

Vale of Glamorgan Local Health Board

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 119,300
- 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 As a result the Income and Expenditure Account has been replaced by an Operating Cost Statement as the primary statement of in-year expenditure.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	146,132	130,688
Miscellaneous income	3.1	2,635	1,720
Net operating costs		143,497	128,968

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

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

Footnote:

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, cashflow statement or SRGL.

Full details of the adjustments made are set out in Note 7.2 Prior Period Adjustment (PPA).

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	60	26
CURRENT ASSETS			
Debtors	6.1	575	926
Cash at bank and in hand		1,006	0
Total Current Assets		1,581	926
Creditors: amounts falling due within one year	6.2	8,509	9,793
Net current assets / (liabilities)		(6,928)	(8,867)
Creditors: amounts falling due after more than one year	6.3	858	858
Provisions for liabilities and charges	6.4	317	0
TOTAL NET ASSETS		(8,043)	(9,699)
FINANCED BY:			
General fund	6.5	(8,045)	(9,700)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	2	1
TOTAL		(8,043)	(9,699)

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	2003-04 £000
Net operating costs	(143,497)	(128,968)
Adjust for non-cash transactions	(5)	2,121
Adjust for movements in working capital other than cash	(933)	(1,383)
Utilisation of provisions	0	0
	<hr/>	<hr/>
Net cash outflow from operating activities	(144,435)	(128,230)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	(40)	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	(40)	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(144,475)	(128,230)
FINANCING:		
Net Assembly funding (including capital)	145,481	128,029
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	145,481	128,029
	<hr/>	<hr/>
Increase / (decrease) in cash	1,006	(201)

Notes to the cash flow statement

Adjust for movements in working capital other than cash	£000	2003-04 £000
(Increase)/decrease in debtors	351	(2,726)
Increase/(decrease) in creditors	(1,284)	1,343
	<u>(933)</u>	<u>(1,383)</u>

Adjustment for non-cash transactions

	£000	2003-04 £000
Depreciation and other write-offs	7	6
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	317	2,261
Capital charge interest	(329)	(146)
	<u>(5)</u>	<u>2,121</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	1,006
Cash inflow from new debt	0
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>1,006</u>
Non cash changes in debt	0
Net debt at 1 April 2004	<u>0</u>
Net debt at 31 March 2005	<u>1,006</u>

Analysis of changes in net debt

	As at 1 April 2004 £000	Cash flows £000	Other changes £000	As at 31 March 2005 £000
Cash at bank and in hand	0	1,006	0	1,006
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
TOTAL	<u>0</u>	<u>1,006</u>	<u>0</u>	<u>1,006</u>

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Resource Accounting Manual (RAM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHBs. 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 7.2 "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 operational property and Existing Use Value for non - specialised operational property.

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

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

All adjustments arising from indexation and five - yearly revaluations are taken to the Revaluation Reserve.

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

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

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

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

1.6 Donated assets

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

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

1.7 Research and development

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

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2004-05 was : £127,838, (2003-04 £45,476)

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 be increased to 14% of pensionable pay from 1 April 2004. (7% 2003/04)

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 expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation employer contribution rates from 2004-05 were set at 14% (7% for 2003-04) 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 increased to 14%. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

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

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

FRS17 had been fully adopted from 2003/04.

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

1.9 Foreign currency

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

1.10 Cost of Capital

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

1.11 Provisions

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

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

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

1.15 Deferred Income

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

2.1 Achievement of Operational Financial Balance

	£000	2003-04 £000
Net operating costs for the financial year	143,497	128,968
Non-discretionary expenditure	<u>2,586</u>	<u>9,269</u>
Operating costs less non-discretionary expenditure	140,911	119,699
Revenue Resource Limit	140,911	119,699
Under / (over) spend against Revenue Resource Limit	0	0
Unplanned resource brokerage received	<u>0</u>	<u>0</u>
Operational Financial Balance	<u>0</u>	<u>0</u>

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

Not Applicable

Footnote 1

The Revenue Resource Limit includes Loan Cover of £1.149m which was agreed with the Welsh Assembly Government following agreement of the LHB's Strategic Change Efficiency Plan for 2004/05.

