8,460
Pharmaceutical services	2,955	(308)	2,647	2,053
General Dental services	2,681	1	2,682	2,552
General Ophthalmic services	0	666	666	644
Other Primary health care expenditure	148	0	148	155
Prescribed drugs and appliances	11,483	0	11,483	11,590
<b>Total</b>	<b>26,029</b>	<b>359</b>	<b>26,388</b>	<b>25,454</b>

**4.2 Secondary and Community health care**

	Total	2007-08 Total
	£000	£000
<b>NHS Trusts:</b>		
Provider 1 - Cwm Taf NHS Trust	52,348	52,401
Provider 2 - Cardiff & Vale NHS Trust	4,145	4,173
Provider 3 - Abertawe Bro Morgannwg NHS Trust	382	401
Provider 4 - Velindre NHS Trust	975	1,011
Provider 5 - Gwent NHS Trust	196	183
Provider 6 - Hywel Dda NHS Trust	41	39
Provider 7 - Powys NHS Trust	12	17
Provider 8 -	0	0
Provider 9 -	0	0
Provider 10 -	0	0
Other Welsh NHS trusts	1	1
Other non Welsh NHS trusts	209	110
Local Authorities	44	69
Voluntary Organisations	535	513
NHS Funded Nursing Care	341	411
Continuing Care	4,952	2,992
Private providers	0	0
Specific projects funded by Welsh Assembly Government	0	0
Other	23	54
<b>Total</b>	<b>64,204</b>	<b>62,375</b>

**Included within Continuing Care expenditure is**

	2008-09	2007-08
Paid to Cwm Taf NHS Trust	327,252	135,442
Paid to Abertawe Bro Morgannwg NHS Trust	74,040	0
Paid to Gwent NHS Trust	1,200	0
Paid to Local Authorities	172,469	282,612

**Included within NHS Funded Nursing Care expenditure is**

Paid to Local Authorities	279,903	293,903
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**4.3 Other programme expenditure**

	£000	2007-08 £000
Salaries and wages	149	223
National Public Health Service	405	396
Losses, special payments and irrecoverable debts	0	0
Research and development	0	0
Other	0	0
<b>Total</b>	<b>554</b>	<b>619</b>

**4.4 Administration expenditure**

	£000	2007-08 £000
Non-officer members' remuneration	70	80
Other salaries and wages	953	990
Consultancy services	0	0
Establishment expenses	0	39
Transport and moveable plant	0	0
Premises and fixed plant	94	111
External contractors	32	60
Auditors' remuneration - audit fee	69	65
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	448	450
Interest payable - unwinding of discount	0	0
Interest payable - other	0	0
Capital - Depreciation	0	0
Amortisation	0	0
Capital charge interest	(215)	(185)
Impairments and reversals (property, plant, equipment)	0	0
Impairments and reversals (intangible assets)	0	0
Impairments and reversals of financial assets (by class)	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	0	0
<b>Total</b>	<b>1,451</b>	<b>1,610</b>

Included in the Business Services Centre recharge is an amount of £16K for the external audit of the Business Service Centre attributable to Merthyr Tydfil Local Health Board

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

	Total	2007-08 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	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

#### 4.6 Hire and operating lease rentals

	2007-08 £000	2007-08 £000
Hire of plant and machinery	0	0
Other operating leases	87	88
<b>Total</b>	<b>87</b>	<b>88</b>

#### Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2007-08 Land and Buildings £000	2007-08 Other Leases £000
<b>Operating leases which expire:</b>				
Within 1 year	40	0	14	0
Between 1 and 5 years	47	0	74	0
After 5 years	0	0	0	0

#### 4.7 Executive Directors and staff costs

	Total £000	2007-08 Total £000
Salaries and wages	1,682	1,665
Social security costs	134	140
Employer contributions to NHSPA	227	228
Other pension costs	0	0
Agency / seconded staff	394	281
<b>Total</b>	<b>2,437</b>	<b>2,314</b>

#### Staff Costs

The total Executive Director and staff costs of £2,437,000 are engaged within the Administrative, Programme, Community and Primary Care functions of the Local Health Board as disclosed in Notes 4.1 and 4.2 (on Page 18) and Notes 4.3 and 4.4 (on page 19) as follows

