# Powys Teaching Health Board Accountability Report 2016-17

**SIGNED BY:**

**CAROL SHILLABEER**
**[CHIEF EXECUTIVE]**

**DATE: 01/06/2017**

# Contents

# BACKGROUND AND CONTEXT

Powys Teaching Health Board is required, as are all Welsh NHS bodies, to publish an Annual Report and Accounts. Copies of previous year's reports can be accessed from our website at:
*www.powysthb.wales.nhs.uk/annual-report-aqs*

Last year, for the first time NHS bodies were required to publish, as a single document, a three part annual report and accounts report, comprising:

**Part 1 - A Performance Report that provides:**

- An overview of the Health Board and a summary of its performance
- An analysis of the Health Board's performance

**Part 2 - An Accountability Report that includes:**

- A Corporate Governance Report
- A Remuneration and Staff Report
- A National Assembly for Wales Accountability and Audit Report

**Part 3 - The Financial Statements, including**
The Audited Annual Accounts 2016-17. The full financial accounts can be found online at *www.powysthb.wales.nhs.uk/annual-report-aqs*

This report forms the Accountability Report element i.e. Part 2 of the Annual Report and Accounts.

The timescale for production of the Performance Report for 2016-17 varies from that of the Accountability Report, which will be submitted to the Welsh Government on 2 June 2017 together with the Financial Statements, (Annual Accounts).

The Performance Report will be completed in July 2016, after the relevant performance metrics are made available by the Welsh Government. All three sections will be then combined into a single document, the 'Annual Report and Accounts' and will be published and presented at the Health Board's Annual General Meeting, which will be held on 19 July 2017.

## THE PURPOSE OF THE ACCOUNTABILITY REPORT

The purpose of this Accountability Report element of the Annual Report and Accounts is to meet key accountability requirements set by Parliament.

The requirements of the Accountability Report are based on the matters required to be dealt with in a Directors' Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and Schedule 8 of SI 2008 No 410. As not all requirements of the Company's Act apply to NHS bodies the structure adopted is as described in the Treasury's Government Financial Reporting Manual (FReM) and set out in the 2016-17 Manual for Accounts for NHS Wales, issued by the Welsh Government.

The Accountability Report is required to have three sections:

- A Corporate Governance Report
- A Remuneration and Staff Report
- A National Assembly for Wales Accountability and Audit Report

An overview of the content of each of these three sections is provided below.

## THE CORPORATE GOVERNANCE REPORT

This section of the Accountability Report provides an overview of the governance arrangements and structures that were in place across Powys Teaching Health Board during 2016-17. It also explains how these governance arrangements supported the achievement of the Health Board's vision, six aims and twelve strategic objectives.

The Board Secretary and the Directorate of Governance and Corporate Affairs team have compiled the report the main document being the Annual Governance Statement. This section of the report has been informed by a review of the work taken forward by the Board and its Committees over the last 12-months and has had input from the Chief Executive, as Accountable Officer, Board Members and the Audit and Assurance Committee.

In line with requirements set out in the Companies Act 2006 the Corporate Governance report includes:

- The Directors Report
- A Statement of Accountable Officers Responsibilities
- A Statement of Directors' Responsibilities in Respect of the Accounts
- The Annual Governance Statement

## REMUNERATION AND STAFF REPORT

This report contains information about the remuneration of senior management, fair pay ratios, sickness absence rates etc. and has been compiled by the Directorate of Finance and the Workforce and Organisational Development Directorate.

## NATIONAL ASSEMBLY FOR WALES ACCOUNTABILITY AND AUDIT REPORT

This report contains a range of disclosures on the regularity of expenditure, fees and charges, compliance with the cost allocation and charging requirements set out in HM Treasury guidance, material remote contingent liabilities, long-term expenditure trends, and the audit certificate and report.

# PART A: CORPORATE GOVERNANCE REPORT

# THE DIRECTORS REPORT

# MEMBERS OF THE BOARD OF POWYS TEACHING HEALTH BOARD

Part 2 of The Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009 sets out the required membership of the Boards of Local Health Board's, the appointment and eligibility requirements of members, the term of office of non-officer members and associate members. In line with these Regulations the Board of Powys Teaching Health Board comprises of:

- a chair;
- a vice-chair;
- officer members; and
- non-officer members.

The members of the Board are collectively known as "the Board" or "Board members"; the officer and non-officer members (which includes the Chair) are referred to as Executive Directors and Independent Members respectively. All members have full voting rights.

In addition, the Welsh Ministers may appoint up to three associate members. Associate members have no voting rights.

Before an individual may be appointed as a member or associate member they must meet the relevant eligibility requirements, set out in Schedule 2 of The Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009, and continue to fulfil the relevant requirements throughout the time that they hold office.

The Regulations can be accessed via the following link:
*http://www.legislation.gov.uk/wsi/2009/779/pdfs/wsi_20090779_mi.pdf*

## VOTING MEMBERS OF THE BOARD DURING 2016-17

During 2016-17, the following individuals were voting members of the Board of Powys Teaching Health Board:

### Executive Directors

- **Carol Shillabeer**, Chief Executive
- **Alan Lawrie**, Deputy Chief Executive and Director of Primary and Community Care
- **Rhiannon Jones**, Director of Nursing
- **Stephen Edwards**, Interim Medical Director (up to 31 October 2016)
- **Karen Gully**, Medical Director (from 28 November 2016)

- **Catherine Woodward**, Director of Public Health
- **Julie Rowles**, Director of Workforce and Organisational Development
- **Hayley Thomas**, Director of Planning and Performance (Interim from 6 June 2015 and substantive from 18 April 2016)
- **David Murphy**, Director of Therapies and Health Sciences (from 19 September 2016)
- **Rebecca Richards**, Director of Finance (up to 19 March 2017. Please note from April 2016 to 19 March 2017 Rebecca Richards was on secondment to Aneurin Bevan University Health Board)
- **Glyn Jones**, Interim Director of Finance (from 4 April 2016 to 31 October 2016)
- **Eifion Williams**, Interim Director of Finance (from 1 November 2016)

### Independent Members

- **Vivienne Harpwood**, Chair
- **Melanie Davies**, Vice Chair
- **Mark Baird** (Information technology)
- **Matthew Dorrance** (Local Authority)
- **Owen James** (Community)
- **Jonothan White** (Trade Union Side) (from January 2017)
- **Paul Dummer** (University)
- **Roger Eagle** (Legal)
- **Sara Williams** (Capital and Estates)
- **Tony Thomas** (Finance)
- **Trish Buchan** (Third Sector)

## NON-VOTING MEMBERS OF THE BOARD DURING 2016-17

The following individuals were Associate Members of the Board during 2016-17. While they took part in public Board meetings they did not hold any voting rights:

- **Amanda Lewis,** Strategic Director of People, Powys County Council (up to December 2016)
- **Veronica Jarman,** Older Peoples' Champion

During the year, the Health Board together with Powys County Council appointed a Director of Transformation, a non-voting member of the Health Board and member of the Council's senior management team. Martin Brown took up post on 1 November 2016 and due to personal circumstances left on 31 January 2017.

Further details in relation to role and composition of the Board can be found at pages 26 to 27 of the Annual Governance Statement. In addition, short biographies of all our Board members can be found on our website at**:** *http://www.powysthb.wales.nhs.uk/board-membership*

## MEMBERS OF THE AUDIT AND ASSURANCE COMMITTEE

In early 2016, the terms of reference of the Health Board's Audit Committee were reviewed and the Audit and Assurance Committee was established. The Committee supports the Board and Accountable Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and integrity of financial statements and the annual report.
The Terms of Reference of the Audit and Assurance Committee can be found at http://www.powysthb.wales.nhs.uk/audit-

The following independent members formed the Audit and Assurance Committee during 2016-17:

- Tony Thomas, Chair
- Roger Eagle, Vice Chair
- Jonathon White (from March 2017)
- Mark Baird
- Sara Williams

An overview of the Audit and Assurance Committee's work programme for 2016-17 is provided in the Annual Governance Statement.

## MEMBERSHIP OF BOARD COMMITTEES AND ATTENDANCE

Section 2 of Powys Teaching Health Board's Standing Orders provides that "*The Board may and, where directed by the Welsh Government must, appoint Committees of the Health Board either to undertake specific functions on the Board's behalf or to provide advice and assurance to the Board in the exercise of its functions.*"

In addition to the Audit and Assurance Committee the Board has established seven committees to enable the scrutiny and review of a range of matters, to a level of depth and detail not possible in Board meetings. As these Committees have been established to review the exercise of functions delegated to officers of the Health Board Executive Directors are not members of the Committee but are in attendance at such Committees. Each Committee has a nominated lead Executive Director.

Details of the composition of the Board including Executive Directors, Independent Members, Associate Board Members and those who had authority or responsibility for directing or controlling the major activities of Powys Teaching Health Board during the 2016-17 financial are provided in Table 1 that follows.

### *Table 1: Committee Membership and Roles*

| Name | Position and Area of Expertise | Board and Board Committee Membership | Board Attendance 2016-17 | Board Champion Roles |
|---|---|---|---|---|
| Vivienne Harpwood | Chair | ▪ Chair of the Board<br>▪ Member of the Finance, Planning and Performance Committee<br>▪ Vice Chair of the Joint Partnership Board<br>▪ Member of the Mental Health and Learning Disabilities Committee<br>▪ Chair of the Remuneration and Terms of Service Committee | 7 out of 7 | ▪ Organ Donation |
| Melanie Davies | Vice Chair [Primary Care, Community and Mental Health Services] | ▪ Vice Chair of the Board<br>▪ Chair of the Mental Health and Learning Disabilities Committee<br>▪ Member of the Patient Experience, Quality and Safety Committee<br>▪ Member of the Pharmacy Applications Committee<br>▪ Chair of the Power of Discharge Committee<br>▪ Vice Chair of the Remuneration and Terms of Service Committee<br>▪ Member of the Workforce and Organisational Development Committee | 7 out of 7 | ▪ Armed Forces and Veterans Health<br>▪ Lead Independent Board Member for Children and Young People's Services<br>▪ Lead Independent Board Member for Child Protection and Safeguarding Procedures<br>▪ Safeguarding Champion<br>▪ Lead Independent Board Member for Mental Health |
| Mark Baird | Independent Member [Information Technology] | ▪ Member of the Board<br>▪ Member of the Audit and Assurance Committee<br>▪ Member of Finance, Planning and Performance Committee<br>▪ Chair of Information Management, Technology and Governance Committee<br>▪ Member of the Mental Health and Learning Disabilities Committee<br>▪ Member of the Workforce and Organisational Development Committee | 5 out of 7 | ▪ Information Governance<br>▪ Ambulance Services |

| Name | Position and Area of Expertise | Board and Board Committee Membership | Board Attendance 2016-17 | Board Champion Roles |
|---|---|---|---|---|
| Trish Buchan | Independent Member [Third Sector] | ▪ Member of the Board<br>▪ Vice Chair of the Information Management, Technology and Governance Committee<br>▪ Member of the Remuneration and Terms of Service Committee<br>▪ Vice Chair of the Patient Experience, Quality and Safety Committee<br>▪ Chair of the Workforce and Organisational Development Committee | 7 out of 7 | ▪ Cleanliness, hygiene and infection management<br>▪ Dementia<br>▪ Nutrition |
| Matthew Dorrance | Independent Member [Local Authority] | ▪ Member of the Board<br>▪ Chair of the Finance, Planning and Performance Committee<br>▪ Member of the Information Management, Technology and Governance Committee<br>▪ Member of the Mental Health and Learning Disabilities Committee<br>▪ Member of the Power of Discharge Committee | 6 out of 7 | ▪ Equality and Human Rights Champion<br>▪ Prudent Health and Care Champion |
| Paul Dummer | Independent Member [University] | ▪ Member of the Board<br>▪ Member of the Patient Experience, Quality and Safety Committee | 4 out of 7 | ▪ Research and Development |
| Roger Eagle | Independent Member [Legal] | ▪ Member of the Board<br>▪ Member of the Audit and Assurance Committee<br>▪ Vice Chair of the Mental Health and Learning Disabilities Committee<br>▪ Member of the Joint Partnership Board<br>▪ Chair of the Patient Experience, Quality and Safety Committee<br>▪ Member of the Pharmacy Applications Committee<br>▪ Member of the Power of Discharge Committee | 6 out of 7 | ▪ Board Independent Member Lead for Putting Public and Patient Involvement in to Practice |

| Name | Position and Area of Expertise | Board and Board Committee Membership | Board Attendance 2016-17 | Board Champion Roles |
|---|---|---|---|---|
| Owen James | Independent Member [Community] | ▪ Member of the Board<br>▪ Vice Chair of the Charitable Funds Committee<br>▪ Member of the Finance, Planning and Performance Committee<br>▪ Member of the Information Management Technology and Governance Committee<br>▪ Member of the Joint Partnership Board (from November 2016)<br>▪ Chair of the Pharmacy Applications Committee<br>▪ Member of the Remuneration and Terms of Service Committee | 7 out of 7 | ▪ Design Champion (Capital) |
| Tony Thomas | Independent Member [Finance] | ▪ Member of the Board<br>▪ Chair of the Audit and Assurance Committee<br>▪ Chair of the Charitable Funds Committee<br>▪ Vice Chair of the Finance, Planning and Performance Committee<br>▪ Member of the Patient Experience, Quality and Safety Committee<br>▪ Member of the Remuneration and Terms of Service Committee | 7 out of 7 | |
| Sara Williams | Independent Member [Capital and Estates] | ▪ Member of the Board<br>▪ Member of the Audit and Assurance Committee<br>▪ Member of the Charitable Funds Committee<br>▪ Member of the Finance, Planning and Performance Committee<br>▪ Member of Joint Partnership Board (up to October 2016)<br>▪ Vice Chair of the Workforce and Organisational Development Committee | 6 out of 7 | ▪ Welsh Language<br>▪ National Institute of Clinical Excellence |
| Jonothan White *[From January 2017]* | Independent Member [Trade Union Side] | ▪ Member of the Board<br>▪ Member of the Audit and Assurance Committee<br>▪ Member of the Workforce and Organisational Development Committee | 2 out of 2 | |

| Name | Position and Area of Expertise | Board and Board Committee Membership | Board Attendance 2016-17 | Board Champion Roles |
|---|---|---|---|---|
| Veronica Jarman | Associate Member [Older People] | ▪ Member of the Board [Non-voting] | 4 out of 7 | ▪ Older People |
| Carol Shillabeer | Chief Executive | ▪ Member of the Board<br>▪ Member of the Emergency Ambulance Services Committee<br>▪ Member of the Joint Partnership Board<br>▪ Member of the Welsh Health Specialist Services Committee<br>Required attendee at:<br>▪ Remuneration and Terms of Service Committee<br>Regular attendee at all Board Committees | 7 out of 7 | |
| Alan Lawrie | Deputy Chief Executive/ Director of Primary and Community Care, and Mental Health | ▪ Member of the Board<br>▪ Member of the Emergency Ambulance Services Committee (in Chief Executives absence)<br>▪ Member of the Welsh Health Specialist Services Committee (in Chief Executives absence)<br>Executive lead and Required Attendee:<br>▪ Mental Health and Learning Disabilities Committee<br>Attendee as requested at all Board Committees: | 5 out of 7 | |
| Stephen Edwards *[Secondment ended on 31 October 2016]* | Interim Medical Director | ▪ Member of the Board<br>Required attendee at:<br>▪ Information Management, Technology and Governance Committee<br>▪ Mental Health and Learning Disabilities Committee<br>▪ Patient Experience, Quality and Safety Committee<br>Attendee as requested at all other Board Committees: | 3 out of 3 | |

| Name | Position and Area of Expertise | Board and Board Committee Membership | Board Attendance 2016-17 | Board Champion Roles |
|---|---|---|---|---|
| Karen Gully *[Took up position on 28 November 2016]* | Medical Director | ▪ Member of the Board<br>Required attendee at:<br>▪ Information Management, Technology and Governance Committee<br>▪ Mental Health and Learning Disabilities Committee<br>▪ Patient Experience, Quality and Safety Committee<br>Attendee as requested at all other Board Committees | 2 out of 2 | |
| Glyn Jones *[Secondment ended on 31 October 2016]* | Interim Director of Finance and Information Technology | ▪ Member of the Board<br>Required attendee at:<br>▪ Audit and Assurance Committee (Joint Executive Lead)<br>▪ Charitable Funds (Trustee and Executive Lead)<br>▪ Finance, Planning and Performance Committee (Joint Executive Lead)<br>▪ Information Management, Technology and Governance Committee (Joint Executive Lead)<br>Attendee as requested at all other Board Committees | 3 out of 3 | |
| Rhiannon Jones | Director of Nursing | ▪ Member of the Board<br>Required attendee at:<br>▪ Charitable Funds Committee (Trustee)<br>▪ Mental Health and Learning Disabilities Committee<br>▪ Patient Experience, Quality and Safety Committee (Executive Lead)<br>▪ Workforce and Organisational Development Committee<br>Attendee as requested at all other Board Committees | 4 out of 7 | |
| *David Murphy [Took up position on 19 September 2016]* | *Director of Therapies and Health Science* | ▪ *Member of the Board*<br>*Required attendee at:*<br>▪ *Patient Experience, Quality and Safety Committee*<br>▪ *Workforce and Organisational Development Committee*<br>Attendee as requested at all other Board Committees | 4 out of 4 | |

| Name | Position and Area of Expertise | Board and Board Committee Membership | Board Attendance 2016-17 | Board Champion Roles |
|---|---|---|---|---|
| Julie Rowles | Director of Workforce and Organisational Development | ▪ Member of the Board<br>Required attendee at:<br>▪ Remuneration and Terms of Service Committee<br>▪ Workforce and Organisational Development Committee (Executive Lead)<br>Attendee as requested at all other Board Committees | 5 out of 7 | |
| Hayley Thomas | Director of Planning and Performance | ▪ Member of the Board<br>Required attendee at:<br>▪ Finance, Planning and Performance Committee (Joint Executive Lead)<br>▪ Information Management, Technology and Governance Committee<br>Attendee as requested at all other Board Committees: | 7 out of 7 | |
| Eifion Williams *[Took up interim position on 1 November 2016]* | Interim Director of Finance and Information Technology | ▪ Member of the Board<br>Required attendee at:<br>▪ Audit and Assurance Committee (Joint Executive Lead)<br>▪ Charitable Funds (Trustee and Executive Lead)<br>▪ Finance, Planning and Performance Committee (Joint Executive Lead)<br>▪ Information Management, Technology and Governance Committee (Joint Executive Lead)<br>Attendee as requested at all other Board Committees | 1 out of 2 | |
| Catherine Woodward | Director of Public Health | ▪ Member of the Board<br>Required attendee at:<br>▪ Patient Experience, Quality and Safety Committee<br>Attendee as requested at all other Board Committees | 5 out of 7 | |

Further details regarding the role and responsibilities independent and executive directors of the Board can be found in the Health Board's Scheme of Reservation and Delegation of Powers, which can be accessed via the following link
http://www.powysthb.wales.nhs.uk/document/304770

Details of the frequency and dates that the Board and its Committees met in 2016-17 are provided on page 31 of the Annual Governance Statement.

The 2016-17 annual reports of the Board Committees can be found on our website at: http://www.powysthb.wales.nhs.uk/sub-committees. These reports set out details of the terms of reference, work programmes, membership of each Committee, attendance of members and executive directors and the key issues discussed. Further details in relation to the work of the Health Board's Committees is provided in the Annual Governance Statement.

## DECLARATION OF INTERESTS

Details of company directorships and other significant interests held by members of the Board which may conflict with their responsibilities are maintained and updated on a regular basis. A Register of Interests is available and can be accessed via the following link
http://www.powysthb.wales.nhs.uk/key-documents
or a hard copy can be obtained from the Board Secretary on request.

## PERSONAL DATA RELATED INCIDENTS

Information on personal data related incidents where these have been formally reported to the Information Commissioner's office and the reporting of personal data related incidents including "serious untoward incidents" involving data loss or confidentiality breaches and details of how the risks to information are managed and controlled are detailed on pages 54 to 55 of the Annual Governance Statement.

## ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

The Board is aware of the potential impact that the operation of the Health Board has on the environment and it is committed to wherever possible:

- ensuring compliance with all relevant legislation and Welsh Government Directives;

- working in a manner that protects the environment for future generations by ensuring that long term and short term environmental issues are considered; and
- preventing pollution and reducing potential environmental impact.

The Board's Sustainability Report that forms a key part of the Performance Report section of this Annual Report provides greater detail in relation to the environmental, social and community issues facing the Health Board. It also details some of the steps being taken by the Health Board to tackle sustainability, these include:

- integrating the principles of sustainable development into every day decision making;
- focusing on reducing the consumption of finite resources and minimising waste where possible; and
- adopting a carbon based management approach specifically aimed at reducing CO2 and meeting the Welsh Government target objective of a 3% year on year reduction in our carbon footprint.

## STATEMENT FOR PUBLIC SECTOR INFORMATION HOLDERS

As the Accountable Officer of Powys Teaching Health Board, and in line with the disclosure requirements set out by the Welsh Government and HM Treasury, I confirm that the Health Board has complied with the cost allocation and charging requirements set out in HM Treasury guidance during the year.