3.1 Miscellaneous income

	£000	2003-04 £000
Fees & Charges	0	0
Prescription charge income	1,473	1,272
Income for trust impairments	0	0
Deferred Income brought forward	746	36
Other (1)	416	412
	<u>2,635</u>	<u>1,720</u>
Total	2,635	1,720

Footnote (1) - Other Income includes:	£
Innovations in Care - Medicines Management Collaborative	18
Keeping Well This Winter Campaign	2
MTAC funding from NPHS	4
Low Secure placement funding from HCW	131
BEST Programme funding from Bro Morgannwg NHST	2
YOT Nurse funding from Bro Taf LHBS	26
Emergency Care Lead funding from WAG	44
Recharge of staff costs to other NHS bodies	189
	<u>416</u>

Expenditure:

4.1 Primary health care

	Cash limited	Non cash limited	Total	2003-04 Total
	£000	£000	£000	£000
General Medical services	12,615	0	12,615	9,943
Pharmaceutical services		1,820	1,820	1,471
General Dental services	0	1	1	3
General Ophthalmic services	0	765	765	769
Other Primary health care expenditure	440	0	440	474
Prescribed drugs and appliances	19,588		19,588	19,155
TOTAL	32,643	2,586	35,229	31,815

4.2 Secondary and Community health care

	Total	2003-04 Total
	£000	£000
NHS Trusts:		
Provider 1 - Bro Morgannwg NHST	29,768	30,642
Provider 2 - Cardiff & Vale NHST	67,349	57,932
Provider 3 - Carmarthen NHST	36	31
Provider 4 - Gwent Healthcare NHST	152	134
Provider 5 - North Glamorgan NHST	89	42
Provider 6 - Pembroke & Derwen NHST	666	0
Provider 7 - Pontypridd & Rhondda NHST	821	704
Provider 8 - Swansea NHST	85	171
Provider 9 - Velindre NHST	2,334	1,781
Provider 10 - Welsh Ambulance Services NHST	10	0
Other Welsh NHS trusts	16	43
Other non Welsh NHS trusts	155	157
Local Authorities	250	250
Voluntary Organisations	690	802
NHS Funded Nursing Care	1,851	646
Continuing Care	3,245	3,025
Private providers	613	61
Specific projects funded by Welsh Assembly Government	194	36
Other	0	4
TOTAL	108,324	96,461

Expenditure with Local Authorities is as follows :

Vale of Glamorgan Council - Delayed Discharge Scheme expenditure = £0.250m

4.3 Other programme expenditure

	£000	2003-04 £000
Salaries and wages	580	0
National Public Health Service	595	548
Losses, special payments and irrecoverable debts	0	367
Research and development	0	0
Other	0	0
	<hr/>	<hr/>
TOTAL	1,175	915

4.4 Administration expenditure

	£000	2003-04 £000
Non-officer members' remuneration	76	69
Other salaries and wages	610	605
Establishment expenses	88	47
Transport and moveable plant	0	0
Premises and fixed plant	98	82
External contractors	23	19
Auditors' remuneration - audit fee	61	71
Auditors' remuneration - other fees	1	0
Business Services Centre recharge	757	727
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	7	6
Capital charge interest	(329)	(145)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Costs of disposal of fixed assets	0	0
Other	12	16
	<hr/>	<hr/>
TOTAL	1,404	1,497

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	367
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
Total charge	0	367
	<hr/>	<hr/>

Personal injury includes £'000 in respect of permanent injury benefits

Footnote: Welsh Risk Pool Premiums

The accounting and budgeting arrangements for the Welsh Risk Pool changed from 1 April 2004. To avoid instability during the transition to these new arrangements, the Welsh Risk Pool was funded directly by the Welsh Assembly in 2004/05.

