

# Powys Teaching Local Health Board

## FOREWORD

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

### Statutory background

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

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

Powys LHB hosts the Business Services Centre on behalf of all LHB's in Wales. In addition, it is also responsible for hosting the Community Health Councils in Wales, and specific functions in respect of the accounts of the former Health Authorities most significantly in respect of clinical negligence and fixed assets

### Performance Management and Financial Results

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

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 13. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year. Note 2.2 measures capital expenditure against a Capital Resource Limit.

**OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

	Note	Total £000	2005-06 Total £000
<b>Commissioning</b>			
Gross operating costs	4.1,4.2,4.3,4.4	<b>116,999</b>	100,925
Less : Miscellaneous income	3.2	<b>2,327</b>	1,864
		<hr/>	<hr/>
Commissioner net operating costs		<b>114,672</b>	<b>99,061</b>
<b>Providing</b>			
Gross operating costs	4.5	<b>94,242</b>	93,366
Less : Miscellaneous income	3.2	<b>29,190</b>	30,557
		<hr/>	<hr/>
Provider net operating costs		<b>65,052</b>	62,809
<b>LHB net operating costs before interest</b>		<b>179,724</b>	<b>161,870</b>
Interest receivable		<b>(237)</b>	<b>(182)</b>
Interest payable		<b>248</b>	<b>1,351</b>
		<hr/>	<hr/>
<b>LHB net operating costs</b>		<b>179,735</b>	<b>163,039</b>

**STATEMENT OF RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2007**

	£000	£000
Unrealised surplus / (deficit) on revaluation / indexations of fixed assets	<b>9,089</b>	<b>5,153</b>
Net increases / (reductions) in General Fund due to transfers of assets	<b>(5,512)</b>	<b>(4,184)</b>
Impairment losses	<b>0</b>	<b>0</b>
(Reduction) / Increases in the donated asset and government reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	<b>(234)</b>	<b>(236)</b>
	<hr/>	<hr/>
<b>Recognised gain / (loss) for the year</b>	<b>3,343</b>	<b>733</b>

**BALANCE SHEET AS AT 31 MARCH 2007**

	Note	£000	2005-06 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	24	39
Tangible fixed assets	5.2	172,348	172,979
<b>CURRENT ASSETS</b>			
Stocks and work-in-progress	6.1	706	711
Debtors	6.2	65,985	71,028
Cash at bank and in hand		3,384	3,055
<b>Total Current Assets</b>		<b>70,075</b>	<b>74,794</b>
Creditors: amounts falling due within one year	6.3	18,649	17,425
<b>Net current assets / (liabilities)</b>		<b>51,426</b>	<b>57,369</b>
Creditors: amounts falling due after more than one year	6.4	0	832
Provisions for liabilities and charges	6.5	68,157	74,795
<b>TOTAL NET ASSETS</b>		<b>155,641</b>	<b>154,760</b>
<b>FINANCED BY:</b>			
General fund	6.6	34,600	37,832
Donated Assets Reserve	6.7	4,935	4,909
Revaluation Reserve	6.8	116,106	112,019
<b>TOTAL</b>		<b>155,641</b>	<b>154,760</b>

Signed for and on behalf of the Board :

Director of Finance .....

Chief Executive.....

Date .....

Date.....

Adopted by the Board on.....

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

	2005-06	2005-06
	£000	£000
<b>Reconciliation of operating costs to net cash flow from operating activities :</b>		
<b>Net operating cost</b>	<b>(179,724)</b>	<b>(161,870)</b>
Adjust for non-cash transactions	9,285	32,162
Adjust for movements in working capital other than cash	5,524	(15,760)
Utilisation of provisions	<b>(7,448)</b>	<b>(12,888)</b>
<b>Net cash flow from operating costs</b>	<b>(172,363)</b>	<b>(158,356)</b>
<b>Servicing of Finance :</b>		
Interest received	237	182
Interest paid	<b>(248)</b>	<b>(1,351)</b>
Interest element of finance leases	0	0
<b>Net cash inflow / (outflow) from servicing of finance</b>	<b>(11)</b>	<b>(1,169)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire intangible fixed assets	0	0
Receipts from the sale of intangible fixed assets	0	0
Payments to acquire tangible fixed assets	<b>(1,607)</b>	<b>(2,116)</b>
Receipts from the sale of tangible fixed assets	<b>7,632</b>	<b>4,295</b>
<b>Net cash inflow / (outflow) from capital expenditure</b>	<b>6,025</b>	<b>2,179</b>
<b>Net cash inflow / (outflow) before financing</b>	<b>(166,349)</b>	<b>(157,346)</b>
<b>FINANCING:</b>		
Assembly funding (including capital)	<b>171,968</b>	<b>162,474</b>
Other capital receipts surrendered	<b>(5,516)</b>	<b>(4,184)</b>
Capital grants received / Charitable Donations	<b>226</b>	<b>477</b>
Capital element of finance lease rental payments	0	0
<b>Net cash inflow / (outflow) from financing</b>	<b>166,678</b>	<b>158,767</b>
<b>Increase / (decrease) in cash</b>	<b>329</b>	<b>1,421</b>

Included in 'Utilisation of provisions' is £4.84m which relates to payments made on behalf of Powys LHB by those trusts managing their respective Residual Claims. In order for an accurate All Wales picture, it is necessary to include these payments as 'Utilisations' in PLHB's accounts. This methodology has been agreed by WAG & the WRP.

**Addendum to cash flow statement****Adjust for non-cash transactions**

	£000	2005-06 £000
Depreciation and other write-offs	5,342	5,075
Impairment of fixed assets	0	32
(Profit) / Loss on disposal of fixed assets	(1,952)	(1,368)
Cost of Capital	5,085	4,985
Non-cash provisions	810	23,438
	<u>9,285</u>	<u>32,162</u>

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

	£000	2005-06 £000
(Increase)/decrease in stock and work-in-progress	5	(330)
(Increase)/decrease in debtors	5,043	(14,676)
Increase/(decrease) in creditors	476	(754)
	<u>5,524</u>	<u>(15,760)</u>

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

	£000
Increase/(decrease) in cash in the period	329
Cash outflow from debt repaid and finance lease capital payments	832
Change in net debt resulting from cash flows	<u>1,161</u>
Non cash changes in debt	0
<b>Net debt at 1 April 2006</b>	<u>2,223</u>
<b>Net debt at 31 March 2007</b>	<u>3,384</u>

**Analysis of changes in net debt**

	As at 1 April 2006	Cash flows	Other changes	As at 31 March 2007
	£000	£000	£000	£000
Cash at bank and in hand	3,055	329	0	3,384
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	(832)	832	0	0
<b>TOTAL</b>	<u>2,223</u>	<u>1,161</u>	<u>0</u>	<u>3,384</u>

£

The amount of cash held in Office of HM Paymaster General bank accounts at 31 March 2007 by Powys LHB is;