	£000	2007-08 £000
Note 4.1 Primary Health Care (part of) General Medical Services	1,149	970
Note 4.1 Primary Health Care (part of) Dental	20	21
Note 4.2 Continuing Health Care and NHS Funded Nursing Care	170	114
Note 4.3 Other programme Expenditure - Salaries & Wages	149	223
Note 4.4 Administration Expenditure - Other Salaries & Wages	952	990
Note 4.4 Administration Expenditure - Non Executive Officer employment costs	(5)	(6)
Other/Rounding	2	2
<b>Total LHB Executive Directors and staff costs</b>	<b>2,437</b>	<b>2,314</b>

**4.8 Board Directors' remuneration**

	£000	2007-08 £000
Non-officer members' remuneration	70	80
Executive Directors' remuneration:		
basic salaries	135	167
benefits	0	0
performance related bonuses	0	0
pension contributions	19	24
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>Total</b>	<b>224</b>	<b>271</b>

	Director of Nursing £000	Chairman £000	Chief Executive £000
Basic Salary	61	22	49
Benefits	0	0	0
Compensation for loss of office	0	0	0
Performance related bonuses	0	0	0
Pension contributions	9	0	7
<b>Total</b>	<b>70</b>	<b>22</b>	<b>56</b>

**Remuneration waived by directors and allowances paid in lieu:**

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

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

Performance related bonuses are not paid.

The Chief Executive is a joint post across Rhondda Cynon Taf tLHB and Merthyr Tydfil LHB. The costs shown above represent 40% of the total costs, which are recharged from Rhondda Cynon Taf tLHB.

The Director of Nursing was the highest paid Director in 2008-09.

## 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	2007-08 Number
Executive Board Members	2	0	0	2	2
Other Local Health Board Staff	44	0	0	44	49
Recharged staff	3	3	0	6	1
<b>Total</b>	<b>49</b>	<b>3</b>	<b>0</b>	<b>52</b>	<b>52</b>

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

## Expenditure on staff benefits

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

#### 4.10 Retirements due to ill-health

During 2008-09 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £Nil

#### 4.11 Public Sector Payment Policy - Measure of Compliance

The Welsh Assembly Government 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	2007-08 £000
<b>Non- NHS</b>			
Total bills paid 2008-2009	2,207	6,250	4,777
Total bills paid within target	2,117	6,114	4,594
Percentage of bills paid within target	95.9%	97.8%	96.2%

In addition, the Welsh Assembly Government requires 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	2007-08 £000
<b>NHS</b>			
Total bills paid 2008-2009	662	63,960	62,330
Total bills paid within target	644	63,733	62,193
Percentage of bills paid within target	97.3%	99.6%	99.8%

	Number	£000	2007-08 £000
<b>Total</b>			
Total bills paid 2008-2009	2,869	70,210	67,107
Total bills paid within target	2,761	69,847	66,787
Percentage of bills paid within target	96.2%	99.5%	99.5%

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

	2007-08 £	£
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0



## 5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
<b>Gross cost at 1 April 2008</b>	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross replacement cost at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Accumulated amortisation at 1 April 2008</b>	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
<b>Accumulated amortisation at 31 March 2009</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>	0	0	0	0	0
<b>Net book value at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2008	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
<b>At 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation</b>									
At 1 April 2008	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	0	0
<b>At 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 1 April 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Value of assets held at open market value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Tangible Fixed Assets (continued)

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

	£000	2007-08 £000
Freehold	0	0
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>

## Net profit/(loss) on disposal of fixed assets

	£000	2007-08 £000
During the year the LHB disposed of fixed assets with the net book value of,	0	0
The gross proceeds from the sale(s) were	0	0
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the Welsh Assembly Government the net proceeds from disposal of and retained the costs of disposal, met of,	0	0
	0	0

