Hywel Dda 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 Hywel Dda Local Health Board was established on 1 October 2009 and is responsible for the planning and provision of NHS services to residents of Carmarthenshire, Ceredigion and Pembrokeshire.

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 Statement of Comprehensive Net Expenditure, which shows the net operating cost incurred by the Local Health Board which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

The statutory duty for Local Health Boards is enacted in the National Health Service (Wales) Act 2006. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit - this obligation was fully met by the Local Health Board in 2011/12.

The Local Health Board also

- Kept within the Capital Resource Limit set by Welsh Government
- Achieved targets set by Welsh Government to pay 95% of the number of non-NHS creditors within 30 days of delivery

Hywel Dda Health Board inherited a structural deficit of £32m from the four predecessor organisations from which it was formed.

In 2010/11, the Board received Welsh Government Strategic Assistance of £43m, mainly because we could not contain the impact of unfunded pay awards and increments. The Health Board achieved breakeven.

In 2011/12, with cost pressure containment and savings plans of £48.8m (8%), and a reduction in Welsh Government Assistance by £10m to £33m, we achieved breakeven.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Note	2011-12 £'000	2010-11 £'000 Restated
Expenditure on Primary Healthcare Services	3.1	**170,154**	172,939
Expenditure on healthcare from other providers	3.2	**159,094**	164,266
Expenditure on Hospital and Community Health Services	3.3	**430,064**	410,237
		759,312	747,442
Less: Miscellaneous Income	4	**58,020**	56,231
LHB net operating costs before interest and other gains and losses		**701,292**	691,211
Investment Income	8	**0**	0
Other (Gains) / Losses	9	**44**	93
Finance costs	10	**41**	35
Net operating costs for the financial year		**701,377**	691,339

Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2012 is as follows:

	2011-12 £000
Net operating costs for the financial year	701,377
Less Non-discretionary expenditure	715
Less Revenue consequences of Bringing PFI schemes onto SoFP	0
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	**700,662**
Revenue Resource Limit	700,755
Under / (over) spend against Revenue Resource Limit	**93**

The notes on pages 8 to 60 form part of these accounts

The LHB has achieved Operational Financial Balance as shown on the face of the Operating Cost Statement. The LHB received no brokerage during 2011/12.

Other Comprehensive Net Expenditure

	2011-12 £'000	2010-11 £'000
Net gain / (loss) on revaluation of property, plant and equipment	**6,378**	85
Net gain / (loss) on revaluation of intangibles	**0**	0
Net gain / (loss) on revaluation of available for sale financial assets	**0**	0
(Gain) / loss on other reserves	**0**	0
Impairment and reversals	**0**	0
Transfers (to) / from other bodies within the Resource Accounting Boundary	**0**	
Other comprehensive net expenditure for the year	**6,378**	85
Total comprehensive net expenditure for the year	**694,999**	**691,254**

Statement of Financial Position as at 31 March 2012

	Notes	31 March 2012 £'000	31 March 2011 £'000 Restated
Non-current assets			
Property, plant and equipment	11	**233,725**	241,007
Intangible assets	12	**483**	160
Trade and other receivables	15	**21,832**	16,843
Other financial assets	19	**0**	0
Other assets	20	**0**	0
Total non-current assets		**256,040**	258,010
Current assets			
Inventories	14	**7,333**	6,170
Trade and other receivables	15	**10,647**	12,431
Other financial assets	19	**0**	0
Other current assets	20	**0**	0
Cash and cash equivalents	18	**838**	1,911
		18,818	20,512
Non-current assets classified as "Held for Sale"	11	**0**	125
Total current assets		**18,818**	20,637
Total assets		**274,858**	278,647
Current liabilities			
Trade and other payables	16	**64,636**	71,725
Other financial liabilities	22	**0**	0
Provisions	17	**5,576**	8,225
Other liabiliities	21	**0**	0
Total current liabilities		**70,212**	79,950
Net current assets/ (liabilities)		**(51,394)**	(59,313)
Non-current liabilities			
Trade and other payables	16	**0**	0
Other financial liabilities	22	**0**	0
Provisions	17	**27,032**	19,619
Other liabiliities	21	**0**	0
Total non-current liabilities		**27,032**	19,619
Total assets employed		**177,614**	179,078
Financed by :			
Taxpayers' equity			
General Fund		**160,444**	168,267
Revaluation reserve		**17,170**	10,811
Total taxpayers' equity		**177,614**	179,078

The financial statements on pages 2 to 7 were approved by the Board on 6th June 2012 and signed on its behalf by:

Chief Executive - Mr Trevor Purt

Date - 6 June 2012

The notes on pages 8 to 60 form part of these accounts

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2012

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2011-12			
Restated Balance at 1 April 2011	168,267	10,811	**179,078**
Net operating cost for the year	(701,377)		**(701,377)**
Net gain/(loss) on revaluation of property, plant and equipment	0	6,378	**6,378**
Net gain/(loss) on revaluation of intangible assets	0	0	**0**
Net gain/(loss) on revaluation of financial assets	0	0	**0**
Net gain/(loss) on revaluation of assets held for sale	0	0	**0**
Impairments and reversals	0	0	**0**
Movements in other reserves	0	0	**0**
Transfers between reserves	19	(19)	**0**
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	**0**
Total recognised income and expense for 2011-12	(701,358)	6,359	**(694,999)**
Net Welsh Government funding	**693,535**		**693,535**
Balance at 31 March 2012	160,444	17,170	**177,614**

The notes on pages 8 to 60 form part of these accounts

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2011

	General Fund £000s	Revaluation Reserve £000s	Donated asset reserve £000s	Government grant reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2010-11					
Balance at 31 March 2010	164,496	10,827	4,870	0	**180,193**
Adjustment for accounting policy changes (donations and grants)	4,870	0	(4,870)	0	**0**
Other adjustments	0	0		0	**0**
Restated Balance at 1 April 2010	**169,366**	**10,827**	**0**	**0**	**180,193**
Net operating cost for the year	(691,339)				**(691,339)**
Net gain/(loss) on revaluation of property, plant and equipment	0	85			**85**
Net gain/(loss) on revaluation of intangible assets	0	0			**0**
Net gain/(loss) on revaluation of financial assets	0	0			**0**
Net gain/(loss) on revaluation of assets held for sale	0	0			**0**
Impairments and reversals	0	0			**0**
Movements in other reserves	0	0			**0**
Transfers between reserves	101	(101)			**0**
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0			**0**
Total recognised income and expense for 2010-11	(691,238)	(16)			**(691,254)**
Net Welsh Government funding	690,139				**690,139**
Restated Balance at 31 March 2011	168,267	10,811			**179,078**

The notes on pages 8 to 60 form part of these accounts

Statement of Cash flows for year ended 31 March 2012

		2011-12	2010-11
		£'000	£'000
Cash Flows from operating activities	notes		(Restated)
Net operating cost for the financial year		**(701,377)**	(691,339)
Movements in Working Capital	34	**(8,055)**	1,131
Other cash flow adjustments	35	**52,786**	39,759
Provisions utilised	17	**(6,004)**	(4,654)
Net cash outflow from operating activities		**(662,650)**	(655,103)
Cash Flows from investing activities			
Purchase of property, plant and equipment		**(31,844)**	(34,606)
Proceeds from disposal of property, plant and equipment		**206**	246
Purchase of intangible assets		**(199)**	0
Proceeds from disposal of intangible assets		**0**	0
Payment for other financial assets		**0**	0
Proceeds from disposal of other financial assets		**0**	0
Payment for other assets		**0**	0
Proceeds from disposal of other assets		**0**	0
Net cash inflow/(outflow) from investing activities		**(31,837)**	(34,360)
Net cash inflow/(outflow) before financing		**(694,487)**	(689,463)
Cash flows from financing activities			
Welsh Government funding (including capital)		**693,535**	690,139
Capital receipts surrendered		**0**	0
Capital grants received		**0**	0
Capital element of payments in respect of finance leases and on-SoFP		**(121)**	(97)
Cash transferred (to)/ from other NHS bodies		**0**	0
Net financing		**693,414**	690,042
Net increase/(decrease) in cash and cash equivalents		**(1,073)**	579
Cash and cash equivalents (and bank overdrafts) at 1 April 2011		**1,911**	1,332
Cash and cash equivalents (and bank overdrafts) at 31 March 2012		**838**	1,911

The notes on pages 8 to 60 form part of these accounts

Notes to the Accounts

1. Accounting policies
The accounts have been prepared in accordance with the 2011-12 Local Health Board Manual for Accounts and 2011-12 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

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

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

1.3 Income and funding
The main source of funding for the Local Health Boards (LHBs) are allocations (Assembly Funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Welsh Government funding is recognised in the financial period in which the cash is received.
Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.
Funding for the acquisition of fixed assets received from the Welsh Government is credited to the general fund.
Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.
Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits
Short-term employee benefits
Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

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

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

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

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

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

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

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

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

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

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

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

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

Land and buildings have been indexed with indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the Revaluation Reserve are reported in the Statement of Net Comprehensive Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the General Fund.

Subsequent expenditure
Where additional costs on an item of property, plant and equipment are incurred they are capitalised if, and only if it is probable that future economic benefits will be gained from them and the costs can be measured reliably. Where the additional expenditure replaces part of the asset, the carrying amount of the replaced part is derecognised.

1.7 Intangible assets

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

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

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

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

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

1.8 Depreciation, amortisation and impairments
Freehold land and properties under construction are not depreciated.

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

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

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to trhe SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

1.9 Research and Development
Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Donated assets
Following the accounting policy change outlined in the Treasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain..
This accounting policy change has been applied retrospectively and the 2010-11 results have been restated.

1.11 Government grants
Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the grant preclude immediate recognition of the gain.

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

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

1.13.1 The Local Health Board as lessee
Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Net Expenditure.

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.13.2 The Local Health Board as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB

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

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

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

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

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

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

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

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

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

1.18 Financial assets
Financial assets are recognised on the Statement of Financial Position 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.

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

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

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

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

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

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

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

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

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

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

1.19 Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position 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.

1.19.1 Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities at fair value through the Statement of Comprehensive Net Expenditure or other financial liabilities.

1.19.2 Financial liabilities at fair value through the Statement of Comprehensive Net Expenditure

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

1.19.3 Other financial liabilities

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

1.20 Value Added Tax

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

1.21 Foreign currencies
Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

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

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

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

1.24 Pooled budget
The LHB has entered into pooled budgets with Local Authorities. Under the arrangement funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in Note 31 .

The pool is hosted by one organisation**.** Payments for services provided are accounted for as Miscellaneous Income. The LHB accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

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

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

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

A court judgement in the case of Grogan v Bexley NHS Care Trust ruled that the primary health need approach should be used when assessing care requirements. Where an individual`s care is of a primary health need then all care costs should be met by the NHS.This may have an impact on the level of LHB Continuing Care costs in cases where the LHB has not assessed eligibility for care using the primary health need approach. An all Wales review is underway to try and assess the effect on the NHS in Wales. To date claims have been received by the LHB from local authorities/ individuals for retrospective care costs which they believe should have been funded by the LHB on the basis of primary health need.However the court ruling has not been tested by any case re-assessment and in the LHB`s view is unlikely to result in any additional costs in respect of past years. As a result , no provision has been made for any potential costs which might arise.

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

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

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

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

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

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

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

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

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

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

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

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

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the LHB through the asset being made available to third party users.

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

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

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

1.29 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as Miscellaneous Income.

1.30 Accounting standards that have been issued but not yet been adopted.

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2011-12. The application of the Standards as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IAS 1 Presentation of financial statements (Other Comprehensive Income) - subject to consultation
IAS 12 - Income Taxes (amendment) - subject to consultation
IAS 19 Post-employment benefits (pensions) - subject to consultation
IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 7 - Financial Instruments: Disclosures (annual improvements) - effective 2012-13
IFRS 9 Financial Instruments - subject to consultation - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation"

1.31 Accounting standards issued that have been adopted early.
During 2011/12 there have been no accounting standards that have been adopted early
All early adoption of accounting standards will be led by HM Treasury.

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The LHB has achieved Operational Financial Balance as shown on the face of the Operating Cost Statement. The LHB received no brokerage during 2011/12.

2.2 Capital Resource Limit

	2011-12	2010-11
	£000	£000
The LHB is required to keep within its Capital Resource Limit :		
Gross capital expenditure	**28,677**	38,454
Add: Losses on disposal of donated assets	**0**	0
Less NBV of property, plant and equipment and intangible assets disposed	**(165)**	(319)
Less capital grants received	**0**	0
Less donations received	**(801)**	(339)
Charge against Capital Resource Limit	**27,711**	37,796
Capital Resource Limit	**27,776**	37,895
(Over) / Underspend against Capital Resource Limit	**65**	99

This Welsh Government target was achieved.