3,402,422

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

	Capital		Loans		Net Total
	Additions £'000	Disposals £'000	Issues £'000	Repayments £'000	£'000
Total cash payment and receipts	1,607	(7,632)	0	832	(5,193)

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

	Issues £'000	2006-07	Net Movement £'000
		Repayments £'000	
Total (issues) and repayments (per creditors note 6.3)	0	832	832
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
<b>Total financial investment and associated receipts</b>	<b>0</b>	<b>832</b>	<b>832</b>

**Reconciliation of fixed assets and disposals**

	Additions £'000	2006-07	Net Movement £'000
		Disposals £'000	
Total assets and disposals (per fixed assets note 5.1 5.2)	1,523	(5,680)	(4,157)
Accrued movement in fixed asset additions	84	0	84
Non-cash adjustments - (Profit) / Loss on sale of assets	0	(1,952)	(1,952)
<b>Total cash movement on asset additions and disposals</b>	<b>1,607</b>	<b>(7,632)</b>	<b>(6,025)</b>

## Notes to the Account

### 1. Accounting Policies

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

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

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

#### Acquisitions and Discontinued Operations

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

#### 1.2 Income and funding

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

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, (or any other other material types of income if this disclosure would not be sufficient).

It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

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

#### 1.3 Taxation

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

#### 1.4 Intangible fixed assets

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

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

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

## 1.5 Tangible fixed assets

### a. Capitalisation

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

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

### b. Valuation

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

### Land and Buildings

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

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

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District

Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

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

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

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

### Equipment

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



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

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

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

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

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

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

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

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

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

### **1.6 Donated assets**

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

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

### **1.7 Research and development**

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

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

### **1.8 Pension Costs**

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State in England and Wales. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

[The total employer contribution payable in 2006-07 was £6.456m and in 2005-06 was £6.258m.](#)

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999.

Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from the Stationary Office.

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

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

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

### **1.9 Foreign currency**

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

### **1.10 Cost of Capital**

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2006/07 financial year was 3.5%.

### **1.11 Provisions**

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

### **1.12 Liquid resources**

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

### **1.13 Leases**

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

### **1.14 Contingent liabilities**

Contingent liabilities are recognised where the LHB has :

- a possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the LHB's control;
- a present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

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

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the LHB's control. Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable.

### **1.15 Deferred Income**

Deferred income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent.

### **1.15 Expenditure**

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and finance leases and is recognised on the accruals basis. Interest payable is shown separately on the face of the Operating Cost Statement.

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

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

All other expenditure is classified as administration expenditure.

### **1.16 New Dental Contract**

On 1 April 2006 a new dental contract was introduced in England and Wales. LHB's are now responsible for commissioning dental services and organising payment through the Dental Practice Division of the Business Services Authority.

Contractors who have underperformed against their contracted level of Units of Dental Activity, (UDA's) by a margin of 5% or less, are contractually allowed to retain their payments for the year and deliver the underperformance of UDA's within the new financial year 2007-08.

The valuation in the annual accounts is based on an estimate provided by the Dental Practice Division in May 2007. The final outturn will not be available until after the publication of the annual accounts, and any variance will be recognised in the accounts for 2007-08.

The LHB's superannuation liability is contingent upon :  
the actual UDA performance against the annual contracted target to arrive at a final gross earnings for the year;  
the declared split of the gross final earnings over the performers registered on each individual contract.

To calculate the LHB's liability in respect of year end under or over performance, the baseline financial value of any under or over achievement against contracted activity is multiplied by a factor of 0.439, (the standard superannuation assumption for the profit element of gross earnings within the dental sector) and 0.14. (the superannuation employee contribution rate.)

### **1.17 Stocks**

Stocks comprise raw materials and consumables and are valued at the lower of cost or net realisable value.

## 2.1 Achievement of Operational Financial Balance

	£000	2005-06 £000
Net operating costs for the financial year	179,735	163,039
Non-discretionary expenditure	1,233	1,625
Operating costs less non-discretionary expenditure	178,502	161,414
Revenue Resource Limit	175,294	161,414
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>(3,208)</b>	0
Unplanned resource brokerage received	0	0
<b>Operational Financial Balance</b>	<b>(3,208)</b>	<b>0</b>

The LHB has exceeded its Resource Limit by £3.208m and has therefore breached its Statutory Financial Duty. A Strategic Change and Efficiency Plan has been prepared which sets out the LHB's plans to restore financial balance and to repay all outstanding resource brokerage over a 6 year period (ending 31st March 2013). The Strategic Change and Efficiency Plan has been shared with the Welsh Assembly Government and is being discussed with them.

## 2.2 Capital Resource Limit'

	£000	2005-06 £000
Gross capital expenditure	1,524	2,174
Add: Loss in respect of disposals of donated assets	0	0
Less NBV of assets disposed of	(31)	0
Less capital grants	0	0
Less donations	(226)	(200)
Charge against CRL	1,267	1,974
Capital Resource Limit	1,267	1,977
<b>(Over) / Underspend against CRL</b>	<b>0</b>	<b>3</b>

**3.1 Miscellaneous income**

	£000	2005-06 £000
Administration income: Fees & Charges	18,279	18,771
Other miscellaneous income	3,444	2,882
	<hr/>	<hr/>
<b>Total administration income</b>	<b>21,723</b>	<b>21,653</b>
Programme income: Fees & Charges	1,877	6,997
Prescription charge income	1,962	886
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Income from NHS Bodies	3,933	594
Local Authorities	355	514
Patient Transport Services	0	0
Education, Training and Research	234	209
Non-NHS private patients	47	45
Road Traffic Act	51	39
Other Non-NHS patient care services	0	0
Charitable and other contributions to expenditure	238	212
Transfers from the Donated Asset Reserve	249	236
Transfers from Government Grant Reserve	0	0
Other	848	1,036
	<hr/>	<hr/>
<b>Total programme income</b>	<b>9,794</b>	<b>10,768</b>
	<hr/>	<hr/>
<b>TOTAL</b>	<b>31,517</b>	<b>32,421</b>

'Prescription charge income' also include £1.339m of Dental income in 2006-07 relating to the new dental contract.