**SIGNED BY:** **DATE: 01/06/2017**

**/CAROL SHILLABEER**
**[CHIEF EXECUTIVE]**

# STATEMENT OF ACCOUNTABLE OFFICER RESPONSIBILITIES: 2016-17

# STATEMENT OF MY ACCOUNTABLE OFFICER RESPONSIBILITIES AS CHIEF EXECUTIVE OF POWYS TEACHING HEALTH BOARD

*"The Welsh Ministers have directed that as the Chief Executive of Powys Teaching Health Board I 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.*

*The Accountable Officer Memorandum makes it clear that I am personally responsible for the propriety and regularity of the public finances for which I am answerable. As the Accountable Officer for Powys Teaching Health Board I am responsible for:*

- *the overall organisation, management and staffing of the Health Board and its arrangements related to quality and safety of care as well as matters of finance, together with any other aspect relevant to the conduct of the Health Board's business in pursuance of the strategic direction set by the Health Board's Board, and in accordance with its statutory responsibilities;*
- *ensuring that all items of expenditure, including payments to staff, fall within the legal powers of the Board;*
- *acting within the scheme of delegations and ensuring that they comply with guidance on classes of payment that they should authorise personally;*
- *ensuring that in delegating functions to officers I am satisfied of their ongoing capacity and capability to deliver on those functions, facilitating access to the information they need, ongoing training and development, as well as professional or specialist advice where appropriate;*
- *prudent and economical administration, for the avoidance of waste and extravagance, and for the efficient and effective use of all resources;*
- *ensuring that the assets for which I am responsible are properly safeguarded;*
- *ensuring that, in the consideration of policy proposals relating to the expenditure or income for which I have responsibility, all relevant*

*financial considerations (including any issues of propriety, regularity or value for money) are taken into account;*

- *ensuring that risks to the achievement of the Health Board's objectives and fulfilment of its statutory responsibilities are identified, that their significance is assessed, and that a sound system of internal control is in place to manage them;*
- *implementing an appropriate framework of assurance covering all aspects of Health Board business, ensuring that research and evaluation work is planned so that strategic objectives and spending programmes for which I have responsibility are routinely evaluated to assess their effectiveness and value for money;*
- *ensuring, as a key source of internal assurance, that I establish arrangements for internal audit in accordance with the International Standards for the professional practice of Internal Audit as adopted by the NHS in Wales, Welsh Assembly Government and HM Treasury, and ensuring that appropriate action is taken in response to reports produced by Internal Audit;*
- *ensuring that there are appropriate arrangements for counter fraud and that procedures for dealing with suspected cases of fraud are complied with;*
- *ensuring that the Health Board co-operates fully with external auditors, regulators and inspectors - including the Wales Audit Office (WAO), Healthcare Inspectorate Wales (HIW), and the Care and Social Services Inspectorate Wales (CSSIW), and ensuring that appropriate action is taken in response to any reports produced by such bodies;*
- *signing the Health Board's accounts and, in doing so, accepting personal responsibility for their proper presentation fully supported by sound financial procedures and records, and in accordance with the Health Board Accounts Directions issued by Welsh Ministers, ensuring that losses or special payments are properly identified and handled in accordance with defined requirements.*

*I can confirm that to the best of my knowledge and belief, during 2016-17, I have properly discharged the above responsibilities as set out in the Accountable Officer Memorandum and my letter of appointment as an Accountable Officer.*

*As the Accountable Officer of Powys Teaching Health Board I also confirm that as far as I am aware, there is no relevant audit information of which the Powys Teaching Health Board's auditors are unaware. I have taken all appropriate steps to make myself aware of any relevant audit information and to establish that the Health Board's auditors are aware of that information.*

*I can confirm that the annual accounts as a whole are fair, balanced and understandable and I take personal responsibility for the accounts and the judgments required for determining that they are fair, balanced and understandable.*

**SIGNED BY:** **DATE: 01/06/2017**

**CAROL SHILLABEER**
**[CHIEF EXECUTIVE]**

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS FOR 2016-17

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors of Powys Teaching Health Board 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 Health Board and of the income and expenditure of the Health Board 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

On behalf of the directors of Powys Teaching Health Board we confirm:

- that we have complied with the above requirements in preparing the 2016-17 accounts; and
- that we are clear of their responsibilities in relation to 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 BY:** **DATE: 02/06/2017**

**VIV HARPWOOD**
**[CHAIR]**

**SIGNED BY:** **DATE: 01/06/2017**

**CAROL SHILLABEER**
**[CHIEF EXECUTIVE]**

**SIGNED BY:** **DATE: 01/06/2017**

**EIFION WILLIAMS**
**[INTERIM DIRECTOR OF FINANCE]**

# ANNUAL GOVERNANCE STATEMENT

# SCOPE OF RESPONSIBILITY

Powys Teaching Health Board (PTHB, the Health Board) was established in 2003. The Board of PTHB is accountable for good governance, risk Management and internal control. As the Chief Executive and Accountable Officer of PTHB I have clearly defined responsibilities as set out in the Accountable Officer Memorandum and my letter of appointment. These responsibilities relate to maintaining appropriate governance structures and procedures, as well as a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and the organisation's assets for which I am personally responsible. These duties are carried out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales.

I am held to account for my performance by the Chair of the Health Board and the Chief Executive and Accounting Officer for the NHS in Wales. I have formal performance meetings with both the Chair and the Chief Executive of NHS Wales. Further, the Executive Team of the Health Board meet with the senior leaders of the Department of Health and Social Services on a regular basis.

## HEALTH BOARD'S PURPOSE

The Health Board's key purpose is to promote the health and well-being of the population of Powys and to provide and secure excellent healthcare services for them. PTHB's Integrated Medium Term Plan for 2016-19 (IMTP) set out the Health Board intention to work together with the population of Powys, its partners, professionals and others to help achieve better health and better health and care services. It is designed around the vision set out by the Board to deliver "truly integrated care centred on the needs of the individual".

To achieve its vision the Board has agreed the following aims:

- Improving health and wellbeing;
- Ensuring the right access;
- Striving for excellence;
- Involving the people of Powys;
- Making every pound count; and working to achieve the vision
- Always with our staff

The largest proportion of the Health Board's budget is devoted to commissioning NHS services. Much of this care is provided in the community by primary care contractors such as General Practices, Dental Practices, Pharmacists, Optometrists and Nurses in Powys. Other community based services, such as community hospitals, are provided through the Health Board's own service provider function.

As the Health Board does not have a District General Hospital, it commissions a range of services from other healthcare organisations in Wales and England to ensure the needs of the Powys population are met. This includes general surgery and hospital led maternity services. Out of county activity is equivalent to that of a District General Hospital with 400 beds.

Detailed information about the services we provide and our facilities can be found on our website in the section labelled 'Services'. This can be accessed from the home page, or via the following link http://www.powysthb.wales.nhs.uk/services.

The Performance Report provides an overview of the Health Board's performance against our stated organisational objectives and national outcome measures.

## ORGANISATIONS HOSTED BY PTHB

In compliance with requests made by the Welsh Ministers PTHB hosts the following organisations:

- **The seven Community Health Councils that operate across Wales and the Board of Community Health Councils in Wales:** Community Health Councils are independent statutory organisations that represent the interests of the patient and the public in the National Health Service. While the Board of Community Health Councils in Wales is responsible for monitoring the performance of the Community Health Councils (CHCs), the conduct of members and performance of officers as well as operating a Complaints Procedure. More information about these organisations can be found at *http://www.wales.nhs.uk/sitesplus/899/page/71598*

- **Health and Care Research Wales**: Health and Care Research Wales is funded and overseen by the Welsh Government's Research and Development Division. It provides an infrastructure to support and increase capacity in research and development (R&D), runs a range of responsive funding schemes and manages the NHS R&D funding allocation. More information can be found at *https://www.healthandcareresearch.gov.wales/about/*

The Board is not responsible for the delivery of the objectives of these organisations or their day to day management. It is however responsible for ensuring that the organisations are staffed using appropriate recruitment mechanisms and that PTHB's Standing Financial Instructions and Workforce and OD policies are complied with.

# THE HEALTH BOARD'S GOVERNANCE FRAMEWORK

## BOARD COMPOSITION

PTHB is led by its Chair, Chief Executive and a Board of Executive Directors, Independent Members and Associate Members. The Directors' Report, provides details of the composition of the Board and its legislative basis.

The Board sits at the top of the organisation's governance and assurance systems. Its principal role is to exercise effective leadership, provide strategic direction and control. The Board is accountable for governance and internal control in the organisation, and I, as the Chief Executive and Accountable Officer, am responsible for maintaining appropriate governance structures and procedures. In summary, the Board:


- Sets the strategic direction of the organisation within the overall policies and priorities of the Welsh Government and the NHS in Wales;
- Establishes and maintains high standards of corporate governance;
- Ensures the delivery of the aims and objectives of the organisation through effective challenge and scrutiny of performance across all areas of responsibility;
- Monitors progress against the delivery of strategic and annual objectives; and
- Ensures effective financial stewardship by effective administration and economic use of resources.

The Board functions as a corporate decision making body, Executive Directors and Independent Members being full and equal members and sharing corporate responsibility for all the decisions of the Board. Details of those who sit on the Board are published on our website at: *www.powysthb.wales.nhs.uk/boardmembership.*

During the financial year the following substantive appointments were made as voting members of the Board:

- Karen Gully, Medical Director
- David Murphy, Director of Therapies and Health Science
- Hayley Thomas, Director of Planning and Performance
- Jonathon White, Independent Member

Attendance at Board meetings is formally recorded within the minutes, detailing where apologies have been received and deputies have been

nominated. The agenda and minutes of all public meetings can be found on our website at: *www.powysthb.wales.nhs.uk/board-meetings*

During the 2016-17 the Board held:

- Seven meetings in public (including one extraordinary meeting, held to agree the Annual Accounts for 2015-16);
- One Annual General Meeting; and
- Six development sessions.

All meetings of the Board held in 2016-17 were appropriately constituted with a quorum. Through these meetings the Board:

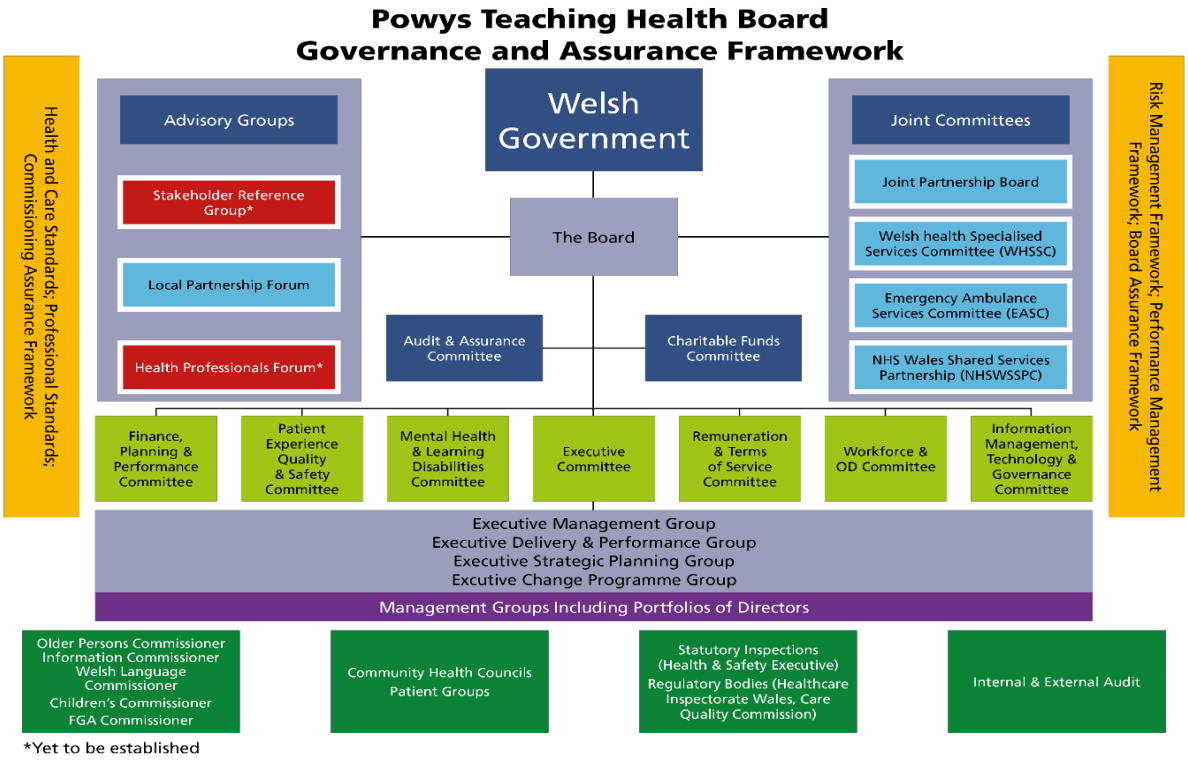
- Oversaw the implementation of the approved 2016-2019, integrated Medium Term Plan (IMTP) and were actively involved in the development and approval of the 2016-2019 refreshed three year plan;
- Oversaw the development of the Health and Care Strategy for Powys;
- Took steps to address the requirements of the Future Generations Act;
- Received feedback from service users and patients through patient stories
- Approved a series of delivery plans, including those for End of Life, Dementia and Diabetes.
- Oversaw the development of an organisational Assurance Framework;
- Approved a strengthen Risk Management Framework;
- Oversaw the development of, received, considered and discussed the organisational risk register and the monitoring and management of the assigned risks to key committees of the Board;
- Oversaw the transfer of Adult Mental Health Services back to the Health Board;
- Oversaw the implementation of the Strategic Commissioning Framework.
- Approved and monitored the Discretionary Capital Programme.
- Agreed the Powys Smoke Free Policy.
- Received, considered and discussed financial performance and the related risks being managed by the Health Board;
- Received regular reports on Patient Experience and feedback, ensuring where concerns are raised, that these are escalated to the Board and where necessary, result in the Board proactively activating agreed multiagency procedures and cooperate fully with partners.
- Routinely considered the Board's performance in relation to key national and local targets and agreed mitigating actions in response to improve performance where appropriate.
- Routinely received assurance reports from the Committees and Advisory Groups of the Board.

## BOARD COMMITTEE ARRANGEMENTS

The Board is clear that robust governance is reliant upon effective and efficient Board Committee arrangements, which ensure a balance of focus between strategic development, gaining assurance and scrutiny and driving the right culture. In this regard Section 2 of Powys Teaching Health Board's Standing Orders provides that "*The Board may and, where directed by the Welsh Government must, appoint Committees of the Health Board either to undertake specific functions on the Board's behalf or to provide advice and assurance to the Board in the exercise of its functions.*"


The Health Board has established a range of committees – see ***Figure 1*** that follows. These Committees are chaired by

***Figure 1: Powys Teaching Health Board's Governance and Assurance Framework***




Independent Members of the Board and have key roles in relation to the system of governance and assurance, decision making, scrutiny, development discussions, assessment of current risks and performance monitoring.

Building on the work started in 2015-16, further steps were taken during the year to strengthen Board Committee arrangements.

A full and considered review of each of the terms of reference of the Board's committees was undertaken. This review highlighted areas where assurance and risk management arrangements required strengthening and consequently the terms of reference of a number of the committees were updated.

At its May 2016 meeting the Board agreed to:

- The Audit Committee being renamed the Audit and Assurance Committee. This change brought the Board's arrangements in line with Treasury guidance "Corporate governance in central government departments: Code of good practice 2011". Principle 5.1 of the Code provides that the board should be supported by an Audit and Risk Assurance Committee chaired by a suitably experienced non-executive board member.

  The Terms of Reference of the Audit and Assurance Committee were strengthened to reflect requirements set out in Treasury guidance "Audit and Risk Assurance Committee Handbook 2013".

- The Finance and Performance Committee being renamed the Finance, Planning and Performance Committee. The change in title reflects the changes made to the Committee's Terms of Reference, which now incorporate specific references to the Committee's role in relation to the provision of assurance and advice in relation to strategic planning, commissioning and capital and estates.

- The Mental Health Assurance Committee being renamed the Mental Health and Learning Disabilities Committee. The change in title reflects the wider role that the Committee has in relation to the provision of assurance and advice regarding the quality and safety of mental health and learning disability services. The revised terms of reference strengthen the Committees role in relation to legislative requirements.

- The Quality and Safety Committee being renamed the Patient Experience, Quality and Safety Committee, reflecting the key role that the Committee plays in relation to monitoring the experience of our patients and overseeing the implementation of the Patient Experience Strategy.

In addition, to improve the openness, transparency and effectiveness of each of the Board Committees the terms of reference of each were amended to:

- fully reflect the powers and authority delegated to the committee.
- make it clear that the Committee Chair can invite the Chief Executive and other officials to attend meetings of the Committee.
- confirm that in order to avoid cancelling a Committee meeting the Chair may invite another independent member of the Board to be a temporary member of the Committee.
- reflect the fact that Board Committee meetings (with the exception of the Remuneration and Terms of Service Committee) will be held in public with due regard being paid to accessibility requirements.
- confirm meetings of the Board committees will be held in public unless there are circumstances where it would not be in the public interest to discuss a matter in public.
- clarify the requirement, set out in Standing Orders, for each Committee to produce an annual report.
- fully explain when and in what circumstances Chair's action can be taken.

A paper outlining the changes made and agreed by the Board can be found on the Board section of our website
*http://www.powysthb.wales.nhs.uk/board-agenda-25-may-2016*

At its July meeting the Board also agreed to the:

- The Information Governance Committee being renamed the Information Management, Technology and Governance Committee, reflecting the fact that the terms of reference had been expanded to include details of the Committee's powers and authority in relation to Information Management and Technology.
  *http://www.powysthb.wales.nhs.uk/board-agenda-27-july-2016*

In order to strengthen the governance of Executive Director discussions and decision making I agreed with the Board that an Executive Committee would be established as a formal Committee of the Board. I Chair this Committee which comprises of all Executive Directors, which has been delegated powers from the Board to oversee the day to day management of the organisation and in so doing ensure an effective system of integrated governance, risk management and internal control across the whole of the Health Board's activities (both clinical and non-clinical and provided and commissioned services), which supports the achievement of its strategic objectives as set out in its Integrated Medium Term Plan (IMTP).

As a result of the above changes agreed by the Board the following Board Committees were in place during 2016-17:

- Audit & Assurance Committee
- Charitable Funds Committee
- Executive Committee

- Finance, Planning and Performance Committee
- Information Management, Technology and Governance Committee
- Mental Health and Learning Disabilities Committee
- Patient Experience, Quality and Safety Committee
- Remuneration and Terms of Service Committee
- Workforce and Organisational Development Committee

Each committee has clear terms of reference and at the start of the year each produced a work programme setting out the areas they would focus on during the year. All committee terms of reference and work programmes can be viewed via the following link http://www.powysthb.wales.nhs.uk/sub-committees.

During 2016-17, the committees considered and scrutinised a range of reports and issues relevant to the matters delegated to them by the Board. Reports considered by the committees included a range of internal audit reports, external audit reports and reports from other review and regulatory bodies, such as Healthcare Inspectorate Wales and Powys Community Health Council. As was the case in previous years, the committees' consideration and analysis of such information has played a key role in my assessment of the effectiveness of internal controls, risk management arrangements and assurance mechanisms.

***Table 2*** below outlines dates of Board and Committee meetings held during 2016-17. All meetings were quorate.

| | Dates of Meetings | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | | | | 2017 | | |
| | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
| Board | | 31 | | 27 | | 28 | | 23 | | 25 | | 22 |
| Board Development | 28 | | 23 | | | 1 | 20 | | 15 | | 16 | |
| Charitable Funds | | 10 | | 12 | | | 27 | 8 | | 17 | | 14 |
| Finance, Planning & Performance | | 12 | | 5 | | 6 | | 3 | | 12 | | 15 |
| Information Management, Technology & Governance | 21 | | | 14 | | | 18 | | | 19 | | |
| Mental Health & Learning Disabilities | | | 7 | | | | 13 | | 1 | | 28 | |
| Patient Experience, Quality & Safety | 26 | 5 | | 7 | | 22 | | 17 | | | 2 | 30 |
| RATS | | 25 | 30 | | | | | | 15 | | | 8 |
| Workforce and OD | 19 | | 14 | 21 | | | 11 | | 8 | | 14 | |

The committees have also considered and advised on areas of local and national strategic developments and new policy areas. Board Members are

also involved in a range of other activities on behalf of the Board, such as Board development sessions (at least six a year), quality and safety 'walkrounds', shadowing and a range of other internal and external meetings.

Throughout the year, the Chair of each committee reported to the Board on the committees' activities. Further, in line with the Health Board's Standing Orders, each committee has produced an annual report, for 2016-17, setting out a helpful summary of its work. These annual reports were considered in a public session of the Board and can be accessed via the following link http://www.powysthb.wales.nhs.uk/sub-committees

There is cross representation between committees to support the connection of the business of committees and also to seek to integrate assurance reporting. The Health Board is continuing to develop the ways in which its committees work together to ensure the Board has assurance on the breadth of the Health Board's work to meet its objectives and responsibilities.

An overview of the key areas of focus for each of the Board committees is set out in **Table 3** that follows.