**6.1 Debtors**

	£000	2007-08 £000
<b>Amounts falling due within one year:</b>		
Welsh Assembly Government	8	14
Health Commission Wales	0	0
Local Health Boards	321	32
Primary Care Trusts	0	0
NHS Trusts	129	342
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	6	12
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Other prepayments and accrued income	373	515
	<hr/>	<hr/>
<b>Sub total</b>	<b>837</b>	<b>915</b>
	<hr/>	<hr/>
<b>Amounts falling due after more than one year:</b>		
Welsh Assembly Government	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
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
<b>Sub total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Total</b>	<b>837</b>	<b>915</b>
	<hr/>	<hr/>
Provision for irrecoverable debts (impairment of receivables):		
Balances at 1 April	0	0
Provided in year	0	0
Written-off in year	0	0
Recovered during year	0	0
Balance at 31 March	<hr/> <b>0</b> <hr/>	<hr/> <b>0</b> <hr/>
Debtors past due date but not impaired:		
Up to 3 months	0	0
3 to 6 months	0	0
More than 6 months	0	0
<b>Total</b>	<hr/> <b>0</b> <hr/>	<hr/> <b>0</b> <hr/>

**6.2 Creditors**

<b>Amounts falling due within one year:</b>	<b>2007-08</b>	
	<b>£000</b>	<b>£000</b>
Welsh Assembly Government	0	80
Health Commission Wales	0	0
Local Health Boards	154	343
NHS Trusts	723	1,049
Primary Care Trusts	0	0
Income tax and social security	8	0
VAT	0	0
Non-NHS creditors	130	907
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	4,919	4,100
Deferred Income	0	0
Other creditors	0	0
<b>Total</b>	<b>5,934</b>	<b>6,479</b>

**6.3 Creditors**

<b>Amounts falling due after more than one year:</b>	<b>2007-08</b>	
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 6.4 Provisions for liabilities and charges

	At 1 April 2008	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 2009
	£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
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pensions	0			0	0	0	0	0
Other	718			425	(136)	(97)		910
<b>Total</b>	<b>718</b>	<b>0</b>	<b>0</b>	<b>425</b>	<b>(136)</b>	<b>(97)</b>	<b>0</b>	<b>910</b>

## 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	463	447	0	910
<b>Total</b>	<b>463</b>	<b>447</b>	<b>0</b>	<b>910</b>

The LHB estimates that in 2009-10 it will receive £Nil, and in 2010-11 and beyond £Nil from the Welsh Risk Pool in respect of losses and special payments.

## 6.5 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2008</b>	<b>(5,539)</b>
Net operating cost for the financial year	(91,430)
Net Assembly funding (including capital)	91,267
Capital charge interest	(215)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
<b>Balance at 31 March 2009</b>	<b>(5,917)</b>

## 6.6 Donated asset reserve

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

	£000
<b>Balance at 1 April 2008</b>	<b>0</b>
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
<b>Balance at 31 March 2009</b>	<b>0</b>

## 6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
<b>Balance at 1 April 2008</b>	<b>0</b>
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
<b>Balance at 31 March 2009</b>	<b>0</b>

**6.8 Contingent liabilities -**

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

Nature:	2007-08	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**Uncertainties affecting outcome:**

Merthyr Tydfil Local Health Board has received a number of current and retrospective claims from patients who believe they are eligible for NHS Funded Continuing Healthcare. The Local Health Board is only responsible for these potential costs for any periods claimed post 1st April 2003. Any claims that relate to periods prior to April 2003 will be accounted for elsewhere within the NHS Wales economy in accordance with Welsh Assembly requirements. The Local Health Board has included £658,000 within the total provision shown in note 6.4 in respect of claims received to date. As at 31st March 2009, the Local Health Board has also received a number of enquires requesting further information which may subsequently result in a claim. At present it is not possible to evaluate these cases for either probability of success nor valuation.