**3.2 Analysis of total income by expenditure classification**

	£000	£000
Gross commissioning income	2,327	1,864
Gross providing income <sup>1</sup>	29,190	30,557
	<hr/>	<hr/>
	<b>31,517</b>	<b>32,421</b>

<sup>1</sup>Included in the above providing income figure is the following segmental income :-

	£000	£000
Business Services Centre	21,281	21,315
Residual Estate	384	377
CHC	79	55

**Programme costs:****4.1 Primary health care**

	Cash limited	Non cash limited	Total	2005-06 Total
	£000	£000	£000	£000
General Medical services	29,583	0	29,583	28,568
Pharmaceutical services	2,945	517	3,462	3,701
General Dental services	5,854	0	5,854	8
General Ophthalmic services	0	716	716	638
Other Primary health care expenditure	415	0	415	431
Prescribed drugs and appliances	15,895	0	15,895	14,532
<b>TOTAL</b>	<b>54,692</b>	<b>1,233</b>	<b>55,925</b>	<b>47,878</b>

**4.2 Secondary and Community health care**

	Total	2005-06 Total
	£000	£000
<b>NHS Trusts:</b>		
Provider 1 - Royal Shrewsbury Hospital Trust	12,581	11,485
Provider 2 - Gwent NHS Trust	8,499	7,411
Provider 3 - Hereford Hospital NHS Trust	6,411	6,000
Provider 4 - Swansea NHS Trust	4,534	4,262
Provider 5 - Ceredigion NHS Trust	4,727	4,182
Provider 6 - Robert Jones & Agnes Hunt NHS Trust	3,109	2,912
Provider 7 - Bro Morgannwg NHS Trust	1,452	1,346
Provider 8 - Shropshire County Primary Care NHS Trust	1,023	1,060
Provider 9 - Cardiff & Vale NHS Trust	962	663
Other Welsh NHS trusts	2,757	2,135
Other non Welsh NHS trusts	1,280	900
Local Authorities	1,761	1,661
Voluntary Organisations	724	787
NHS Funded Nursing Care	1,745	1,527
Continuing Care	5,768	4,449
Private providers	1,822	1,422
Specific projects funded by Welsh Assembly Government	306	258
Other	47	435
<b>TOTAL</b>	<b>59,508</b>	<b>52,895</b>

**Expenditure with Local Authorities is as follows :**

	£000
Section 28A	1,159
Winter pressures	602
Voluntary organisations	37
<b>Total</b>	<b>1,798</b>

Not included in the above Secondary Care Costs to Powys LHB is £56.2m of Secondary Care provided internally within Powys.

**4.3 Other programme expenditure**

	£000	2005-06 £000
Salaries and wages	174	213
National Public Health Service	841	774
Losses, special payments and irrecoverable debts	80	(1,374)
Research and development	0	0
Miscellaneous	0	0
	<hr/>	<hr/>
<b>TOTAL</b>	<b>1,095</b>	<b>(387)</b>

**Administration costs :****4.4 Administration expenditure**

	£000	2005-06 £000
Non-officer remuneration	94	89
Other salaries and wages	538	645
Establishment expenses	111	89
Transport and moveable plant	0	0
Premises	8	10
External contractors	50	15
Auditors' remuneration - audit fee	45	47
Auditors' remuneration - other fees	0	0
Buisness Services Centre recharge	0	0
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - Depreciation	13	13
Amortisation	0	0
Capital charge interest	(388)	(369)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Miscellaneous	0	0
	<hr/>	<hr/>
<b>TOTAL</b>	<b>471</b>	<b>539</b>



**4.5 Providing : operating expenses**

	£000	2005-06 £000
Goods and services from other NHS bodies	3,814	3,989
Staff costs	62,961	62,217
Supplies and services -clinical	3,812	3,129
Supplies and services -general	1,038	1,429
Establishment expenses	4,946	4,904
Transport and moveable plant	414	404
Premises	5,734	5,700
Auditors remuneration	521	501
Capital - Depreciation	5,565	5,268
Amortisation	15	30
Capital charge interest	5,473	5,354
Impairment	0	32
(Profit) / loss on disposal of fixed assets	(1,952)	(1,368)
Costs of disposal	0	0
Other operating expenses	1,901	1,777
<b>TOTAL</b>	<b>94,242</b>	<b>93,366</b>

Included in the above are the secondary care services provided by Powys LHB of £64.462m, operating expenses of the Business Services Centre of £21.483m, expenses in respect of the Residual Estate of £4.527m and £3.211m operating expenses of the Community Health Councils.

Auditors Remuneration includes £392k of BSC Audit fees in respect of all LHB's. These fees form part of the BSC charge to the LHB's.

**4.6 Analysis of operating expenditure by expenditure classification**

	£000	2005-06 £000
Gross administration costs	471	539
Gross programme costs	210,770	193,752
	<b>211,241</b>	<b>194,291</b>

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

	<b>Total</b>	<b>2005-06 Total</b>
	<b>£000</b>	<b>£000</b>
Clinical negligence	<b>(847)</b>	20,002
Personal injury	<b>451</b>	555
All other losses and special payments	<b>1</b>	1
Defence legal fees and other administrative costs	<b>295</b>	69
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	<b>(100)</b>	<b>20,627</b>
	<hr/>	<hr/>
Contributions to Welsh Risk Pool/insurance premiums	<b>0</b>	0
Irrecoverable debts	<b>4</b>	21
Less: income received/due from Welsh Risk Pool	<b>176</b>	(22,022)
	<hr/>	<hr/>
<b>Total charge</b>	<b>80</b>	<b>(1,374)</b>
	<hr/>	<hr/>

#### 4.8 Hire and operating lease rentals Included in Operating Costs

	2005-06 £000	2005-06 £000
Hire of plant and machinery	134	105
Other operating leases	1,355	1,606
<b>TOTAL</b>	<b>1,489</b>	<b>1,711</b>

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

	Land and Buildings £000	Other Leases £000	2005-06 Land and Buildings £000	2005-06 Other Leases £000
<b>Operating leases which expire:</b>				
Within 1 year	42	227	317	37
Between 1 and 5 years	224	254	0	159
After 5 years	742	0	982	216

#### 4.9 Executive Directors and staff costs

	2005-06 Total £000	2005-06 Total £000
Wages and salaries	51,720	49,707
Social security costs	3,615	3,729
Employer contributions to NHSPA	6,456	6,258
Other pension costs	141	1,389
Agency / Seconded in staff	1,741	1,992
<b>TOTAL</b>	<b>63,673</b>	<b>63,075</b>

#### 4.10 Board Members' remuneration

	£000	2005-06 £000
Non officer members' remuneration	94	89
Officer members' remuneration:		
basic salaries	636	603
benefits	11	15
performance related bonuses	0	0
pension contributions	89	85
Compensation for loss of office	30	0
Pensions to former directors (early retirees)	239	0
<b>TOTAL</b>	<b>1,099</b>	<b>792</b>

	Chairman £000	Chief Executive £000	Highest paid officer * £000
Basic Salary	39	108	0
Benefits	0	5	0
Compensation for loss of office	0	0	0
Performance related bonuses	0	0	0
Pension contributions	0	15	0
<b>TOTAL</b>	<b>39</b>	<b>128</b>	<b>0</b>

#### Remuneration waived by members and allowances paid in lieu:

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

\* where Chief Executive is not the highest paid officer

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

.....

.....