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2011-12 Total £'000	2010-11 £'000
General Medical Services	58,383		**58,383**	58,615
Pharmaceutical Services	19,063	(2,927)	**16,136**	15,585
General Dental Services	19,487		**19,487**	19,139
General Ophthalmic Services		3,642	**3,642**	3,697
Other Primary Health Care expenditure	5,876		**5,876**	6,901
Prescribed drugs and appliances	66,630		**66,630**	69,002
Total	**169,439**	**715**	**170,154**	172,939

3.2 Expenditure on healthcare from other providers

	2011-12 £'000	2010-11 £'000
Goods and services from other NHS Wales Health Boards	**30,882**	27,323
Goods and services from other NHS Wales Trusts	**3,275**	3,179
Goods and services from other non Welsh NHS bodies	**1,587**	1,918
Goods and services from WHSSC	**68,195**	70,650
Local Authorities	**5,543**	4,123
Voluntary organisations	**1,248**	777
NHS Funded Nursing Care	**3,804**	3,988
Continuing Care	**40,656**	45,493
Private providers	**2,447**	2,677
Specific projects funded by the Welsh Government	**0**	0
Public Health Wales	**1,313**	1,370
NWSSP, Business Services Centre / Business Services Partnership	**0**	1,193
Other	**144**	1,575
Total	**159,094**	164,266

3.3 Expenditure on Hospital and Community Health Services

	2011-12 £'000	2010-11 £'000
Directors' costs	**1,903**	1,644
Staff costs	**304,557**	301,138
Supplies and services - clinical	**50,178**	49,052
Supplies and services - general	**4,661**	4,401
Consultancy Services	**240**	318
Establishment	**9,664**	9,115
Transport	**1,016**	1,020
Premises	**13,804**	13,744
External Contractors	**397**	229
Depreciation	**13,569**	12,871
Amortisation	**84**	62
Fixed asset impairments and reversals (Property, plant & equipment)	**28,301**	13,965
Fixed asset impairments and reversals (Intangible assets)	**0**	0
Impairments & reversals of financial assets	**0**	0
Impairments & reversals of non-current assets held for sale	**20**	0
Audit fees	**499**	462
Other auditors' remuneration	**0**	0
Losses, special payments and irrecoverable debts	**459**	942
Research and Development	**0**	0
Other operating expenses	**712**	1,274
Total	**430,064**	410,237

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

Increase/(decrease) in provision for future payments:	**2011-12 £000**	2010-11 £000
Clinical negligence	**10,107**	10,004
Personal injury	**45**	781
All other losses and special payments	**180**	126
Defence legal fees and other administrative costs	**285**	948
Gross increase/(decrease) in provision for future payments	**10,617**	**11,859**
Premium for other insurance arrangements	**0**	0
Irrecoverable debts	**(379)**	(360)
Less: income received/ due from Welsh Risk Pool	**(9,779)**	(10,557)
Total	**459**	**942**

Personal injury includes £(182,887) (2010-11 £177,000) in respect of permanent injury benefits.

Negligence expenditure arising from clinical redress included above totals £3,000 in 2011/12.

Fixed asset impairments relates to completed capital schemes. The increase in 2011/12 is attributable to schemes such as the "Front of House Enabling Works" and "Boilerhouse" schemes at Bronglais General Hospital, Critical Care Unit at Glangwili General Hospital and engineering infrastructure works.

4. Miscellaneous Income

	2011-12 £'000	2010-11 £'000 (Restated)
Local Health Boards	**18,627**	18,803
WHSSC	**884**	816
NHS trusts	**3,647**	2,416
Strategic health authorities and primary care trusts	**3,599**	2,885
Foundation Trusts	**0**	0
Local authorities	**3,662**	3,999
Welsh Government	**8,168**	6,651
Non NHS:		
Prescription charge income	**16**	13
Dental fee income	**2,677**	2,541
Private patient income	**203**	160
Overseas patients (non-reciprocal)	**22**	0
Injury Costs Recovery (ICR) Scheme	**864**	1,546
Other income from activities	**1,834**	2,624
Patient transport services	**0**	0
Education, training and research	**7,974**	7,821
Charitable and other contributions to expenditure	**1,498**	1,465
Receipt of donated assets	**801**	339
Receipt of Government granted assets	**0**	0
Non-patient care income generation schemes	**385**	375
NWSSP, Business Services Centre / Business Services Partnership	**0**	0
Deferred income released to revenue	**0**	0
Contingent rental income from finance leases	**0**	0
Rental income from operating leases	**0**	0
Other income:		
Provision of laundry, pathology, payroll services	**86**	199
Accommodation and catering charges	**1,481**	1,533
Mortuary fees	**136**	169
Staff payments for use of cars	**227**	280
Buisness Unit	**0**	0
Other	**1,229**	1,596
Total	**58,020**	56,231

Injury Costs Recovery (ICR) Scheme income is subject to a provision for impairment of 10.5% to reflect expected rates of collection.

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2010-11
	£000	£000	£000	£000	£000
Salaries and wages	257,738	2,934	5,963	**266,635**	262,292
Social security costs	18,360	0	0	**18,360**	18,790
Employer contributions to NHS Pension Scheme	29,515	0	0	**29,515**	29,252
Other pension costs	0	0	0	**0**	0
Other employment benefits	0	0	0	**0**	0
Termination benefits	0	0	0	**0**	0
Total	305,613	2,934	5,963	**314,510**	310,334
Charged to capital				**211**	222
Charged to revenue				**314,299**	310,112
				314,510	310,334

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2010-11
	Number	Number	Number	Number	Number
Medical and dental	694	16	42	**752**	693
Ambulance staff	0	0	0	**0**	0
Administrative and estates	1,424	19	1	**1,444**	1,490
Healthcare assistants and other support staff	777	0	4	**781**	825
Nursing, midwifery and health visiting staff	3,790	1	14	**3,805**	3,553
Nursing, midwifery and health visiting learners	0	0	0	**0**	0
Scientific, therapeutic and technical staff	796	1	2	**799**	1,081
Social care staff	0	0	0	**0**	0
Other	3	0	0	**3**	5
Total	**7,484**	**37**	**63**	**7,584**	7,647

5.3. Retirements due to ill-health

During 2011-12 there were 14 early retirements from the LHB agreed on the grounds of ill-health.
The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,041,511.84

5.4 Employee benefits	2011-12 £000	2010-11 £000
	0	0
	0	0
	0	0

5.5 Reporting of other compensation schemes - exit packages

	Total number of exit packages by cost band	Total number of exit packages by cost band
	Number	Number
	2011-12	2010-11
Exit package cost band		
<£10,000	0	2
£10,000 to £25,000	2	6
£25,000 to £50,000	3	4
£50,000 to £100,000	1	2
£100,000 to £150,000	0	0
£150,000 to £200,000	0	0
£200,000+	0	0
Total number of exit packages by type	**6**	**14**
Total resource cost £	206,065	439,179

In 2011-12 the LHB has used the data from the Electronic Staffing Record (ESR) system to produce this WTE note, the comparatives for 2010-11 were derived from the data produced by the Oracle Business system. The Health Board has developed and improved the ESR system for staff categorisation and statistical data during 2011-12 which has enabled its use for the production of all such data in management accounts, monitoring returns and the financial accounts."

5.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Hywel Dda Health Board in the financial year 2011-12 was £175,000 (2010-11, £175,000). This was 7 times (2010-11,7) the median remuneration of the workforce, which was £25,528 (2010-11, £24,554).

In 2011-12, no (2010-11, 0) employees received remuneration in excess of the highest-paid director. The Chief Executive is the highest paid director. There has been no change in the highest paid Director or change to the remuneration of the highest paid Director in 2011-12.

Total remuneration includes salary, non-consolidated performance-related pay as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

5.7 Pension costs

Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". 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.
The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012 is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:
The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.
With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".
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. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

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 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 employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

6. Operating leases

LHB as lessee

The Provider arm of the Health Board has several operating leases arrangements in place, which include:

- leases for vehicles
- leases for smaller medical and surgical items which are valued at less than £5,000 each
- at the end of the primary lease period these items are returned to the lessor

Payments recognised as an expense	**2011-12**	2010-11
	£000	£000
Minimum lease payments	**2,216**	1,937
Contingent rents	**0**	0
Sub-lease payments	**0**	0
Total	**2,216**	1,937

Total future minimum lease payments		
Payable	**£000**	£000
Not later than one year	**1,101**	907
Between one and five years	**714**	614
After 5 years	**0**	0
Total	**1,815**	1,521

There are no future sublease payments expected to be received.

LHB as lessor

Rental revenue	**£000**	£000
Rent	**0**	0
Contingent rents	**0**	0
Total revenue rental	**0**	0

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

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

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

	2011-12	**2011-12**	2010-11	2010-11
NHS	**Number**	**£000**	Number	£000
Total bills paid	**3,889**	**155,415**	3,685	86,325
Total bills paid within target	**3,601**	**145,476**	3,370	85,094
Percentage of bills paid within target	**92.6%**	**93.6%**	91.5%	98.6%
Non-NHS				
Total bills paid	**297,698**	**285,088**	148,291	341,620
Total bills paid within target	**285,247**	**273,198**	140,971	335,706
Percentage of bills paid within target	**95.8%**	**95.8%**	95.1%	98.3%
Total				
Total bills paid	**301,587**	**440,503**	151,976	427,945
Total bills paid within target	**288,848**	**418,674**	144,341	420,800
Percentage of bills paid within target	**95.8%**	**95.0%**	95.0%	98.3%

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

	2011-12	2010-11
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**0**	0

The value of NHS invoices in 2011-12 is inclusive of all the Long Term Agreement (LTA) payments made to other NHS health bodies. This methodology was introduced during 2010-11 and therefore the comparative figure doesn't include the full year value of the LTA's.

The number of Non NHS invoices in 2011-12 is inclusive of all the contractor activity processed on our behalf by National Shared Services. This activity was not captured in 2010-11.

The value of Non NHS invoices in 2011-12 excludes the payments for the primary care contracts

8. Investment Income

	2011-12	2010-11
	£000	£000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	0

9. Other gains and losses

	2011-12	2010-11
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	(44)	(93)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabiliities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	(44)	(93)

10. Finance costs

	2011-12	2010-11
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	2	7
Interest on obligations under PFI contracts		
main finance cost	0	0
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Provisions unwinding of discount	39	28
Other interest expense	0	0
Total interest expense	41	35
Other finance costs	0	0
Total	41	35

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2011	23,782	164,677	8,088	35,304	58,534	718	15,347	2,903	**309,353**
Indexation	0	6,544	323	0	0	0	0	0	**6,867**
Additions - purchased	0	4,876	0	17,496	3,197	5	1,684	441	**27,699**
Additions - donated	0	0	0	0	770	0	9	0	**779**
Additions - government granted	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	28,962	0	(35,091)	5,785	0	(2)	131	**(215)**
Revaluations	0	0	0	0	0	0	0	0	**0**
Impairments	0	(29,716)	(177)	0	(45)	0	(5)	0	**(29,943)**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	(794)	0	0	(6,505)	(131)	(63)	0	**(7,493)**
At 31 March 2012	23,782	174,549	8,234	17,709	61,736	592	16,970	3,475	**307,047**
Depreciation at 1 April 2011	0	12,353	645	0	42,465	691	10,806	1,386	**68,346**
Indexation	0	463	26	0	0	0	0	0	**489**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	45	0	0	(53)	0	(7)	8	**(7)**
Revaluations	0	0	0	0	0	0	0	0	**0**
Impairments	0	(1,608)	(7)	0	(25)	0	(2)	0	**(1,642)**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	(794)	0	0	(6,445)	(131)	(63)	0	**(7,433)**
Provided during the year	0	6,534	342	0	4,911	11	1,526	245	**13,569**
At 31 March 2012	0	16,993	1,006	0	40,853	571	12,260	1,639	**73,322**
Net book value at 1 April 2011	23,782	152,324	7,443	35,304	16,069	27	4,541	1,517	**241,007**
Net book value at 31 March 2012	23,782	157,556	7,228	17,709	20,883	21	4,710	1,836	**233,725**
Net book value at 31 March 2012 comprises :									
Purchased	23,502	154,198	7,228	17,709	19,512	14	4,697	1,836	**228,696**
Donated	280	3,358	0	0	1,371	7	13	0	**5,029**
Government Granted	0	0	0	0	0	0	0	0	**0**
At 31 March 2012	23,782	157,556	7,228	17,709	20,883	21	4,710	1,836	**233,725**
Asset financing :									
Owned	23,782	157,556	7,228	17,709	20,883	21	4,710	1,836	**233,725**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2012	23,782	157,556	7,228	17,709	20,883	21	4,710	1,836	**233,725**

The net book value of land, buildings and dwellings at 31 March 2012 comprises :

	£000
Freehold	**187,040**
Long Leasehold	**1,526**
Short Leasehold	**0**
	188,566