**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	33	0	66	0
Balances with local authorities	118	0	407	0
Balances with NHS trusts and Foundation trusts	140	0	724	0
Balances with Local Health Boards	323	0	155	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	0	0	0	0
<b>Total at 31 March 2009</b>	<b>614</b>	<b>0</b>	<b>1,352</b>	<b>0</b>
Balances with other central government bodies	341	0	80	0
Balances with local authorities	112	0	312	0
Balances with NHS trusts and Foundation trusts	342	0	1,034	0
Balances with Local Health Boards	32	0	343	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	0	0	0	0
<b>Total at 31 March 2008</b>	<b>827</b>	<b>0</b>	<b>1,769</b>	<b>0</b>



## 6.10 Post balance sheet events

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

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

## 6.11 Capital commitments

The Local Health Board has the following capital commitments:

		2007-08	
Contracted	0	0	0
Authorised but not contracted	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>

**6.12 Related Party transactions****£000**

Total value of transactions with Board members and key senior staff in 2008-2009 **0**

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

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

NHS providers with which the LHB has had material transactions are disclosed in note 4.2 to the accounts.

In addition, the Local Health Board has a significant number of material transactions with other government departments and other central and local government bodies. The most significant of these transactions has been with Merthyr Tydfil County Borough Council, with total income received of £212,000 and before expenditure incurred of £833,000.

A number of the LHB's Board members who held office during the year have interests in related parties as follows:

<b>Name</b>	<b>Details</b>	<b>Interests</b>
Mr Clive Jones	Carer Representative (Acting Chair)	Member of Merthyr Tydfil County Borough Council Crossroads - Merthyr Tydfil Age Concern - Merthyr Tydfil - Member Merthyr Tydfil & Valleys MIND - Member
Cllr Ray Thomas	Local Authority Representative	Member of Merthyr Tydfil County Borough Council WJEC - Director Glas Cymru - Board Member Safer Merthyr Tydfil - Trustee Trecatti Trust Fund - Chair
Dr Nigel Waskett	Medical Director	Associate Medical Director - NHS Direct
Mrs Maria Thomas	Nursing Director	St. Johns Ambulance - Committee member Macmillan - Committee member - Merthyr Tydfil
Mr Roy Bailey	Community Representative	Alzheimer Society - Committee member - Merthyr Tydfil
Mrs Anne Roberts	Nursing Representative	Cwm Taf NHS Trust - Employee Womans Refuge - Committee Member Merthyr Tydfil Housing Association - Board Member
Cllr Helen Thomas	Local Authority Representative	Member of Merthyr Tydfil County Borough Council Merthyr Tydfil Health Alliance - Chair Merthyr Tydfil Care & Repair - Committee member
Cllr Derek Games	Local Authority Representative	Member of Merthyr Tydfil County Borough Council Voluntary Action Merthyr Tydfil - Committee Member
Cllr Brian Mansbridge	Local Authority Representative	Member of Merthyr Tydfil County Borough Council
Cllr Gareth Jones	Local Authority Representative	Member of Merthyr Tydfil County Borough Council
Cllr Ian Clark	Local Authority Representative	Member of Merthyr Tydfil County Borough Council

## 6.12 Related Party transactions

Mr Giovanni Isingrini	Local Authority Member	Merthyr Tydfil County Borough Council - Employee
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
Ms Gill Botwell	Therapy Representative	Cwm Taf NHS Trust - Employees
Mr Jeffrey Edwards	Voluntary Representative	Member of Merthyr Tydfil County Borough Council
Mrs Jenny Ludlow	Voluntary Representative	Alzheimer Society - Chair - Merthyr Tydfil
		Sanctuary Trustee - Voluntary Action Merthyr Tydfil
		Care Council Wales - Lay Member
		Member of CHC
Ms Laura Guard	Associate Member	Welsh Ambulance & NHS Trust - Employee
Mr Simon Morgan	Associate Member	Cwm Taf NHS Trust - Employee
Dr David Cassidy	Associate Member	Cwm Taf NHS Trust - Employee
Ms Rachel Marsh	Associate Member	Cwm Taf NHS Trust - Employee

### 6.13 Losses and special payments

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

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	0	0
<b>Total losses and special payments</b>	<b>0</b>	<b>0</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>			
.....	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
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total cases</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **6.14 Financial Instruments**

### **Financial Risk Management**

FRS 29 "Financial Instruments: Disclosures" 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 LHBs 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 this standard mainly applies. LHBs have no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