#### 4.11 Average number of employees

The average number of employees during the year was:<sup>1</sup>

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2005-06
	Number	Number	Number	Number	Number
Executive Board Members	4	0	0	4	4
Medical and dental	32	0	0	32	61
Ambulance staff	0	0	0	0	0
Administrative and estates	808	25	1	834	865
Healthcare assistants and other support staff	179	0	0	179	149
Nursing, midwifery and health visiting staff	819	0	0	819	799
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	173	0	0	173	159
Other local health board staff	12	1	0	13	12
Recharged staff	0	0	0	0	0
<b>TOTAL</b>	<b>2,027</b>	<b>26</b>	<b>1</b>	<b>2,054</b>	<b>2,049</b>

<sup>1</sup>The average number of employees is calculated as the total number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year. As a result of enhanced management information the 2005-06 numbers have been restated from 1,979 to 2,049.

#### Expenditure on staff benefits

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

#### 4.12 Retirements due to ill-health

During 2006-07 there were 4 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 £170,050.65

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

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

	Number	£000	2005-06 £000
<b>NON-NHS</b>			
Total bills paid 2006-2007	39,752	42,135	44,577
Total bills paid within target	38,227	41,387	42,326
Percentage of bills paid within target	96.2%	98.2%	95.0%

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

	Number	£000	2005-06 £000
<b>NHS</b>			
Total bills paid 2006-2007	2,864	141,251	132,973
Total bills paid within target	2,747	140,798	132,476
Percentage of bills paid within target	95.9%	99.7%	99.6%

	Number	£000	2005-06 £000
<b>TOTAL</b>			
Total bills paid 2006-2007	42,616	183,386	177,550
Total bills paid within target	40,974	182,185	174,802
Percentage of bills paid within target	96.1%	99.3%	98.5%

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

	2005-06 £	£
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 2.8).	0	0
Compensation payable to cover debt recovery costs	0	0

#### 4.15 Interest Payable

	£000	£000
Finance leases	0	0
Unwinding of provision discounts	248	1,351
Other (eg late payment of commercial debt)	0	0
	<u>248</u>	<u>1,351</u>

## 5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
<b>Gross cost at 1 April 2006</b>	327	0	0	0	327
Additions	0	0	0	0	0
Indexation	0	0	0	0	0
Disposals	(236)	0	0	0	(236)
<b>Gross cost at 31 March 2007</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91</b>
<b>Accumulated amortisation at 1 April 2006</b>	288	0	0	0	288
Provided during the year	15	0	0	0	15
Additions	0	0	0	0	0
Indexation	0	0	0	0	0
Disposals	(236)	0	0	0	(236)
<b>Accumulated amortisation at 31 March 2007</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67</b>
<b>Net book value at 1 April 2006</b>	39	0	0	0	39
<b>Net book value at 31 March 2007</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24</b>

## Tangible fixed assets

### 5.2 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2006	56,122	131,004	515	638	6,111	195	4,830	307	199,722
Indexation	3,004	10,261	41	51	161	5	0	9	13,532
Additions - purchased	0	301	0	252	197	76	208	263	1,297
Additions - donated government granted	0	0	0	0	226	0	0	0	226
Transfers <sup>2</sup>	0	386	0	(689)	303	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	(3,336)	0	0	(266)	0	0	0	(3,602)
Disposals	(2,464)	(4,762)	0	0	(344)	0	(1,089)	0	(8,659)
<b>At 31 March 2007</b>	<b>56,662</b>	<b>133,854</b>	<b>556</b>	<b>252</b>	<b>6,388</b>	<b>276</b>	<b>3,949</b>	<b>579</b>	<b>202,516</b>
<b>Depreciation</b>									
At 1 April 2006	0	20,386	49	0	3,422	108	2,626	152	26,743
Indexation	0	1,577	4	0	93	3	0	4	1,681
Additions - purchased	0	0	0	0	0	0	1	1	2
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	(801)	0	0	(55)	0	1	0	(855)
Disposals	0	(1,577)	0	0	(313)	0	(1,089)	0	(2,979)
Provided during the year	0	4,661	16	0	321	14	513	51	5,576
<b>At 31 March 2007</b>	<b>0</b>	<b>24,246</b>	<b>69</b>	<b>0</b>	<b>3,468</b>	<b>125</b>	<b>2,052</b>	<b>208</b>	<b>30,168</b>
<b>Net book value</b>									
at 1 April 2006	56,122	110,618	466	638	2,689	87	2,204	155	172,979
at 31 March 2007	56,662	109,608	487	252	2,920	151	1,897	371	172,348
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
Total	0	0	0	0	0	0	0	0	0
<b>The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:</b>									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

£108m of Tangible Fixed Assets relate to the Residual Estate. The estate is comprised of properties previously owned by the former Health Authorities and now registered in the name of the Welsh Assembly Government. The properties are held either for sale or are occupied by other health organisations across Wales. It is the intention of the Welsh Assembly Government to issue instructions to instigate the transfer of properties occupied by other health organisations to those organisations.



**Tangible Fixed Assets (continued)**

The net book value of land and buildings at 31 March 2007 comprises:

	£000	2005-06 £000
Freehold	145,809	144,214
Long leasehold	20,947	22,993
Short leasehold	0	0
<b>TOTAL</b>	<b>166,756</b>	<b>167,207</b>

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

	£000	2005-06 £000
During the year the LHB disposed of fixed assets with the net book value of,	5,680	2,178
The gross proceeds from the sale(s) were	7,632	3,545
giving a net profit/(loss) on disposal of	1,952	1,367

The LHB paid over to the National Assembly for Wales the net proceeds from disposal of;  
and retained the costs of disposal, net of;

4,637	3,545
0	0

**Profit (loss) on disposal of fixed assets**

	£000	£000
Profit on disposal of land and buildings	1,983	1,368
Loss on disposal of land and buildings	0	(1)
Profit on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	(31)	0
	<b>1,952</b>	<b>1,367</b>

**6.1 Stocks and Work in Progress**

	£000	2005-06 £000
Raw materials and consumables	706	711
Work-in-Progress	0	0
Finished goods	0	0
	<b>706</b>	<b>711</b>

**6.2 Debtors**

	Total £000	Total £000
<b>Amounts falling due within one year:</b>	<b>£000</b>	<b>£000</b>
National Assembly for Wales	331	1,712
Health Commission Wales	59	115
Local Health Boards	580	677
Primary Care Trusts	213	256
NHS Trusts	3,398	1,001
Welsh Risk Pool	37,223	32,561
Capital debtors	0	875
Other debtors	1,683	1,855
Provision for irrecoverable debts	(97)	(112)
Pension Prepayments:		
in respect of former directors	0	0
in respect of other staff	0	0
Other prepayments and accrued income	853	2,161
<b>Sub total</b>	<b>44,243</b>	<b>41,101</b>
<b>Amounts falling due after more than one year:</b>	<b>£000</b>	<b>£000</b>
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	20,248	29,927
Capital debtors	0	0
Other debtors	100	0
Provision for irrecoverable debts	0	0
Pension Prepayments:		
in respect of former directors	0	0
in respect of other staff	0	0
Other prepayments and accrued income	1,394	0
<b>Sub total</b>	<b>21,742</b>	<b>29,927</b>
<b>TOTAL</b>	<b>65,985</b>	<b>71,028</b>