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2010	23,869	152,025	8,088	31,515	55,946	718	13,685	1,957	**287,803**
Indexation	0	0	0	0	0	0	0	0	**0**
Additions - purchased	0	8,024	0	23,902	3,861	0	1,551	777	**38,115**
Additions - donated	0	0	0	0	339	0	0	0	**339**
Additions - government granted	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	18,866	0	(20,113)	858	0	206	169	**(14)**
Revaluations	0	0	0	0	(2,047)	0	0	0	**(2,047)**
Impairments	0	(14,161)	0	0	0	0	0	0	**(14,161)**
Reclassified as held for sale	(70)	(77)	0	0	0	0	0	0	**(147)**
Disposals	(17)	0	0	0	(423)	0	(95)	0	**(535)**
At 31 March 2011	23,782	164,677	8,088	35,304	58,534	718	15,347	2,903	**309,353**
Depreciation at 1 April 2010	0	6,394	313	0	40,150	679	9,433	1,204	**58,173**
Indexation	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Revaluations	0	0	0	0	(2,133)	0	0	0	**(2,133)**
Impairments	0	(197)	0	0	0	0	0	0	**(197)**
Reclassified as held for sale	0	(22)	0	0	0	0	0	0	**(22)**
Disposals	0	0	0	0	(274)	0	(72)	0	**(346)**
Provided during the year	0	6,178	332	0	4,722	12	1,445	182	**12,871**
At 31 March 2011	0	12,353	645	0	42,465	691	10,806	1,386	**68,346**
Net book value at 1 April 2010	23,869	145,631	7,775	31,515	15,796	39	4,252	753	**229,630**
Net book value at 31 March 2011	23,782	152,324	7,443	35,304	16,069	27	4,541	1,517	**241,007**
Net book value at 31 March 2011 comprises :									
Purchased	23,502	148,979	7,443	35,304	15,075	15	4,529	1,517	**236,364**
Donated	280	3,345	0	0	994	12	12	0	**4,643**
Government Granted	0	0	0	0	0	0	0	0	**0**
At 31 March 2011	23,782	152,324	7,443	35,304	16,069	27	4,541	1,517	**241,007**
Asset financing :									
Owned	23,782	152,324	7,443	35,304	16,013	27	4,541	1,517	**240,951**
Held on finance lease	0	0	0	0	56	0	0	0	**56**
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2011	23,782	152,324	7,443	35,304	16,069	27	4,541	1,517	**241,007**

The net book value of land, buildings and dwellings at 31 March 2011 comprises :

	£000
Freehold	**182,332**
Long Leasehold	**1,217**
Short Leasehold	**0**
	183,549

11. Property, plant and equipment (continued.)

i) Acquisitions shown as donated assets within Note 11 were bought using monies donated by the public into the Charitable Funds and through League of Friends and other Charitable contributions

During 2011/12 fixed assets to the following value were bought from the following Charitable Funds totalled:

- Carmarthenshire NHS Trust General Charitable Fund (1049213) £417,659
- Pembrokeshire & Derwen NHS Trust Charitable Fund (1049198) £ 81,097
- Ceredigion & Mid Wales NHS Trust General Fund (1052231) £187,916

During 2011/12 fixed assets purchased to the following value were funded by:

- League of Friends Contributions £62,110
- 'Walk the Walk' Contribution £46,644
- Welsh Hospital Fundraisers Contribution £ 5,455

ii) A revaluation exercise was undertaken of completed schemes within the financial period, the effective date of revaluation were:
- 27th May 2011 - Front of House Enabling Works, Bronglais General Hospital
- 13th July 2011 - Critical Care Unit & Engineering Infrastructure, Glangwili General Hospital
- 27th January 2012 - Boiler House, Bronglais General Hospital

The revaluations were carried out by an independent valuer (Valuation Office Agency - District Valuer Services).

The valuation was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards, insofar as their terms are consistent with the agreed requirements of the National Health Service in Wales, the Welsh Government and HM Treasury.

iii) The revaluation exercise has not only altered the value of the land and buildings but also reviewed the building and dwelling asset lives.

Desirable disclosures:
i) The LHB is not carrying any temporarily idle assets.

ii) Gross carrying amount of all fully depreciated assets still in use as at 31st March 2012 was £37,871,549.07

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11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2011	70	55	0	0	0	**125**
Plus assets classified as held for sale in the year	0	0	0	0	0	**0**
Less assets sold in the year	(70)	(35)	0	0	0	**(105)**
Less impairment of assets held for sale	0	(20)	0	0	0	**(20)**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2012	0	0	0	0	0	**0**
Balance brought forward 1 April 2010	70	165	0	0	0	**235**
Plus assets classified as held for sale in the year	70	55	0	0	0	**125**
Less assets sold in the year	(70)	(165)	0	0	0	**(235)**
Less impairment of assets held for sale	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2011	70	55	0	0	0	**125**

The property sold was Capel Road CTLD Offices which were sold in December 2011 for £105,000

The recognised gain/loss on the sale of the Asset was £0

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure-internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2011	339	0	11	0	0	**350**
Revaluation	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications	**215**	**0**	**0**	**0**	**0**	**215**
Impairments	**0**	**0**	**0**	**0**	**0**	**0**
Additions- purchased	**177**	**0**	**0**	**0**	**0**	**177**
Additions- internally generated	**0**	**0**	**0**	**0**	**0**	**0**
Additions- donated	**22**	**0**	**0**	**0**	**0**	**22**
Additions- government granted	**0**	**0**	**0**	**0**	**0**	**0**
Reclassified as held for sale	**0**	**0**	**0**	**0**	**0**	**0**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**
Gross cost at 31 March 2012	**753**	**0**	**11**	**0**	**0**	**764**
Amortisation at 1 April 2011	181	0	9	0	0	**190**
Revaluation	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications	**7**	**0**	**0**	**0**	**0**	**7**
Impairment	**0**	**0**	**0**	**0**	**0**	**0**
Provided during the year	**82**	**0**	**2**	**0**	**0**	**84**
Reclassified as held for sale	**0**	**0**	**0**	**0**	**0**	**0**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation at 31 March 2012	**270**	**0**	**11**	**0**	**0**	**281**
Net book value at 1 April 2011	**158**	**0**	**2**	**0**	**0**	**160**
Net book value at 31 March 2012	**483**	**0**	**0**	**0**	**0**	**483**
At 31 March 2012						
Purchased	**457**	**0**	**0**	**0**	**0**	**457**
Donated	**26**	**0**	**0**	**0**	**0**	**26**
Government Granted	**0**	**0**	**0**	**0**	**0**	**0**
Internally generated	**0**	**0**	**0**	**0**	**0**	**0**
Total at 31 March 2012	**483**	**0**	**0**	**0**	**0**	**483**

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure-internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	325	0	11	0	0	336
Revaluation	0	0	0	0	0	0
Reclassifications	14	0	0	0	0	14
Impairments	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Gross cost at 31 March 2011	339	0	11	0	0	350
Amortisation at 1 April 2010	121	0	7	0	0	128
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Provided during the year	60	0	2	0	0	62
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2011	181	0	9	0	0	190
Net book value at 1 April 2010	204	0	4	0	0	208
Net book value at 31 March 2011	158	0	2	0	0	160
At 31 March 2011						
Purchased	149	0	2	0	0	151
Donated	9	0	0	0	0	9
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
Total at 31 March 2011	158	0	2	0	0	160

12. Intangible non-current assets (continued)

Computer software is capitalised at its purchase price.

It is not indexed as IT assets are not subject to indexation.

The assets are amortised monthly over their expected life.

The gross carrying amount of all fully amortised intangible asset still in use as at 31st March 2012 is £30,127

13 . Impairments

	2011-12 Property, plant & equipment £000	2011-12 Intangible assets £000	2010-11 Property, plant & equipment £000	2010-11 Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	**0**	0	**0**	0
Abandonment in the course of construction	**0**	0	**0**	0
Over specification of assets (Gold Plating)	**0**	0	**0**	0
Loss as a result of a catastrophe	**0**	0	**0**	0
Unforeseen obsolescence	**0**	0	**0**	0
Changes in market price	**0**	0	**0**	0
Others (specify)	**28,321**	0	**13,965**	0
Total of all impairments	**28,321**	0	**13,965**	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	**28,321**	0	**13,965**	0
Charged to Revaluation Reserve	**0**	0	**0**	0
	28,321	0	**13,965**	0

£28,321,233 of the impairment loss recognised is due to the impact of good housekeeping valuations which have been undertaken on schemes completed and brought into use during 2011-12

Fixed asset impairments relates to completed capital schemes. The increase in 2011/12 is attributable to schemes such as the "Front of House Enabling Works" and "Boilerhouse" schemes at Bronglais General Hospital, Critical Care Unit at Glangwili General Hospital and engineering infrastructure works.

14.1 Inventories

	31 March 2012 £000	31 March 2011 £000
Drugs	2,519	2,428
Consumables	4,578	3,544
Energy	236	198
Work in progress	0	0
Other	0	0
Total	**7,333**	6,170
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March 2012 £000	31 March 2011 £000
Inventories recognised as an expense in the period	0	144
Write-down of inventories (including losses)	110	60
Reversal of write-downs that reduced the expense	0	0
Total	**110**	**204**

The increase in consumable inventories was due to increased theatre stockholding to reflect increased planned orthopaedic activity.

15. Trade and other Receivables

Current	31 March 2012 £000	31 March 2011 £000
Welsh Government	877	860
WHSSC	99	179
Welsh Health Boards	1,071	1,685
Welsh NHS Trusts	556	144
Non - Welsh Trusts	355	368
Other NHS	0	11
Welsh Risk Pool	1,216	1,452
Local Authorities	1,133	1,571
Capital debtors	0	85
Other debtors	4,294	5,454
Provision for irrecoverable debts	(539)	(732)
Pension Prepayments	0	0
Other prepayments and accrued income	1,585	1,354
Sub total	**10,647**	12,431
Non-current		
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	21,796	16,811
Local Authorities	0	0
Capital debtors	0	0
Other debtors	36	32
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	**21,832**	16,843
Total	**32,479**	29,274

Receivables past their due date but not impaired

By up to three months	283	255
By three to six months	12	533
By more than six months	30	0
	325	788

Provision for impairment of receivables

Balance at 1 April	(732)	(1,892)
Amount written off during the year	16	6
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	177	1,154
Balance at 31 March	(539)	(732)

In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies

16. Trade and other payables

Current	**31 March 2012 £000**	31 March 2011 £000
Welsh Government	**0**	144
WHSSC	**1,130**	102
Welsh Health Boards	**3,336**	2,496
Welsh NHS Trusts	**319**	369
Other NHS	**5,653**	4,471
Income tax and social security	**3,988**	1,066
Non-NHS creditors	**5,738**	6,596
Local Authorities	**308**	1,162
Capital Creditors	**4,021**	7,472
Overdraft	**0**	0
Rentals due under operating leases	**0**	0
Obligations under finance leases, HP contracts and PFI contracts	**0**	121
Pensions: staff	**0**	0
Accruals	**32,680**	38,737
Deferred Income	**116**	7
Other creditors	**7,347**	8,982
Total	**64,636**	71,725
Non-current		
Welsh Government	**0**	0
WHSSC	**0**	0
Welsh Health Boards	**0**	0
Welsh NHS Trusts	**0**	0
Other NHS	**0**	0
Income tax and social security	**0**	0
Non-NHS creditors	**0**	0
Local Authorities	**0**	0
Capital Creditors	**0**	0
Overdraft	**0**	0
Rentals due under operating leases	**0**	0
Obligations under finance leases, HP contracts and PFI contracts	**0**	0
Pensions: staff	**0**	0
Accruals	**0**	0
Deferred Income	**0**	0
Other creditors	**0**	0
Total	**0**	0

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.

17. Provisions

	At 1 April 2011	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2012
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	767	0	0	1,212	809	(1,588)	(934)	0	**266**
Personal injury	320	0	0	2,071	291	(430)	(494)	36	**1,794**
All other losses and special payments	0	0	0	0	180	(180)	0	0	**0**
Defence legal fees and other administration	163	0	0	346	122	(69)	(470)		**92**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	143			0	(4)	(22)	0	3	**120**
Restructuring	0			0	0	0	0	0	**0**
Other	6,832			(3,416)	1,979	(228)	(1,863)		**3,304**
Total	**8,225**	**0**	**0**	213	3,377	(2,517)	(3,761)	**39**	**5,576**
Non Current									
Clinical negligence	15,860	0	0	(1,212)	14,010	(3,094)	(3,778)	0	**21,786**
Personal injury	2,324	0	0	(2,071)	364	(152)	(116)	0	**349**
All other losses and special payments	0	0	0	0	0	0	0	0	**0**
Defence legal fees and other administration	1,435	0	0	(346)	810	(241)	(177)		**1,481**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	0			0	0	0	0	0	**0**
Restructuring	0			0	0	0	0	0	**0**
Other	0			3,416	0	0	0	0	**3,416**
Total	**19,619**	**0**	**0**	**(213)**	**15,184**	**(3,487)**	**(4,071)**	**0**	**27,032**
TOTAL									
Clinical negligence	16,627	0	0	0	14,819	(4,682)	(4,712)	0	**22,052**
Personal injury	2,644	0	0	0	655	(582)	(610)	36	**2,143**
All other losses and special payments	0	0	0	0	180	(180)	0	0	**0**
Defence legal fees and other administration	1,598	0	0	0	932	(310)	(647)		**1,573**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	143			0	(4)	(22)	0	3	**120**
Restructuring	0			0	0	0	0	0	**0**
Other	6,832			0	1,979	(228)	(1,863)		**6,720**
Total	**27,844**	**0**	**0**	**0**	**18,561**	**(6,004)**	**(7,832)**	**39**	**32,608**

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015-31 March 2020	Thereafter	Total
				£000
Clinical negligence	22,052	0	0	**22,052**
Personal injury	2,143	0	0	**2,143**
All other losses and special payments	0	0	0	**0**
Defence legal fees and other administration	1,568	5	0	**1,573**
Pensions relating to former directors	0	0	0	**0**
Pensions relating to other staff	120	0	0	**120**
Restructuring	0	0	0	**0**
Other	6,720	0	0	**6,720**
Total	**32,603**	**5**	**0**	**32,608**