***Table 3: Key Areas of Focus of Committees of the Board***

| | |
|---|---|
| **Audit and Assurance Committee** | ▪ Approved of the Internal Audit Plan for 2016-17<br>▪ Oversaw the delivery of a programme of internal and external audit reports<br>▪ Sought assurance in relation to Post Payment Verification Checks<br>▪ Kept an overview of the adequacy of Counter Fraud Services<br>▪ Monitored the implementation of audit recommendations<br>▪ Kept under review the Health Board's arrangements for risk management and assurance<br>▪ Reviewed and sought assurance on the accuracy of Annual accounts<br>▪ Oversaw the Governance Improvement Programme |
| **Executive Committee** | ▪ Took forward actions arising from the Integrated Performance Report and performance managing the delivery of those action plans.<br>▪ Implemented and managed the structures, processes and responsibilities for identifying and managing the key risks facing the |

| | |
|---|---|
| | organisation; informing discussions at the Audit and Assurance Committee and the Board.<br>▪ Kept the operational effectiveness of policies and procedures under review.<br>▪ Scrutinised key reports and strategies prior to their submission to other Committees of the Board and/or the Board to ensure their accuracy and quality.<br>▪ Provided a strategic view of issues of concern ensuring co-ordination between directorates.<br>▪ Provided advice to the Committees of the Board and/or the Board on matters related to quality, safety, planning, commissioning, service level agreements and change management initiatives.<br>▪ Ensured staff are kept up to date on health board wide issues.<br>▪ Acted as the forum in which Directors and senior managers can formally raise concerns and issues for discussion, making decisions on these issues. |
| **Charitable Fund Committee** | ▪ Scrutinised applications for charitable funds<br>▪ Kept and overview of charitable funds income and expenditure |
| **Finance, Planning and Performance Committee** | ▪ Oversaw the delivery of the health board's performance against the National Outcomes Framework, the Integrated Medium Term Plan and related Annual Plan, and key local outcomes.<br>▪ Ensured there is an effective business planning process in place.<br>▪ Kept budgets and savings plans under review<br>▪ Reviewed delivery plans<br>▪ Oversaw the delivery of the Health Board's discretionary capital programme<br>▪ Sought assurance in relation to the Health Board's financial performance<br>▪ Reviewed performance against national outcomes framework<br>▪ Sought assurance in relation to commissioning arrangements |
| **Information Management, Technology and** | ▪ Kept key Information governance performance indicators unreview<br>▪ Oversaw the delivery of PTHB's IM&T priorities set out in the IMTP, including all aspects of leadership development. |

| | |
|---|---|
| **Governance Committee** | ▪ Received regular data breach reports for :<br>✓ Serious reportable data breaches to the Information Commissioner and the Welsh Government<br>✓ Sensitive information<br>▪ Received regular reports to monitor data quality.<br>▪ Received regular reports to monitor information governance risk assessments.<br>▪ Received and considered audits and assessments against the Caldicott Standards and the relevant Health and Care Standards.<br>▪ Received regular reports on FOI requests |
| **Mental Health and Learning Disabilities Committee** | ▪ Kept under review the health board's Dementia Plan<br>▪ Oversaw the transfer of Adult Mental Health arrangements back to Powys Teaching Health Board.<br>▪ Sought assurances in relation to:<br>○ Veterans Mental Health Services<br>○ Integrated services for autism<br>○ Learning Disability Services<br>○ Older and Adult Mental Health Services<br>○ Mental Health Estates Matters<br>○ Child and Adolescent Mental Health Services<br>▪ Kept under review progress in delivery of the Hearts and Minds Mental Health Partnership Delivery Plan<br>▪ Reviewed the performance of mental health and learning disability services against national targets |
| **Patient Experience, Quality and Safety Committee** | ▪ Reviewed performance against key patient experience, quality and safety indicators<br>▪ Kept under review the Health Boards performance in relation to falls, pressure damage and mortality<br>▪ Sought assurance in relation to the quality of services provided by PTHB and the bodies from which it commissions services<br>▪ Monitored the Health Board's approach to complaints and concerns<br>▪ Sought assurance in relation to specific issues, for example, in relation to the temporary |

| | |
|---|---|
| | closure of Fan Gorau, services provided by the Shrewsbury and Telford NHS Trust<br>▪ Oversaw the development of the Annual Quality Statement<br>▪ Received reports on matters such as infection control, safeguarding<br>▪ Received presentations from localities outlining their approach for ensuring the quality and safety of provided and commissioned services |
| **Workforce and Organisational Development Committee** | ▪ Reviewed performance against key workforce indicators<br>▪ Sought assurances and kept the following under review:<br>○ Recruitment and the Recruitment Strategy<br>○ Personal Appraisal and Development<br>○ Mandatory and Statutory Training<br>○ Talent Management Strategy<br>○ Wellbeing at work<br>○ Welsh Language requirements<br>○ Equality and Diversity<br>▪ Received regular updates on the Chat to Change programme<br>▪ Monitored the steps taken to engage staff in the 2016 Staff Survey<br>▪ Received regular updates on the Staff Excellence Awards |

## ADVISORY GROUPS

PTHB's Standing Orders require it to have three advisory groups in place. These allow the Board to seek advice from and consult with staff and key stakeholders. They are the:

- Stakeholder Reference Group
- Local Partnership Forum
- Healthcare Professionals' Forum

*Local Partnership Forum (LPF)* The LPF's role is to provide a formal mechanism where the Health Board, as employer, and trade unions/professional bodies representing Health Board employees work together to improve health services for the citizens of Powys - achieved through a regular and timely process of consultation, negotiation and communication.

The Board's Local Partnership Forum is fully established and operating in accordance with Standing Orders. This Advisory Group has played a

significant role in considering the Board's strategic vision, aims and objectives prior to Board approval.

At the time of writing, the Board does not have in place its Stakeholder Reference Group or Healthcare Professionals' Forum. The establishment of these Groups was articulated as a strategic priority within the Board's Annual Plan for 2015-16 and hence it is disappointing that these groups are still yet to meet. The first meeting of the Stakeholder Reference Group is scheduled to take place in June 2017.

While the importance of establishing a Stakeholder Reference Group is recognised an audit of Stakeholder Engagement and Communication undertaken in 2015-16 highlighted that across the areas looked at, we they had *seen and heard evidence of good engagement, with some innovative methods being used to both promote engagement, and make traditionally difficult to understand documents much more accessible and visually appealing to the wider population*.

Once established the:

*The Stakeholder Reference Group's (SRGs)* role will be to provide independent advice on any aspect of PTHB business, which may include:

- early engagement and involvement in the determination of PTHB's overall strategic direction;
- provision of advice on specific service proposals prior to formal consultation; as well as
- feedback on the impact of the Health Boards operations on the communities it serves.

*The Healthcare Professionals' Forum's (HPFs)* role will be to provide a balanced, multi disciplinary view of healthcare professional issues to advise the Board on local strategy and delivery. Its role will not include consideration of healthcare professional terms and conditions of service. It is intended that the chairs of each of the above forums attend Board meetings to ensure that equality issues are central to the Health Board's agenda. The roles of these forums will become increasingly important as the Board works towards closer integration with Powys County Council.

## JOINT COMMITTEES

### *Welsh Health Specialised Services Committee (WHSSC) & Emergency Ambulance Services Committee (EASC)*

The Welsh Health Specialised Services Committee and the Emergency Ambulance Services Committee are joint committees of Welsh health, established under the Welsh Health Specialised Services Committee (Wales) Directions 2009 (2009/35) and 2014 (2014/9 (w.9)) (the WHSSC Directions) and the Emergency Ambulance Services Committee (Wales) Directions 2014 (2014/8 (W.8)) (the EASC Directions).

The function of the Welsh Health Specialised Services Joint Committee is to plan and secure specialised and tertiary services. The specialised and tertiary services are listed as an annex to the WHSSC Directions and are subject to variations to those functions agreed from time to time by the Joint Committee.

The function of the Emergency Ambulance Services Joint Committee is to plan and secure emergency ambulance services. Emergency ambulance services include responses to emergency calls via 999; urgent hospital admission request from general practitioners; high dependency and inter-hospital transfers; major incident response; and urgent patient triage by telephone.

The Joint Committees are hosted by the Cwm Taf University Health Board on behalf of the seven Health Boards in Wales. As Chief Executive Officer I represent the Health Board on the Joint Committees and reports prepared by the Chairs are taken to public meetings of the Board.

### *NHS Wales Shared Services Partnership Committee*

A NHS Wales Shared Services Partnership Committee (NWSSPC) has been established under Velindre NHS Trust which is responsible for exercising shared services functions including the management and provision of Shared Services to the NHS in Wales.

The Velindre National Health Service Trust Shared Services Committee (Wales) Regulations 2012 provide that the committee be comprised of the chief officers of each Local Health Board and NHS Trusts in Wales (or their nominated representative), the Director of Shared Services together with a Chair who is to be appointed by the Committee in accordance with the SSPC Standing Orders.

A Memorandum of Co-operation in place between all Local Health Boards and NHS Trusts in Wales setting out the obligations of the NHS bodies to participate in the NWSSPC and to take collective responsibility for the delivery of those services.

The Health Board's Audit and Assurance Committee considers internal audit reports in relation to the controls in place to deliver those services provided on its behalf, as well as taking assurances from the Head of Internal Audit's annual opinion in respect of the NHS Wales Shared Services Partnership.

### *Joint Partnership Board*

Powys has been made a region in its own right under Part 9 of the Social Services Wellbeing (Wales) Act 2014. In light of this and combined with the requirements of the Well-being of Future Generations Act (Wales) 2015 and Wellbeing Act and the collective drive towards increased integration between

the Health Board and PCC, in February 2016, PTHB and PCC established a Joint Partnership Board. This brings together nominated strategic leaders from PCC and the Health Board to ensure effective partnership working across organisations within the county for the benefit of the people of Powys.

The Joint Partnership Board is responsible for oversight of the integration agenda. Formal terms of reference are in place and a collaborative agreement between the Health Board and PCC has been signed.

## STANDING ORDERS, SCHEME OF RESERVATION AND DELEGATION OF POWERS AND STANDING FINANCIAL INSTRUCTIONS

The Health Board's governance and assurance arrangements have been aligned to the requirements set out in the Welsh Government's Governance e-manual and the Citizen Centred Governance Principles.

As reported in last year's Annual Governance Statement the seven Citizen Centred Governance Principles provide the framework for the business conduct of the Health Board and define its 'ways of working'. Care has been taken to ensure that governance arrangements also reflect the requirements set out in HM Treasury's 'Corporate Governance in Central Government Departments: Code of Good Practice 2011'.

Like all Health Boards across Wales, PTHB has agreed Standing Orders for the regulation of proceedings and business. Together with the adoption of a Scheme of Reservation and Delegation of Powers matters reserved to the Board and Standing Financial Instructions they provide the regulatory framework for the business conduct of the Health Board and define its 'ways of working'. These documents, together with a range of corporate policies set by the Board contribute to the Health Board's governance framework.

In last year's Annual Governance Statement we highlighted that in early in 2016-17, we would confirm the organisational governance model to ensure clarity over delegated levels of authority and accountability. This started with a review of Standing Orders, Standing Financial Instructions and Scheme of Delegation.

During the year the Health Board's Standing Orders were reviewed to ensure that they fully reflected the way in which the way in which proceedings and business are regulated and properly translate the statutory requirements set out in the Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice. Updated Standing Orders were approved by the Board when it met on 25 January 2017 and the paper outlining the changes made can be accessed via the following link *http://www.powysthb.wales.nhs.uk/board-250117*.

The revised Standing Orders are available on the 'Key Documents' section of our website *http://www.powysthb.wales.nhs.uk/document/304769.*

The Board, subject to any directions that may be made by the Welsh Ministers, is required to make appropriate arrangements for certain functions to be carried out on its behalf so that the day to day business of the Health Board may be carried out effectively, and in a manner that secures the achievement of the organisations aims and objectives. To fulfil this requirement, in alignment with the review of Standing Orders and Committee terms of reference, a detailed review of the Board's Scheme of Reservation and Delegation of Powers was also undertaken. The document, which was approved by the Board in January 2017 therefore sets out the matters that are:

- reserved for the full Board;
- delegated to Committees of the Board;
- delegated to Independent Members of the Board; and
- delegated to Officers of the Health Board.

We also reviewed the Health Board's Standing Financial Instructions and ensured that delegations aligned to these were established and approved by the Board.

The Scheme of Reservation and Delegation of Powers can be found on the Health Board's website at http://www.powysthb.wales.nhs.uk/document/304770.

# THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROLS

As I have reported in previous Annual Governance Statements the system of internal control operating across Powys Teaching Health Board 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 policies, aims and objectives of the Health Board, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

I can confirm the system of internal control has been in place at the Health Board for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

## CAPACITY TO HANDLE RISK AND KEY ASPECTS OF THE CONTROL FRAMEWORK

Responsibility for making sure that risks are properly managed rests with the Board. As Accountable Officer, I have overall responsibility for risk management and report to the Board on the effectiveness of risk management across the Health Board. My advice to the Board is informed by executive officers, feedback received from Board Committees; in particular the Audit and Assurance Committee and Patient Experience, Quality and Safety Committee.

Executive Committee meetings present an opportunity for executive directors to consider, evaluate and address risk and actively engage with and report to the Board and its committees on the organisation's risk profile.

The Health Board's lead for risk is the Board Secretary, who is responsible for establishing the policy framework and systems and processes that are needed for the management of risks within the organisation. Depending on the nature of risk, other Directors will take the lead, for example, patient safety risks fall within the responsibility of the Medical Director, Director of Nursing, and Director of Therapies and Health Science.

## THE RISK MANAGEMENT FRAMEWORK

Robust risk management is seen by the Board as being integral to good management and the aim is to ensure it is integral to the Health Board's culture. It is an increasingly important element of the Health Board's planning, budget setting and performance processes.

The Risk Management Framework approved by the Board in January 2017, sets out the Health Board's processes and mechanisms for the identification, assessment and escalation of risks. It has been developed to create a robust risk management culture across the Health Board by setting out the approach and mechanisms by which the Health Board will:

- make sure that the principles, processes and procedures for best practice risk management are consistent across the Health Board and fit for purpose;
- ensure risks are identified and managed through a robust organisational Assurance Framework and accompanying Corporate and Directorate Risk Registers;
- embed risk management and established local risk reporting procedures to ensure an effective integrated management process across the Health Board's activities;
- ensure strategic and operational decisions are informed by an understanding of risks and their likely impact;
- ensure risks to the delivery of the Health Board's strategic objectives are eliminated, transferred or proactively managed;
- manage the clinical and non-clinical risks facing the Health Board in a

co-ordinated way; and
- keep the Board and its Committees suitably informed of significant risks facing the Health Board and associated plans to treat the risk.

The Risk Management Framework sets out a multi-layered reporting process, which comprises of the Assurance Framework and Corporate Risk Register, Directorate Risk Registers, Local Risk Registers and Project Risk Registers. It has been developed to help build and sustain an organisational culture that encourages appropriate risk taking, effective performance management and organisational learning in order to continuously improve the quality of the services provided and commissioned.

The Risk Management Framework is underpinned by a number of policies which relate to risk assessment including incident reporting, information governance, training, health and safety, violence and aggression, complaints, infection control, whistle blowing, human resources, consent, manual handling and security.

### Embedding effective risk management

Embedding effective risk management remains a key priority for the Board as it is integral to enabling the delivery of our objectives, both strategic and operational, and most importantly to the delivery of safe, high quality services.

An internal audit of our risk processes was undertaken towards the end of the 2015-16 financial year and this resulted in a 'limited' assurance report. During the last 12-months a number of steps were taken to strengthen risk management across the organisation; this work included commissioned and contracted services. We have strengthened our risk management and assurance arrangements by:

- Developing and embedding the Health Board's Assurance Framework.
- Implementing a strengthened Risk Management Framework with easy to use processes and documentation.
- Identifying and regularly reviewing the strategic risks linked to the strategic objectives and priorities set out in the IMTP.
- Clarifying the role of the committees of the Board in relation to the 'assurance framework' and risk management.

In March 2016, Internal Audit Services reported on its follow-up audit of the Health Board's Risk management arrangements. The report concluded that:

*The Health Board has undertaken a considerable amount of good work in refreshing its approach to risk management. A new risk management framework was agreed by the Board in January 2017.*

*There is good awareness of the refreshed framework and a sound understanding of the principles of risk management in the three areas examined. However, much work remains to be done.*
*The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with risk management is a* ***Reasonable Assurance***.

Board and Committee work plans have been reviewed with a view to ensuring that they receive adequate assurance in relation to how risk is being managed throughout the year. Risks are reported locally at department and service level, they are reported through to the Directorate Risk Register and any matters that cannot be managed at that level are escalated to the Corporate Risk Register.

Going forward the Board will be involved in the continual development of the Assurance Framework and Corporate Risk Register, and these will be formally reviewed at each meeting of the Board during 2017-18.

## Risk appetite

HM Treasury (2006) define risk appetite as:

*The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time'.*

In February 2016, the Board approved its Risk Appetite Statement. This set out the Board's strategic approach to risk-taking by defining its risk appetite thresholds. It is a 'live' document that is regularly reviewed and modified, so that any changes to the organisation's strategies, objectives or its capacity to manage risk are properly reflected.

In developing the Risk Appetite Statement careful consideration was given to the Health Board's capacity and capability to manage risk.
The following risk appetite levels, developed by the Good Governance Institute, informed the Statement. See ***Figure 2*** that follows.

***Figure 2: Description of Risk Appetite***

| Appetite Level | Described as: |
|---|---|
| **None.** | Avoid the avoidance of risk and uncertainty is a key organisational objective. |
| **Low.** | Minimal the preference for ultra-safe delivery options that have a low degree of inherent risk and only for limited reward potential. |
| **Moderate.** | Cautious the preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward. |

| | |
|---|---|
| **High** | Open and being willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VfM). |
| **Significant.** | Seek and to be eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk. Or also described as Mature being confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust. |

The Risk Appetite Statement makes it clear that the Board has **no appetite** for accepting or pursuing risks that may have an adverse impact on the quality or safety of the services it provides or commissions.

At the time that the Statement was developed the Board recognised that further work was needed to better understand the Health Board's capacity to manage risk and so a conservative Statement was developed. The Risk Appetite Statement will be re-visited in December 2017 when the Risk Management Framework has had time to embed.

### Risk identification and evaluation

Risks are identified via a variety of mechanisms, which are briefly described below.

Through discussion and the receipt of reports the Board has identified, and managed a range of risks during 2016-17, notably the risks in relation to the transfer of adult Mental Health Services back to the Health Board; the temporary closure of the Fan Gorau Unit, various service issues related to Shrewsbury and Telford NHS Trust.

The Health Board requires all clinical and non-clinical incidents, including near misses, to be formally reported. Members of staff involved in, or witnessing such an incident, are responsible for ensuring that the incident is reported.

When an incident occurs and there is a remaining risk, all practical and reasonable steps are taken to prevent re-occurrence. The line manager is responsible for the provision of primary support for staff involved in the incident and this is made available to them immediately.

Any incidents which are considered serious are escalated as appropriate and a decision is taken as to whether the incident should be treated as a Serious Incident (SI) and reported to the Welsh Government. All SIs must be investigated using the Root Cause Analysis (RCA) methodology.

Other methods of identifying risks include:

- Complaints and concerns

- Health and Safety audits
- Clinical audits
- Quality Walkrounds
- Medico-legal claims and litigation
- External benchmarking
- Inquest findings and recommendations from HM Coroners

Identified risks are added to the relevant Risk Register and reviewed to ensure that action plans are being carried out and that risks are being added or deleted as appropriate. Identified risks at all levels are evaluated using a common methodology based on a 5 x 5 risk scoring matrix as shown below:

Risks are categorised into four levels as follows:

- **Low** – with a score between 1 and 3
- **Moderate** – with a score between 4 and 6
- **High** – with a score between 8 and 12
- **Extreme** – with a score between 15 and 25

High level risks are reported to the Executive Committee, Board Committees and the Board.