**6.3 Creditors**

	Total	2005-06 Total
	£000	£000
<b>Amounts falling due within one year:</b>		
National Assembly for Wales	152	767
Health Commission Wales	25	12
Local Health Boards	233	240
NHS Trusts	2,407	2,302
Primary Care Trusts	459	128
Income tax and social security	1,220	200
Non-NHS creditors	2,544	3,009
Capital Creditors	416	500
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions:		
in respect of former directors	0	0
relating to other staff	987	1,059
Accruals	10,154	9,120
Deferred Income	52	88
Other creditors	0	0
	<hr/>	<hr/>
<b>TOTAL</b>	<b>18,649</b>	<b>17,425</b>

**6.4 Creditors**

	Total	Total
	£000	£000
<b>Amounts falling due after more than one year:</b>		
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	832
Pensions:		
in respect of former directors	0	0
relating to other staff	0	0
Other	0	0
	<hr/>	<hr/>
<b>TOTAL</b>	<b>0</b>	<b>832</b>

**6.5 Provisions for liabilities and charges**

	At 1 April 2006	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2007
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	60,131	0	0	12,625	(13,472)	(4,497)	0	54,787
Personal injury	327	0	0	611	(160)	(105)	0	673
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other Administration costs.	2,208	0	0	746	(451)	(323)		2,180
<b>Sub-total</b>	<b>62,666</b>	<b>0</b>	<b>0</b>	<b>13,982</b>	<b>(14,083)</b>	<b>(4,925)</b>	<b>0</b>	<b>57,640</b>
Pensions - former directors	0	0	0	0	0	0	0	0
Pensions - other staff	11,386	0	(216)	1,273	(1,204)	(1,988)	247	9,498
<b>Sub-total</b>	<b>11,386</b>	<b>0</b>	<b>(216)</b>	<b>1,273</b>	<b>(1,204)</b>	<b>(1,988)</b>	<b>247</b>	<b>9,498</b>
Restructurings	45	0	0	0	0	(45)	0	0
Other	698	0	0	810	0	(490)	1	1,019
<b>Total</b>	<b>74,795</b>	<b>0</b>	<b>(216)</b>	<b>16,065</b>	<b>(15,287)</b>	<b>(7,448)</b>	<b>248</b>	<b>68,157</b>

**Expected timing of cash flows:**

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	35,689	19,098	0	54,787
Personal injury	673	0	0	673
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	996	1,184	0	2,180
Pensions - former directors	0	0	0	0
Pensions - other staff	854	3,353	5,291	9,498
Restructuring	0	0	0	0
Other	936	4	79	1,019
<b>Total</b>	<b>39,148</b>	<b>23,639</b>	<b>5,370</b>	<b>68,157</b>

The LHB estimates that in 2007-08 it will receive £37,223k, and in 2008-09 and beyond £20,248k from the Welsh Risk Pool in respect of losses and special payments.

£57,316k of provisions relate to the possible liabilities of the former Health Authorities in respect of Medical Negligence and Personal Injury claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust).

## 6.6 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2006</b>	<b>37,832</b>
Net operating cost for the financial year	<b>(179,735)</b>
Net Assembly funding (including capital)	<b>171,968</b>
Capital charge interest	<b>5,085</b>
Transfers to NHS bodies	<b>(5,516)</b>
Transfer to general fund of realised elements of the revaluation reserve	<b>4,966</b>
	<hr/>
<b>Balance at 31 March 2007</b>	<b>34,600</b>

## 6.7 Donated asset reserve

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

	£000
<b>Balance at 1 April 2006</b>	<b>4,909</b>
Additions	<b>226</b>
Impairments	<b>0</b>
Revaluation and indexation	<b>49</b>
Disposals and write-offs	<b>0</b>
Depreciation	<b>(249)</b>
	<hr/>
<b>Balance at 31 March 2007</b>	<b>4,935</b>

## 6.8 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
<b>Balance at 1 April 2006</b>	<b>112,019</b>
Revaluation	<b>(2,484)</b>
Indexation	<b>11,537</b>
Transfer to general fund - realised revaluation	<b>(4,966)</b>
	<hr/>
<b>Balance at 31 March 2007</b>	<b>116,106</b>

**6.9 Contingent liabilities -**

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

Nature:	2005-06	
	£000	£000
Legal claims for third parties liabilities	79,961	86,198
Doubtful debts	0	0
Other	0	0
<b>TOTAL</b>	<b>79,961</b>	<b>86,198</b>

**Uncertainties affecting outcome:**

£70,414k of contingent liabilities relate solely to the former Health Authorities in respect of Medical Negligence and Personal Injury claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust). £9,547k of contingent liabilities are in respect of Medical Negligence and Personal Injury claims for Powys teaching Local Health Board. Legal advice has established that these claims are not likely to result in payments. In the unlikely event that amounts are payable, materially all payments will be reimbursed to us from the Welsh Risk Pool.

The Local Health Board has received 3 grievance notices from staff under equal pay legislation. The process of assessing these notices is at an early stage and as a result there is significant uncertainty regarding both the likelihood of their success and any additional costs that the LHB might incur. No cases have yet been referred to employment tribunal and it is unlikely that any of these cases will be settled within the next two years. As a result of this uncertainty, no provision has been made for any potential costs which might arise.

In January 2006 the High Court concluded that if, following a health care assessment, a person's health care needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care (Grogan v Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested. No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement. The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of the judgement.

**6.10 Intra Government balances**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	565	0	2,384	0
Balances with local authorities	487	0	637	0
Balances with NHS trusts and Foundation trusts	3,632	0	2,866	0
Balances with Local Health Boards	580	0	233	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	38,979	21,742	12,529	0
<b>Total at 31 March 2007</b>	<b>44,243</b>	<b>21,742</b>	<b>18,649</b>	<b>0</b>
Balances with other central government bodies	2,113	0	2,038	832
Balances with local authorities	439	0	0	0
Balances with NHS trusts and Foundation trusts	1,257	0	2,430	0
Balances with Local Health Boards	677	0	240	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	36,615	29,927	12,717	0
<b>Total at 31 March 2006</b>	<b>41,101</b>	<b>29,927</b>	<b>17,425</b>	<b>832</b>

### 6.11 Post balance sheet events

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

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

Post balance sheet events not having a material effect on the accounts are:

1. Subsequent to the end of the financial year the Chief Executive informed the Board of his intentions to leave his post as Chief Executive and it has been agreed that he will leave at the end of June 2007.
2. ....

### 6.12 Capital commitments

The LHB has the following capital commitments:

		2005-06
Contracted	0	0
Authorised but not contracted	45	6
<b>TOTAL</b>	<b><u>45</u></b>	<b><u>6</u></b>

**6.13 Related Party transactions****£'000****Total value of transactions with Board members and key senior staff in 2006/07.****0**

Powys Local Health Board is a body corporate established by order of the National Assembly for Wales.