4.6 Hire and operating lease rentals

	£000	2003-04 £000
Hire of plant and machinery	0	0
Other operating leases	55	55
TOTAL	55	55

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000
Operating leases which expire:		
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	55	55

4.7 Executive Directors and staff costs

	Total £000	2003-04 Total £000
Salaries and wages	979	499
Social security costs	81	46
Employer contributions to NHSPA	128	46
Other pension costs	0	0
Agency / seconded staff	2	14
TOTAL	1,190	605

4.8 Board Directors' remuneration

	£000	2003-04 £000
Non-officer members' remuneration	76	72
Executive Directors' remuneration:		
basic salaries	252	225
benefits	0	0
performance related bonuses	0	0
pension contributions	34	18
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
TOTAL	362	315

	Chairman £000	Chief Executive £000
Basic Salary	25	62
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	4	9
TOTAL	29	71

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:

Not applicable

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	5
Other Local Health Board Staff	24	0	0	24	17
Recharged staff	2	0	0	2	2
TOTAL	31	0	0	31	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	Salary	2004-05	Benefits in	Salary	2003-04	Benefits in
	£5k bands	Other Remuneration £5k bands	Kind Rounded to nearest £100	£5k bands	Other Remuneration	Kind
	£000	£000	£000	£000	£000	£000
Executive directors						
Abigail Harris	60-65	0	0	45-50	0	0
Sally May	50-55	0	0	45-50	0	0
Kath Bergmanski	45-50	0	0	45-50	0	0
Dr Richard Quirke (1)	40-45	0	0	50-55	0	0
Suzanne Davies	45-50	0	0	0	0	0
Jamie Marchant	40-45	0	0	0	0	0
Dr Jane Wilkinson (2)	0	0	0	0	0	0
Non officer members						
Dr M Robinson - Chairman	25-30	0	0	20-25	0	0
Mr D Taylor - Lay Member	5-10	0	0	5-10	0	0
Mrs S Willey - Lay Member	5-10	0	0	5-10	0	0
Dr G Karani - Community/Lay Member	5-10	0	0	5-10	0	0
Dr A Baig - GP Member	5-10	0	0	5-10	0	0
Dr Dominic McGovern - GP Member	5-10	0	0	5-10	0	0
Mr B Webber - Dental Member (3)	5-10	0	0	5-10	0	0
Mrs H Hortop - Therapy Member	0	0	0	0	0	0
Mrs O Browne - Carer Member	5-10	0	0	5-10	0	0
Mrs S Edwards - Pharmacy Member	5-10	0	0	5-10	0	0
Mr E Arbuthnot - Optometrist Member	5-10	0	0	5-10	0	0
Ms Bronwen Davies - Nurse Member	0	0	0	0	0	0
Councillor J James - Local Authority Member	0	0	0	0	0	0
Councillor C Williams - Local Authority Member	0	0	0	0	0	0
Councillor C Franks - Local Authority Member	0	0	0	0	0	0
Mr D McDonald - Local Authority Member	0	0	0	0	0	0
Mr G Harrop - Associate Member	0	0	0	0	0	0
Mr S Harries - Associate Member	0	0	0	0	0	0
Mrs V Franklin - Associate Member	0	0	0	0	0	0
Mr Nigel Gibbs - Associate member	0	0	0	0	0	0
Mrs Sylvia Jones - Co-opted Member	0	0	0	0	0	0
R.Conner - Observer	0	0	0	0	0	0

Where more than one individual occupied the same post over the year details must be disclosed here
 Details of benefit in kind must be disclosed below:

Notes :

1. Dr Richard Quirke left the LHB's employ in January 2005
2. Dr Jane Wilkinson is employed by the National Public Health Service, part of Velindre NHS Trust, and does not receive any remuneration from the LHB.
3. Brian Webber left the LHB's employ in January 2005

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 age 60
	£2.5k bands £000	£5k bands £000	£000	£000	£000
Executive directors					
Abigail Harris	12.5-15.0	45-50	116	72	42
Sally May	7.5-10.0	35-40	105	76	27
Kath Bergmanski	0-2.5	35-40	142	134	5
Dr Richard Quirke	15.0-17.5	95-100	355	286	61
Suzanne Davies	5.0-7.5	15-20	94	73	18
Jamie Marchant	2.5-5.0	5-10	17	10	7

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	3,303	7,575	4,607
Total bills paid within target	3,302	7,574	4,592
Percentage of bills paid within target	100.0%	100.0%	99.7%

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	583	106,980	97,086
Total bills paid within target	571	106,930	96,800
Percentage of bills paid within target	97.9%	100.0%	99.7%
TOTAL			
Total bills paid 2004-2005	3,886	114,555	101,693
Total bills paid within target	3,873	114,504	101,392
Percentage of bills paid within target	99.7%	100.0%	99.7%

Footnote:

A recent exercise at the Business Service Centre (BSC), which processes these payments on our behalf, has identified that the above figures may overstate the actual performance against the target. It is not possible at this stage to calculate revised figures with any degree of certainty and therefore the figures above have not been restated. We have taken steps to review procedures operating within the BSC and the LHB in order to ensure the accuracy and reliability of reported data for 2005/06.