17. Provisions (continued)

	At 1 April 2010	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	8,745	0	0	(5,625)	958	(891)	(2,420)	0	**767**
Personal injury	552	0	0	241	856	(775)	(554)	0	**320**
All other losses and special payments	0	0	0	0	126	(126)	0	0	**0**
Defence legal fees and other administration	415	0	0	(133)	371	(113)	(377)		**163**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	227			0	0	(84)	0	0	**143**
Restructuring	0			0	0	0	0	0	**0**
Other	6,576			0	2,670	(628)	(1,786)		**6,832**
Total	**16,515**	**0**	**0**	**(5,517)**	**4,981**	**(2,617)**	**(5,137)**	**0**	**8,225**
Non Current									
Clinical negligence	475	0	0	5,625	15,122	(1,706)	(3,656)	0	**15,860**
Personal injury	2,228	0	0	(241)	491	(167)	(12)	25	**2,324**
All other losses and special payments	0	0	0	0	0	0	0	0	**0**
Defence legal fees and other administration	512	0	0	133	1,371	(164)	(417)		**1,435**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	0			0	0	0	0	0	**0**
Restructuring	0			0	0	0	0	0	**0**
Other	0			0	0	0	0		**0**
Total	**3,215**	**0**	**0**	**5,517**	**16,984**	**(2,037)**	**(4,085)**	**25**	**19,619**
TOTAL									
Clinical negligence	9,220	0	0	0	16,080	(2,597)	(6,076)	0	**16,627**
Personal injury	2,780	0	0	0	1,347	(942)	(566)	25	**2,644**
All other losses and special payments	0	0	0	0	126	(126)	0	0	**0**
Defence legal fees and other administration	927	0	0	0	1,742	(277)	(794)		**1,598**
Pensions relating to former directors	0			0	0	0	0	0	**0**
Pensions relating to other staff	227			0	0	(84)	0	0	**143**
Restructuring	0			0	0	0	0	0	**0**
Other	6,576			0	2,670	(628)	(1,786)		**6,832**
Total	**19,730**	**0**	**0**	**0**	**21,965**	**(4,654)**	**(9,222)**	**25**	**27,844**

18. Cash and cash equivalents

	2011-12	2010-11
	£000	£000
Balance at 1 April	1,911	1,332
Net change in cash and cash equivalent balances	(1,073)	579
Balance at 31 March	838	1,911
Made up of:		
Cash held at GBS	1,576	8,499
Commercial banks and cash in hand	(738)	(6,588)
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	838	1,911
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	838	1,911

19. Other Financial Assets

	Current		Non-current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000
Financial assets				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through SoCNE	0	0	0	0
Held to maturity investments carried at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
	0	0	0	0

20. Other assets

	Current		Non-current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000
EU Emissions Trading Scheme Allowance	0	0	0	0
	0	0	0	0

21. Other liabilities

	Current		Non-current	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	£000	£000	**£000**	£000
Lease incentives	**0**	0	**0**	0
PFI asset -deferred credit	**0**	0	**0**	0
Other [specify]	**0**	0	**0**	0
	0	0	**0**	0

22. Other financial liabilities

Financial liabilities	**31 March 2012**	31 March 2011	**31 March 2012**	31 March 2011
	£000	£000	**£000**	£000
Financial assets carried at fair value through SoCNE	**0**	0	**0**	0
	0	0	**0**	0

23. Related Party Transactions

Total value of transactions with Board members and key senior staff in 2011-2012

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

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government	0	708,687	0	877
Welsh Health Specialised Services Committee (WHSSC)	68,570	884	1,130	99
Abertawe Bro-Morgannwg Local Health Board	32,857	6,005	3,060	327
Aneurin Bevan Local Health Board	254	470	35	47
Betsi Cadwaladr Local Health Board	321	3,896	46	120
Cardiff and Vale Local Health Board	5,464	1,481	34	201
Cwm Taf Local Health Board	299	379	11	14
Powys Local Health Board	673	7,318	150	471
Welsh Risk Pool			0	23,012
Public Health Wales	1,451	1,616	158	30
Velindre NHS Trust	2,885	1,703	121	517
Welsh Ambulance Services NHS Trust	2,341	89	40	9
TOTAL	**115,115**	**732,528**	**4,785**	**25,724**

Board Member	Position	Interests
Mr Chris Martin	Chairman	Executive Adviser to Alliance Healthcare Uk Ltd
Mr Eifion Griffiths	Independent Board Member	Board Member of Grwp Gwalia Treasurer and Governor of Trinity St Davids University
Mr David Wildman	Independent Board Member	Cabinet Member of Pembrokeshire County Council
Professor Melanie Jasper	Independent Board Member	Head of School of Human & Health Science, Swansea University
Mrs Julie James	Independent Board Member	Vice Chairman of Carmarthenshire County Council Standards Committee
Mrs Margaret Rees-Hughes	Independent Board Member	Member of League of Friends Mynydd Mawr Member of Patient Group, Bridge Street Surgery, Penygroes
Mr Trevor Purt	Chief Executive	Wife is Managing Director of NHS Wirral
Dr Sue Fish	Medical Director	Husband is a County Councillor for Ceredigion County Council Half Share in Borth Surgery, Ceredigion

Detailed below are the related party transactions for all the interests held by directors during the year.

	Payments to related party £	Receipts from related party £
Alliance Healthcare UK Ltd	3,614,725	0
Borth Surgery	1,047,925	1,592
Bridge Street Surgery, Penygroes	2,199,165	5,811
Carmarthenshire County Council	9,170,135	1,534,887
Ceredigion County Council	5,984,986	721,861
Gwalia Housing	107,075	44,297
Mynydd Mawr League of Friends	0	5,749
NHS Wirral	636	10,931
Pembrokeshire County Council	7,774,122	1,821,085
Swansea University	377,597	177,016
Trinity St Davids University	37,770	0

24. Third Party assets

The LHB held £721,728 cash at bank and in hand at 31 March 2012 (31 March 2011: £678,398) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £585,974 at 31st March 2012 (31 March 2011 : £547,542), this has been excluded from cash and cash equivalents figure reported in the accounts.

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2011-12 :				
Welsh Government	877	0	0	0
Welsh Local Health Boards	2,395	21,796	3,336	0
Welsh NHS Trusts	556	0	319	0
Welsh Health Special Services Committee	99	0	1,130	0
All English Health Bodies	368	0	1,271	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	4,382	0
Credit note provision	-121	0	0	0
Sub total	**4,174**	**21,796**	10,438	0
Other Central Government Bodies				
Other Government Departments	59	0	0	0
Revenue & Customs	0	0	3,988	0
Local Authorities	1,157	0	308	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	5,257	36	49,902	0
TOTAL	**10,647**	**21,832**	64,636	0
2010-11 :				
Welsh Government	860	0	144	0
Welsh Local Health Boards	3,167	16,811	2,496	0
Welsh NHS Trusts	151	0	369	0
Welsh Health Special Services Committee	334	0	102	0
All English Health Bodies	376	0	1,603	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	11	0	3	0
Miscellaneous	0	0	2,865	0
Credit note provision	-223	0	0	0
Sub total	**4,676**	**16,811**	7,582	0
Other Central Government Bodies				
Other Government Departments	504	0	0	0
Revenue & Customs	693	0	1,066	0
Local Authorities	1,586	0	1,162	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	4,972	32	61,915	0
TOTAL	**12,431**	**16,843**	71,725	0

26. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2012		Approved to write-off to 31 March 2012	
	Number	£	Number	£
Clinical negligence	56	4,682,746	19	1,240,440
Personal injury	43	582,620	13	393,444
All other losses and special payments	193	179,078	192	179,078
Total	292	5,444,444	224	1,812,962

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

Cases exceeding £250,000		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Case Ref	Case Type	0	0	0
05RKUMN0006	Clinical Neg	1,439,929	1,700,207	0
05RR6MN0024	Clinical Neg	270,400	275,400	0
07RR6MN0021	Clinical Neg	11,500	501,500	0
07RVAMN0001	Clinical Neg	345,000	395,000	0
08RR6MN0015	Clinical Neg	152,500	372,500	0
12RYNMN0024	Clinical Neg	750,000	750,000	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
Sub-total		**2,969,329**	**3,994,607**	**0**
All other cases		2,475,115	7,032,907	1,812,962
Total cases		**5,444,444**	**11,027,514**	**1,812,962**

27. Contingencies

27.1 Contingent liabilities

Provisions have not been made in these accounts for the following amounts :	**2011-12 £'000**	2010-11 £'000
Legal claims for alleged medical or employer negligence	**16,907**	18,812
Doubtful debts	**0**	0
Equal Pay costs	**0**	0
Defence costs	**0**	0
Continuing Health Care costs	**9,981**	9,920
Other	**0**	0
Total value of disputed claims	**26,888**	28,732
Amounts recovered in the event of claims being successful	**14,316**	15,942
Net contingent liability	**12,572**	12,790

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

Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents.

27.2 Contingent assets

	2011-12 £'000	2010-11 £'000
	0	0
	0	0
	0	0
	0	0

28. Capital commitments

Contracted capital commitments at 31 March	**2011-12**	2010-11
Property, plant and equipment	**20,182**	7,237
Intangible assets	**0**	0
	20,182	7,237

The increase in capital commitments relates to the "Front of House" scheme at Broglais General Hospital.

29. Finance leases

29.1 Finance leases obligations (as lessee)

The Health Board as at the 31st March 2012 had 3 remaining finance lease contracts for medical & surgical equipment which come to an end during 2012/13. All payments relating to these finance obligations have been discharged prior to the 31st March 2012.

The original period of these leases would have been for periods of between 3 and 10 years.

Amounts payable under finance leases:

Land	**31 March 2012 £000**	31 March 2011 £000
Minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

29.1 Finance leases obligations (as lessee) continued

Amounts payable under finance leases:

Buildings	**31 March 2012**	31 March 2011
Minimum lease payments	**£000**	£000
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**

Other	**31 March 2012**	31 March 2011
Minimum lease payments	**£000**	£000
Within one year	**0**	23
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	23
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**
Present value of minimum lease payments		
Within one year	**0**	17
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Present value of minimum lease payments	**0**	17
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	**0**

29.2 Finance lease receivables (as lessor)

The Health Board has no finance lease receivables as a lessor.

Amounts receivable under finance leases:

	31 March 2012 £000	31 March 2011 £000
Gross investment in leases		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Less finance charges allocated to future periods	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

The Health Board has no PFI operational schemes deemed to be off-Statement of Financial Position

30.2 PFI schemes on-Statement of Financial Position

The Health Board has no PFI operational schemes deemed to be on-Statement of Financial Position

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

	31 March 2012	31 March 2011
	£000	£000
Not later than one year	**0**	0
Later than one year, not later than five	**0**	0
Later than five years	**0**	0
Sub total	**0**	0
Less: interest element	**0**	0
Total	**0**	0

30.3 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position PFI contracts was £0 (prior year £142,356). The scheme terminated 8th April 2011

The LHB is committed to the following annual charges

	31 March 2012	31 March 2011
	£000	£000
PFI scheme expiry date:		
Not later than one year	**0**	0
Later than one year, not later than five years	**0**	0
Later than five years	**0**	0
Total	**0**	0

The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.

30.4 The LHB has no Public Private Partnerships

The LHB has no Public Private Partnerships.

31. Pooled budgets

The Health Board has entered into a pooled budget with Ceredigion County Council on the 1st April 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and a memorandum note to the final accounts will provide details of the joint income and expenditure. The pool is hosted by Ceredigion County Council. The financial operation of the pool is governed by a pooled budget agreement between Ceredigion County Council and the Health Board. Payments for services provided by Ceredigion County Council in the sum of £275,837 are accounted for as expenditure in the accounts of the Health Board. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

The Health Board has entered into a pooled budget with Carmarthenshire County Council on the 1st October 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and a memorandum note to the final accounts will provide details of the joint income and expenditure. The pool is hosted by Carmarthenshire County Council. The financial operation of the pool is governed by a pooled budget agreement between Carmarthenshire County Council and the Health Board. Payments for services provided by Carmarthenshire County Council in the sum of £428,538 are accounted for as expenditure in the accounts of the Health Board. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

The Health Board has entered into an agreement with Carmarthenshire County Council on the 31st March 2011 under section 33 of the NHS (Wales) Act 2006 for the provision of Carmarthenshire Community Health and Social Care services. The section 33 agreement itself will initially only provide the framework for taking forward future schedules and therefore references all community based health, social care (adults & children) and related housing and public protection services so that if any future developments are considered there will not have to prepare a separate agreement. There are currently no pooled budgets related to this agreement.

The Health Board has entered into an agreement with Pembrokeshire County Council on the 31st March 2011 under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store. Under the arrangement, both parties retain unpooled budgets

32. Financial Instruments

Financial assets	At "fair value" through SoCNE	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	25,970	0	0	25,970
Cash at bank and in hand	838	0	0	838
Other financial assets	4,924	0	0	4,924
Total at 31 March 2012	31,732	0	0	31,732

Financial liabilities	At "fair value" through SoCNE	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	27,098	0	27,098
Total at 31 March 2012	27,098	0	27,098

Financial assets	At "fair value" through SoCNE	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	21,487	0	0	21,487
Cash at bank and in hand	1,911	0	0	1,911
Other financial assets	5,716	0	125	5,841
Total at 31 March 2011	29,114	0	125	29,239

Financial liabilities	At "fair value" through SoCNE	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	121	0	121
Other financial liabilities	27,060	0	27,060
Total at 31 March 2011	27,181	0	27,181

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The LHB has 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 in undertaking its activities.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

33. Financial risk management

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

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

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

Credit risk
Because the majority of the LHB's funding derives from funds voted by the Welsh Government the LHB has low exposure to credit risk.