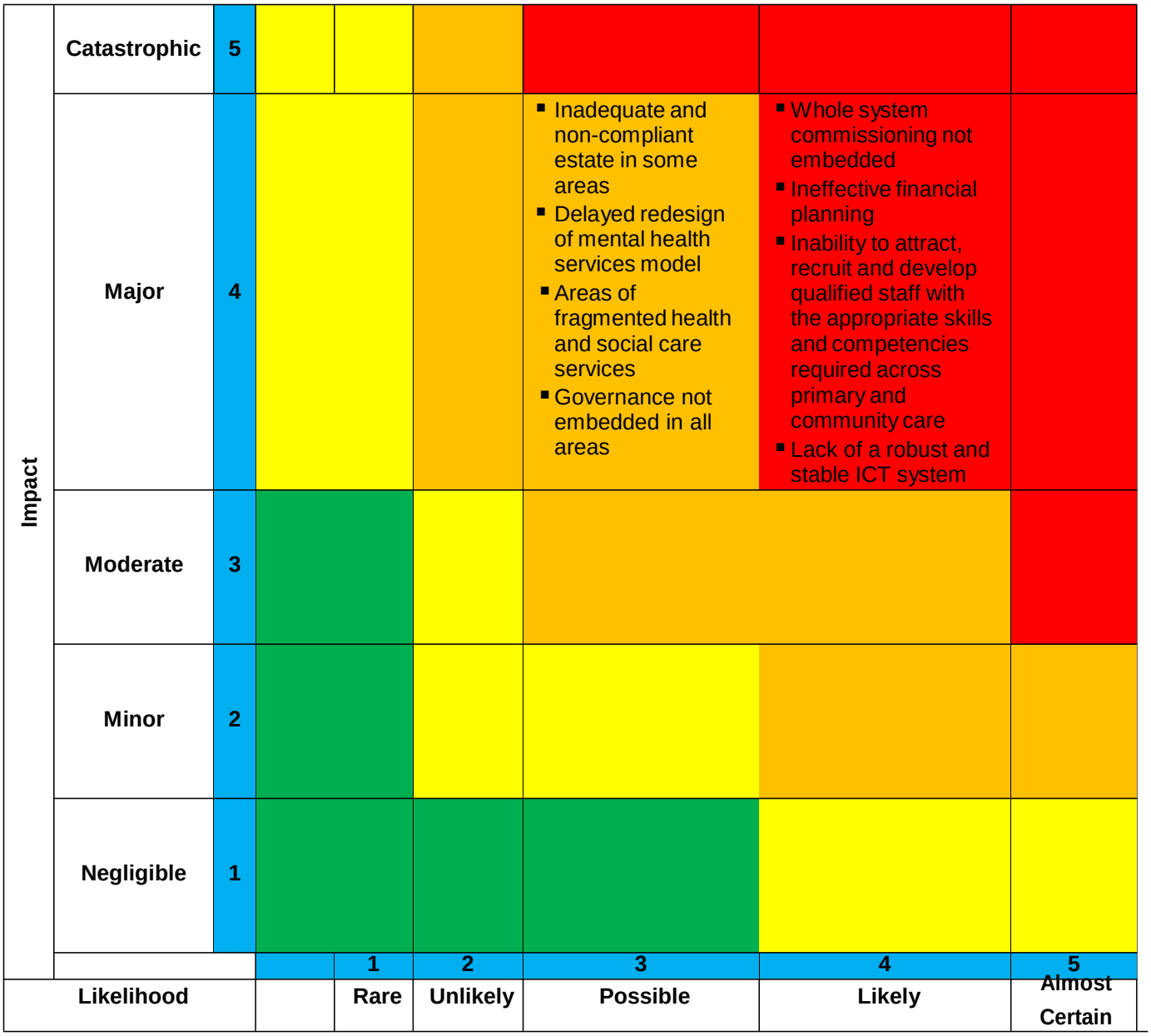
Staff awareness of the need to manage risks continues to be reinforced as part of routine communication and briefing and specific senior management discussions. By linking together issues arising from complaints claims and concerns it has also been possible to identify important points of learning and areas of best practice.

### The health board's risk profile

As part of the development of the Board Assurance Framework the whole Board took part in a series of workshops to identify and map the risks to the delivery of strategic objectives. The outcomes of these workshops were used to inform the Corporate Risk Register and the development of the IMTP. The Heat Map that follows highlights the key risks identified.

As can be seen from the Heat Map at the end of March 2017 there were a number of key risks to the delver of the Health Board's strategic objectives. Full details of the controls in place and actions taken to address these risks can be found in the Corporate Risk Register.

***Figure 3:*** **Risk Heat Map: 31 March 2017**




An overview of the key risks (i.e. those in the red section of the Health Map and actions taken is provided in ***Table 4*** on page 46.

## *Table 4:* Key Risks and Controls

| RISK DESCRIPTION | CONTROLS/ACTION TAKEN & IMPROVEMENT ACTIONS |
|---|---|
| Whole system commissioning not embedded | **CONTROLS ALREADY IN PLACE/ACTION ALREADY TAKEN:**<br>▪ Strategic Commissioning Framework developed and implemented<br>▪ Commissioning Assurance Framework introduced (CAF)<br>▪ CAF escalation process implemented<br>• Commissioning Development Programme introduced<br>**IMPROVEMENT ACTIONS BEING TAKEN FORWARD:**<br>▪ Embed and ensure organisational compliance with the Commissioning Assurance Framework<br>▪ Develop a Commissioning Development Framework through the Commissioning Development Programme<br>▪ Clarify Commissioning Intentions for 2017/18<br>▪ Robustly manage the performance of all providers of planned care services for the people of Powys through the Commissioning Assurance Framework and the management of waiting times |
| Inadequate and non-compliant estate in some areas | **CONTROLS ALREADY IN PLACE/ACTION ALREADY TAKEN:**<br>▪ Specialist sub-groups for each compliance discipline<br>▪ Risk based improvement plans introduced<br>▪ Specialist leads identified<br>▪ Estates Compliance Group and Capital Control Group established<br>▪ Medical Gases Committee; Fire Safety Group; Water Safety Group; Health & Safety Committee in place<br>▪ Capital Programme developed and approved<br>**IMPROVEMENT ACTIONS BEING TAKEN FORWARD:**<br>▪ Address (on an ongoing basis) maintenance and compliance issues<br>▪ Develop medium and long term estates strategy Develop capacity and efficiency of the Estates and Capital function |
| Ineffective financial planning | **CONTROLS ALREADY IN PLACE/ACTION ALREADY TAKEN:**<br>▪ Financial Plan developed<br>▪ Monthly meetings to monitor delivery of financial plan<br>▪ Budgetary Control Framework strengthened<br>▪ Contracting Framework strengthened<br>**IMPROVEMENT ACTIONS BEING TAKEN FORWARD:**<br>Efficiency and transformation actions |
| Inability to attract, recruit and develop qualified staff with the appropriate skills and competencies required across primary and community care | **CONTROLS:**<br>**CONTROLS ALREADY IN PLACE/ACTION ALREADY TAKEN:**<br>▪ Strengthening of clinical leadership with the appointment of a full-time Medical Director and Director of Therapies and Health Science<br>**IMPROVEMENT ACTIONS:**<br>▪ Further enhance the role of clusters<br>▪ Ensure a focus on recruitment and retention<br>▪ Further strengthen clinical leadership across the organisation |
| | |

| RISK DESCRIPTION | CONTROLS/ACTION TAKEN & IMPROVEMENT ACTIONS |
|---|---|
| Lack of a robust and stable ICT system | **CONTROLS ALREADY IN PLACE/ACTION ALREADY TAKEN:**<br>▪ Development of a Joint ICT Strategy with Powys County Council<br>▪ Establishment of an ICT Programme Board and relevant Project Boards<br>▪ Engagement and input in to the National Implementation Board<br>**IMPROVEMENT ACTIONS:**<br>▪ Strengthen the ICT infrastructure to ensure stable ICT platform for the health board and county council that is flexible and future proofed |

Executive Directors and their teams are reviewing and refining Directorate Risk Registers to ensure that they underpin and appropriately inform the Corporate Risk Register. This work is due to be completed by the middle of May 2017.

The Audit and Assurance Committee monitors and oversees both internal control issues and the process for risk management and the Board and its Committees receive reports that relate to the identification and management of risks.

The public, service users and key stakeholders are regularly engaged in identifying, assessing and putting mechanisms in place to manage the risks that impact on them. For example, during 2016-17 Powys residents and key stakeholders were engaged in the development of the health board's IMTP, the Health and Care Strategy for Powys, the establishment of an Integrated Health and Social Care Team at Ystradgynlais Community Hospital and the temporary closure of Fan Gorau a ward at Newtown Hospital providing care for people with dementia and related conditions. Such engagement involved Powys residents and stakeholders in the identification, assessment and decisions in relation to risks and their management.

Case studies and patient stories are presented to the Board and Concerns/Claims scrutiny panels, in order that lessons can be disseminated and shared.

General Practitioners (GPs), Pharmacists, Dental Practitioners, Optometrists, Nursing Care Homes, Voluntary organisations and those where we have partnership relationships for service delivery, e.g. Local Authorities and other Health Boards, are responsible for identifying and managing their own risks through the contractual processes in place.

# KEY ASPECTS OF THE CONTROL FRAMEWORK

In addition to the Board and Committee arrangements described earlier in this document, I have over the last 12-months worked to further strengthen the Health Board's control framework.  Key elements of this include:

## QUALITY GOVERNANCE STRUCTURE

The Board has a collective responsibility for quality. There is a clear quality governance structure with the Patient Experience, Quality and Safety Committee holding executives to account and receiving reports on assurance and risks linked to patent experience, quality and safety.

This year as in previous years, in tandem with the publication of the 2016-17 Annual Report the Health Board will publish its Annual Quality Statement, which brings together a summary of how the organisation has been working over the past year to improve the quality of all the services it plans and provides. The report can be found here on the Health Board's website: *www.powysthb.wales.nhs.uk*

At each meeting of the Board a patient story is presented at the start. The use of first hand patient stories, that act of hearing and having an opportunity to connect with people using services, has enabled not just a more emotional connection with the impact of decisions made in the organisation but has also helped drive specific improvements in services. During 2016-17, the Board received presentations from service users, patients and families telling us of their experiences in relation to:

- End of Life Care;
- Diagnosis of Type 1 Diabetes;
- Perinatal Mental Health Services
- Dementia Care
- Child and Adolescent Mental Health Services

## COMPLAINTS AND CONCERNS FRAMEWORK

Over the last 12-months we have made significant improvements to the way in which we address complaints and concerns, focusing on listening and learning from patient experience and the 'gift of complaints' to improve the experience of care for Powys residents.

The Patient Experience Strategy approved by the Board in February 2016 set out the high level direction of travel in supporting delivery of PTHB's vision, aims and objectives and is based on Welsh Government direction, provided through the All Wales Framework for Assuring Service User Experience (2013).

A follow up review by Internal Audit of Putting Things Right saw improvement from Limited Assurance to Reasonable Assurance and Management of Welsh Risk Pool Claims received a 'reasonable assurance' rating.

The Health Board's in year performance for responding to complaints within 30 working days ranged from 38% to 74% and averaged 63%. This is an improvement on previous years and further details on complaints and

concerns can be found in the Annual Quality Statement and Putting Things Right Annual Report for 2016/17

## COMMISSIONING ASSURANCE FRAMEWORK

Powys is unlike other Health Boards in Wales in that around 75% of the funding entrusted to it by Welsh Government is spent on securing healthcare from providers it does not directly manage. PTHB's commissioning work spans the continuum through health promotion, primary care, secondary care, specialised services, individual patient commissioning, continuing healthcare, partnership commissioning and joint commissioning with the local authority. Services (no matter whether they are directly managed or secured from other providers) need to be understood within the whole pathway of care, in order to shift the focus to prevention and more local delivery wherever possible.

The Board recognises that PTHB needs to:

- commission in a way which reflects the values and arrangements of NHS Wales to secure long lasting solutions making the most of opportunities for prevention, integration, local delivery and collaboration;

- ensure the Health Board is appropriately orientated to commissioning with the right strategy, people, processes, and structures in place;

- ensure active clinical involvement and leadership within commissioning, with primary care as an essential part of this;

- cover the full range of commissioning arrangements needed for different parts of the continuum of care - and across England and Wales

- ensure active management of the whole pathway of care including healthcare delivered across geographical and organisational borders – in order to ensure treatment is safe, clinically and cost effective, on time and informed and influenced by patient experience.

The Commissioning Development Programme is a major transformational change that I am leading personally. The programme once fully implemented will:

- Ensure a model of commissioning which reflects the values and arrangements of NHS Wales to secure sustainable solutions;
- Ensure that across the organisation the right strategy, people, processes and structures are in place.

- A "twin track" of driving forward strategic change whilst improving the day to day assurance about current services is needed.

Work is underway through the Commissioning Assurance Framework to ensure a safer more holistic and robust understanding of the services currently commissioned with a rules based approach to escalation. The Strategic Commissioning Framework (of which assurance is part) sets out *how* PTHB should be commissioning and the arrangements needed to achieve this.

Assurances in relation to specialist services are reported to our Board through reports from the Welsh Health Specialised Services Committee strategic quality framework and assurance on Emergency Ambulance Services through the Emergency Ambulance Services Committee. Going forward a focus on suite of high level indicators will provide assurance on services commissioned on our behalf. This will link to strengthening the capability and systems around commissioning for quality for both Welsh and English providers, care homes and primary care.

## HEALTH AND CARE STANDARDS

Monthly review meetings were held throughout the year to review progress in relation to the embedding of the standards. This approach has been key to driving progress and improvement and sustaining the passion that has come with the launch of the new standards. This approach has proved successful as it has given staff the opportunity to discuss each standard, the outcomes of their self-assessments, to share good practice and to highlight any areas of concern.

## PATIENT EXPERIENCE QUALITY AND SAFETY WALKROUNDS

During the year, Executive Directors and Independent Members continue to jointly carry out inspections to ward areas. The inspections allow for a focus on quality and safety from the perspective of patients, their families and carers. Seven out of ten community hospital wards have received a walkround visit during 2016-17. The schedule for 2016-17 also included Mental Health Inpatient Units under the management of the Health Board. Feedback received has been extremely positive, with some areas for improvement recommended, including:

- The introduction of Dementia friendly crockery
- The use of pictorial signage
- The strengthening of communication to negate patients having to tell their story multiple times
- The use of patient status At A Glance Boards

Action plans have been developed by each area in order that these issues are addressed. Progress against the locally-developed action plans is being followed up and will be reported at a future committee.

## SHADOWING

The shadowing sessions which commenced in 2015-16 have continued this year. Executive Directors and Independent Members have spent half a day each with services which has given valuable insight into what a normal day in the life of staff providing these services is like. Examples of the services include Paediatric Speech and Language Therapy, Adult Physiotherapy, School Nursing and Maternity Services.

Positive feedback has been received from the teams involved and Executive Members and Independent Members. Moving forward into 2017-18 the shadowing sessions will be rolled out across other disciplines including Learning Disabilities and Safeguarding

## MORTALITY REVIEWS

We have developed a robust process for undertaking mortality reviews that span deaths that occur in our community hospitals. This work continues to evolve and features prominently on the agenda of the Patient Experience, Quality and Safety Committee.

## INTEGRATED PERFORMANCE MANAGEMENT AND REPORTING

The Health Board's Performance Management Framework was developed to ensure that the Board successfully delivers national standards for quality, performance, finance and patient experience as laid down in the NHS Wales Outcomes Framework. The Performance Management Framework also encompasses achievement of broader strategic objectives contained within the Board's Annual Plan, and other key enabling strategies.

A comprehensive Integrated Performance Report is presented monthly at Executive Committee Delivery and Performance meetings, at the Finance, Planning and Performance Committee and routinely at the public meeting of the Board. The IPR continues to evolve and develop. The Board recognises the importance of good quality data to inform its decision making at Board and committee level of the Board and has invested significant resource to develop the information and reports presented to Board for this purpose.

## ANNUAL QUALITY STATEMENT

Each year we are required to publish an Annual Quality Statement. It provides an opportunity for the Health Board to let the people of Powys know in an open and honest way how we are doing to ensure all it services are meeting local need and reaching high standards. Each year it brings together a summary highlighting how the organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.

The Annual Quality Statement provides the opportunity for the Board to routinely:

- assess how well they are doing across all services, including community, primary care and those where other sectors are engaged in providing services, including the third sector;
- identify good practice to share and spread more widely;
- identify areas that need improvement;
- track progress, year on year; and
- account to the public and other stakeholders on the quality of its services and improvements made.

The Annual Quality Statement will be published in July 2017 alongside the Annual Report and Accounts.

## EXECUTIVE PORTFOLIOS

The Wales Audit Office Structured Assessment 2015 identified that the previous realignment of organisational structures undertaken in 2014, and the Directorate of Primary and Community Care (locality) structures put in place in 2015 had gone some way to enabling the Health Board to align key functions. The assessment however identified that there was further work required to ensure the Health Board was able to ensure delivery of its strategy in the most effective way, specifically it recommended that:

- An assessment of the resilience, capacity and experience of the Executive team is undertaken to ensure that a sustainable pace of change is maintained; and

- The balance of responsibilities between the centre and the localities is not yet clear. The accountabilities and responsibilities between the centre and the localities needed to be clarified, and where appropriate, reflected in the Health Board's scheme of delegations.

During 2016-17, I therefore reviewed the portfolios of the Executive Directors to ensure the appropriate alignment of accountabilities and authority within each Directorate and Director portfolio, and to also ensure that the directorates focus on their core responsibility. This work supported the organisational principle of there being one clear line of management accountability from Executive Director level through the various directorates and organisational levels.

The strengthening of clinical leadership at all levels of the organisation was fundamental to the review. The overarching aim was to place clinicians at the heart of strategic development, decision making and delivery. Critical to this was the successful appointment of both a substantive Medical Director and Director of Therapies and Health Science to work alongside the Director of Nursing and Director of Public Health. These clinical executive leaders will

be key to the setting of the clinical strategy of the organisation. Work to rebalance the organisation and place clinicians in pivotal roles of authority with the autonomy to act continues at pace.

As a public body that uses extensive public funds it is important that its structure is based on the principles of good governance, key to which is clarity of accountabilities and responsibilities, hence care was taken to ensure that the structure:

- Supports the Health Boards vision
- Makes accountabilities and responsibilities clear
- Makes decision making mechanisms clear
- Makes legislative and regulatory requirements clear
- Makes workflows and interdependencies clear
- Ensures roles are deliverable;
- Supports empowerment
- Provides Clarity regarding shared accountabilities and what to do if there is disagreement
- Facilitates the holding to account of teams and working groups

## CHAT to CHANGE AND STAFF SURVEY

The 2013 NHS Staff Survey and Learning Events held in 2014, indicated that those working across the health board wanted:

- improved and better communication
- the importance of "listening to staff" and "acting on" what is heard to be recognised
- to create a "common culture", a "culture of care", "openness"," honesty", with "more focus on dignity, kindness" and "respect"
- to have confidence that things would change

From this, "Chat to Change – turning talk into action" grew. Its focus is on partnership working with Staff Partners and ensuring that they are fully engaged and involved in making '*Powys a great place to work*'.

Chat to Change is having an impact across the health board and is driving collective leadership, promoting participation, ensuring that the voices of staff are heard and staff are enabled to shape the cultures that we need.

The messages arising from the 2016 NHS Wales Staff Survey indicate that Chat to Change is having a positive impact:

- The health board's response rate was the highest of all health boards in Wales with 52% of all eligible staff responding. An excellent internal communication and engagement campaign was put in place led by a small group of people including communications and trades union colleagues which helped to encourage people to participate.

- The engagement scores for the health board were above the overall NHS Wales score in all three of the themes (intrinsic psychological engagement; ability to contribute to improvements at work; and staff advocacy and recommendation). The largest increase in score from the 2013 position was in the 'staff advocacy and recommendation' category, which outlines whether staff would recommend the organisation as a place to work and whether they feel proud to work for the organisation. The overall engagement index score for the Health Board (3.81) is above the overall engagement index score for NHS Wales (3.65).

- While more detail is provide in the Performance Report some key headlines were:
  - 63% of staff say they are able to make improvements happen in their area of work, this is up from 55% in 2013 and is significantly higher than the overall NHS Wales score (52%).
  - 81% of staff say that the care of patients/service users is their organisation's top priority, up from 65% in 2013.
  - 70% of staff say that they would recommend their organisation as a place to work – which is 9% higher than the overall NHS Wales score, and a 9% improvement since 2013 when it was 61%.
  - 78% say that if a friend or relative needed treatment, they would be happy with the standard of care provided by the organisation, compared to 68% in 2013.
  - 72% of staff say that they are proud to tell people they work for their organisation, this was 61% in 2013.
  - All of these scores show significant improvements since 2013 and are above the overall NHS Wales scores.

Whilst the overall results are pleasing, there is more work to do in some areas including welsh language and learning and development. Priority actions have been identified and included as part of the Annual plan for 2017-18.

## INFORMATION GOVERNANCE

Risks relating to information are managed and controlled in accordance with Health Boards Information Governance Policies through the Information Management, Technology and Governance Committee, which is chaired by an independent member.

The Medical Director, as Caldicott Guardian, is responsible for the protection of patient information. All information governance issues are escalated through h the Information Governance Committee.
The Senior Information Risk Owner (SIRO) provides an essential role in ensuring that identified information security risks are addressed and incidents properly managed. This role sits with the Board Secretary.

During the year we reported three Information Governance breaches to the Information Commissioner's Office:

- August 2016: inappropriate disclosure of patient 'keycodes' by the District Nursing Service - The Commissioner's Office have investigated and do not wish to take any further action against us.
- October 2016: (reported to PTHB in February 2017) inappropriate access to staff information held by the contractor for the Radiation Protection Service – at the time of reporting the Information Commissioner's Office investigation is still underway.
- March 2017: theft of PTHB laptop and medical records - The Information Commissioner's Office investigation is still underway.

In addition, PTHB provided support to an investigation conducted by the Information Commissioner's Office into a breach reported by a Powys GP Practice. This involved a member of PTHB staff inappropriately accessing medical records.

# THE CORPORATE GOVERNANCE CODE AND THE BOARD'S SELF ASSESSMENT OF ITS EFFECTIVENESS

The Corporate Governance Code is reflected within key policies and procedures. Further, within our system of internal control, there are a range of mechanisms in place which are designed to monitor our compliance with the code, these include:

- Self-assessment;
- Internal and external audit; and
- Independent reviews.

The Board is clear that it is complying with the main principles of the Code, and is conducting its business openly and in line with the Code.
During the latter part of the year the Board and its Committees undertook self-assessments of their effectiveness and development needs. The outcome of Committee self-assessments is contained in Committee annual reports http://www.powysthb.wales.nhs.uk/sub-committees

A Board Development Session was held on 27 April 2017 and this gave Board members the opportunity to reflect on the following areas and questions:

- Strategy and planning – how well is the board setting direction for the organisation?
- Capability and culture – is the board taking steps to ensure it has the appropriate experience and ability, now and into the future, and can

it positively shape the organisation's culture to deliver care in a safe and sustainable way?
- Process and structures – do reporting lines and accountabilities support the effective oversight of the organisation?
- Measurement – does the board receive appropriate, robust and timely information and does this support the leadership of the trust

The outcomes of this day are being used to inform the future development of the Governance Improvement Programme and a Board Development Programme.