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	32	0	32
Indexation	0	0	0	0	0	0	1	0	1
Additions - purchased	0	0	0	0	0	0	40	0	40
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	73	0	73
Depreciation									
At 1 April 2004	0	0	0	0	0	0	6	0	6
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	7	0	7
At 31 March 2005	0	0	0	0	0	0	13	0	13
Net book value at 1 April 2004	0	0	0	0	0	0	26	0	26
Net book value at 31 March 2005	0	0	0	0	0	0	60	0	60
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

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

		Restated 2003-04
Amounts falling due within one year:	£000	£000
National Assembly for Wales	84	49
Health Commission Wales	131	0
Local Health Boards	105	591
Primary Care Trusts	0	0
NHS Trusts	1	27
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	236	259
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Prepayments and accrued income	18	0
	<hr/>	<hr/>
Sub total	575	926
	<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	575	926
	<hr/>	<hr/>

6.2 Creditors

	£000	Restated 2003-04 £000
Amounts falling due within one year:		
National Assembly for Wales	0	0
Health Commission Wales	117	0
Local Health Boards	47	53
NHS Trusts	434	1,576
Primary Care Trusts	103	0
Income tax and social security	0	0
Non-NHS creditors	7,808	7,636
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and contracts	0	0
GPFH savings	0	10
Pensions: staff	0	0
Accruals	0	0
Deferred Income	0	518
	<hr/>	<hr/>
TOTAL	8,509	9,793

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	858	858
Pensions: staff	0	0
Other	0	0
	<hr/>	<hr/>
TOTAL	858	858

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	0			317	0	0		317
Total	0	0	0	317	0	0	0	317

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	317	0	0	317
Total	317	0	0	317

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

Footnote 1:

The provision for continuing care of £316,940 relates only to those costs for continuing care occurring after 1st April 2003 that are subject to review by the NHS Ombudsman. All costs are subject to Ombudsman review for which a provision has been established relating to periods prior to 1st April 2003 are accounted for in Powys Local Health Board's accounts, as required by the Welsh Assembly Government.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2004	(4,170)
Prior period adjustment	(5,530)
At 1 April 2004 as restated	(9,700)
Net operating cost for the financial year	(143,497)
Net Assembly funding (including capital)	145,481
Capital charge interest	(329)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2005	(8,045)

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	1
Revaluation	0
Indexation	1
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2005	2

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	

In March 2005 the Welsh Assembly Government published adverts in national and local papers inviting cases to be submitted for review by the NHS Ombudsman to determine whether they fall to be treated as continuing care cases and consequently to be funded by the LHB. Although further cases have been submitted to the Welsh Assembly Government and there may be further cases yet to be submitted to the Ombudsman, the LHB has no knowledge of the validity, value or extent of the claims at this time and no provision has been made for these additional claims.

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	89	0	0	858
Balances with local authorities	81	0	1098	0
Balances with NHS trusts and Foundation trusts	1	0	537	0
Balances with Local Health Boards	105	0	47	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	131	0	117	0
Total at 31 March 2005	407	0	1799	858

6.10 Post balance sheet events

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

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

6.11 Capital commitments

The Local Health Board has the following capital commitments:

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

6.12 Related Party transactions**£000**

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

Vale of Glamorgan 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 the Vale of Glamorgan Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely:

Cardiff Local Health Board
 Merthyr Tydfil Local Health Board
 Rhondda Cynon Taff Local Health Board
 Powys Local Health Board (BSC Cardiff)
 National Public Health Service (NPHS)
 the Welsh Risk Pool;

In addition, the Local Health Board has a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Vale of Glamorgan Council in respect of joint enterprises.