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

34. Movements in working capital

	2011-12	2010-11
	£000	£000
(Increase)/decrease in inventories	(1,163)	(160)
(Increase)/decrease in trade and other receivables - non - current	(4,989)	(11,194)
(Increase)/decrease in trade and other receivables - current	1,784	4,404
(Increase)/decrease in other current assets	0	0
(Increase)/decrease in trade and other payables - non - current	0	0
(Increase)/decrease in trade and other payables - current	(7,089)	11,749
Increase/(decrease) in other current liabilities	0	0
Increase/(decrease) in assets held for sale	0	0
Total	(11,457)	4,799
Adjustment for accrual movements in fixed assets -creditors	3,487	(3,751)
Adjustment for accrual movements in fixed assets -debtors	(85)	83
Other adjustments	0	0
	0	0
	(8,055)	1,131

35. Other cash flow adjustments

	2011-12	2010-11
	£000	£000
Depreciation	13,569	12,871
Amortisation	84	62
(Gains)/Loss on Disposal	44	93
Impairments and reversals	28,321	13,965
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	0	0
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	10,768	12,768
Total	52,786	39,759

36. Cash flow relating to exceptional items

There have been no exeptional cash flow items during 2011-12

37. Events after the Reporting Period

The NHS Wales Shared Services Partnership (NWSSP) will become hosted by Velindre NHS Trust on the 1st June 2012.

The services transferring from Hywel Dda Health Board on the 1st June 2012 are Audit , Procure to Pay and Employment Services together with Services provided on an all-Wales basis.

The current value of the full year top-sliced budget for 2011/12 is £4.08 million in total. Contractor Services represents £1.128 million of this figure. Adjustments to this top-sliced allocation are currently being discussed with NWSSP which are expected to reduce this top-sliced budget by approximately £300k .

Health Boards will be reimbursed by Welsh Government for costs incurred during April and May in respect of Shared Services.

38. Operating segments

The Hywel Dda Local Health Board has identified the organisations full Board as the Chief Operating decision Maker (CODM) under IFRS 8. Only the full Board can allocate resources to the various services. The organisation is constituted as an integrated Health Board with seamless service delivery. The management and reporting for the operations of the Health Board to the CODM is through three Counties. Whilst these may be seen as segments they each provide the same spectrum of integrated services and therefore the Health Board has aggregated them into one healthcare segment as provided for under IFRS 8. The Health Board has no non healthcare activities.

39. Other Information

Due to a change in accounting treatment for Donated Asset Reserve, £4.703m relating to 2010-11 has been transferred from the Donated Asset Reserve to the General Fund as a prior period adjustment.

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 Welsh Government.

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

Date - 6 June 2012

Mr Trevor Purt - 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, direct that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury

- make judgements and estimates which are responsible and prudent

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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: Mr Chris Martin — Dated: 6 June 2012

Chief Executive: Mr Trevor Purt — Dated: 6 June 2012

Director of Finance: Mrs Karen Miles — Dated: 6 June 2012

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 Hywel Dda Local Health Board for the year ended 31 March 2012 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 61 and 62, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Hywel Dda Local Health Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and Chief Executive; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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 read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:
• give a true and fair view of the state of affairs of Hywel Dda Local Health Board as at 31 March 2012 and of its net operating costs, its recognised gains and losses and cash flows for the year then ended; and
• 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.

Opinion on other matters

In my opinion:
- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:
- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

Report

- I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
18th June 2012

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2011 and subsequent financial years in respect of the Local Health Boards (LHB)1, in the form specified in paragraphs [2] to [7] below.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2011 and subsequent years shall comprise a statement of comprehensive net expenditure, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied by the Welsh Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2011 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

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

MISCELLANEOUS

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

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

Signed by the authority of Welsh Ministers

Signed : Chris Hurst Dated :

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

Annual Governance Statement 2011-12

1. Scope of Responsibility

The Board is accountable for Governance and Internal Control. As Accountable Officer and Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as 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. These are carried out in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

I am also responsible for ensuring that the Health Board is administered prudently and economically and that resources are applied efficiently and effectively. I discharge the duties associated with governance, accountability, internal control, controls assurance and risk management in accordance with the organisation's Standing Orders and Standing Financial Instructions. These documents, together with the Values and Standards of Behaviour framework and a range of policies set by the Board, constitute the Board's Governance Framework. These arrangements support the principles of the HM Treasury publication Corporate Governance in Central Government Departments: code of good practice 2011 and the Welsh Government's Citizen Centred Governance principles. Whilst I retain personal responsibility for internal control and risk management on behalf of the organisation, I am supported in this by assigning specific roles to my Executive Directors in accordance with the Scheme of Delegation.

I ensure the Board is able to discharge its responsibilities through a range of systems and processes and a comprehensive governance structure which has delegated responsibility and accountability for providing the necessary assurances that objectives and statutory duties are being met. The governance structure of the Health Board accords with the Welsh Government's Governance e-manual & Citizen Centred Governance Principles in that the seven principles together with their key objectives provide the regulatory framework for the business conduct of the LHB and define its 'ways of working'. This has been substantiated in particular this year with the development and delivery of the Health Board's Listening & Engagement Phase, prior to the Consultation phase of the Clinical Services Review on the proposed method of future service delivery and the development of the Health Board's Clinical Services Strategy, "Your Health Your Future".

Whilst there are always Efficiency & Productivity Gains to be made, we believe that, after 2 years of 'Flat Cash' where inflationary cost pressures remain unfunded, we are at the point that significant in-roads can only be achieved by making both patient flow, and resulting clinical rotas, more efficient and this is the work programme of our Clinical Services Strategy, 'Your Health Your Future'.

The Health Board's 5 Year Service, Workforce and Financial Plan (SWAFF) is built in part on the ability to reconfigure services as per the options contained in 'Your Health Your Future', where, on quality, safety and sustainability grounds, it is appropriate to and safe to do so, so helping us maximise our efficiency opportunities.

In terms of background to 'Your Health Your Future', our engagement with stakeholders commenced in September 2010, with a document entitled "Right Care, Right Place, Right Time ..... Every Time" accompanied the production of our SWAFF.

In parallel, a significant clinical engagement programme was implemented which incorporated workshops across all specialities and culminated in a two day event in May 2011. The aim of this was to ensure that there was significant clinical input into the development of service design.

Feedback from both processes was used to help formulate the next stages of the process of potential reconfiguration which includes consultation. The initial plan was for consultation to commence in December 2011 and to complete within 12 weeks to allow the Health Board to commence service changes at the start of the new financial year.

Following discussions with Welsh Government an additional engagement exercise ("Your Health, Your Future") was launched. This programme ran from December 2011 to April 2012. The aim was to raise awareness across all our population of the challenges facing the local NHS, to describe our vision to move away from traditional hospital bedded models of care to services which provide Care Closer to Home. This elongated timeline will have both a service and financial impact in 2012/13 as it is intended the consultation will commence late July 2012 and will run until October 2012, as further efficiency gains were dependent on this being concluded before this financial year.

Whilst there remains significant public and political challenges around the change agenda, the process to date has exceeded the requirements of Welsh Government's "Guidance on Consultation and Engagement" issued in March 2011 and provides the Board with assurance that it has met its statutory responsibilities in relation to engagement. Feedback from the pre-consultation process will be analysed and responded to through the consultation document.

The Board has the overall responsibility for probity (standards of public behaviour) within the organisation and is accountable for monitoring the organisation against the agreed direction and ensuring corrective action is taken where necessary. Although as Chief Executive I retain accountability, executive responsibility is delegated to the Executive Directors for the delivery of the organisational objectives, while ensuring that there is a high standard of public accountability, probity and performance management. In assessing its own performance the Board has, during the year, completed the Board Development Tool Questionnaire which has enabled all members to review performance against various good governance practices. The overall consensus was a positive outcome with themes for future discussion also being identified. In support of the Board's Development Programme and facilitated by the National Leadership & Innovation Agency for Health Care's attendance at a Board meeting, a Board Observation Development Report was produced, which has also contributed towards the Board's assessment of its performance.

During the year, the Board approved revised Standing Orders and Standing Financial Instructions, together with an updated Scheme of Reservation and Delegation of Powers. The Standing Orders, Standing Financial Instructions and Scheme of Delegation have been comprehensively reviewed to strengthen the organisation's governance in respect of its Scheme of Delegation, its Sub Committees' and Advisory Groups' Terms of Reference. The Standing Orders also reflect the Board's decision at its meeting on 31st March 2011 to the delegating of certain functions to the Director of Shared Services, in accordance with Ministerial Letter EH/ML/013/11: NHS Wales Shared Services Directions 2011. These documents provide the regulatory framework for the conduct of business in the organisation and include a Committee Structure which delegates certain responsibilities and accountabilities, including risk management, to specific committees.

There are 7 Committees of the Board which are supported by sub-committees/groups in the discharge of functions. The Terms of Reference for all of the Health Board's Committees have been reviewed with a view of strengthening the governance and reporting arrangements which

will provide the Board with greater assurance. The revised terms of reference for each Committee set out the powers delegated to it and reflect the coverage of work.

The Welsh Health Specialised Services Committee (WHSSC) (Wales) Regulations 2009 (SI 2009 No. 3097) make provision for the constitution of the "Joint Committee" including its procedures and administrative arrangements. The Joint Committee has been established in accordance with the Directions and Regulations to enable the seven Local Health Boards in NHS Wales to make collective decisions on the review, planning, procurement and performance monitoring of agreed specialised and tertiary services (Relevant Services) and in accordance with their defined Delegated Functions. The Joint Committee therefore comprises, and is established by, all the Local Health Boards and is effectively seen as a sub committee of each Board, with Hywel Dda being represented by the Director of Finance & Economic Reform who has attended each meeting.

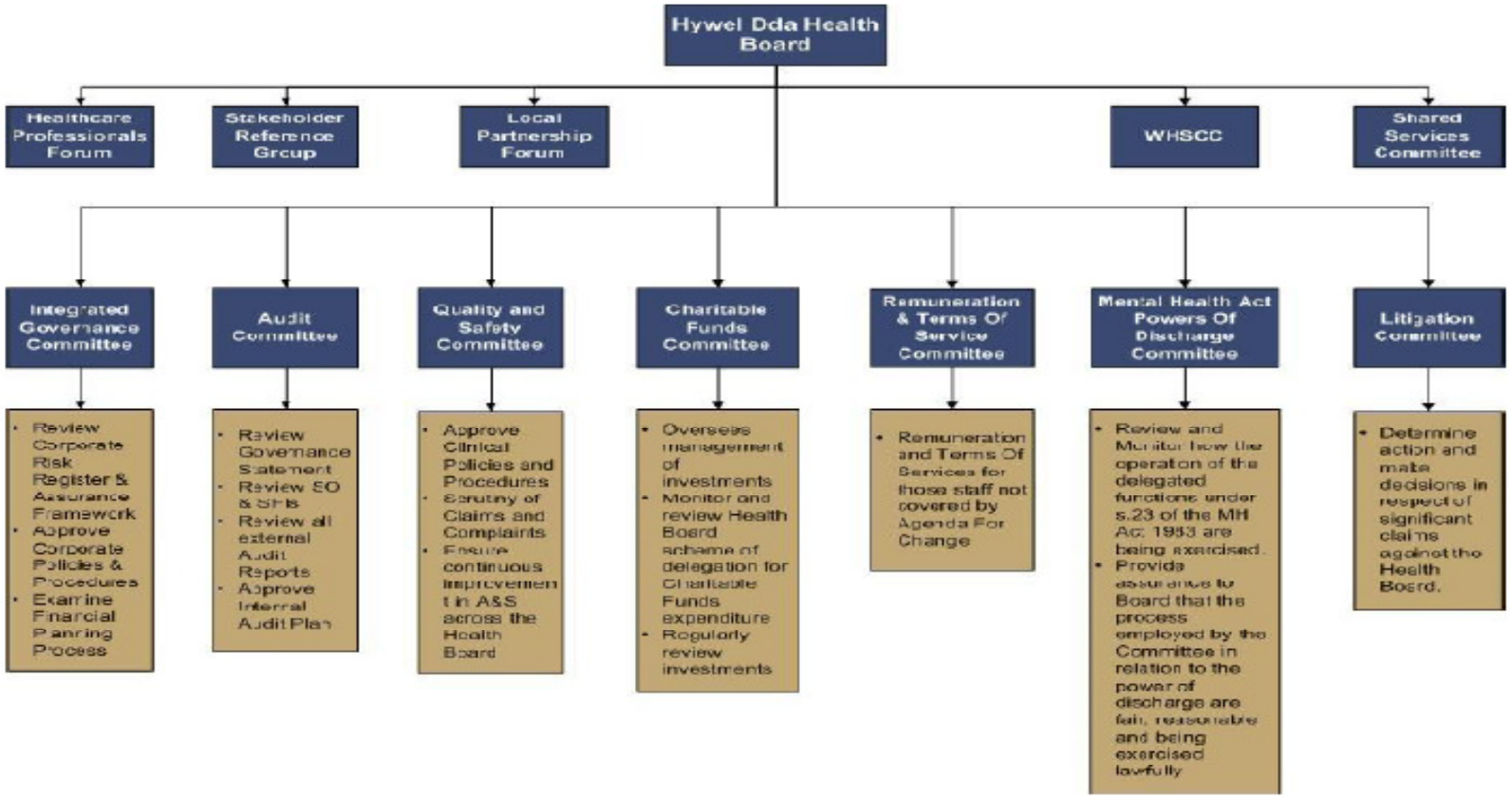
The advent of NHS Wales Shared Services Partnership also saw the introduction of a Committee which is considered as a sub committee of the Board, at which Hywel Dda is represented by the Director of Workforce & Organisational Development, with all meetings attended.