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

- Velindre NHS Trust with whom the Local Health Board contracts for the provision of Public Health and Health Promotion services provided by the National Public Health Centre.
- Conwy and Denbighshire NHS Trust which operate the Welsh Risk Pool on behalf of NHS bodies in Wales.
- Welsh & English NHS Trusts with whom the Local Health Board commissions healthcare in particular those scheduled in note 4.2.

The Local Health Board has hosted the following functions on behalf of NHS Wales on which it receives income from The Assembly and other Local Health Boards ;

- The NHS Wales Residual Estate,
- Clinical Negligence,
- Community Health Councils,
- Business Services Centres,
- Continuing Care Case Administration.

In addition the Local Health Board has a healthcare provider element for which it is statutorily responsible.

	2006-07 £'000	2005-06 £'000
The provider income source is as below:-		
Powys LHB Commissioner Ledger	56,229	52,702
Iechyd Morgannwg LHBs	2,008	1,938
English Trusts/PCTs	620	576
Dyfed LHBs	345	444
North Wales LHBs	456	424
Gwent LHBs	341	348
Bro Taf LHBs	81	56

The Local Health Board has a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Powys County Council with a gross expenditure of £5.1m in the year.

The Local Health Board also has contracts with Shropdoc for the provision of out of hours care. Expenditure of £2.4m was incurred in 2006/07.

The Local Health Board has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the Board.



### 6.13 Related Party transactions Cont'd

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

During the year, the following board members were key members/partners of organisations involved in transactions with Powys LHB:

Alan Dawson	- Director of Service Delivery, Hereford Hospitals NHS Trust.
Andrew Williams	- Management Team Member of Welsh NHS Confederation.
Bryn Williams	- Chief Officer of Brecknock and Radnor Community Health Council.
Chris Mann	- Trustee, Institute of Rural Health. Trustee, Powys Citizens Advice Bureau.
Dr D. Mundy	- GP Principal, Llanfair Caereinion Medical Practice, Powys. Member Shropdoc OOH care provider.
Dr Julie Bishop	- Director of Public Health, National Public Health Service.
Dr. S. P. James	- Partner, Newtown Medical Practice, Powys. Member Shropdoc OOH care provider.
Dr. T.D. Ryan	- Partner, Welshpool Health Centre, Powys. Member Shropdoc OOH care provider.
Gary Banks	- Councillor, Powys County Council.
Gloria Jones Powell	- Vice President Powys Association of Voluntary Organisations.
John Howard	- Chief Officer of Montgomeryshire Community Health Council.
Kath Roberts Jones	- Councillor, Powys County Council.
Mike Johnson	- Director of Planning and Development, Hereford Hospitals NHS Trust.
Paul Davies	- Director of P&C Davies (Llanwrtyd Wells) Ltd (Pharmacy), Powys.
Philip Robson	- Director of Community Services, Powys County Council.
Rachel Marsh	- Director of Operations, North Glamorgan NHS Trust.
Rosemarie Harris	- Councillor, Powys County Council.
Suzanne Penny	- Member of Powys Association of Voluntary Organisations

## 6.14 Losses and special payments

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

	Number of cases	Value of cases £
Medical negligence	25	4,497,143
Personal injury	9	104,997
Fraud cases	0	0
All other losses and special payments	1	1,469
Total losses and special payments	<u>35</u>	<u>4,603,609</u>

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £250,000</b>			
MN/030/0128/ALF	0	3,157,500	0
MN/030/0182/ALF	2,195,553	2,195,553	0
MN/030/0185/ALF	0	250,000	0
MN/030/0192/ALF	134,375	4,134,375	0
MN/030/0398/FEW	0	500,000	0
MN/030/0406/ALF	439,827	524,327	0
MN/032/0273/ALF	1,158,296	1,278,296	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
<b>Sub-total</b>	<u>3,928,051</u>	<u>12,040,051</u>	<u>0</u>
<b>All other cases</b>	<u>675,558</u>	<u>1,647,272</u>	<u>0</u>
<b>Total cases</b>	<u>4,603,609</u>	<u>13,687,323</u>	<u>0</u>

## **6.15 Third Party assets**

The LHB held £67,883.74 cash at bank and in hand at 31 March 2007 which relates to monies held on behalf of patients. This has been excluded from cash at bank and in hand reported in these accounts.

## **6.16 Financial instruments**

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

### **Liquidity Risk**

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

### **Interest-rate Risk**

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

### **Foreign Currency Risk**

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

## 6.17 Finance lease obligations

The future minimum lease payments under finance leases to which the local health board was committed at the balance sheet date were as follows:

	£000	2005-06 £000
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	0	0
	<hr/>	<hr/>
<b>Subtotal</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
<b>TOTAL</b>	<b>0</b>	<b>0</b>

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

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

### 6.18 Pooled Budgets

Powys Local Health Board and Powys County Council have entered into a partnership agreement in accordance with Section 31 of the Health Act 1999.

The health related function which is subject to these arrangements is the provision of care by a registered nurse in care homes, which is a service provided by the NHS Body under section 2 of the National Health Service Act 1977.

In accordance with the Social Care Act 2001 Section 49 care from a registered nurse is funded by the NHS regardless of the setting in which it is delivered. ( Circular 12/2003)

The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations.

The partnership agreement operates in accordance with the Welsh Assembly Guidance NHS Funded Nursing Care 2004.

The allocation received for 2006/07 for free nursing care was £1,974,176

	Total £
<b>Gross Funding</b>	
<b>Total Funding</b>	<b>1,974,176</b>
<b>Expenditure</b>	
Monies spent in accordance with Pooled budget arrangement	1,744,922
Total Expenditure	1,744,922
<b>Net under/(over) spend</b>	<b>229,254</b>
The above memorandum account is subject to the audit of PCC.	

## 7.1 Segmental reporting

The following analysis segments the operating costs of the non healthcare functions :

	Total Powys "Health" £'000	Total BSC £'000	Total Residual Estate £'000	Total Clinical Negligence £'000	CHC £'000	Consolidation Adjustments £'000	Cons. Total £'000
<b>Commissioning</b>							
Gross Operating Costs	174,890	0	0	0	0	(57,891)	116,999
Miscellaneous Income	2,576	0	0	0	0	(249)	2,327
<b>Commissioner Net Operating Costs</b>	<b>172,314</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(57,642)</b>	<b>114,672</b>
<b>Providing</b>							
Gross Operating Costs	64,589	22,000	4,547	21	3,305	(220)	94,242
Miscellaneous Income	64,235	22,234	384	0	198	(57,861)	29,190
Provider Net Operating Costs	354	(234)	4,163	21	3,107	57,641	65,052
<b>LHB Net Operating Costs before Interest</b>	<b>172,668</b>	<b>(234)</b>	<b>4,163</b>	<b>21</b>	<b>3,107</b>	<b>(1)</b>	<b>179,724</b>
Interest Receivable	(236)	0	(1)	0	0	0	(237)
Interest Payable	30	213	0	0	5	0	248
<b>LHB Net Operating Costs</b>	<b>172,462</b>	<b>(21)</b>	<b>4,162</b>	<b>21</b>	<b>3,112</b>	<b>(1)</b>	<b>179,735</b>