### **Liquidity Risk**

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

### **Foreign Currency Risk**

The LHB has negligible foreign currency income or expenditure. Therefore, it is 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	2007-08 £000
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
in more than 2 year but no longer than 5	0	0
After 5 years	0	0
	<hr/>	<hr/>
<b>Subtotal</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>

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

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

## 6.16 Pooled Budgets

The LHB is a partner to the Rhondda Cynon Taf & Merthyr Tydfil Integrated Community Equipment Service which is financed by a pool budget between:

Rhondda Cynon Taf County Borough Council  
Merthyr Tydfil County Borough Council  
Cwm Taf NHS Trust

The LHB does not have a financial contribution to the arrangement and does not have any assets or liabilities within the arrangement.

**6.17 Financial Assets**

	<b>At fair value through Profit &amp; Loss £000</b>	<b>Loans and receivables £000</b>	<b>Available for sale £000</b>	<b>Total £000</b>
Embedded derivatives	0	0	0	0
NHS receivables	0	463	0	463
Cash at bank and in hand	90	0	0	90
Other financial assets	0	374	0	374
<b>At 31 March 2009</b>	<b>90</b>	<b>837</b>	<b>0</b>	<b>927</b>
Embedded derivatives	0	0	0	0
NHS receivables	0	454	0	454
Cash at bank and in hand	743	0	0	743
Other financial assets	0	461	0	461
<b>At 31 March 2008 (Prior year)</b>	<b>743</b>	<b>915</b>	<b>0</b>	<b>1658</b>

**6.18 Financial liabilities**

	<b>At fair value through Profit &amp; Loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	5934	0	5934
<b>At 31 March 2009</b>	<b>5934</b>	<b>0</b>	<b>5934</b>
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	6479	0	6479
<b>At 31 March 2008 (Prior year)</b>	<b>6479</b>	<b>0</b>	<b>6479</b>



## **7 Additional Information**

### Reconfiguration of the NHS in Wales

In 2008 the Health & Social Services Minister of the Welsh Assembly government gave approval for the merger of NHS Trusts and LHBs to create 7 new LHBs at 1st October 2009.

Merthyr Tydfil LHB will continue in its present form until that date. These financial statements are the final full year financial statements for Merthyr Tydfil LHB. The LHB will produce 6 month financial statements from 1st April 2009 to 30th September 2009 and on 1st October 2009 the LHB will merge with Rhondda Cynon Taf teaching LHB to form Cwm Taf LHB. All of the assets and liabilities of the LHB will transfer to the new LHB at that date and all operations are continuing.

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

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

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

Date.....2009 ..... Chief Executive

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

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

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

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

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

**By Order of the Board**

**Signed:**

Chairman: ..... Dated: .....2009

Chief Executive: ..... Dated: .....2009

Director of Finance: ..... Dated: .....2009

## STATEMENT ON INTERNAL CONTROL

### 1. Scope of responsibility

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

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the organisation for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

### 3. Capacity to handle risk

All LHB personnel have some responsibility for risk management and internal control in order to achieve their individual objectives and the LHB's overall aims and objectives. In order to be effective the LHB continues to work to integrate risk management into the day-to-day management and planning of the LHB's activities.

The LHB has an established Clinical Governance Operational Group and Health & Safety group to identify risks and manage the risk assessment process. Both groups report to the Board via the Clinical Governance Committee and Audit Committee respectively.

Risk management awareness sessions have been arranged during the year for all staff to familiarise everyone with the principles of risk management and the LHB Risk Management Strategy.

### 4. The risk and control framework

The LHB has formally adopted a Risk Management Strategy and developed a "Corporate Risk Register" as a basis for controlling and monitoring the risk management activities of the organisation. This is formally updated and presented to the Board on an annual basis. The Board and Audit Committee review the effectiveness of the risk management processes and internal controls throughout the financial year and approve the forward risk profile, action plans and internal audit programme.

A robust internal control framework was in place during the year, which includes:

- the adoption by the Board of the Standing Orders and Standing Financial Instructions;
- an Audit Committee, a Remuneration Committee and various subgroups;
- the appointment of internal auditors; and
- an approved financial plan and regular reporting of financial and performance information.