Additional areas of responsibility delegated to chair, vice chair and independent members, which the Board requires Independent Members to champion, are now specified in the Scheme of Reservations and Delegation of Powers. Clarification on governance arrangements, terms and conditions and reporting requirements in respect of delegation to others now includes but is not limited to, any Section 33 Agreements and any pooled budget arrangements.

On the 29th March 2012, the Board agreed that there needed to be a review of the Health Board's Mental Health Committees to first, provide assurance to the Board about the wider operation of the 1983 Act, and secondly, to ensure compliance with the Guidance. In May, the Director of Primary Care, Community Services and Mental Health Services is facilitating a workshop, to allow all officers, clinicians, Lay Members, Independent Members and stakeholders to have an input into the new Mental Health committee structure.

It is likely that this will lead to changes to the Standing Orders and as these are revised annually (June/July in each year), it is considered appropriate that the review of the Mental Health Committees is undertaken immediately and that the new Mental Health Committee structure is in place by the summer to allow for changes to the Standing Orders.

The Board has delegated a range of its powers to the following Committees and others, with some of the key areas of work currently covered as indicated in the following diagram:



The Health Board's Strategic Scheme of Delegation and Authorisation provides clarification on the Committees responsible for approving policies on behalf of the Board. It also includes a Procedure for the Implementation of the Operational Scheme of Reservation and Delegation of Powers which details the process each Director is required to develop and maintain an Operational Scheme of Delegation and Authorisation. All the Terms of Reference for the Health Board's Advisory Groups have been reviewed with a view of strengthening the governance and reporting arrangements which will provide the Board with greater assurance.

A formal process for agenda setting for Board and Committee meetings ensures that the Board is confident that systems and processes are in place to enable individual, corporate and, where appropriate, team accountability for the delivery of high quality person-centred care.

The following table provides information of Board Members in post during the financial year 2011/2012, specific roles and responsibilities and attendance at Board and Committee meetings.

Health Board Member	Position	Committee Membership		Committee Membership In Attendance		Area of Expertise/rep. Role	Champion Role
		Committee	Notes	Committee	Notes		
Chris Martin	Chair	Board 100%		Integrated Governance	Attends regularly as ex-officio member		Carers
		Remuneration 66%	2 out of 3 meetings (meeting chaired by Vice Chair)	Audit	Attends regularly as ex-officio member		
		Litigation 100%		Charitable Funds	Attends regularly as ex-officio member		
				Quality & Safety	Attends regularly as ex-officio member		
				Mental Health Act Powers of Discharge	Attends regularly as ex-officio member		
Janet Hawes	Vice Chair until June 2011	Board 100%		Quality & Safety	Regular attendance	Mental Health	Mental Health
		Mental Health Act Powers of Discharge 100%	The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				
		Audit 100%					
Sian-Marie James	Vice Chair from October 2011	Board 100%		Quality & Safety	Regular attendance	Mental Health	Mental Health
		Mental Health Act Powers of Discharge 100%	The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				
		Charitable Funds 100%					
		Audit 100%	IM deputy has been in attendance for 2 out of the 4 meetings				

Health Board Member	Position	Committee Membership		Committee Membership In Attendance		Area of Expertise/rep. Role	Champion Role
		Committee	Notes	Committee	Notes		
Eifion Griffiths	Independent Member	Board 88%				Estates & Service Redesign	- Estates - Sustainable Development - Security Management
		Audit 100%					
		Quality & Safety 83%	5 meetings out of 6				
		Remuneration 100%					
		Mental Health Act Powers of Discharge (attended 1 meeting	Chaired meeting whilst new Vice Chair was appointed. The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				
Julie James	Independent Member	Board 100%		Quality and Safety	Regular attendance	Voluntary Sector	- third sector - HR - IM lead for Partnership Directorate
		Integrated Governance 83%	5 meetings out of 6				
		Charitable Funds 75%	3 meetings out of 4				
		Mental Health Act Powers of Discharge 100%	The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				

Health Board Member	Position	Committee Membership		Committee Membership In Attendance		Area of Expertise/rep. Role	Champion Role
		Committee	Notes	Committee	Notes		
Melanie Jasper	Independent Member	Board 71%	5 meetings out of 7 (1 meeting was extraordinary)			University	
		Quality & Safety 83%	5 meetings out of 6				
		Mental Health Act Powers of Discharge 100%	The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				
Jane Jeffs	Independent Member –	Board 71%	5 meetings out of 7 (1 meeting was extraordinary)			Community	- Children & Young People's Services - Complaints - Armed Forces & Veterans - Public & Patient Involvement
		Quality & Safety 83%	5 meetings out of 6				
		Charitable Funds 100%					
		Mental Health Act Powers of Discharge 100%	The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				
Tim Irish	Independent Member – Until December 2011	Board 80%	4 meetings out of 5			IT	

Health Board Member	Position	Committee Membership		Committee Membership In Attendance		Area of Expertise/rep. Role	Champion Role
		Committee	**Notes**	**Committee**	**Notes**		
David Powell	Independent Member – From January 2012	Board 50%	1 meeting out of 2	Audit	Full Attendance	IT	- IT Systems & Services - Information Governance & IT Security - Patient Information & Records - National Strategy & Systems, via NWIS
		Integrated Governance 100%					
		Mental Health Act Powers of Discharge 100%	The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				
Margaret Rees-Hughes	Independent Member –	Board 86%	6 meetings out of 7 (1 meeting was extraordinary)	IGC	Occasional attendance	Community	- Cleaning, Hygiene & Infection Management - Welsh Language
		Audit 86%	6 meetings out of 7				
		Quality & Safety 83%	5 meetings out of 6				
		Charitable Funds 100%					
		Mental Health Act Powers of Discharge 25%	1 meeting attended The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				

Health Board Member	Position	Committee Membership		Committee Membership In Attendance		Area of Expertise/rep. Role	Champion Role
		Committee	Notes	Committee	Notes		
Neil Sandford	Independent Member	Board 86%	6 meetings out of 7			Trade Union	- Violence & Aggression
		Integrated Governance 83%	5 meetings out of 6				
		Quality & Safety 83% Remuneration 33%	5 meetings out of 6 1 meeting out of 3				
		Mental Health Act Powers of Discharge	0 meetings attended The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				
Don Thomas	Independent Member	Board 100%				Finance	
		Audit 80%	6 meetings out of 7				
		Integrated Governance 100%					
		Charitable Funds 50%	2 meetings out of 4				
		Remuneration 00%	2 meetings out of 3				
		Mental Health Act Powers of Discharge 25%	1 meeting attended The MHPOD Committee draws membership from all IMs with quoracy achieved from within the available membership				

Health Board Member	Position	Committee Membership		Committee Membership In Attendance		Area of Expertise/rep. Role	Champion Role
		Committee	**Notes**	**Committee**	**Notes**		
David Wildman	Independent Member	Board 100%		Charitable Funds	Regular attendance	Local Authority	- Delayed Transfers of Care - Older People - Dignity & Respect
		Audit 86%	6 meetings out of 7	Quality & Safety	Regular Attendance		
		Integrated Governance 67%	4 meetings out of 6				
		Mental Health Act Powers of Discharge 100%	The MHPCD Committee draws membership from all IMs with quoracy achieved from within the available membership				
Trevor Furt	Chief Executive	Board 100%		Audit	Annual attendance for presentation of the SIC		
		Integrated Governance 67%	4 meetings out of 6	Quality and Safety			
		Charitable Funds 25%	1 meeting out of 4				
		Litigation 0%	0 out of 1 meetings attended				
Tony Chambers	Executive Director of Planning, Performance & Delivery	Board 100%	(represented by appropriately briefed deputy for 1 meeting)	Quality & Safety			
		Integrated Governance 100%	(represented by appropriately briefed deputy for 2 meetings)				

Health Board Member	Position	Committee Membership		Committee Membership In Attendance		Area of Expertise/rep. Role	Champion Role
		Committee	Notes	Committee	Notes		
Karen Miles	Executive Director of Finance & Economic Reform	Board 100%		Audit (A) 100%	(represented by appropriately briefed deputy for 3 meeting)		
		Integrated Governance 100%		Quality and Safety			
		Charitable Funds 100%	(represented by appropriately briefed deputy at 2 meetings)	WHSCC 100%			
		Litigation 100%					
Sue Fish/ Simon Mahon	Medical Director	Board 100%		Quality & Safety 100%	(represented by appropriately briefed deputy for 1 meeting)		
		Integrated Governance 100%	(represented by appropriately briefed deputy for 1 meeting)				
		Litigation 100%					
Kathryn Davies	Executive Director of Therapies & Health Sciences	Board 57%	4 meetings out of 7 1 meeting extra ordinary	Quality & Safety 100%	(represented by appropriately briefed deputy for 1 meeting)		
		Integrated Governance 100%	(represented by appropriately briefed deputy for 1 meeting)				
Karen Howell	Executive Director of Primary Care, Community & Mental Health From May 2012	Board 71%	5 meetings out of 7 1 meeting extra ordinary	Quality & Safety 100%	(represented by appropriately briefed deputy for 4 meetings)		
		Integrated Governance 67%	3 meetings out of 6 (represented by appropriately briefed deputy for 1 meeting)				

Health Board Member	Position	Committee Membership		Committee Membership In Attendance		Area of Expertise/rep. Role	Champion Role
		Committee	Notes	Committee	Notes		
Caroline Oakley	Executive Director of Nursing & Midwifery	Board 100%		Quality & Safety 100%	(represented by appropriately briefed deputy for 1 meeting)		
		Integrated Governance 100%	(represented by appropriately briefed deputy for 2 meeting)				
		Litigation 100%					
Janet Wilkinson	Executive Director of Workforce & OD	Board 100%		Quality & Safety 83%	(represented by appropriately briefed deputy for 1 meeting)		
		Integrated Governance 83%	5 meetings out of 6	NHS Wales Shared Services Partnership 100%			
		Remuneration 100%					

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 12 month period 1 April 2011 ending 31st March 2012 and up to the date of approval of the annual report and accounts.

3. Capacity to Handle Risk

The Health Board works within a framework that devolves responsibility and accountability throughout the organisation by having robust service delivery arrangements, discharged through a County structure, underpinned through Service Line Management at service delivery level. Operational delivery is therefore the responsibility of the county teams and supporting services with performance monitored through a quarterly stocktake process, of which the management and mitigation of risk is an integral element.

The Health Board's Risk Management Strategy & Policy provides a framework for managing risks across the organisation which is consistent with best practice and Welsh Government guidelines. It outlines responsibilities for managing risk from the Board through the organisational structure, ranging from Executive Directors, County Directors, Clinical Leads, General /Senior Managers, Heads of Service/Divisions, down to all staff. Executive Directors, County Directors and Senior Managers are also responsible for ensuring that staff understand and apply both the Health Board's strategy and procedure in relation to risk management. Integral to the culture and ethos of proactive risk management is the dissemination of learning from good practice and systems are in place to distribute information from external sources such as the National Patient Safety Agency and Welsh Risk Pool to appropriate staff. The role of individual staff in managing risk is also supported by a framework of policies and procedures which promote learning from experience and sharing of good practice. The dissemination of good practice and lessons learnt from claims, incidents or near misses is achieved through a variety of mechanisms including county learning from events groups and discussion at relevant

committees, e.g. Putting Things Right Committee, thereby ensuring that lessons learnt are disseminated across the organisation.

A presentation on risk management awareness is included in the corporate induction pack issued to all new staff and regular training opportunities are available throughout the Health Board to staff at all levels, with a gradual increase in engagement being achieved. The Independent Members of the Board also received a training session on risk management awareness and risk registers during the year a consequence of which is that they are now in a better position to challenge how risks are being identified, scored and managed. Commencing with the April 2012 cohort of the Empowering Healthcare Leaders Programme, a Risk Awareness session is being incorporated into the training schedule. The job description of staff makes reference to the individual's responsibility in having a proactive role in the management of risk in a way as appropriate to their authorities and duties.

The Health Board has a Corporate Risk Register in place which outlines the key strategic risks for the organisation and action identified to mitigate these risks. The various components of the risk register are reviewed on a regular basis through the committee structure thereby providing leadership to the risk management process. Risk Registers are also developed at service delivery level within Counties and support directorates, again being subject to regular reviews in line with the Board's Strategy and monitored by the relevant committee / management team.

The responsibility for providing assurance to the Board around the Health Board's assurance and risk management frameworks is delegated to the Integrated Governance Committee. The Committee provides the leadership for risk management within the organisation and monitors the Corporate Risk Register and Assurance Mechanisms on behalf of the Board. The Committee has a structured work programme based on the organisation's objectives and risks. It is responsible for providing the necessary assurance to the Board (and Audit Committee) that all aspects of risk management activity throughout the organisation are being considered and managed where appropriate.