The following analysis segments the Net Assets of the non healthcare functions:

	Total Powys "Health" £'000	BSC £'000	Residual Estate £'000	Clinical Negligence £'000	CHC £'000	Consolidation Adjustments £'000	Total £'000
<b>Total Fixed Assets</b>							
Intangible Fixed Assets	0	24	0	0	0	0	24
Tangible Fixed Assets	62,677	1,363	108,308	0	0	0	172,348
<b>Current Assets</b>							
Stocks and work-in-progress	706	0	0	0	0	0	706
Debtors	9,473	1,188	0	57,315	118	(2,109)	65,985
Cash at bank and in hanc	2,579	680	0	0	125	0	3,384
<b>Total Current Assets</b>	<b>12,758</b>	<b>1,868</b>	<b>0</b>	<b>57,315</b>	<b>243</b>	<b>(2,109)</b>	<b>70,075</b>
Creditors: amounts falling due withir one year	22,390	2,014	(3,963)	54	263	(2,109)	18,649
<b>Net current assets / (liabilities)</b>	<b>(9,632)</b>	<b>(146)</b>	<b>3,963</b>	<b>57,261</b>	<b>(20)</b>	<b>0</b>	<b>51,426</b>
Creditors: amounts falling due after more than one year	0	0	0	0	0	0	0
Provisions for liabilities and charges	988	9,585	0	57,315	269	0	68,157
<b>Total Net Assets</b>	<b>52,057</b>	<b>(8,344)</b>	<b>112,271</b>	<b>(54)</b>	<b>(289)</b>	<b>0</b>	<b>155,641</b>
<b>Financed by:</b>							
General Fund	18,402	(8,587)	25,128	(54)	(289)	0	34,600
Donated Assets Reserve	4,634	0	301	0	0	0	4,935
Revaluation Reserve	29,021	243	86,842	0	0	0	116,106
<b>Total</b>	<b>52,057</b>	<b>(8,344)</b>	<b>112,271</b>	<b>(54)</b>	<b>(289)</b>	<b>0</b>	<b>155,641</b>

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

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

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

Date: ..... 2007 ..... Chief Executive

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

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

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

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

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

**By Order of the Board**

**Signed:**

Chairman: ..... Dated: ..... 2007

Chief Executive: ..... Dated: ..... 2007

Director of Finance: ..... Dated: ..... 2007



## **STATEMENT ON INTERNAL CONTROL**

### **1. Scope of Responsibility**

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

In addition to the functions relating to the Health and Well Being of the population of Powys, the Local Health Board is also accountable for the NHS Wales Business Service Centre which inherited the systems of internal control from the five former Health Authorities.

As Chief Executive I have delegated responsibility for Risk Management within the Local Health Board. Responsibility for Risk Management has been delegated to the Director of Support Services who is supported by the Deputy Director of Support Services and the Corporate Risk Manager. The Risk Management process is also a key component of Clinical Governance which is led by the Medical Director. The Local Health Board produces an Annual Report for the Board, and the results of the WRP Audit are reported annually to the Welsh Assembly Government.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, with the exception of our provision for internal audit. The Internal Audit contract expired on 31st March 2007, and is in the process of being procured. However the IA provider has agreed to continue to deliver the service until the new contract is awarded.

### **3. Capacity to handle risk**

The arrangements for risk management are set out in the Local Health Board's Risk Management Strategy and Policy. This clearly identifies Lead Directors and Lead Managers for each of the Welsh Risk Management Standards.

There is a process for reporting incidents and risks that are incorporated in Directorate and Corporate risk registers. The Local Health Board developed the Integrated Governance Directory that not only includes all identified risks but in addition contains all the relevant action plans required to meet the overall governance agenda.

Online access to the Datix Risk Register system was implemented in January 2007. Datix will replace the Integrated Governance Directory as the primary tool for the management of risk registers in the LHB.

There is a process to support continuous improvement and learning as a result of risk assessments and incidents through a network of committees and working groups.

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

The Local Health Board has adopted a Risk Management Strategy that was approved by the Board which sets out the agenda for risk management and the processes relating to risk registers, risk assessments and incident reporting. This is reported through the Clinical Governance and Risk Management Committee which is a sub-committee of the Board and is chaired by a Non-Officer Member. This committee has a membership that includes the Community Health Council.

It is essential to reinforce that Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

## STATEMENT ON INTERNAL CONTROL

The success of risk management is monitored through many assurance frameworks. However, the main reporting process is the Welsh Risk Pool's annual audit that undertakes assessments against a number of the Welsh Risk Management Standards. In addition to this the Local Health Board has to report to the Welsh Assembly Government the self assessment scores for the remaining standards.

### 4.1 Local Health Board

The Welsh Risk Pool audited the LHB in May 2007 looking at 17 standards. The LHB needed to achieve a compliance score of 75% overall and not less than 65% in 15 out of the 17 standards.

Reduced assessments were carried out for six (6) standards;

- Standard 14: Infection control and prevention
- Standard 15: Maternity Services
- Standard 18: Mental Health
- Standard 23: Nutrition and Catering
- Standard 28: Human Resources
- Standard 30: Medical Equipment & Devices

Action plan assessments were carried out for eight (8) standards;

- Standard 1: Risk Management Policy & Strategy
- Standard 2: Risk Assessment and Treatment
- Standard 5: Claims Management
- Standard 7: Records Management
- Standard 10: Clinical Effectiveness and Risk Management
- Standard 16: Operating Department Services
- Standard 31: Medicines Management
- Standard 40: Cleanliness

In-depth assessments were carried out for two (2) standards

- Standard 11: Supervision of Staff
- Standard 12: Assessing Competence

No.	Risk Standard Title	2006	2007	Variance
1	Risk Management Policy & Strategy	88%	98%	+10%
2	Risk Assessment & Treatment	100%	100%	0%
5	Claims Management	80%	90%	+10%
7	Records Management	68%	78%	+10%
10	Clinical Effectiveness & Risk Management	83%	84%	+1%
11	Supervision of Clinical Staff	93%	97%	+4%
12	Assessing Competence	85%	96%	+11%
14	Infection Control	96%	80%	-16%
15	Maternity	86%	99%	+13%
16	Operating Department Services	91%	93%	+2%
18	Mental Health	80%	97%	+17%
23	Nutrition & Catering	85%	83%	-2%
28	Human Resources	93%	93%	0%
30	Medical Equipment & Devices	86%	61%	-25%
31	Medicines Management	81%	85%	+4%
40	Cleanliness	63%	81%	+18%
G	Facilitating Safe Primary Care	73%	95%	+22%

## STATEMENT ON INTERNAL CONTROL

30 Interviews and 6 focus groups (specialist registrars, support services, D&E grade nurses, theatre team, directorate managers and senior house officer's) were conducted in addition to observation of handover procedures. The interview process contributed to 50% of the overall compliance score.