# THE HEALTH BOARD'S INTEGRATED MEDIUM TERM PLAN

The National Health Service Finance (Wales) Act 2014 became law in Wales on 27 January 2014. It placed new planning duties on Health Boards and amended the National Health Service (Wales) Act 2006 so that failure to prepare, submit a Board approved IMTP and have IMTPs approved by the Welsh Ministers is a breach of a statutory duty.

In accordance with the above legislative duty IMTP's for 2015-18 and 2016-19 were approved by the Board and submitted to the Welsh Government within required timescales. Both plan's have been approved by the Welsh Ministers; copies are available on our website http://www.powysthb.wales.nhs.uk/strategies

The Board's IMTP for 2017-20 was approved for submission to the Welsh Ministers at the public Board meeting held on 22 March 2017. At the time of writing confirmation is awaited from the Welsh Government as to whether the Welsh Ministers have approved it.

The development of the IMTP was an iterative process underpinned by formal and informal engagement processes and feedback. In the course of the year, a series of public engagement events took place to shape the Health Board's ongoing priorities and plans. An 'Easy Read' version of our IMTP was produced with input from staff and key stakeholders.

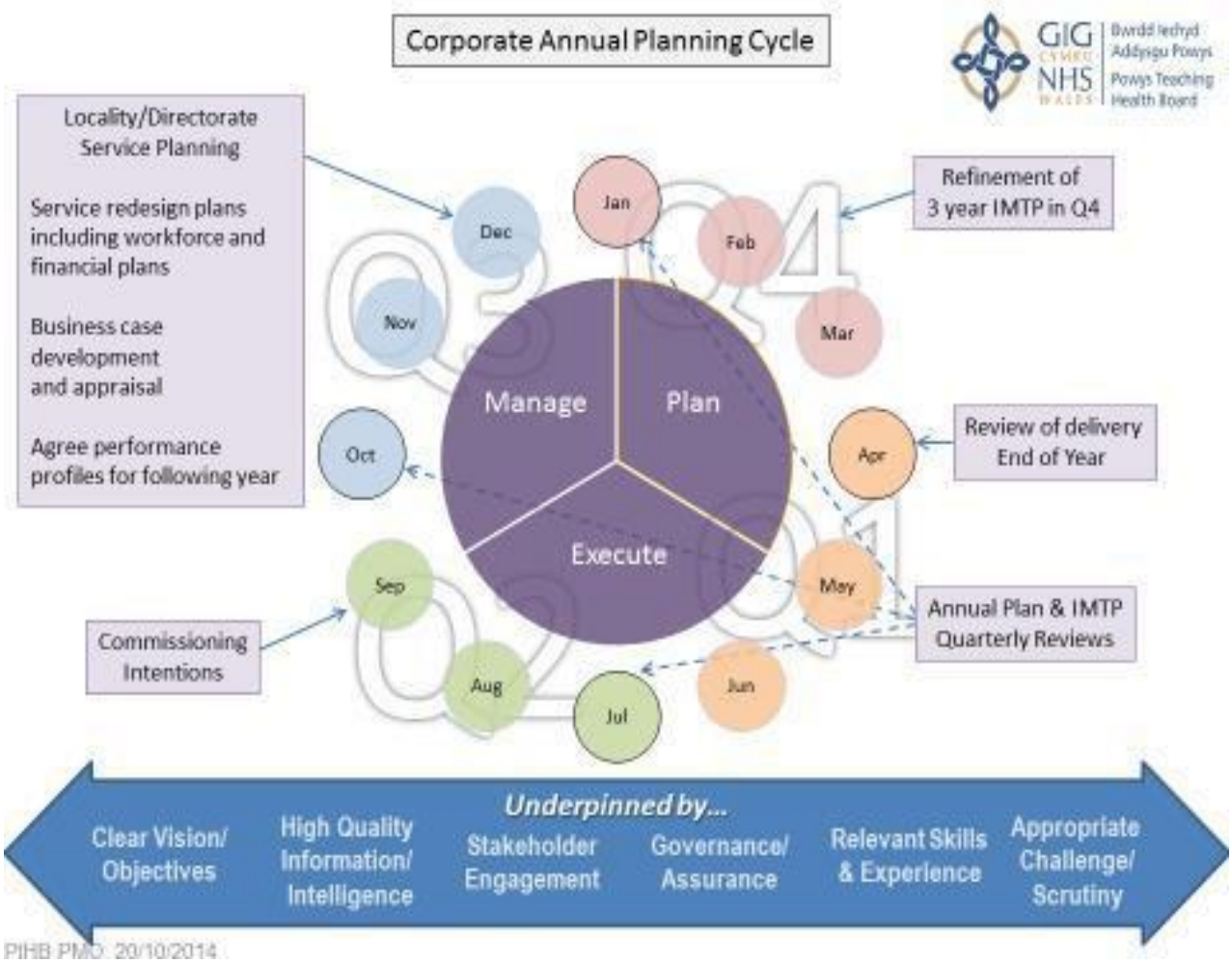
The planning approach underpinning the development of the IMTP is a three-fold process. Developing GP Cluster/Locality Plans 'bottom up' and in parallel developing plans based on cross cutting themes and other organisation wide plans. The building blocks of our integrated planning are closer integration between service, quality, performance, IT, estate, workforce and financial plans. Our intention is to further strengthen our planning and delivery approach together with PCC as part of our journey towards integration.

Key principles of the process are to ensure:

- There is a clinically led planning environment with multi professional input;
- Patients are at the centre of service design and delivery;
- There is whole system planning, ensuring alignment with neighbouring providers plans;
- There is a transformation of commissioning and provider functions;
- Promotion of integration at a strategic and service level;
- There are internal relationships including staff side/trade unions;
- There are external relationships with key stakeholders;
- There are Community Health Council planning links.

Our delivery against the IMTP was good at year with positive progress being reported against all of our six strategic aims. Of the 12 strategic objectives 11 have been given a consolidated rating against plan of green. Highlighting that many of the objectives set out in the 2016-19 IMTP have been met. Details of what we did and didn't deliver are set out in the Performance Report element of the Annual Report to be published in July.

***Figure 4*: Corporate Annual Planning Cycle**



## THE ENGAGEMENT PROCESS

The Health Board's approach to stakeholder engagement further matured during 2016-17. The following table provides a summary of the Health Board's key stakeholder groups.

### *Table 5*: Key Stakeholder Groups


## FINANCIAL PERFORMANCE

As can be seen from the Audited Annual Accounts 2016-17 at the end of the year the Health Board reported an underspend of £0.085M:

| **2.1 Revenue Resource Performance** | | | |
|---|---|---|---|
| | Annual financial performance | | |
| | 2014-15 | 2015-16 | 2016-17 | **Total** |
| | £'000 | £'000 | £'000 | **£'000** |
| **Net operating costs for the year** | 267,056 | **272,351** | **286,060** | **825,467** |
| Add general ophthalmic services expenditure and other non-cash limited expenditure | 811 | **855** | **1,006** | **2,672** |
| Less revenue consequences of bringing PFI schemes onto SoFP | 0 | **0** | **0** | **0** |
| Total operating expenses | 267,867 | **273,206** | **287,066** | **828,139** |
| Revenue Resource Allocation | 267,906 | **273,246** | **287,151** | **828,303** |
| **Under /(over) spend against Allocation** | 39 | 40 | 85 | **164** |
| | | | | |
| Powys THB has met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2014-15 to 2016-17. | | | | |

The Health Board met its annual Capital Resource Limit with an underspend of £0.017M and remained within its cash Allocation during the financial year:

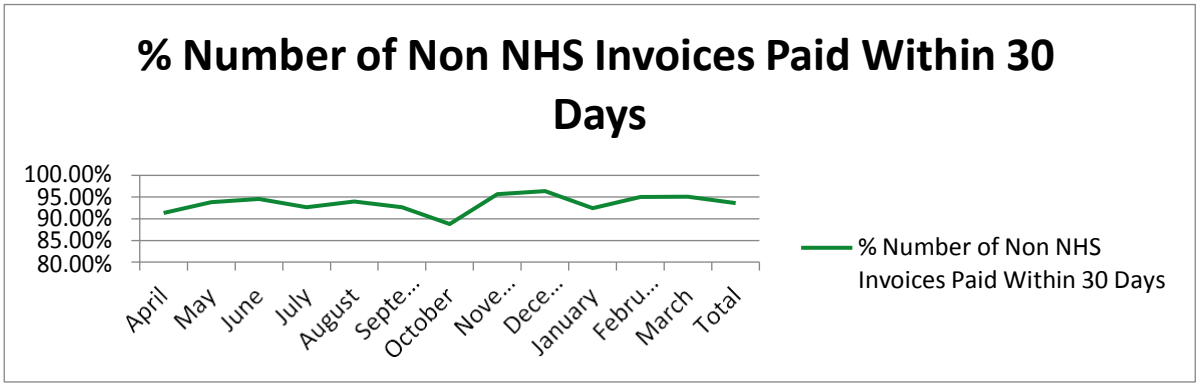
| 2.2 Capital Resource Performance | 2014-15 | 2015-16 | 2016-17 | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Gross capital expenditure** | 3,853 | 2,467 | 6,870 | 13,190 |
| Add: Losses on disposal of donated assets | 0 | 0 | 0 | 0 |
| Less NBV of property, plant and equipment and intangible assets disposed | (152) | (137) | 0 | (289) |
| Less capital grants received | 0 | 0 | 0 | 0 |
| Less donations received | (188) | (45) | (40) | (273) |
| Charge against Capital Resource Allocation | 3,513 | 2,285 | 6,830 | 12,628 |
| Capital Resource Allocation | 3,515 | 2,287 | 6,847 | 12,649 |
| **(Over) / Underspend against Capital Resource Allocation** | 2 | 2 | 17 | 21 |
| Powys THB has met its financial duty to break-even against its Capital Resource Limit over the 3 years 2014-15 to 2016-17. | | | | |

## Key areas of capital expenditure

| Name | 2016/17 Expenditure £'M |
|---|---|
| Llandrindod Reconfiguration | £2.002 |
| ICT Specific Funding | £0.820 |
| Diagnostic Funding (4x Ultrasounds and 2 x X-Rays) | £0.640 |
| Endoscopy Ventilation Upgrade Brecon – JAG Funding | £0.411 |
| Machynlleth Reconfiguration | £0.382 |
| **Sub total Top 5 Expenditure areas** | **£4.255** |
| Total Capital Resource Limit | £6.847 |

The Welsh Government requires that Health Boards pay their trade creditors in accordance with the CBI Prompt Payment Code (PSPP) and Government Accounting rules. The financial target is to pay 95% of these non NHS invoices (number, not financial value) within 30 days of delivery. Unfortunately the Health Board did not meet the administrative target of payment of 95% of the number of non-NHS creditors within 30 days this year. This follows on from the change in methodology introduced in 2015/16 which saw the removal of primary care contractor related payments from the calculations (impact of 5% reduction on performance). A number of initiatives were taken forward during the year to address this change in methodology which has led to an increase in performance on a month by month basis and the Health Board is now regularly achieving the target 95% on a monthly basis.

| Non NHS Invoices | 2016/17 | 2015/16 |
|---|---|---|
| Total Number of Invoices Paid | 41,094 | 36,604 |
| Total Number paid within Target | 38,464 | 33,126 |
| **% of invoices Paid within Target** | **93.6%** | **90.5%** |




# ADDITIONAL MANDATORY DISCLOSURES

## PENSIONS SCHEME

I can confirm that 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, employers' contributions and payments into the Scheme are in accordance with Scheme rules and that the member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

## WELSH LANGUAGE, EQUALITY AND DIVERSITY

Measures are in place to ensure that the organisation complies with the requirements of the Welsh language, equality, diversity and human rights legislation. However, as highlighted in last year's Annual Governance Statement further work is being taken forward to ensure that such legislation is properly embedded.
The Health Board's Equality, Diversity & Human Rights Policy and Impact Assessment for Equality Policy is accessible to staff and the public.

Arrangements are in place to ensure that all obligations under equality, diversity and human rights legislations are complied with. Equality issues are monitored by the Workforce and Organisational Development Committee.
The Workforce and Organisational Development Committee of the Board also has oversight of Welsh language and provides assurance to the Board.

While some progress has been made in relation to the implementation of the Welsh Government's strategic framework for Welsh language services in health, social services and social care: 'More Than Just Words' the Board recognises that greater focus and urgency is needed.

The following actions will be taken forward over the coming months we will:

- Establish a strategic Welsh Language Management Group:
- Undertake 'spot checks' across the Health Board considering:
  - Signage
  - Greetings
  - Leaflets/guidance
  - Staff wearing welsh language badges
  - Awareness of the Active offer……
- Ensure we advertise new posts bilingually:
- Put processes in place to capture Welsh Language competency
- Improve Welsh Language Training and Awareness:

## CIVIL CONTINGENCIES

PTHB is described as a Category 1 responder under the Civil Contingencies Act 2004 (CCA) and is therefore required to comply with all the legislative duties set out within the Act.
The CCA places 5 statutory duties upon Category 1 responders, these being to:

- assess the risks of emergencies
- have in place emergency plans
- establish business continuity management arrangements
- have in place arrangements to warn, inform and advise members of the public
- share information, cooperate and liaise with other local responders

During 2016, PTHB participated in a number of multi-agency planning, training and exercises to increase the Health Board's ability to respond to a wide-range of emergencies. Internally, the Health Board undertook an unannounced 'live' exercise to test the major incident arrangements at one of the Health Board's three designated supporting hospital sites.
The Health Board also fully activated the 'Health Emergency Coordination Centre' (HECC) located at Basil Webb, Bronllys Hospital as part of the Health Board's participation in a national, multi-agency counter terrorist exercise. The purpose of the HECC is to coordinate Powys-wide health resources in the event a major incident.

The Health Board's Annual Report on Civil Contingencies for 2016 provides an account of the key resilience activities undertaken in 2016 and provides and overview of the Health Board's Civil Contingencies priorities for 2017/2018.

Further work to fully implement and test the organisation's business continuity management arrangements will continue in 2017.

## MINISTERIAL DIRECTIONS

The Welsh Government has issued Non-Statutory Instruments and reintroduced Welsh Health Circulars in 2014/15. Details of these and a record of any ministerial directions given is available at: http://wales.gov.uk/legislation/subordinate/nonsi/nhswales/2013/?lang=en During 2016-17 we strengthened our arrangements for administering these important documents and checking compliance.

## POST PAYMENT VERIFICATION

In accordance with the Welsh Government directions the Post Payment Verification (PPV) Team, (a role undertaken for the Health Board by the NHS Shared Services Partnership), in respect of General Medical Services Enhanced Services and General Ophthalmic Services has carried out its work under the terms of the service level agreement (SLA) and in accordance with NHS Wales agreed protocols.

## REVIEW OF ECONOMY, EFFICIENCY AND EFFECTIVENESS ON THE USE OF RESOURCES

The National Health Service Finance (Wales) Act 2014 amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. The Act places two financial duties on Local Health Boards:

- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of three financial years; and

- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

The first assessment of performance against the three year statutory duty under section 175 (1) took place at the end of 2016-17, being the first three year period of assessment. The Health Board achieved both financial duties.

## CARBON REDUCTION DELIVERY PLANS

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.

# REVIEW OF EFFECTIVENESS OF SYSTEM OF INTERNAL CONTROL

In line with my Accountable Officer responsibilities I have put mechanisms in place for the review, on an on-going basis, of the effectiveness of the systems of internal control operating across all functions of the Health Board. As in previous year's my review and evaluation of the adequacy of the system of internal control has been informed by executive officers who have responsibility for the development, implementation and maintenance of the internal control framework; the work of the committees established by the Board; the Health Board's internal auditors and the feedback and views of external auditors set out in their annual audit letter and other reports. In addition, the independent and impartial views expressed by a range of bodies external to the Health Board has been of key importance, including those of the:

- Welsh Government
- Welsh Risk Pool
- Community Health Council
- Healthcare Inspectorate Wales
- Health & Safety Executive
- Other Accredited Bodies

The processes in place to maintain and review the effectiveness of the system of internal control includes:

- The maintenance of an overview of the overall position with regard to internal control by the Board and its Committees through routine reporting processes and the engagement of all Board members in the development and maintenance of the Board Assurance Framework and Corporate Risk Register;

- The embedding of the Assurance Framework and the receipt of internal and external reports on the internal control processes by the Audit and Assurance Committee;

- Audit and Assurance Committee oversight of audit, risk management and assurance arrangements;

- Personal input into control and risk management processes by all executive directors, senior managers and individual clinicians;

- Board engagement in 15-step Walkarounds and shadowing activities.

I have also drawn on the performance information available to me.

I am aware that historically there has been an over-reliance on the work of internal and external auditors and the role they play in assessing the adequacy and effectiveness of the internal control system operating across the Health Board. I am content, however, that the steps that have been taken over the last 12-months to strengthen risk management arrangements, embed the Assurance Framework and improve the quality of information have made the assessment and testing of the internal control system a matter of the day-to-day business of my Executive Team.

Some important Executive Director appointments (interim and permanent) were made during the year, further details are provided on pages 6 to 15 of the Directors' report; these helped improve the assurances I was able to gain from my Executive Team in relation to the effectiveness of internal controls.

I am satisfied that the mechanisms in place to assess the effectiveness of the system of internal control are working well and that we have the right balance between the level of assurance I receive from my Executives, Board and Board Committee arrangements and Internal Audit Services.

A plan to address weaknesses and ensure continuous improvement of the system of internal control is in place and this is aligned to the work being taken forward to embed the Board Assurance Framework and Risk Management Framework.

# INTERNAL AUDIT

Internal audit provide me as Accountable Officer and the Board through the Audit Committee with a flow of assurance on the system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit Committee and is focussed on significant risk areas and local improvement priorities.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

### THE HEAD OF INTERNAL AUDIT HAS CONCLUDED:

*The scope of my opinion is confined to those areas examined in the risk based audit plan which has been agreed with senior management and approved by the Audit Committee. The Head of Internal Audit assessment should be interpreted in this context when reviewing the effectiveness of the*

*system of internal control and be seen as an internal driver for continuous improvement. The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control is set out below.*

| | |
|---|---|
|  <br>- +<br>Amber | The Board can take **Limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved. |

In reaching their opinion, the Head of Internal Audit has confirmed that both professional judgement and the Audit & Assurance "*Supporting criteria for the overall opinion*" guidance produced by the Director of Audit & Assurance for NHS Wales has been used.

The Head of Internal Audit has concluded '**reasonable**' assurance can be reported for the:

- Corporate Governance, Risk & Regulatory Compliance;
- Strategic Planning, Performance Management & Reporting;
- Clinical Governance, Quality & Safety; and
- Workforce Management domains.

While, a conclusion of '**limited**' assurance has been reported for the:

- Financial Governance;
- Information Governance & Security;
- Operational Service & Functional Management; and
- Capital & Estates domains.

I would like to confirm that the Head of Internal Audit has stated that while arriving at their opinion of overall **limited assurance** that she**:**

*notes the positive direction of travel at the corporate level over the last 12 months. The 2016/17 Internal Audit Plan continued to deliver a number of limited assurance reports, however, we have noted a strengthening of strategic governance processes including the development of the Board Assurance Framework and an improved risk management system. The THB needs now to ensure that this good work is communicated throughout all levels of the organisation to enable improvements at an operational level.*

A summary of the findings reported by Internal Audit by reporting domains is set out below. Each domain heading has been colour coded to show the overall assurance for that domain:

**Corporate Governance, Risk Management and Regulatory Compliance**

Five reviews were delivered within this domain which is rated **reasonable** assurance.

The Risk Management Framework review was not rated and was advisory in nature whilst the outcome of both the annual Risk Management and Health & Care Standards reviews was reasonable assurance.

Early in 2016/17 a Board Assurance review was undertaken, the outcome of which was limited assurance. Late in 2016/17, a follow up on the implementation of recommendations made was undertaken, internal Audit noted that significant progress had been made which increased the assurance rating to reasonable.

**Strategic Planning, Performance Management & Reporting**

Three reviews were delivered within this domain which is rated **reasonable** assurance.

Integrated Medium Term Plan, Stakeholder Engagement & Communication and Commissioning reviews each returned a reasonable assurance rating.

**Financial Governance and Management**

Six reviews were completed within this domain which is rated **limited** assurance.

The Community Health Councils (Host Body) – Financial Arrangements review was advisory in nature and so was not assurance rated.

Budgetary Control & Financial Reporting, Financial Savings Plans and Patient Property and Monies were all rated as limited assurance.

The key findings from the Budgetary Control & Financial Reporting review were issues with approval and sign off of budgets by principal budget holders and with the authorised signatory listing.

The Financial Planning review identified concerns about the depth and quality of the underpinning saving plans.

The review of Patient Property and Monies identified a number of issues with the process including ineffective policy, use of controlled stationery, documentation on transferal of patients, disclaimer notices, safe keeping of valuables and forms of indemnity.

Non Pay Expenditure returned a reasonable assurance whilst the outcome of the Welsh Risk Pool Claims Process was substantial assurance.

## Clinical Governance Quality & Safety

Seven reviews were completed within this domain which is rated **reasonable** assurance.

The review of clinical audit returned a limited assurance rating. Key findings included an ineffective Clinical Audit Strategy and issues with the Clinical Audit Plan including coverage execution and progress.