There is a budgetary control system in place, which safeguards the acquisition, use, disposal and security of goods and services. There are controls in place concerning the security of financial systems and data. These systems produce reliable financial information that informs budget holders and the financial reporting to the Board.

The LHB's financial systems have been subject to review by Internal Audit. The Audit Committee reviews all internal audit reports and monitors the implementation of agreed control improvements.

**Internal Audit have confirmed that, based on the work undertaken during the year, the Risk Management, Control and Governance Processes within the areas covered by their reviews are adequate and effective and sufficient to enable the Board and the Accountable Officer to rely on the internal control system.**

The Health Care Standards for Wales (HCSW) were introduced in 2007/08 in order to assess the quality, safety and effectiveness of healthcare provided by NHS bodies. The LHBs performance for 2008/09 is summarised below:

a) Self Assessment Against All HCSW

The LHB has completed a self assessment process based on the 32 individual HCSW. Each HCSW is sub-divided into various categories and questions in relation to 3 key areas: Corporate, Operational/Clinical Outcomes and User Experience. Within the LHB each HCSW has been delegated to a standard lead who is responsible for collecting the evidence and ensuring the completion of the standard via the online tool. Each area of the 32 HCSW was assessed based on the following scores:

- 5 Leading
- 4 Practising
- 3 Developing
- 2 Responding
- 1 Aware

The completed HCSW were submitted for review and approval to the Joint LHB Scrutiny Committee on 9th March 2009, prior to submission to HIW on 17th April 2009.

A summary of the 2007/08 self assessed scores and the 2008/09 LHB self assessed scores for all of the areas is provided below:

Score	2007/08 Self Assessed	2008/09 Self Assessed
5	0%	0%
4	22%	16%
3	69%	78%
2	8%	5%
1	2%	1%
Total	100%	100%

b) Self Assessment Of Performance Against the HCSW That Underpin The Management Of Risk Across All Standards:

HCSW	2007/08 Self Assessed	2008/09 Self Assessed
14 (Risk Management)	3	3
16 (Patient Safety)	3	3
27 (Governance)	3	3
28 (Clinical Governance)	4	4

c) Healthcare Standards Improvement Plan (HCSIP)

The HCSIP for 2008/09 was formally agreed by the Board on 15th July 2008 and was monitored on a regular basis throughout the year. A status report on all areas of the HCSIP was also discussed at the Joint LHB Scrutiny Committee on the 9th March 2009. This Scrutiny role will continue in 2009/10.

**Internal Audit have confirmed that:**

- **The systems and processes in place in respect of the completion and approval of HCSW were good.**
- **The LHBs self assessed scores for standards 14, 16, 27 and 28 appear Reasonable.**
- **The Process for monitoring the HCSIP were satisfactory.**

**5. Pension Contributions Assurance**

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 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.

**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, the Audit Committee (and Risk Committee, if appropriate) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:.....

Date:.....

Chief Executive

(on behalf of board)

## **ACCOUNT OF MERTHYR TYDFIL LOCAL HEALTH BOARD - 2008-2009**

### **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 2009 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

#### **BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FRoM), 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 2009 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 2009 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 :

Dated :



## **ACCOUNT OF MERTHYR TYDFIL LOCAL HEALTH BOARD- 2008-2009**

### **SCHEDULE 1**

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

##### **Companies Act**

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

##### **Accounting Standards**

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

### **SCHEDULE 2**

#### **ADDITIONAL REQUIREMENTS**

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

## **AUDITORS' REPORT**

### **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 Merthyr Tydfil Local Health Board for the year ended 31 March 2009 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

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

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

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

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

In addition I report to you if in my opinion, Merthyr Tydfil 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 Merthyr Tydfil 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 Merthyr Tydfil Local Health Board's corporate governance procedures or its risk and control procedures.

I have been unable to read 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 the 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 Merthyr Tydfil Local Health Board'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 the 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 Merthyr Tydfil Local Health Board as at 31 March 2009 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

My conclusion on Merthyr Tydfil Local Health Board's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Annual Audit Letter.

Jeremy Coleman  
Auditor General for Wales  
19<sup>th</sup> June 2009

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