During 2011-12, the role of the Integrated Governance Committee and its supporting sub committee structure was reviewed to ensure that the IGC is supported in its key responsibility of providing assurance to the Board regarding the assurance and risk management frameworks, ensuring that key risks, controls, assurances and action plans are accurately reflected.

To support the Integrated Governance Committee in delivering its own objectives, in particular to risk management, there is a comprehensive structure of sub-committees on which it is reliant upon to fully enact the duties and responsibilities delegated to them.
These sub-committees are:

- Workforce and OD
- Strategy & Planning
- Finance
- Information Governance
- Health & Safety Co-ordinating Group

The sub committees have responsibility for identifying, managing and mitigating risk and providing IGC with assurance that individual pieces of work are being progressed to mitigate extreme risks and the Health Board's objectives are being achieved. An additional element of scrutiny provided to the Integrated Governance Committee is enacted through the Health Board's Quarterly Stocktaking process which forms part of the performance management framework. The performance management process is key to ensuring the Health Board delivers on its operational and strategic objectives and the stocktakes constitute a pro-active approach to the achievement of operational delivery of services.

The Quality & Safety Committee and its sub committees also play a pivotal role in risk management and provide assurance reports to IGC that Q&S risks are being managed or mitigated. The Q&S Committee is responsible for monitoring risks identified at a corporate/strategic level and also considers emerging themes/trends from across the Health Board. The day-to-day monitoring of risk and performance is managed within each county structure through individual Senior Management Team arrangements with County update reports provided for the Q&S Committee. This ensures that risk remains high on the agenda at an operational level.

Significant progress has been made during the year in developing risk management. This has been acknowledged in the Wales Audit Office Structured Assessment Year 2 Review which has recognised that risk management is developing and is becoming more sophisticated, although certain aspects require further attention. Embedding processes and becoming more outcome focused, combined with the risk register being used for operational decision making will be the focus for future development.

4. The risk and control framework

The Health Board's Risk Management Strategy & Policy identifies the Health Board's principal objectives in the delivery of service provision, including the Standards for Health Services in Wales, 1000 Lives Plus and the Quality Improvement & Patient Safety Strategy. It is made clear that any risks threatening the delivery of those and the other principal objectives need to be identified, evaluated and mitigated.

The Strategy sets out a high level statement of intent of how risk and assurance is to be embedded into the organisation. It outlines roles and responsibilities in such a way that leadership is given to the risk management process throughout the organisational structure ensuring that all staff are made aware of such processes. The strategy sets out specific responsibilities and accountabilities for the identification, evaluation, recording, reporting and mitigation of risk to reduce risk to as low as reasonably practical.

The strategy is underpinned by a Risk Management Procedure which is a documented framework providing detailed guidance on the risk assessment process to be undertaken across the whole organisation in order to populate the Health Board's risk register in a consistent manner. This includes the processes of risk analysis and evaluation and makes it clear that the level of detail in a risk assessment should be proportionate to the risk. Risk management requires participation, commitment and collaboration from all staff and the process starts with the systematic identification of risks throughout the organisation which are documented on risk registers. The development of risk registers has evolved during the year with the process becoming more embedded at operational level with services, wards and departments outlining their risks, control measures in place and action plans to mitigate the risks.

I have a duty of partnership to discharge, and therefore work collaboratively with other partner organisations. The Health Board is fully involved in partnership arrangements with the three Local Authorities who share our geographical boundaries and with other stakeholders. The strategy therefore recognises that services and projects are increasingly being delivered through or in conjunction with partner organisations and other stakeholders and that good risk management is integral to delivering successful partnerships. All Executive Directors are fully engaged in relevant networks, including nursing, medical, finance and human resources.

In determining the risk appetite of the organisation the Board has given consideration to its principle objectives, both strategic and operational, and identified the principal risks that may threaten the achievement of those objectives. In doing so, the Board is aware that the process involves managing potential principal risks and not merely being reactive in the event of any risk exposure. It acknowledges that the modernisation of delivery of health care services cannot be achieved without risks being taken, the subsequent consequences of taking those risks and mitigating actions to manage any such risks. The risk management arrangements in place enable the principal risks to be identified whilst also ensuring that these risks are not considered in isolation as they are derived from the prioritisation of all risks flowing through the organisation.

The determination that the risk is at an acceptable level should be made in the light of an adequate assessment of the probability of occurrence and an understanding of the severity of the outcome. In applying this principle, the Health Board's risk appetite is summarised in the following table:

Low risk	**Manageable Risks** The Health Board is content to carry these risks and will record that the risk has been identified but no further action required.
Moderate Risk High Risk	**Material Risks** Risks that the Health Board should be concerned about. These risks need to be managed by the directorate/division/team /county in which they have been identified. They might, depending on impact, need ongoing assurance to the Board
Extreme Risk	**Significant Risks** The Board will need to be most concerned about these risks which will need proactive review and oversight

The areas of highest risk, together with the management of those risks, faced by the Health Board during 2011/12 are reflected in the following table:

RISK PROFILE

Risk Area	Mitigation
Finance	
• Achievement of financial balance • Achievement of savings targets	Measures in place to continually monitor position: • Working groups specific to savings areas, • Corporate Director Group performance monitoring, • Operational stock take processes, • Finance Sub Committee • Integrated Governance Committee.

Risk Area	Mitigation
	These processes provide regular monitoring and operational solutions with regular update reporting to Audit Committee and Board
Medical	
• Inappropriate self-presentation by patients at Bronglais General Hospital (neo-nates) and Prince Philip Hospital (Accident & Emergency)	Operational management in place: • At risk births are planned for delivery in units with full Special Care Baby Units or neo-nates facilities; • Accident & Emergency protocols are in place with Welsh Service Ambulance Trust for transfer of inappropriate patients • Self-presenting patients stabilised and transferred Both risks remain high and long term solutions are subject to service reconfiguration as part of the development of the Clinical Services Strategy.
• Litigation as a result of poor clinical practice or errors	• Detailed incident reporting processes in place • Learning from events groups across all counties to identify issues and take proactive action. • Active initiatives in the Health Board to improve clinical governance and clinical standards o 1000+ Lives o Robust Risk Adjusted Mortality Index review processes • Quality & Safety Committee has a comprehensive infrastructure to monitor concerns, complaints, claims and incidents • Operational focus at county level with regular reporting of progress in clinical governance issues.
Workforce	
• Shortages of key staff	Issues in relation to our workforce include • Age profile, • Recruitment issues in some medical specialities, • Sustainable medical training rotas. Operationally mitigation to ensure safe services provided: • use of agency/bank/locum staff • temporary collapsing of services where necessary • bed management • management of rotas

Risk Area	Mitigation
	Strategically these issues will ultimately be mitigated by the reconfiguration of services with network solutions being implemented.
• Industrial action impacting on service deliver	• Planning Group in place • Emergency plans implemented whenever industrial action is confirmed. • Emergency plans are generally short term solutions with bank holiday services only being provided and no elective work being undertaken. • These plans would be reviewed should longer term industrial action be confirmed.
Strategy	
• Sustainability of current service models	Due to the workforce and financial challenges highlighted elsewhere service reconfiguration is essential to ensure that strategically the Health Board can address the issues it faces. Delivery of the Clinical Services Strategy will set the long term strategic direction for the organisation and ensure services can meet local needs, be safe and of high quality and sustainable.
Estates	
• Compliance issues within the estates infrastructure a number of estates related legislative requirements and statutory obligations	• There are a number of issues relating to historic under-investment. • All issues have day-to-day operational mitigation in place • Comprehensive and prioritised discretionary capital programme in place. • Regularly monitored by the Capital Planning and Strategy and Planning Groups
Corporate Issues	
• Information Governance – a range of risks relating to information governance	Information Governance Committee Structure in place for monitoring and assurance
• Information Technology - Sub optimal information systems across the Health Board requiring ongoing support, upgrade and development in order to meet service and statutory requirements	• Comprehensive Information Technology strategy under development. • The position is regularly monitored by the Informatics working groups, Capital Planning and Strategy and Planning Groups to ensure that investment is appropriately targeted. • Working with N.H.S. Wales Informatics Service to prioritise All Wales solutions
• Judicial review of Health Board decisions	• Health Board complying with Ministerial Guidance and equality legislation. • Activity monitored through the

Risk Area	Mitigation
	Strategy and Planning Committee.

Innovation and learning in relation to risk management is critical. The Board's e-based reporting system, Datix, has been rolled out to all clinical and non-clinical areas in the organisation so that incidents can be input at source and data can be interrogated through ward, team and locality processes, thus encouraging local ownership and accountability for incident management. The Board identifies and makes improvements as a result of incidents and near misses in order to ensure it learns lessons and closes the loop by improving safety for service users, staff and visitors. The Board operates within a just, honest and open culture where staff are assured they will be treated fairly and with openness and honesty when they report adverse incidents or mistakes.

All Executive Directors take responsibility for risk identification, management and mitigation within their areas of work and practice, in line with the management and accountability arrangements of the Health Board. The Counties and those areas of service managed strategically across the Health Board are responsible for their areas and this is supported by bi monthly County/Directorate Quality & Safety Reports to the Corporate Quality & Safety Committee. These bi monthly reports contain a wide range of information including information on incidents, complaints, infection control and outline their highest risks.

The Health Board's Quality Improvement & Patient Safety Strategy provides the framework for delivering the quality agenda and identifies the key drivers for improving and maintaining the quality and safety of care provided. It applies to all services provided by the Health Board and during the year has focused on a number of initiatives that became key high impact target areas, against which Counties/Directorates have been measured and monitored for improved performance. The focus for the past year has been on the following initiatives – Rapid Response to Acute Illness; Reducing Hospital Acquired Infections; Enhanced Recovery after Surgery; Transforming Care: Reducing falls in the Community and Preventing Hospital Acquired Thrombosis. Progress made on the initiatives, including outcomes and any interventions, have been monitored by Counties through their respective management structures and reported through the Quality & Safety Committee updates.

This is also the mechanism by which the Board is informed of engagement with the 1000 lives Plus Programme and promotion of improvement methodologies aligned with initiatives. The

Health Board has actively participated in the 1000 lives Plus Programme with the County Quality & Safety Committees supporting the ongoing work and monitoring progress against the Intelligent Targets and work plans for each of the county 1000 Lives interventions and mini collaborative teams.

The Health Board has continued with its progress of embedding Standards for Health Care in Wales at operational level throughout the organisation, with active monitoring being undertaken by the Quality & Safety Committees at operational and Health Board level. As part of this monitoring, the Board via the Quality and Safety Committee were given updates on areas of progress and exceptions on the years Quality Improvement Plans at Committee meetings. The process of embedding has included workshops involving multi disciplinary teams in undertaking self assessments, the identification of areas of good practice and focus being given to those areas where improvement/action is required to meet the standard. Counties and services have been working to prioritise areas of high risk or low performance as appropriate, in order to maximize progress made and ensure that issues relating to quality and safety can be managed in time.

This year's self assessment has been carried out at operational and corporate level and is providing the Health Board with an updated position in relation to progress made with the Standards as well as providing a benchmark and basis for clear improvement targets for the services within Counties and Directorates across the Health Board. The involvement of Independent Members in the ongoing review of improvement actions for Standards for Health Care Services in Wales that come out of this year's assessment will add value to the exercise at all stages.

However, in undertaking the independent review of the self assessment of compliance with Standards, Internal Audit identified shortcomings in this process which has impacted on the overall Head of Internal Audit Opinion.

Significant work has also been undertaken during the year to promote the use of the standards with partner organisations. This includes working with the third sector and the use of the How to Guide which is designed to support third sector organisations to demonstrate adherence against the Standards. Work has been undertaken across the three counties to train and support organisations with initial training sessions with multi partner organisations either having been held or arranged for the forthcoming year. Although the training already delivered indicated an increased awareness of good governance and knowledge of the Standards, it also highlighted a

number of challenges which need to be addressed by partners. The first organisations to be supported through the process are those presently in receipt of funding from the Health Board, thereby providing assurance that contracted organisations are operating according to the parameters of the Standards.

Disclosures

1. The organisation uses the Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to fulfill its aims and objectives for the delivery of safe, high quality health services. This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation.

   As part of this process, the Board has completed the Governance & Accountability assessment module and has;

   - openly assessed its performance using the maturity matrix
   - responded to feedback from Healthcare Inspectorate Wales
   - plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risk

This process has been subject to independent internal assurance by the organisation's Head of Internal Audit.

	Hywel Dda Health Board				
Governance and Accountability Module	do not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve.	are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	are developing plans and processes and can demonstrate progress with some of their key areas for improvement.	have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the Direction			Level 3		
Enabling Delivery			Level 3		

Delivering results achieving excellence			Level 3		
Overall Maturity Level			Level 3		

2. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

3. As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

4. The organisation has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with.

5. Data Security - During the course of the year there has unfortunately been one incident relating to data security which has required reporting to the ICO. The information security breech involved the inappropriate disclosure of patient identifiable information. Whilst any breech is unacceptable, I am convinced it is as a result of increased information governance training and staff awareness that we are now being alerted to any such incidences, thereby enabling investigations to be undertaken and lessons being learnt and disseminated. In this particular instance following a thorough investigation, which revealed that the incident occurred due to Health Board employees not adhering to approved policies and procedures, a number of recommendations were made which are now being implemented. Control measures are in place to ensure that risks to data security are identified, managed and controlled and the Board has put an information risk management process in place.