The reviews of Infection Control, Safeguarding, Agency Staff Usage for Nursing and Pressure Ulcers follow up all received a reasonable assurance rating.

The Annual Quality Statement and Pain Management reviews were not assurance rated.

## Information Governance & IT Security

Two reviews were completed within this domain which is rated **limited** assurance.

The assurance rating applied to the Information Technology Governance and Resilience review was limited. A number of issues concerning governance, risk management and security, recovery and restoration procedures and physical and environmental controls were identified.

Significant progress was noted to have been made with implementing recommendations from the 2015/16 Data Quality limited assurance report and as such, a reasonable assurance rating was reported.

## Operational Service and Functional Management

Three reviews were delivered within this domain which is rated **limited** assurance.

The Localities Operational Management review covered a wide range of testing of operational activity and recommendations were attributed to 2 key themes; role clarity between the corporate, directorate and locality teams and implementation of policies and strategies at an operational level.

Whilst the Facilities Departmental review was advisory in nature, some significant concerns were highlighted.

The review of the transition of the Mental Health Service back to the Health Board returned a reasonable assurance rating.

## Workforce Management

The three reviews undertaken within this domain led to a **reasonable** assurance rating.

A limited assurance rating was reported in relation to the follow up of Rostering – Effective Utilisation. While at a corporate level, improvement

was evident, compliance with the system at an operational level remains poor.

Both the Statutory and Mandatory Training follow up and Raising Concerns reviews were rated as reasonable assurance.

## Capital & Estates Management

Six reviews were undertaken within this domain which is rated **limited** assurance.

Reasonable assurance was determined for the Fire Precautions and Estates assurance follow up (March 2017) audits; and

The Capital Follow Up review delivered substantial assurance, and whilst the prior Estates follow up (May 2016), provided limited assurance the further follow up undertaken in March 2017 provided an improved position i.e. reasonable assurance; Note: the follow up assignments only assess action against previously agreed audit recommendations.

A review (not delivering an assurance opinion) was also been completed in respect of Sustainability Reporting.

At the time of reporting the Llandrindod Wells project audit and the Capital Procurement Audit were still to be finalise. The draft reports of these were reporting a limited assurance rating.

## OVERALL SUMMARY OF RESULTS

In total 36 audit reviews were taken forward during the year.

### Substantial Assurance

In the following review areas the Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Those few matters that may require attention are compliance or advisory in nature with low impact on residual risk exposure.

| Review Title | Objective |
|---|---|
| Welsh Risk Pool Claims | The audit sought to provide assurance over the accuracy of reports and costs, and the process for managing clinical negligence and personal injury claims. |

| | |
|---|---|
| Capital Follow Up | The overall objective of this audit was to establish progress made by management to implement actions agreed to address key issues identified at previous capital audits. |

## Reasonable Assurance

In the following review areas the Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively. Some matters require management attention in either control design or operational compliance and these will have low to moderate impact on residual risk exposure until resolved.

| Review Title | Objective |
|---|---|
| Risk Management & Assurance | The review assessed the preparedness of a sample of Directorates to implement the new framework, including any implementation plans that had been prepared. |
| Health & Care Standards | An assessment of how the Board gains assurance that the Health Board is meeting Health & Care Standards requirements across the full range of activities. |
| Board Assurance Framework follow up *[note: An audit undertaken during the early part of the year resulted in a limited assurance report]* | An assessment of progress with recommendations made in the 'limited' assurance report delivered earlier in 2016/17. |
| Stakeholder Engagement & Communication | This review sought to provide the Health Board with assurance that the Engagement Strategy has been appropriately implemented. |

| Review Title | Objective |
|---|---|
| Integrated Medium Term Plan | This review focused on the Health Board's performance management arrangements to deliver the IMTP. |
| Commissioning | An assessment of the extent to which the Commissioning Assurance Framework has delivered key objectives i.e. a "holistic" understanding of the services commissioned considering the patient experience, quality, safety, access, activity and finance. |
| Non Pay Expenditure | Our review focused on the core requisitioning and purchase order process which entails close liaison and co-operation between Powys Teaching Health Board and the procurement services provider, NHS Wales Shared Services Partnership (NWSSP). |
| Infection Control | A review of compliance with the requirement to apply the 10 elements of Standard Infection Control Precautions. |
| Safeguarding | A review of compliance with Standard 2:7 of the Health and Care Standards, 'Safeguarding Children and Safeguarding Adults at Risk'. |
| Use of Agency Staff for Nursing | To assess the extent to which the Health Board is appropriately utilising agency staff both on and off contract in line with policy and framework models. |
| Pressure Ulcers follow up | An assessment of progress with recommendations made in the 'limited' assurance report delivered in 2015/16. |
| Data Quality follow up | An assessment of progress with recommendations made in the 'limited' assurance report delivered in 2015/16. |
| Mental Health | A review of the extent to which the key benefits and aims of the transfer of mental health services back to the THB were achieved. |

| Review Title | Objective |
|---|---|
| Statutory & Mandatory Training follow up | An assessment of progress with recommendations made in the 'limited' assurance report delivered in 2015/16. |
| Raising Concerns | To provide an assurance that staff at the THB feel empowered to speak up for patients at the earliest opportunity, whenever patient safety may be compromised or potentially serious errors occur. |
| Estates Assurance follow up *[note: An audit undertaken during the early part of the year resulted in a limited assurance report]* | The overall objective of this audit was to establish progress made by management to implement actions agreed to address key issues identified at previous estates audits. |
| Estates Assurance Provision (Fire Precautions) | This review was undertaken to assess compliance against the processes and procedures put in place by management to operate the estate and compliance with statutory regulations in relation to fire precautions. |

## Limited Assurance

In the following review areas the Board can take only **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.

| Review Title | Overview of scope, findings and action taken |
|---|---|
| Budgetary Control & Financial Reporting | The audit sought to provide assurance that corporate policies and procedures are effectively being discharged for Budgetary Control and the extent to which the associated management controls are being applied.<br>Key findings were linked to issues with approval and sign off of budgets by principal budget holders and with the authorised signatory listing.<br>An action plan is in place to address all recommendations and the report has been considered and is being monitored by the Audit and Assurance Committee. Implementation of recommendations will be followed up in 2017-18. |
| Financial Savings Plan | The audit sought to provide assurance that the Health Board has robust systems and processes within the financial planning function to achieve financial balance through the successful delivery of its CIP scheme.<br>The review identified concerns about the depth and quality of the underpinning saving plans.<br>An action plan is in place to address all recommendations and the report has been considered and is being monitored by the Audit and Assurance Committee. Implementation of recommendations will be followed up in 2017-18. |
| Patient Property & Monies | The review sought to provide the Health Board with assurance that operational procedures were compliant with the 'Patients Property Procedure', Financial Control Procedure (FCP) 010.<br>The review identified a number of issues with the process including ineffective policy, use of controlled stationery, documentation on transferal of patients, disclaimer notices, safe keeping of valuables and forms of indemnity.<br>An action plan is in place to address all recommendations and the report has been considered and is being monitored by the Audit and Assurance Committee. Implementation of recommendations will be followed up in 2017-18 as part of an audit of Operational departments. |

| Review Title | Overview of scope, findings and action taken |
|---|---|
| Clinical Audit | The review considered how clinical audit within PTHB links to strategic risks and objectives and assessed the extent to which clinical audit is playing a full role for quality improvement and contributing to Board assurance.<br><br>Key findings included an ineffective Clinical Audit Strategy and issues with the Clinical Audit Plan including coverage execution and progress.<br><br>An action plan is in place to address all recommendations and the report has been considered by the Audit and Assurance Committee who requested that the Patient Experience, Quality and Safety Committee monitor the implementation of the action plan. |
| Information Technology Governance & Resilience | The review sought to provide PTHB with assurance that there are sufficient 'IT Governance and Resilience' arrangements in place to enable the integration of the ICT functions between the Council and Health board and support the delivery of the Joint ICT Strategy and overarching Integrated Medium Term Plan.<br><br>A number of issues concerning governance, risk management and security, recovery and restoration procedures and physical and environmental controls were identified.<br><br>Like all other audit reports this has been considered by the Audit and Assurance Committee. The monitoring of the implementation of recommendations has been passed to the Information Management, Technology and Governance Committee. |

| Review Title | Overview of scope, findings and action taken |
|---|---|
| Localities Operational Management | This review followed the Performance Management Framework audit performed in 2015/16 and provided PTHB with assurance over management procedures that are operating within the Localities which are part of the Directorate of Primary, Community Care and Mental Health.<br><br>Two key themes role clarity between the corporate, directorate and locality teams and implementation of policies and strategies at an operational level were the focus of recommendations.<br><br>An action plan is in place to address all recommendations and the report has been considered by the Audit and Assurance Committee who requested that the Workforce &OD Committee monitor the implementation of the action plan. |

### No Assurance

There were no audited areas that reported **no assurance.**

### Assurance Rating Not Applicable

The following reviews were undertaken as part of the audit plan and reported or closed by correspondence without the standard assurance rating indicator, owing to the nature of the audit approach:

| Review Title | Objective |
|---|---|
| Risk Management Framework | An advisory review on the development of the Risk Management Framework. |
| Community Health Councils – Hosting Arrangements | A review of PTHB's governance and financial controls relating to its CHC responsibilities. |

| Review Title | Objective |
|---|---|
| Annual Quality Statement | The overall objective for this audit was to assist the Health Board with accuracy checking and triangulation of data and evidence before publication of the AQS.<br>The scope was limited to ensuring that the AQS is consistent with information reported to the Board over the period. |
| Pain Management | A review of the effectiveness and efficiency of the Pain and Fatigue Management Administrative Referral Process. |
| Facilities Departmental Review | An advisory review of the process of implementation of the new structure and design of the Facilities Management service. |
| Environmental Sustainability Reporting | The overall objective of the review was to assess the adequacy of management arrangements for the production of the sustainability report within the Annual Report; whether the form and content of the statement complied with the Welsh Government requirements, and provided an accurate and representative picture of the quality of services it provided and the improvements it has committed to undertake. |

## Reports still to be finalised at time of reporting

Fieldwork for the following reports was completed during the financial year but the reports are still to be finalised.

| | |
|---|---|
| Rostering – Effective Utilisation of Workforce follow up | An assessment of progress with recommendations made in the 'limited' assurance report delivered in 2015/16. |

| | |
|---|---|
| Llandrindod Wells Development | This project audit sought to provide the Teaching Health Board with assurance that systems and controls were adequate for the management of the project, with focus at this review on the delivery of the Roofing and Birthing Unit elements.<br><br>The audit included focus on: project governance, selection and appointment of the main contractor, contractual arrangements, an assessment of interim valuation arrangements, and change management arrangements. |
| Capital Procurement Systems | In 2015/16 the Teaching Health Board commissioned two reviews (one by Internal Audit, one by External Audit), to obtain assurance that an appropriate framework was in place in respect of the procurement, tender and contract-letting processes.<br><br>The objective of this review was to provide an assurance opinion as to the current level of controls operating in respect of the procurement, tender and contract-letting processes, including a follow up of progress towards implementation of the recommendations raised in the 2015/16 reviews. |

All Internal Audit reports are reported to the Audit and Assurance Committee together with the agreed action plan; copies of these can be found at http://www.powysthb.wales.nhs.uk/sub-committees The full Head of Internal Audit Opinion can be accessed at http://www.powysthb.wales.nhs.uk/key-documents

## EXTERNAL AUDIT: STRUCTURED ASSESSMENT FINDINGS

Each year as part of its Structured Assessment work the Wales Audit Office examines the arrangements that PTHB has put in place to support good governance and the efficient, effective and economic use of resources. As part of the structured assessment work in 2016 the Wales Audit Office reviewed the Health Board's financial management arrangements and the progress made in addressing the previous year's recommendations. Comparative work in the following three areas was also undertaken:

- the format of financial reporting to boards;
- arrangements for developing Integrated Medium-Term Plans (IMTPs) and monitoring and reporting on the delivery of these plans1; and

- approaches for mapping risks and assurances and developing a board assurance framework2.

The Wales Audit Office's overall conclusion from 2016 structured assessment work was that the Health Board had strengthened its strategic planning, financial position and board functioning, although further work is required to improve financial management and finalise board assurance arrangements. In summarising its findings the WAO stated that:

*The Health Board has successfully delivered significant savings, but there is a need to further strengthen important aspects of financial management in order to comply with Standing Orders and to be well placed to respond to the challenging external financial environment.*

*The Health Board needs to strengthen its strategic financial planning so that the long term strategy of the Health Board can be achieved.*

*Arrangements for financial control and stewardship could be enhanced further to ensure that the Health Board continues to meet its financial duty.*

*Whilst strong financial monitoring arrangements are in place, financial reporting needs improvement to ensure that the Board receives timely information for decision making purposes.*

*The Health Board has delivered against its annual financial aims for 2015-16 and performance in the current year indicates that a balanced financial position will be achieved at the end of 2016-17*
*The Board and its committees are functioning well and planning processes are significantly improved, but key assurance requirements are still developing and some issues from previous structured assessments are yet to be fully addressed.*

*The Health Board successfully produced its IMTP for a second year and continues to strengthen planning processes, although monitoring and reporting on delivery needs further development.*

*Overall, the Health Board has made steady progress developing its board assurance framework and strengthening Board and committee effectiveness, although issues with information governance have yet to be resolved*

*The Health Board has strengthened its reporting arrangements on the implementation of recommendations. Actions to address the issues and recommendations identified in previous structured assessments are on track but not yet complete.*

While pleased that the Wales Audit Office considers good progress to be made I am fully aware of the need to further strengthen and enhance the Health Board's governance arrangements.

### QUALITY OF DATA

In 2015/16, Internal Audit conducted a review of Data Quality. Ten recommendations were made as a result of this review and we rated the system of internal control as providing limited assurance that key risks were being managed effectively.

In accordance with the 2016/17 internal audit plan, a follow up review was undertaken to assess the extent to which the 10 recommendations had been implemented and sought to provide the Health Board with assurance that operational procedures are compliant with key corporate policies within the Health Board.

The internal audit identified that progress has been made with implementing the previous recommendations: Out of the ten recommendations raised, seven are related to the Information department. Five of these recommendations have been fully implemented, one has been partially implemented and one has not been implemented. The two outstanding recommendations are rated low priority. Considering the progress made against the action plan the follow up review opinion has been raised to **Reasonable Assurance**.

## CONCLUSION

While it is pleasing that the Head of Internal Audit has concluded that **reasonable assurance** can be reported for the Corporate Governance, Risk & Regulatory Compliance, Strategic Planning, Performance Management & Reporting, Clinical Governance, Quality & Safety and Workforce Management domains. Challenges remain across the Financial Governance, Information Governance & Security, Operational Service & Functional Management and Capital & Estates domains, where **limited assurance** is reported.

Disappointingly, during the year there were 6 audit areas where the internal audit opinion was one of 'Limited Assurance'; these are outlined in the Head of Internal Audit's Opinion referred to above. In each instance, management action has been taken forward to respond in these areas and progress monitored by the Health Board's committees, particularly the Audit and Assurance Committee and the Board. At the time of reporting three audit reports are still in draft and have not been finalised with management, or reviewed and considered by the Audit and Assurance Committee, which will take place in July 2016.

In last year's Annual Governance Statement, I reported that concerns had arisen in relation to capital and estates, financial controls, procurement and certain corporate controls. During 2015-16 I took action to address and I continued to monitor the situation over the last 12-months.

During the year no significant internal control or governance issues were identified, aside from those highlighted in the internal and external audit reports referred to in this document. The Board through its own self-assessment of effectiveness has however identified areas where it would like to see further improvement, which have also been outlined in this Statement.

I have therefore concluded that while in many areas the Board has a generally sound system of internal control that supports the achievement of its strategic aims and objectives further strengthening and embedding of sound control, risk and assurance arrangements is needed. Together with the Board I will continue to drive improvements and will seek to provide assurance for our citizens and stakeholders that the services we provide are efficient, effective and appropriate and designed to meet patient needs and expectations.

**SIGNED BY:** **DATE: 01/06/2017**

**CAROL SHILLABEER**
**[CHIEF EXECUTIVE]**

# PART B: REMUNERATION AND STAFF REPORT

# PART B:

# THE REMUNERATION AND STAFF REPORT

## BACKGROUND

The FReM requires that a Remuneration Report shall be prepared by NHS bodies providing information under the headings in SI 2008 No 410 http://www.legislation.gov.uk/uksi/2008/410/ contents/

made to the extent that they are relevant. The Remuneration Report contains information about senior manager's remuneration. The definition of "Senior Managers" is:

*"those persons in senior positions having authority or responsibility for directing or controlling*
*the major activities of the NHS body. This means those who influence the decisions of the entity*
*as a whole rather than the decisions of individual directorates or departments."*

This section of the Accountability Report meets these requirements.

## THE REMUNERATION TERMS OF SERVICE COMMITTEE

Remuneration and terms of service for Executive Directors and the Chief Executive are agreed, and kept under review by the Remuneration and Terms of Service Committee. The Committee also monitors and evaluates the annual performance of the Chief Executive and individual Directors (the latter with the advice of the Chief Executive).

The Remuneration and Terms of Services Committee is chaired by the health board's Chair, and the membership includes the following Independent Members:

- Melanie Davies, Vice Chair of the Board;
- Tony Thomas, Chair of Audit and Assurance Committee;
- Trish Buchan, Chair of the Workforce and OD Committee; and
- Owen James, Independent Member.

Meetings are minuted and decisions fully recorded.

## INDEPENDENT MEMBERS' REMUNERATION

Remuneration for Independent Members is decided by the Welsh Government, which also determines their tenure of appointment.

## DIRECTORS' AND INDEPENDENT MEMBERS' REMUNERATION

Details of Directors' and Independent Members' remuneration for the 2015/16 financial year, together with comparators are given in Table 2 opposite.

The norm is for Executive Directors and Senior Managers salaries to be uplifted in accordance with the Welsh Government identified normal pay inflation percentage. There were no pay inflation uplifts for 2016-17.

If there were to be an up-lift over and above this level, this would always be agreed as a result of changes in roles and responsibilities and with advice from an independent consultancy with specialist knowledge of job evaluation and executive pay within the NHS.

The Remuneration and Terms of Services Committee would receive a detailed report in respect of issues to be considered in relation to any uplift to Executive Directors salaries (including advice from the Welsh Government) and having considered all the advice and issues put before them, would report their recommendations to the Board for ratification.

The Committee also reviews objectives set for Executive Directors and assesses performance against those objectives when considering recommendations in respect of annual pay uplifts.

It should be noted that Executive Directors are not on any form of performance related pay. All contracts are permanent with a three month notice period. Conditions were set by Welsh Government as part of the NHS Reform Programme of 2009. However, for part of the year there were three interim Directors in post; an Interim Director of Planning and Performance, an Interim Medical Director and two Interim Directors of Finance. During the year the Director of Planning and Performance and Medical Director posts were recruited to. The Remuneration and Terms of Service Committee has agreed to take forward steps to recruit to the Director of Finance post on a permanent basis when the agreed secondment period of the present incumbent comes to an end.