The Welsh Risk Pool classed the following as good practice to be shared across Wales;

- ✓ Local user guide for antenatal screening
- ✓ Electronic policy directory outlining roles and responsibilities for child abduction
- ✓ Confidentiality Enquiry Policy
- ✓ Infection Control Strategy
- ✓ Good Practice Guides: These have been developed by the LHB and disseminated to practices
- ✓ The MUST nutritional assessment tool

Overall performance:

Overall Standard Assessment Score	91%
The adjusted assessment score	46 (out of 50)
Interview Score	28 (out of 50)
<b>Overall Compliance</b>	<b>74%</b>

The LHB achieved an overall score of 74% and achieved greater than 65% in all of the principle standards. This is the same as the previous years' score of 74%, although Standard G was not included in the previous assessment. Significant improvements were achieved in a number of Welsh Risk Standards.

### Core Standards (minimum 75% score required)

Core Standards are the essential targets set by the Welsh Assembly Government and they require a minimum of 75% in the following Standards;

No	Risk Standard Title	WRP Score 2006	Internal Audit	WRP Score 2007	Internal Audit
1	Risk Management Policy and Strategy	88%	NA	98%	NA
2	Risk Profile	100%	NA	100%	NA
3	Incident and Hazard Reporting	95%	NA	NA	96%
37	Governance	NA	92%	NA	75%
38	Financial Controls	NA	94%	NA	96%

Internal Audit & WRP have concluded that the LHB has demonstrated compliance with the Core Standards reviewed.

## STATEMENT ON INTERNAL CONTROL

### Principle Standards (minimum 65% score required)

Principle Standards are the mandatory targets set by the Welsh Risk Pool and they require a minimum of 65% in the following Standards;

No.	Risk Standard Title	2006	2007	Variance
1	Risk Management Policy and Strategy	88%	98%	+10%
2	Risk Profile	100%	100%	0%
7	Records Management	68%	78%	+10%
11	Supervision of Clinical Staff	93%	97%	+4%
12	Assessing Competence	85%	96%	+11%

The LHB met all the principle standards requirements. However, the LHB did not achieve an overall score of 75%. The LHB will need to focus further on improving Risk Management awareness if it is to benefit from the continually improving performance against the standards. Key performance indicators have been improved but will undergo further development to ensure adequate reporting is in place.

### 4.2 Business Services Centre (BSC)

The Welsh Risk Pool assessment of the BSC was integrated into the Local Health Board assessment for the first time in 2007.

The BSC compliance score in 2005/2006 was 59%.

### 5. Probity of Dental Expenditure

A new Dental Contract was implemented from 1<sup>st</sup> April 2006, with payments being made on LHBs' behalf by the Business Services Authority Dental Practice Division (DPD) in England. In addition to the checks required to obtain assurance on the adequacy of the payment systems - undertaken by both the DPD's and the LHB's internal auditors - there should also be checks to ensure the probity of dental expenditure. In 2006/07 the following work was undertaken on the probity of dental expenditure:

1. The DPD produced exception reports that allowed the LHB to identify any apparent discrepancies;
2. The LHB undertook monthly reconciliations of the DPD reports to the individual contracts;
3. The LHB's Dental Advisor undertook some practice reviews, e.g. identifying the inappropriate splitting of treatments that might lead to the overstatement of UDAs;
4. The LHB performed its own system reviews, some of which identified patient charge income that had not been properly identified; and
5. The LHB's internal auditors undertook an audit of the new dental contract, published in draft form in March 2007.

Although this work does not indicate that any material irregular dental expenditure occurred during 2006/07, the LHB plans to increase the work undertaken in future years to identify and minimise any risk of irregular payments to dentists.

## STATEMENT ON INTERNAL CONTROL

### 6. Electronic Staff Record

During 2006-07 the LHB, as part of a Wales wide roll out, implemented a new payroll system, the 'Electronic Staff Record' (ESR), which went 'live' in October 2007. However there have been problems with the system in 2006/07, the main ones as follows:

1. Appropriate Documentation
2. Adequate training and support
3. Accurate reporting
4. Key controls & control reports

Despite these problems, audit work undertaken by Internal Audit and Wales Audit Office on the ESR system, does not indicate that any material errors have occurred as a result. In addition, to mitigate the control weaknesses and associated risks, the LHB has increased the manning of the Payroll department on a temporary basis. Manual reconciliations have been completed every month since inception both in the payroll system and with the interface to the financial ledgers. No differences have proved material. The LHB continues to address issues with the service provider ensuring issues are resolved as quickly as possible and lessons learned. The LHB also has many representatives on the different functional Welsh ESR groups to share knowledge, establish best practice and help take forward the development of the system on a national basis together with colleagues in England.

### 7. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Audit Committee provides oversight of many internal control mechanisms, including receipt of all internal and external audit reports.

The Clinical Governance and Risk Management Committee and the Local Health Board receive annual reports on the compliance with Welsh Risk Management Standards. The minutes of this committee are reported to the Board.

The Local Health Board has developed its Assurance Framework into an Integrated Governance Directory which provides improved information and better access to information on risks. Access to risk information will be further improved with the ongoing implementation of the Datix Risk Register. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:.....  
Chief Executive  
(on behalf of board)

Date:.....

## **AUDITORS' REPORT**

### **Powys Teaching Local Health Board**

#### **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 on pages 2 to 38 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 7 to 12.

I certify that I have audited that part of the remuneration report to be audited.

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

As described on pages 39 and 40 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

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.

I review whether the statement on pages 41 to 45 reflects the Board's compliance with the Treasury and Welsh Ministers' guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

#### **Basis of Audit Opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

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

The LHB has breached its resource limit by spending £3.208 million over the amount that it was authorised to spend in year. This spend constitutes irregular expenditure.

Without qualifying my opinion, I draw your attention to note 2.1, which sets out the financial position of the LHB and the actions being taken to achieve financial balance.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Powys Local Health Board as at 31 March 2007 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers; and
- except for the irregular expenditure of £3.208 million in the year, explained in the paragraph above, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

My conclusion on Powys Local Health Board's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 will be reported separately in the published Annual Audit Letter.

Jeremy Colman  
Auditor General for Wales  
28th June 2007

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

## **ACCOUNT OF - 2006-2007**

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

#### **LOCAL HEALTH BOARDS**

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2007 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

#### **BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FReM), as detailed in the LHB Manual for Accounts, but specifically excluding schedules 1 and 5;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

#### **FORM AND CONTENT**

3. The account of the LHB for the year ended 31 March 2007 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2007 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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



**MISCELLANEOUS**

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

## **ACCOUNT OF - 2006-2007**

### **SCHEDULE 1**

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

##### **Companies Act**

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

##### **Accounting Standards**

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

### **SCHEDULE 2**

#### **ADDITIONAL REQUIREMENTS**

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