5. **Review of economy, efficiency and effectiveness on the use of resources**

The context within which Hywel Dda Health Board reports Break-even in the 2011/12 Accounts is as follows:

- Our starting position as the newly-formed Hywel Dda Health Board was an inherited structural deficit of £32m;
- In our first full year as a Health Board, 2010/11, we received WG Strategic Assistance of £43m, mainly because we could not contain the impact of unfunded pay awards and increments of £8m, and, we could not contain our higher than average costs of medical agency, incurred because of underlying recruitment challenges;

- In 2011/12, given the 2010/11 out-turn of £43m deficit, Hywel Dda Health Board started with a standstill challenge of £39m deficit, even before new 2011/12 cost pressures of £28m - our gross challenge was therefore significant. Hywel Dda Health Board was also informed that it should plan to receive a reduction of £10m in WG Assistance to £33m. Very ambitiously, therefore, we knew we had to achieve savings of over £40m in order to contain all cost pressures and manage with the reduced assistance;
- To achieve breakeven against the WG Assistance of £33m is therefore a significant achievement – it means that in very real terms, Hywel Dda Health Board can evidently prove that against a 'Flat Cash' funding operating environment, we have effectively absorbed all cost pressures since 2009, that is, delivered savings of £48.8m or 8%.

Therefore, to conclude the governance statement on our 2011/12 statutory duties, it is must be noted that Local Health Boards in Wales are required to ensure that net operating costs do not exceed their allocated funding or Resource Limit - this obligation was fully met by Hywel Dda Local Health Board in 2011/12.

Other statutory duties which Hywel Dda Health Board is also required to meet are to:

- Keep within the within the Capital Resource Limit set by Welsh Government – this was fully achieved Hywel Dda in 2011/12
- Keep within the Cash Limit – this was fully achieved by Hywel Dda in 2011/12
- Achieve targets set by Welsh Government to pay 95% of the number non-NHS creditors within 30 days of delivery - this was fully achieved by Hywel Dda in 2011/12.

Looking forward to 2012/13, the challenge facing Hywel Dda Health Board becomes even greater – as we will receive a further £10m less WG Assistance, reduced from £33m to £23m.

Again, with recognised 2012/13 new in-year cost pressures of nearly 4% or £20m to absorb, this means that the Health Board has a gross in-year savings challenge of just under £30m (about 4%). This is on top of the 8% savings already made since the Board's inception.

The scale of this challenge must also be considered in light of our achievement against Welsh Government productivity and efficiency targets. These show that Hywel Dda Health Board is in the upper quartile across a whole basket of measures – so delivering even more savings in this area is an issue. Demonstration of the significant challenge Hywel Dda Health Board faces is as follows:

Health Board	A) Population	B) Area (km²)	C) No. Of DGH's	D) Beds	Population per DGH	Population per bed	Population per (km²)
Betsi Cadwaladr	678,500	6,172	3	2,471	226,167	275	110
Aneurin Bevan	560,500	1,553	3	1,681	186,833	258	361
ABM	499,400	1,071	4	2,572	124,850	194	466
Cardiff & Vale	445,000	471	2	2,161	222,500	206	945
Hywel Dda	**375,200**	**5,781**	**4**	**1,279**	**93,800**	**293**	**65**
Cwm Taf	289,400	535	2	1,479	144,700	196	541
Powys	132,000	5,196	-	256	-	516	25
	2,980,000	**20,779**	**18**	**12,100**	**165,556**	**246**	**143**

Clearly, only 2 other organisations in Wales, in addition to Hywel Dda, can claim rurality. However, when this is set in the context of Hospital provision, it can be seen that Hywel Dda's population per DGH shows our stark disadvantage – at 93,000 population per DGH – our hospitals cover 25% less population than the nearest lowest health board, and, in terms of the majority of health boards, we have 50% less population per DGH. It means we have a massive inability to effectively recover our costs – a disadvantage of at least 25%, and on average, 50% - manifesting itself in our expensive workforce models in particular medical rotas, as well as significantly more overheads. Put simply, Hywel Dda's services are 'locked into' excessive sub-optimal provision;

Our population per bed shows we are clearly doing all we can to optimise productivity from the bed stock' as we have the 2nd highest population per bed in Wales. Coupled with our upper quartile Tier 1 performance, this context is impressive, but does illustrate that we have maximised our relative efficiency and productivity.

Going forward, Hywel Dda has requested that these challenges are more adequately reflected in our funding allocation from Welsh Government, as evidently, our ability to contain cost pressures against Flat Cash in the future, against our current service configuration, is exceptionally challenging.

Performance aligned to the requirements of the Annual Quality Framework, also contribute to the overall review of efficiency with the key issues for 2011/12 being:

- Referral to Treatment Times - HDHB has achieved the end of year RTT target; 95% of patients will be waiting less than 26 weeks for treatment, and no patient waited longer than 36 weeks for definitive treatment.
- Unscheduled Care - The performance trend for the percentage of emergency department patients, waiting less than 4 hours has been continuing to increase each month in the year. Performance has consistently remained above the All Wales average, with February being the only exception. The outbreak of the Norovirus outbreak impacted specifically here.
- Cancer Services - 31 day waiting times target has mostly been achieved, during 11/12. However, the 62 day target is being missed, by an average of 7 patients per month.
- Stroke Services - Good performance has been witnessed throughout the financial year, within each Stroke bundle.
- Healthcare Associated Infections - The 20% reduction target was extremely challenging for the Health Board, considering the baseline was informed by our previous year's excellent performance. These target are monitored rigorously and at year end it was noted the rate of C.Difficile infections, fell for the 3rd month.
- Efficiency & Productivity performance has been good with all targets mostly being met each month, during 11/12.

6. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review 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.

The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives. It has been supported in this role by the work of the Committees of the Board, each which is chaired by Independent Members to reflect the need for independence and objectivity, ensuring that effective governance and controls are in place.

This structure ensures that the performance of the organisation is fully scrutinised with the Committee structure supporting the necessary control mechanisms throughout the Board. The Committees have met regularly throughout the year and their update reports and annual reports are received by the Board. The Board has been supported in its delivery of the control framework by the work of the following committees:

- Audit Committee

  The Audit Committee is responsible for providing the Board with assurances on the adequacy and effective operation of the organisation's internal control and risk management systems. It has had a broad role within the Health Board encompassing a focus on the key purpose of the organisation to deliver safe and effective services and to meet the broad range of stakeholder needs, matters relating to internal financial control, counter fraud, maintenance of proper accounting records and the reliability of financial information.

  This includes independent verification to the Board on the state of the HB's internal financial controls and its performance in specific fields, based upon reports from internal and external auditors. In ensuring that appropriate action has been taken Executive Directors and/or other officers of the organisation have been held to account by the Committee in accordance with the scheme of delegation. In discharging its duties in accordance with an agreed annual work programme the Committee has also reviewed the annual financial statements, internal and external audit programmes and the HB's Governance Statement and reported through its regular Board Update Reports and Annual Report to the Board.

- Integrated Governance Committee

  The Committee provides assurance to the Audit Committee and the Board around the organisation's assurance and risk management frameworks. The Committee works to an integrated governance agenda in order to ensure delivery of continuous improvement

in quality, responsiveness and patient experience. It receives regular update reports from its sub-committees which includes their specific risk registers, in order to ensure that risks are being effectively managed. During the year, the Committee has noted the detailed and ongoing monitoring of the financial position including challenging the delivery of the savings targets and achievement of financial objectives. It has also considered in some detail Information Governance issues where it has been recognised that there are a number of areas where long standing and high levels of risk are still being carried but are now being proactively managed via the Information Governance Sub Committee. The Health Board's performance against standards and targets set by the Welsh Government as outlined in the Annual Quality Framework is also scrutinized with remedial action being taken if necessary.

- Quality & Safety Committee

  The Committee has reported on activity that supports the Health Board's strategic objectives by providing assurance that arrangements for safeguarding and improving the quality and safety of patient centred healthcare is in accordance with its objectives and the requirements and standards determined by the NHS in Wales. It has monitored implementation of the Health Board's Quality Improvement Strategy, the Quality & Safety risk Register, progress made with the Standards for Health Care Improvement Plan and progress with 1000 Lives programme. The Committee has also received and noted the Counties Quality & Safety Sub Committee update reports.

- Mental Health Act Power of Discharge Committee

  The Committee provides assurance to the Board that section 23 of the Mental Health Act 1983 is being exercised appropriately. It also provides assurance to the Board that the process employed by the Committee, in relation to the power of discharge are fair, reasonable and being exercised lawfully.

There are a number of independent/external bodies that have supported the governance structure during the year and provided the scrutiny and assurance to underpin the effectiveness of the system of internal control:

- Internal Audit

  The role of Internal Audit is to provide an independent and objective opinion on the system of control. The opinion considers whether effective risk management, control and

governance arrangements are in place in order to achieve the Board's objectives. The work of Internal Audit is undertaken in compliance with the NHS Internal Audit Standards, with the annual audit programme based on the outcomes from an audit risk assessment matrix.

Internal Audit reports the findings of its work to management, and action plans are agreed to address any identified weaknesses. The final reports are presented to the Audit Committee for consideration and further action is instigated if deemed appropriate. A follow up process is in place to ensure that agreed actions are implemented and Internal Audit is required to identify any areas at the Audit Committee where it is felt that insufficient action is being taken to address risks and weaknesses.

The Head of Internal Audit's overall opinion for 2011/12 is that throughout the year Internal Audit has liaised closely with the Board with regard to its internal control systems. Whilst a number of audit assignments undertaken provide positive assurance on control, the significance of the matters identified in those areas with more negative assurance, has impacted on the overall audit opinion. The overall opinion is therefore that the Board can take some assurance that arrangements and operational compliance are suitably designed and applied effectively.

- Capital & PFI Audit

  This audit function scrutinises and reports on all major capital programmes and projects, based on a work-plan agreed at the start of each year, providing assurance that the governance systems and processes in place are fit for purpose. Any weaknesses identified and subsequent remedial action to be implemented is monitored by the Strategy & Planning Sub Committee which considers all such reports in significant detail.

- Wales Audit Office

  As the Health Board's appointed external auditor, WAO is responsible for scrutinising the Health Board's financial systems and processes, performance management, key risk areas and the Internal Audit function. The Wales Audit Office undertake financial and performance audit work specific to the Health Board and also provide information on the Auditor General's programme of national value for money examinations which impact on the Health Board, with best practice being shared.

During the year, WAO undertook the Structured Assessment Year 2 review of the Health Board which focused on progress made in the areas previously highlighted as scope for improvement. It was concluded that overall good progress has been made during the year in addressing the areas for development previously identified although specific challenges remain. The findings of this report are being used to develop comprehensive work plans to address the issues identified.

- Welsh Risk Pool

  At my request, the WRP undertook an assessment of clinical evidence criteria in the high risk areas of Emergency Departments, Operating Department Services and Maternity Services.

  As the Health Board has only recently received the Draft Report for comment, the organisation is not in any position to respond at this stage to the detail contained in the report, but an interim overall compliance score of 86% has been awarded. The report makes a number of observations and recommendations which the Health Board will be responding to in due course.

  An assessment has also been made of the Concerns & Compensation Claims Management Standard (replacing the previous Claims Management Standard), introduced following the implementation of the Concerns, Complaints and Redress Arrangements (Wales) Regulations in April 2011. Following provisional feedback an interim compliance score of 85.84% was received which has now been reflected in the draft report. The Health Board is currently considering the comments and recommendations made, to be incorporated in an action plan.

- Health Inspectorate Wales (HIW)

  The Health Board is provided with independent and objective assurance on the quality, safety and effectiveness of the services it delivers through reviews undertaken by and reported on by HIW. This work is additional to the assurances emanating from embedded of and assessment against the Standards for Healthcare in Wales and the completion of the Governance & Accountability Module. During the year in addition to any unannounced cleanliness or dignity and respect spot checks and any special themed reviews which would have been reported through the appropriate committee, specific follow up reviews have been undertaken. The outcomes of any such reviews

and any emanating action plans are discussed in the most appropriate forum with any lessons learnt shared throughout the Health Board.

- Other review and assurance mechanisms – Legislative Assurance Framework
  In the continuous development of the Health Board's assurance framework and in recognising that the legal obligations of the Health Board are wide ranging and complex, a legislative assurance framework has been developed. It provides the Board with assurance of compliance on those matters that present the highest risk in terms of likelihood and impact of non compliance and is a central record that captures the following three categories:
    - Details of all licensed and accredited functions, responsible individuals and inspection/review activity;
    - Activities subject to regulation and inspection scrutiny and
    - Other key pieces of legislation subject to scrutiny and sub-ordinate legislation.

7. Conclusion

As Accounting Officer and based on the review process outlined above I have reviewed the relevant evidence and assurances in respect of internal control. The Board and its Executive Directors are alert to their accountabilities in respect of internal control. The Board has had in place during the year a system of providing assurance aligned to both the corporate objectives and the Standards for Health Care to assist with the identification and management of risk.

With the exceptions of the data security internal control issue and the Head of Internal Audit Opinion on Standards for Healthcare, that I have outlined in this statement, my review confirms that the Board has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and that the control issues have been or are being addressed.

Signed by
Chief Executive: Mr Trevor Purt

Date: 6 June 2012