## SALARY AND PENSION DISCLOSURE TABLE
## SALARIES AND ALLOWANCES

| | 2016-17 | | | | | | 2015-16 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name and title | Salary (bands of £5,000) £000 | Benefits in Kind (taxable) to nearest £100 £00 | Performance Pay and Bonuses (bands of £5,000) £000 | Long Term Performance Pay and Bonuses (bands of £5,000) £000 | All Pension Related Benefits (bands of £2,500) £000 | Single Total Remuneration (bands of £5,000) £000 | Salary (bands of £5,000) £000 | Benefits in Kind (taxable) to nearest £100 £00 | Performance Pay and Bonuses (bands of £5,000) £000 | Long Term Performance Pay and Bonuses (bands of £5,000) £000 | All Pension Related Benefits (bands of £2,500) £000 | Single Total Remuneration (bands of £5,000) £000 |
| **Executive directors** | | | | | | | | | | | | |
| Carol Shillabeer - Chief Executive | 145 - 150 | 0 | 0 | 0 | 5.0 - 7.5 | 150 - 155 | 155 - 160 | 0 | 0 | 0 | 335.0 - 337.5 | 490 - 500 |
| Catherine Woodward - Director of Public Health and Acting Medical Director (From 1st November 2014 until 30th September 2015) | 155 - 160 | 0 | 0 | 0 | (15.0) - (17.5) | 140 - 145 | 155 - 160 | 0 | 0 | 0 | 60.0 - 62.5 | 215 - 220 |
| Rebecca Richards - Director of Finance (Until 31st March 2016) * | 0 | 0 | 0 | 0 | 0 | 0 | 95 - 100 | 0 | 0 | 0 | 22.5 - 25.0 | 120 - 125 |
| Bruce Whitear - Director of Planning and Performance (Commenced 10th July 2014 - Until 31st May 2015) and Interim Director of Planning (Until 09th July 2014) | 0 | 0 | 0 | 0 | 0 | 0 | 35 - 40 | 0 | 0 | 0 | 10.0 - 12.5 | 45 - 50 |
| Julie Rowles - Director of Workforce and Organisational Development | 100 - 105 | 33 | 0 | 0 | 17.5 - 20.0 | 120 - 125 | 100 - 105 | 24 | 0 | 0 | 35.0 - 37.5 | 135 - 140 |

| Name and title | 2016-17 Salary (bands of £5,000) £000 | 2016-17 Benefits in Kind (taxable) to nearest £100 £00 | 2016-17 Performance Pay and Bonuses (bands of £5,000) £000 | 2016-17 Long Term Performance Pay and Bonuses (bands of £5,000) £000 | 2016-17 All Pension Related Benefits (bands of £2,500) £000 | 2016-17 Single Total Remuneration (bands of £5,000) £000 | 2015-16 Salary (bands of £5,000) £000 | 2015-16 Benefits in Kind (taxable) to nearest £100 £00 | 2015-16 Performance Pay and Bonuses (bands of £5,000) £000 | 2015-16 Long Term Performance Pay and Bonuses (bands of £5,000) £000 | 2015-16 All Pension Related Benefits (bands of £2,500) £000 | 2015-16 Single Total Remuneration (bands of £5,000) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amanda Smith - Director of Therapies and Health Science (Until 29th February2016) | 0 | 0 | 0 | 0 | 0 | 0 | 105 - 110 | 0 | 0 | 0 | 20.0 - 22.5 | 125 - 130 |
| Alan Lawrie - Director of Primary and Community Care | 105 - 110 | 0 | 0 | 0 | 77.5 - 80.0 | 185 - 190 | 105 -110 | 0 | 0 | 0 | 0 | 105 - 110 |
| Rhiannon Jones - Director of Nursing (From 21st September 2015) and Interim Director of Nursing (From 6th April 2015 until 20th September 2015) | 100 - 105 | 36 | 0 | 0 | 45.0 - 47.5 | 150 - 155 | 100 - 105 | 0 | 0 | 0 | 150.0 - 152.5 | 240 - 245 |
| Stephen Edwards - Interim Medical Director (From 1st October 2015 until 31st October 2016)** | 30 - 35 | 0 | 0 | 0 | 85 - 87.5 | 120 - 125 | 25 - 30 | 0 | 0 | 0 | 32.5 - 35.0 | 55 - 60 |
| Hayley Thomas - Director of Planning and Performance (from 18th April 2016) - Interim Director of Planning & Performance (From 6th June 2015 to 17th April 2016) | 95 - 100 | 18 | 0 | 0 | 72.5 - 75.0 | 170 - 175 | 70 - 75 | 0 | 0 | 0 | 150.0 - 152.5 | 205 - 210 |

| | 2016-17 | | | | | | 2015-16 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name and title | Salary (bands of £5,000) £000 | Benefits in Kind (taxable) to nearest £100 £00 | Performance Pay and Bonuses (bands of £5,000) £000 | Long Term Performance Pay and Bonuses (bands of £5,000) £000 | All Pension Related Benefits (bands of £2,500) £000 | Single Total Remuneration (bands of £5,000) £000 | Salary (bands of £5,000) £000 | Benefits in Kind (taxable) to nearest £100 £00 | Performance Pay and Bonuses (bands of £5,000) £000 | Long Term Performance Pay and Bonuses (bands of £5,000) £000 | All Pension Related Benefits (bands of £2,500) £000 | Single Total Remuneration (bands of £5,000) £000 |
| Glyn Jones - Interim Director of Finance (From 1st April 2016 to 31st October 2016) | 50 - 55 | 0 | 0 | 0 | 0.0 - 2.5 | 55 - 60 | 0 | 0 | 0 | 0 | 0 | 0 |
| Eifion Williams - Interim Director of Finance (From 1st November 2016) | 70 - 75 | 0 | 0 | 0 | 10.0 - 12.5 | 75 - 100 | 0 | 0 | 0 | 0 | 0 | 0 |
| Martin Brown - Director of Transformation (From 20th June 2016 to 31st October 2016) | 30 - 35 | 0 | 0 | 0 | 0 | 30 - 35 | 0 | 0 | 0 | 0 | 0 | 0 |
| David Murphy - Director of Therapies and Health Sciences (From 19th September 2016) | 45 – 50 | 0 | 0 | 0 | 80.0 - 82.5 | 120 - 125 | 0 | 0 | 0 | 0 | 0 | 0 |
| Karen Gully - Medical Director (From 28th November 2016) | 40 - 45 | 0 | 0 | 0 | 0.0 - (2.5) | 40 - 45 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Non-Officer Members** | | | | | | | | | | | | |
| Professor Vivienne Harpwood - Chair | 40 - 45 | 0 | 0 | 0 | 0 | 40 - 45 | | 40 - 45 | 0 | 0 | 0 | 40 - 45 |
| Melanie Davies - Vice Chair | 30 - 35 | 0 | 0 | 0 | 0 | 30 - 35 | | 30 - 35 | 0 | 0 | 0 | 30 - 35 |
| Matthew Dorrance - Independent Member (Local Authority ) | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 | | 5 - 10 | 0 | 0 | 0 | 5 - 10 |

| | 2016-17 | | | | | | 2015-16 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name and title | Salary (bands of £5,000) £000 | Benefits in Kind (taxable) to nearest £100 £00 | Performance Pay and Bonuses (bands of £5,000) £000 | Long Term Performance Pay and Bonuses (bands of £5,000) £000 | All Pension Related Benefits (bands of £2,500) £000 | Single Total Remuneration (bands of £5,000) £000 | Salary (bands of £5,000) £000 | Benefits in Kind (taxable) to nearest £100 £00 | Performance Pay and Bonuses (bands of £5,000) £000 | Long Term Performance Pay and Bonuses (bands of £5,000) £000 | All Pension Related Benefits (bands of £2,500) £000 | Single Total Remuneration (bands of £5,000) £000 |
| Patricia Buchan - Independent Member (Third Sector ) | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 |
| Paul Dummer - Independent Member (University) | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 |
| Roger Eagle - Independent Member (Legal) | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 |
| Andrew Leonard - Independent Member (Voluntary Sector/Community - Until 6th June 2015) | 0 | 0 | 0 | 0 | 0 | 0 | 0 - 5 | 0 | 0 | 0 | 0 | 0 - 5 |
| Mark Baird - Independent Member (ICT) | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 |
| Gyles Palmer - Independent Member (Capital and Estates - Until 31st July 2015) | 0 | 0 | 0 | 0 | 0 | 0 | 0 - 5 | 0 | 0 | 0 | 0 | 0 - 5 |
| Gareth Jones - Independent Member (Finance - Until 30th April 2015) | 0 | 0 | 0 | 0 | 0 | 0 | 0 - 5 | 0 | 0 | 0 | 0 | 0 - 5 |
| Sara Williams - Independent Member (Capital and Estates - From 9th September 2015) | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 |

| Name and title | 2016-17 Salary (bands of £5,000) £000 | Benefits in Kind (taxable) to nearest £100 £00 | Performance Pay and Bonuses (bands of £5,000) £000 | Long Term Performance Pay and Bonuses (bands of £5,000) £000 | All Pension Related Benefits (bands of £2,500) £000 | Single Total Remuneration (bands of £5,000) £000 | 2015-16 Salary (bands of £5,000) £000 | Benefits in Kind (taxable) to nearest £100 £00 | Performance Pay and Bonuses (bands of £5,000) £000 | Long Term Performance Pay and Bonuses (bands of £5,000) £000 | All Pension Related Benefits (bands of £2,500) £000 | Single Total Remuneration (bands of £5,000) £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Owen James - Independent Member (Voluntary Sector/Community - From 9th September 2015) | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 |
| Anthony Thomas - Independent Member (Finance - From 1st June 2015) | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 | 5 - 10 | 0 | 0 | 0 | 0 | 5 - 10 |

* Please note that Mrs. Rebecca Richards was on an external secondment during the 2016/17 financial year

** Please note that Dr Stephen Edwards was seconded for 2 days per week into the Medical Director role therefore the figures above reflect the pro rata contract.

The Remuneration Report now contains a Single Total Figure of Remuneration, this is a different way of presenting the remuneration for each individual for the year. The table used is similar to that used previously, and the salary and benefits in kind elements are unchanged. The amount of pension benefits for the year which contributes to the single total figure is calculated using a similar method to that used to derive pension values for tax purposes, and is based on information received from NHS BSA Pensions Agency.

The value of pension benefits is calculated as follows: (real increase in pension* x20) + (real increase in any lump sum) – (contributions made by member). *excluding increases due to inflation or any increase of decrease due to a transfer of pension rights

The Single Total Figure of Remuneration is not an amount which has been paid to an individual by PTHB during the year, it is a calculation which uses information from the pension benefit table. These figures can be influenced by many factors e.g. changes in a persons salary, whether or not they choose to make additional contributions to the pension scheme from their pay and other valuation factors affecting the pension scheme as a whole.

NOTE: Jonothan White, Independent Member (Trade Union Side) is an employee of the health board. He does not receive a separate payment for his Independent Member role, but is given time of from his day role in the health board to perform these duties.

# 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 PTHB in the financial year 2016-17 was £155,000 - £160,000 (2016-17, £155,000 - £160,000). This was 6.3 times (2015-16, 6.1) the median remuneration of the workforce, which was £24,685 (2015-16, £25,948).

In 2016-17, 0 (2014-15, 0) employees received remuneration in excess of the highest paid director. Remuneration for staff ranged form £800 to £156,000 (2015-16 £1,400 to £157,000)

| | 2016-17 | 2015-16 |
|---|---|---|
| **Band of Highest paid Directors' Total Remuneration £000** | 155 - 160 | 155 - 160 |
| **Median Total Remuneration £000** | 25 | 26 |
| **Ratio** | 6.3 | 6.1 |

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. Overtime payments are included for the calculation of both elements of the relationship.

| Name and title | Real increase in pension at age 60 (bands of £2,500) £000 | Real increase in pension lump sum at aged 60 (bands of £2,500) £000 | Total accrued pension at age 60 at 31 Mar 2017 (bands of £5,000) £000 | Lump sum at aged 60 related to accrued pension at 31st March 2017 (bands of £5,000) £000 | Cash Equivalent transfer value at 31 Mar 2017 £000 | Cash Equivalent transfer value at 31 Mar 2016 £000 | Real increase in Cash equivalent transfer value £000 | Employer's contribution to stakeholder pension £000 |
|---|---|---|---|---|---|---|---|---|
| Carol Shillabeer - Chief Executive | 0.0 - 2.5 | 2.5 - 5.0 | 40 - 45 | 125 - 130 | 694 | 655 | 39 | 0 |
| Catherine Woodward - Director of Public Health and Acting Medical Director (From 1st November 2014 until 30th September 2015) | 0.0 - 2.5 | 0.0 - 2.5 | 60 - 65 | 190 - 195 | 1,342 | 1,268 | 74 | 0 |
| Rebecca Richards - Director of Finance (Until 31 March 2016) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bruce Whitear - Director of Planning and Performance (10 July 2014 - 31 May 2015) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Julie Rowles - Director of Workforce and Organisational Development | 0.0 - 2.5 | | 40 - 45 | 120 - 125 | 753 | 716 | 37 | 0 |
| Amanda Smith - Director of Therapies and Health Science (Until 29 February 2016) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Alan Lawrie - Director of Primary and Community Care | 2.5 - 5.0 | 0 | 0 - 5 | 0 | 51 | 0 | 51 | 0 |
| Rhiannon Jones - Director of Nursing (From 21st September 2015) and Interim Director of Nursing (From 6th April 2015 until 20th September 2015) | 2.5 - 5.0 | 2.5 - 5.0 | 35 - 40 | 105 - 110 | 644 | 592 | 52 | 0 |

| Name and title | Real increase in pension at age 60 (bands of £2,500) £000 | Real increase in pension lump sum at aged 60 (bands of £2,500) £000 | Total accrued pension at age 60 at 31 Mar 2017 (bands of £5,000) £0 00 | Lump sum at aged 60 related to accrued pension at 31st March 2017 (bands of £5,000) £000 | Cash Equivalent transfer value at 31 Mar 2017 £000 | Cash Equivalent transfer value at 31 Mar 2016 £000 | Real increase in Cash equivalent transfer value £000 | Employer's contribution to stakeholder pension £000 |
|---|---|---|---|---|---|---|---|---|
| Stephen Edwards - Interim Medical Director (From 1st October 2015 until 31st October 2016)** | 2.5 - 5.0 | 7.5 - 10.0 | 45 - 50 | 120 - 125 | 727 | 575 | 152 | 0 |
| Hayley Thomas - Director of Planning and Performance (from 18th April 2016) - Interim Director of Planning & Performance (From 6th June 2015 to 17th April 2016) | 2.5 - 5.0 | 5.0 - 7.5 | 20 - 25 | 55 - 60 | 319 | 264 | 55 | 0 |
| Glyn Jones - Interim Director of Finance (From 1st April 2016 to 31st October 2016) | 0.0 - 2.5 | 0 | 5 - 10 | 0 | 142 | 118 | 24 | 0 |
| Eifion Williams - Interim Director of Finance (From 1st November 2016) | 0.0 - 2.5 | 0.0 - 2.5 | 60 - 65 | 190 - 195 | 1,399 | 1,317 | 82 | 0 |
| Martin Brown - Director of Transformation (From 20th June 2016 to 31st October 2016) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| David Murphy - Director of Therapies and Health Sciences (From 19th September 2016) | 2.5 - 5.0 | 7.5 - 10.0 | 30 - 35 | 85 - 90 | 552 | 446 | 106 | 0 |
| Karen Gully - Medical Director (From 28th November 2016) | 0.0 - 2.5 | 0 | 0 - 5 | 0 | 10 | 0 | 10 | 0 |

The above calculations are provided by the NHS Pensions Agency and are based on the standard pensionable age of 60.

For Directors marked * figures relate to pensionable age of 65

**Please note that Dr Stephen Edwards is currently seconded for 2 days per week into the Medical Director role therefore the figures above reflect the pro rata contract for the Real Increase in Pension and Real increase in Pension Lump Sum for the role undertaken. All other values have not been subject to a pro rata calculation.
As Non officer members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

## CASH EQUIVALENT TRANSFER VALUES

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

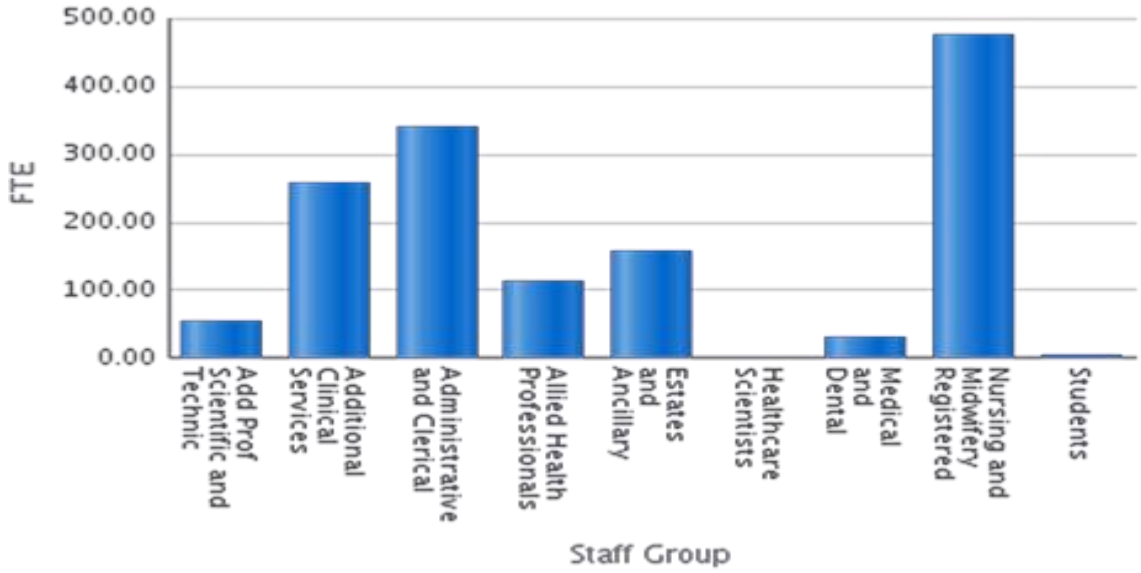
## REAL INCREASE IN CETV

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

# STAFFING DETAILS

## STAFF PROFILE

As of 31 March 2017, the total number of staff employed by the Health Board stood at 1429.99 Full Time Equivalents (FTE). The table below provides a breakdown of the staff groups we employ excluding hosted services, such as the Board of Community Health Councils and Health and Care Research Wales.




## STAFF COMPOSITION

As at 31 March 2017 the composition of the staff of Powys Teaching Health Board was as follows:

| | Female | Male |
|---|---|---|
| **Part Time** | 969 | 89 |
| **Full Time** | 577 | 170 |

## SICKNESS ABSENCE

Rolling sickness fell below the set target of 4.42% in the 2016-17 financial year to 4.40%. Actual sickness fluctuated between 3.81% and 5.31% over the last twelve months.

In 2016-2017 25,079.36 whole time equivalent (WTE) days were lost due to sickness, which equates to approximately 68 members of staff being absent from work.

## STAFF POLICIES

Powys Teaching Health Board as a range of staff policies in place. The policies applied during the financial year:

- For giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.
- For continuing the employment of, and for arranging appropriate training for, employees who have become disabled persons during the period when they were employed by the company.
- Otherwise for the training, career development and promotion of disabled persons employed by the heath board.

Were the *Employing Disabled people Policy* and the *Policy on Impact Assessment for Equality*. These were utilised alongside a range of other policies such as the *Sickness Absence Policy* and *Recruitment and Selection Policy* to ensure fair consideration was given to applications for employment made by a disabled person and for supporting their continued employment.

## TAX ASSURANCE FOR OFF-PAYROLL APPOINTEES

The following table shows all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months.

| **No. of existing engagements as of 31 March 2016** | **1** |
|---|---|
| **Of which…** | |
| No. that have existed for less than one year at time of reporting. | 0 |
| No. that have existed for between one and two years at time of reporting. | 0 |
| No. that have existed for between two and three years at time of reporting. | 1 |
| No. that have existed for between three and four years at time of reporting. | 0 |
| No. that have existed for four or more years at time of reporting. | 0 |
| No. of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015 | 0 |
| No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations | 0 |
| No. for whom assurance has been requested | 1 |

| Of which... | |
|---|---|
| No. for whom assurance has been received | 1 |
| No. for whom assurance has not been received | 0 |
| No. that have been terminated as a result of assurance not being received. | 0 |

PTHB has received assurance from the relevant employing organisation that income tax and national insurance obligations are being accounted for the above individual. There have been no off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016

## EXIT PACKAGES AND SEVERANCE PAYMENTS

This disclosure reports the number and value of exit packages taken by staff leaving in the year. This disclosure is required to strengthen accountability in the light of public and Parliamentary concern about the incidence and cost of these payments.

| Exit packages cost band (including any special payment element) | Number of compulsory redundancies | Cost of compulsory redundancies | Number of other departures | Cost of other departures | Total number of exit packages | Total cost of exit packages | Number of departures where special payments have been made | Cost of special element included in exit packages |
|---|---|---|---|---|---|---|---|---|
| | Whole numbers only | £'s | Whole numbers only | £'s | Whole numbers only | £'s | Whole numbers only | £'s |
| **Exit package cost band** | | | | | | | | |
| less than £10,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £10,000 to £25,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £25,000 to £50,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £50,000 to £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,000 to £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,000 to £200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| more than £200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Redundancy and other departure costs if paid would have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Exit costs in this note are accounted for in full in the year of departure on a cash basis in this note as specified in EPN 380 Annex 13C. Should the health board have agreed early retirements, the additional costs would have been met by the LHB and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pension's scheme and are not included in the table.

# PART C: NATIONAL ASSEMBLY FOR WALES ACCOUNTABILITY AND AUDIT REPORT

# The Certificate of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Powys Teaching Local Health Board for the year ended 31 March 2017 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 18 to 20 and page 22, 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 Financial Reporting Council'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 Powys Teaching Local Health Board 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 Foreword and the Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially

inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 Powys Teaching Local Health Board as at 31 March 2017 and of its net operating costs 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 in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements 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;
- the information contained in the Foreword and the Accountability Report is consistent with the financial statements.

## 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;
- the financial statements are not in agreement with the accounting records and returns;
- 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
24 Cathedral Road
Cardiff
CF11 9LJ

6 June 2017

# Financial Accounts 2016-17

# POWYS TEACHING 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**

Powys Teaching Local Health Board under the Local Health Boards (Establishment) (Wales) Order 2003 (S.I. 2003/148 (W.18))

As a statutory body governed by Acts of Parliament the THB 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 THB hosts the Community Health Councils in Wales. In addition, it is also responsible for hosting specific functions in respect of the accounts of the former Health Authorities mostly significantly in respect of clinical negligence. The THB also hosts the functions of Health and Care Research Wales (HCRW) and All Wales Retrospective Continuing Health Care Reviews Project.

**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 LHB which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

Under the National Health Services Finance (Wales) Act 2014 the annual requirement to achieve balance against Resource Limits has been replaced with a duty to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved limits.

The Act came into effect from 1 April 2014 and under the Act the first assessment of the 3 year rolling financial duty will take place at the end of 2016-17.

Powys Teaching Health Board (PTHB) is the operational name of Powys Teaching Local Health Board

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

| | Note | 2016-17 £'000 | 2015-16 £'000 |
|---|---|---|---|
| Expenditure on Primary Healthcare Services | 3.1 | **63,905** | 63,513 |
| Expenditure on healthcare from other providers | 3.2 | **148,526** | 143,721 |
| Expenditure on Hospital and Community Health Services | 3.3 | **87,675** | 78,210 |
| | | **300,106** | 285,444 |
| Less: Miscellaneous Income | 4 | **14,145** | 13,197 |
| **LHB net operating costs before interest and other gains and losses** | | **285,961** | 272,247 |
| Investment Income | 8 | **0** | 0 |
| Other (Gains) / Losses | 9 | **(1)** | 1 |
| Finance costs | 10 | **100** | 103 |
| **Net operating costs for the financial year** | | **286,060** | 272,351 |

See note 2 on page 20 for details of performance against Revenue and Capital allocations.