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 Vale of Glamorgan Local Health Board

GP, Optometrist and Pharmacy Board members received payment to their medical, opticians or pharmacy practices from the LHB. These payments were made under normal trading conditions between the LHB and such practices, i.e. as arm's length transactions

Board Member	Practice Name	Comment
Arbuthnot E	Arbuthnot Optrometrist	Paid by normal trading conditions
Baig A	Vale Family Practice	Paid by normal trading conditions
Edwards SJ	SJ Edwards Pharmacy	Paid by normal trading conditions
McGovern D	Cowbridge Health Centre	Paid by normal trading conditions
Webber BD	BD Webber, Dental Surgeon	Paid by normal trading conditions

6.12 Related Party transactions

No further information required

6.13 Losses and special payments

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	2	90,603
Total losses and special payments	2	90,603

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	0	0	0
All other cases	0	0	0
Total cases	0	0	0

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

Not Applicable

7 Additional Information

7.1 Second Offer Commissioning Team

During 2004/05 Rhondda Cynon Taff LHB acted as host to the Second Offer Commissioning Team (S.O.C.T.).

Rhondda Cynon Taff LHB received funding from the Assembly to cover the running costs of the S.O.C.T. and also the healthcare related costs for patients accessing treatments under the Second Offer Scheme.

The total healthcare related costs for 2004/05 was £6.892m, which included £0.735m in relation to the treatment of patients from the Vale of Glamorgan area.

7 Additional Information Cont'd

7.2 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 the 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	5,639
Reduction in Creditors	109
Increase in General Fund	5,530

The effect of this PPA on the results of the 2003/04 accounts is to increase the General Fund and decrease net assets by £5,530k.

7 Additional Information Cont'd

No further information required

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

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

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

Date: 2005 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman: Dated: 2005

Chief Executive: Dated: 2005

Director of Finance: Dated: 2005

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. There is a comprehensive reporting and accountability system through the management team to the Executive Team and the LHB Board. Controls assurance is provided by Internal and External Audit and by committees such as the Audit & Risk Committee, Clinical Governance Committee and Risk Management Group. All decisions are recorded and personal objectives of Officer and Non-Officer Members and all staff cascade from the LHB organisational strategy and objectives.

The risk management and accountability framework is also supported through:

- Accountability to the Welsh Assembly Government via a scheme of delegation and performance review.
- The LHB is monitored monthly by the Welsh Assembly Government and formally on a quarterly basis.
- Regular dialogue ensures that WAG is aware of significant risks.
- Ongoing communication with Welsh Assembly Government ensures that there are changes in mandatory processes and procedures the Board puts the necessary mechanisms in place to comply with these Directives.
- Local Authority Partners are represented on the LHB Board and form part of our governance arrangements.
- Agreements with NHS Partner and non statutory organisations are managed through the Long Term Agreement (LTA) and Service Level Agreement (SLA) processes.

2. The purpose of the system of internal control

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

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

3. Capacity to Handle Risk

The Vale of Glamorgan Local Health Board's Risk Management Strategy and Framework sets out the Risk Management principles, structures and processes for the organisation. Leadership is provided by the Board to ensure the appropriate management of risk. The Board discharges its responsibilities for corporate risk management through the Audit & Risk Committee and for clinical governance through the Clinical Governance Committee and there is a clear link established between these two committees.

The overall accountability for the management of risk lies with the Chief Executive. The Director of Finance has delegated responsibility for risk management and clinical risk management falls within the delegated responsibility of the Nurse Director. Senior managers are responsible for ensuring that risks are identified and reviewed and that the risk management framework is enacted across the LHB.

The operation of the Risk Management Group supports the Director of Finance in co-ordinating risk management activities. All staff within the LHB have a clear responsibility for risk management set out within their job descriptions. The Risk Management Strategy and Framework has been distributed to all staff and is included in the induction pack for new staff. The LHB's Organisational Development Plan ensures that risk management and clinical governance training is provided regularly to staff and Board Members.

4. The risk and control framework

The Vale of Glamorgan Local Health Board adopted the Risk Management Strategy and Framework in January 2004. This sets out the structures and the processes to identify and manage risk. All risk management activity is aligned to the LHB's corporate aims, objectives and organisational priorities. Risk identification and analysis forms part of organisational strategic planning, business planning, commissioning and partnership working.

The Risk Management Strategy:

- has been endorsed by the Board;
- sets out the organisations attitude to risk;
- defines the structure for the management and ownership of risk and for the management of situations in which control failure leads to material realisation of risks;
- specifies the way in which risk issues are to be considered at each level of business planning ranging from the corporate process to the setting of individual staff's objectives;
- specifies how new activities will be assessed for risk and incorporated into risk management structures;
- ensures common understanding of terminology used in relation to risk issues;
- defines the structures for gaining assurance about the management of risk;
- defines the criteria which will inform assessment of risk and the definition of specific risks as "key" and
- defines the way in which the risk register and risk evaluation criteria will be regularly reviewed.

The system of internal control is underpinned by compliance with the requirements of the Welsh Risk management standards:

- A - Risk Management policy and strategy
- B - Risk Assessment
- C - Incident & Hazard Reporting
- D - Policies & Procedures
- E - Governance
- F - Finance
- G - Provision of Primary Care
- I - Records Management

The Vale of Glamorgan LHB has achieved the required compliance for 2004-05 against Standards A, B, C, D, E, F, G and I. The LHB was also required to achieve a compliance score of not less than 70% overall.

The Vale of Glamorgan LHB has been externally assessed by the Welsh Risk Pool as achieving a 75% overall compliance score.

I am satisfied that a sound system of internal control has been in place throughout the full financial year and is ongoing. This has been demonstrated by meeting the requirements of the Welsh Risk Management Standards.

5. Review of effectiveness

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

I have taken the necessary steps to ensure compliance with Treasury requirements for an effective system of internal control to be fully embedded. This is demonstrated by the Board's assurance framework and evidence of compliance with the requirements of the core Welsh Risk Management Standards.

6. Significant Internal Control Issues

The implementation of the new General Medical Services (GMS) contract during 2004-05 has significantly changed the payment system for General Practice. The Vale of Glamorgan LHB, together with the Business Service Centre (BSC), has worked to put in place processes to assure the probity of these transactions. In two specific areas, further work is required to fully develop these processes:

- Due to patient confidentiality issues, the LHB was initially unable to review the clinical indicators within the Quality Outcomes Framework. Permission was given to undertake a review of the clinical data in January 2005 but this exercise has not been completed on the 2004/05 data although a risk assessment was completed to ensure the LHB was satisfied with the payments made. Arrangements will be put in place to review the clinical indicators for the Quality Outcomes Framework for the 2005/06 practice reviews.
- The LHB post-payment verification (PPV) visits to review payments made under Enhanced Services agreements have yet to be undertaken. A protocol has recently been agreed between GPC (Wales) and LHBs in Wales to undertake such visits and arrangements are now being put in place to carry out PPV for Enhanced Services. This will be completed retrospectively for 2004/05 with a full programme developed for 2005/06.

The Board has been kept fully informed of this situation during 2004-05 through the Audit Committee.

The Vale of Glamorgan Strategic Change and Efficiency Programme (SCEP) sets out the LHB's plans for delivering financial balance and repayment of loans by the end of 2008-09 as required by the Welsh Assembly Government. Overall the plan has been delivered in 2004-05 and the LHB achieved a balanced position for the financial year 2004/05 following receipt of a non-recurrent resource and cash limit adjustment of £1.149m, representing the maximum loan available. The delivery of the SCEP in 2005-06 is an integral part of the 2005/06 Service and Financial Framework (SAFF). The SAFF has yet to be formally signed off by the Welsh Assembly Government and there is further work required to deliver a balanced financial plan. The Vale of Glamorgan LHB is committed to ensuring that financial balance is achieved and is working across the health community to ensure that robust plans are in place to deliver the financial targets set out in the SCEP.

Signed:

Date:

Name: Mrs A Harris

Designation: Chief Executive

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.

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 :

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

I certify that I have audited the financial statements on pages [2] to [38] under section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under 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 40 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 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 misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages [41] 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.

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

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Vale of Glamorgan 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
Wales Audit Office
2-4 Park Grove
Cardiff CF10 3PA

Date: 4 August 2005