The notes on pages 8 to 62 form part of these accounts

## Other Comprehensive Net Expenditure

| | 2016-17 £'000 | 2015-16 £'000 |
|---|---|---|
| Net gain / (loss) on revaluation of property, plant and equipment | **480** | 2,482 |
| 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 |
| Release of Reserves to Statement of Comprehensive Net Expenditure | **0** | 0 |
| Other comprehensive net expenditure for the year | **480** | 2,482 |
| **Total comprehensive net expenditure for the year** | **285,580** | 269,869 |

## Statement of Financial Position as at 31 March 2017

| | Notes | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **68,672** | 65,753 |
| Intangible assets | 12 | **0** | 0 |
| Trade and other receivables | 15 | **17,421** | 12,624 |
| Other financial assets | 22 | **0** | 0 |
| **Total non-current assets** | | **86,093** | 78,377 |
| **Current assets** | | | |
| Inventories | 14 | **133** | 142 |
| Trade and other receivables | 15 | **14,115** | 16,448 |
| Other financial assets | 22 | **0** | 0 |
| Cash and cash equivalents | 21 | **674** | 666 |
| | | **14,922** | 17,256 |
| Non-current assets classified as "Held for Sale" | 11 | **250** | 0 |
| **Total current assets** | | **15,172** | 17,256 |
| **Total assets** | | **101,265** | 95,633 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **37,260** | 35,595 |
| Other financial liabilities | 23 | **0** | 0 |
| Provisions | 17 | **7,697** | 11,161 |
| **Total current liabilities** | | **44,957** | 46,756 |
| **Net current assets/ (liabilities)** | | **(29,785)** | (29,500) |
| **Non-current liabilities** | | | |
| Trade and other payables | 16 | **0** | 0 |
| Other financial liabilities | 23 | **0** | 0 |
| Provisions | 17 | **24,093** | 19,343 |
| **Total non-current liabilities** | | **24,093** | 19,343 |
| **Total assets employed** | | **32,215** | 29,534 |
| | | | |
| **Financed by :** | | | |
| **Taxpayers' equity** | | | |
| General Fund | | **(2,003)** | (4,220) |
| Revaluation reserve | | **34,218** | 33,754 |
| **Total taxpayers' equity** | | **32,215** | 29,534 |

The financial statements on pages 2 to 7 were approved by the Board on 31st May 2017 and signed on its behalf by:

Chief Executive…….. Date ……..
31-May-17

The notes on pages 8 to 62 form part of these accounts

## Statement of Changes in Taxpayers' Equity
## For the year ended 31 March 2017

| | General Fund £000s | Revaluation Reserve £000s | Total Reserves £000s |
|---|---|---|---|
| **Changes in taxpayers' equity for 2016-17** | | | |
| **Balance at 1 April 2016** | -4,220 | 33,754 | **29,534** |
| Net operating cost for the year | (286,060) | | **(286,060)** |
| Net gain/(loss) on revaluation of property, plant and equipment | 0 | 480 | **480** |
| 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 | 0 | 0 | **0** |
| Release of reserves to SoCNE | 16 | (16) | **0** |
| Transfers to/from LHBs | 0 | 0 | **0** |
| **Total recognised income and expense for 2016-17** | (286,044) | 464 | **(285,580)** |
| Net Welsh Government funding | 288,261 | | **288,261** |
| **Balance at 31 March 2017** | (2,003) | 34,218 | **32,215** |

The notes on pages 8 to 62 form part of these accounts

# Statement of Changes in Taxpayers' Equity
# For the year ended 31 March 2016

| | General Fund £000s | Revaluation Reserve £000s | Total Reserves £000s |
|---|---|---|---|
| **Changes in taxpayers' equity for 2015-16** | | | |
| **Balance at 1 April 2015** | (1,510) | 31,407 | **29,897** |
| Net operating cost for the year | (272,351) | | **(272,351)** |
| Net gain/(loss) on revaluation of property, plant and equipment | 0 | 2,482 | **2,482** |
| 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 | 135 | (135) | **0** |
| **Release of reserves to SoCNE** | 0 | 0 | **0** |
| Transfers to/from LHBs | 0 | 0 | **0** |
| **Total recognised income and expense for 2015-16** | (272,216) | 2,347 | **(269,869)** |
| Net Welsh Government funding | 269,506 | | **269,506** |
| **Balance at 31 March 2016** | (4,220) | 33,754 | **29,534** |

The notes on pages 8 to 62 form part of these accounts

## Statement of Cash flows for year ended 31 March 2017

| | notes | 2016-17 £'000 | 2015-16 £'000 |
|---|---|---|---|
| **Cash Flows from operating activities** | | | |
| Net operating cost for the financial year | | **(286,060)** | (272,351) |
| Movements in Working Capital | 30 | **(1,718)** | 11,434 |
| Other cash flow adjustments | 31 | **6,630** | (2,611) |
| Provisions utilised | 17 | **(1,204)** | (3,482) |
| **Net cash outflow from operating activities** | | **(282,352)** | (267,010) |
| **Cash Flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(5,902)** | (2,868) |
| Proceeds from disposal of property, plant and equipment | | **1** | 136 |
| Purchase of intangible assets | | **0** | 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** | | **(5,901)** | (2,732) |
| **Net cash inflow/(outflow) before financing** | | **(288,253)** | (269,742) |
| **Cash flows from financing activities** | | | |
| Welsh Government funding (including capital) | | **288,261** | 269,506 |
| Capital receipts surrendered | | **0** | 0 |
| Capital grants received | | **0** | 0 |
| Capital element of payments in respect of finance leases and on-SoFP | | **0** | 0 |
| Cash transferred (to)/ from other NHS bodies | | **0** | 0 |
| **Net financing** | | **288,261** | 269,506 |
| **Net increase/(decrease) in cash and cash equivalents** | | **8** | (236) |
| **Cash and cash equivalents (and bank overdrafts) at 1 April 2016** | | **666** | 902 |
| **Cash and cash equivalents (and bank overdrafts) at 31 March 2017** | | **674** | 666 |

The notes on pages 8 to 62 form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2016-17 Local Health Board Manual for Accounts and 2016-17 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 (Welsh Government 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.

**NEST Pension Scheme**

The THB has to offer an alternative pensions scheme for employees not eligible to join the NHS Pensions scheme. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

**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 THB;
● 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 THBs 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.

In 2012-13 a formal revaluation exercise was applied to land and properties. 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.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that the impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure.

From 2015-16, the THB must comply with IFRS 13 Fair Value Measurement in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

In accordance with the adaptation of IAS 16 in table 6.2 of the FREM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the THB could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

**Subsequent expenditure**
Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated, NHS bodies are required to get all All Wales Capital Schemes that are completed in a financial year revalued during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses.

**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 £5,000.

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, assets under construction and assets held for sales 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 THB expects to obtain economic benefits or service potential from the asset. This is specific to the THB 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 THB 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 the 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 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.

**1.11 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.

**1.11.1 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.

**1.11.2 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.

**1.12 Inventories**
Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the first-in first-out cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

**1.13 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. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

**1.14 Provisions**
Provisions are recognised when the THB has a present legal or constructive obligation as a result of a past event, it is probable that the THB 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 end of the reporting period, 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 the discount rate supplied by HM Treasury.

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 THB 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 THB 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.

**1.14.1 Clinical negligence and personal injury costs**
The Welsh Risk Pool (WRP) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2016-17. The WRP is hosted by Velindre NHS Trust.

**1.15 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.

### 1.15.1 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.

### 1.15.2 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.

### 1.15.3 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.

### 1.15.4 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.

### 1.15.5 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 THB 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.

**1.16 Financial liabilities**
Financial liabilities are recognised on the Statement of Financial Position when the THB 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.

**1.16.1 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.

**1.16.2 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.

**1.16.3 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.

**1.17 Value Added Tax**
Most of the activities of the THB 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.

**1.18 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.

**1.19 Third party assets**
Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the THB has no beneficial interest in them. Details of third party assets are given in Note 25 to the accounts.

**1.20 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 SoCNE 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.

The THB accounts for all losses and special payments gross (including assistance from the WRP). The THB accrues or provides for the best estimate of future payouts for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

**1.21 Pooled budget**

The THB has entered into pooled budgets with Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in Note 28.

The pool is hosted by Powys County Council. Payments for services provided are accounted for as miscellaneous income. The THB 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.

**1.22 Critical Accounting Judgements and key sources of estimation uncertainty**

In the application of the THB'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.

**1.23 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.

- primary care expenditure includes estimates for liabilities where the value of actual liabilities was not available at the time of producing the financial statements. The most significant areas relate to GMS Enhanced Services, GMS Quality Outcome Framework and Prescribing; and

- £24.367M has been provided within Note 17 in respect of potential clinical negligence claims, personal injury claims and defence costs. These provisions are based on the advice of the NHS Wales Shared Services Partnership - Legal and Risk Services. The nature of such claims could be subject to change in future periods.

## 1.24 Private Finance Initiative (PFI) transactions

The THB does not have any Private Finance Initiative 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.

**1.25 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 LHB. 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. Remote contingent liabilities are those that are disclosed under Parliamentary reporting requirements and not under IAS 37 and, where practical, an estimate of their financial effect is required.

**1.26 Carbon Reduction Commitment Scheme**

The THB is not a member of the Carbon Reduction Commitment Scheme

Carbon Reduction Commitment Scheme allowances are accounted for as government grant funded intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be measured initially at cost. Scheme assets in respect of allowances shall be valued at fair value where there is evidence of an active market.

**1.27 Absorption accounting**

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

**1.28 Accounting standards that have been issued but not yet been adopted**

The following accounting standards have been issued and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM

IFRS 9 Financial Instruments
IFRS14 Regulatory Deferral Accounts
IFRS15 Revenue from contracts with customers
IFRS 16 Leases

**1.29 Accounting standards issued that have been adopted early**

During 2016-17 there have been no accounting standards that have been adopted early.
All early adoption of accounting standards will be led by HM Treasury.

**1.30 Charities**

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the THB has established that as the THB is the corporate trustee of the linked NHS Charity 'Powys Teaching Local Health Board Charitable Fund and Other Related Charities, it is considered for accounting standards compliance to have control of this Charity as a subsidiary and therefore is required to consolidate the results of Powys Teaching Local Health Board Charitable Fund and Other Related Charities Charity within the statutory accounts of the THB. The determination of control is an accounting standards test of control and there has been no change to the operation of the Charity or its independence in its management of charitable funds.

However, the THB has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will disclose the Charitable Accounts of Local Health Boards in the Welsh Government Consolidated Accounts. Details of the transactions with the charity are included in the related parties' notes.

## 2. Financial Duties Performance

The National Health Service Finance (Wales) Act 2014 came into effect from 1 April 2014. The Act amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. From 1 April 2014 section 175 of the National Health Service (Wales) Act places two financial duties on Local Health Boards:

- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years
- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is reponsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

The first assessment of performance against the 3 year statutory duty under section 175 (1) is at the end of 2016-17, being the first 3 year period of assessment.

Welsh Health Circular WHC/2016/054 replaces WHC/2015/014 "Statutory and Financial Duties of Local Health Boards and NHS Trusts" and further clarifies the statutory financial duties of NHS Wales bodies and is effective for 2016-17.

### 2.1 Revenue Resource Performance

| | Annual financial performance | | | |
|---|---|---|---|---|
| | 2014-15 | 2015-16 | 2016-17 | **Total** |
| | £'000 | £'000 | £'000 | **£'000** |
| **Net operating costs for the year** | 267,056 | **272,351** | **286,060** | **825,467** |
| Add general ophthalmic services expenditure and other non-cash limited expendit | 811 | **855** | **1,006** | **2,672** |
| Less revenue consequences of bringing PFI schemes onto SoFP | 0 | **0** | **0** | **0** |
| Total operating expenses | 267,867 | **273,206** | **287,066** | **828,139** |
| Revenue Resource Allocation | 267,906 | **273,246** | **287,151** | **828,303** |
| **Under /(over) spend against Allocation** | 39 | 40 | 85 | **164** |

Powys THB has met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2014-15 to 2016-17.

### 2.2 Capital Resource Performance

| | 2014-15 | 2015-16 | 2016-17 | **Total** |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | **£'000** |
| **Gross capital expenditure** | 3,853 | **2,467** | **6,870** | **13,190** |
| Add: Losses on disposal of donated assets | 0 | **0** | **0** | **0** |
| Less NBV of property, plant and equipment and intangible assets disposed | (152) | **(137)** | **0** | **(289)** |
| Less capital grants received | 0 | **0** | **0** | **0** |
| Less donations received | (188) | **(45)** | **(40)** | **(273)** |
| Charge against Capital Resource Allocation | 3,513 | **2,285** | **6,830** | **12,628** |
| Capital Resource Allocation | 3,515 | **2,287** | **6,847** | **12,649** |
| **(Over) / Underspend against Capital Resource Allocation** | **2** | 2 | **17** | **21** |

Powys THB has met its financial duty to break-even against its Capital Resource Limit over the 3 years 2014-15 to 2016-17.

### 2.3 Duty to prepare a 3 year plan

The NHS Wales Planning Framework for the period 2015-16 to 2017-18 issued to LHBs placed a requirement upon them to prepare and submit Integrated Medium Term Plans to the Welsh Government.

The THB submitted an Integrated Medium Term Plan for the period 2016-17 to 2018-19 in accordance with NHS Wales Planning Framework.

| | **2016-17 to 2018-19** |
|---|---|
| The Cabinet Secretary for Health and Social Services approval status | Approved 5th July 2016 |

The THB has therefore met its statutory duty to have an approved financial plan for the period 2016-17 to 2018-19

The THB Integrated Medium Term Plan was approved in 2015-16

The THB Integrated Medium Term Plan was not approved in 2014-15

## 3. Analysis of gross operating costs

### 3.1 Expenditure on Primary Healthcare Services

| | Cash limited | Non-cash limited | 2016-17 Total | 2015-16 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| General Medical Services | 33,344 | | **33,344** | 34,365 |
| Pharmaceutical Services | 4,454 | (2,012) | **2,442** | 2,622 |
| General Dental Services | 7,308 | | **7,308** | 7,935 |
| General Ophthalmic Services | 0 | 1,006 | **1,006** | 958 |
| Other Primary Health Care expenditure | 1,977 | | **1,977** | 80 |
| Prescribed drugs and appliances | 17,828 | | **17,828** | 17,553 |
| **Total** | **64,911** | **-1,006** | **63,905** | 63,513 |

The negative non cash limited balance on Pharmaceutical services relates to prescriptions for Powys residents being dispensed in non Powys pharmacies. The effect of this is a net outflow for Powys THB.

The increase in Other Primary Health Care Expenditure relates mainly to funding received from the Welsh Government Intermediate Care Fund. The purpose of the funding is to assist to build on effective working across health, social services and housing to improve the planning and provision of more integrated services. The funding has been used to encourage collaborative working between social services, health and housing, to support people to maintain their independence and remain in their own home, for prevention and early intervention activities which reduce demand on health and social care services. An amount of £2.452M has been expended on this. Also included in this line is a write back of liabilities that have been assessed as no longer payable which relate to previous years.

### 3.2 Expenditure on healthcare from other providers

| | 2016-17 | 2015-16 |
|---|---|---|
| | £'000 | £'000 |
| Goods and services from other NHS Wales Health Boards | **40,368** | 41,681 |
| Goods and services from other NHS Wales Trusts | **1,851** | 1,627 |
| Goods and services from other non Welsh NHS bodies | **54,233** | 49,572 |
| Goods and services from WHSSC / EASC | **31,622** | 31,110 |
| Local Authorities | **2,066** | 2,092 |
| Voluntary organisations | **2,040** | 1,991 |
| NHS Funded Nursing Care | **2,044** | 2,088 |
| Continuing Care | **12,964** | 11,733 |
| Private providers | **1,793** | 1,827 |
| Specific projects funded by the Welsh Government | **0** | 0 |
| Other | **-455** | 0 |
| **Total** | **148,526** | 143,721 |

The 7 Health Boards in Wales have established the Welsh Health Specialist Services Commission (WHSSC) which, through the operational management of Cwm Taf Health Board, secures the provision of highly specialised healthcare for the whole of Wales. These arrangements include funding of services operated through a risk sharing arrangement. The THB payment for the WHSSC commissioning arrangements for the year ended 31st March 2017 is £31.622M.

The increase in Goods and services from other non Welsh NHS bodies results from increased activity and increases in tariffs within English NHS providers. The most significant increases are Wye Valley NHS Trust £2.160M, Shrewsbury and Telford NHS Trust £1.157M and Robert Jones and Agnes Hunt Orthopaedic Hospital £0.760M in comparison to 2015/16 expenditure.

The increase in Continuing Health Care expenditure during 2016/17 has resulted from both growth in the number of cases and inflationary pressures in comparison to 2015/16.

The negative balance within the Other line relates to the write back of Liabilities from the Statement of Financial Position that have been assessed as no longer payable, which relate to previous years

### 3.3 Expenditure on Hospital and Community Health Services

| | 2016-17 £'000 | 2015-16 £'000 |
|---|---|---|
| Directors' costs | **1,322** | 1,187 |
| Staff costs | **65,554** | 56,811 |
| Supplies and services - clinical | **4,527** | 4,089 |
| Supplies and services - general | **1,358** | 1,122 |
| Consultancy Services | **596** | 913 |
| Establishment | **2,736** | 2,224 |
| Transport | **1,191** | 1,107 |
| Premises | **4,932** | 5,088 |
| External Contractors | **0** | 0 |
| Depreciation | **2,920** | 2,882 |
| Amortisation | **0** | 0 |
| Fixed asset impairments and reversals (Property, plant & equipment) | **1,261** | (239) |
| 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 | **0** | 0 |
| Audit fees | **266** | 264 |
| Other auditors' remuneration | **0** | 0 |
| Losses, special payments and irrecoverable debts | **187** | 42 |
| Research and Development | **0** | 0 |
| Other operating expenses | **825** | 2,720 |
| **Total** | **87,675** | 78,210 |

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

| **Increase/(decrease) in provision for future payments:** | **2016-17 £'000** | 2015-16 £'000 |
|---|---|---|
| Clinical negligence | **2,767** | (6,091) |
| Personal injury | **(499)** | 1,027 |
| All other losses and special payments | **5** | 5 |
| Defence legal fees and other administrative costs | **(80)** | 177 |
| Gross increase/(decrease) in provision for future payments | **2,193** | **(4,882)** |
| Contribution to Welsh Risk Pool | **0** | 0 |
| Premium for other insurance arrangements | **0** | 0 |
| Irrecoverable debts | **0** | (20) |
| **Less:** income received/ due from Welsh Risk Pool | **(2,006)** | 4,944 |
| **Total** | **187** | **42** |

Personal injury costs includes £0.099M (2015-16 £-0.004M) in respect of permanent injury benefits.

Clinical Redress arising during the year was £0.001M (2015-16 £0.003M)

The largest increase in staff costs relates to Mental Health services previously provided by Abertawe Bro Morgannwg and Betsi Cadwaladr University Health Board transferring back into THB Services from the 1st December 2015. The increase in staff costs from this service repatriation in 2015/16 is £3.8M

Further Increases in staff costs can be broken down as follows:

| | |
|---|---|
| Pay Award/Increments/NI increase | £1.5M |
| Increased use of Agency/Locums | £1.7M |
| Funded Projects and Externally Hosted Organisations | £1.2M |

Within the Other Operating Expenses line there is a negative balance that relates to the write back of Liabilities from the Statement of Financial Position that have been assessed as no longer payable, which relate to previous years

## 4. Miscellaneous Income

| | 2016-17 £'000 | 2015-16 £'000 |
|---|---|---|
| Local Health Boards | **4,138** | 4,071 |
| WHSSC/EASC | **7** | 188 |
| NHS trusts | **0** | 0 |
| Other NHS England bodies | **536** | 628 |
| Foundation Trusts | **0** | 0 |
| Local authorities | **0** | 0 |
| Welsh Government | **4,339** | 3,896 |
| Non NHS: | | |
| Prescription charge income | **0** | 0 |
| Dental fee income | **1,754** | 1,975 |
| Private patient income | **1** | 0 |
| Overseas patients (non-reciprocal) | **0** | 0 |
| Injury Costs Recovery (ICR) Scheme | **55** | 53 |
| Other income from activities | **1,528** | 1,223 |
| Patient transport services | **31** | 33 |
| Education, training and research | **91** | 90 |
| Charitable and other contributions to expenditure | **0** | 0 |
| Receipt of donated assets | **40** | 45 |
| Receipt of Government granted assets | **0** | 0 |
| Non-patient care income generation schemes | **0** | 0 |
| NWSSP | **0** | 0 |
| Deferred income released to revenue | **0** | 0 |
| Contingent rental income from finance leases | **0** | 0 |
| Rental income from operating leases | **100** | 97 |
| Other income: | | |
| Provision of laundry, pathology, payroll services | **0** | 0 |
| Accommodation and catering charges | **97** | 92 |
| Mortuary fees | **18** | 20 |
| Staff payments for use of cars | **0** | 0 |
| Business Unit | **0** | 0 |
| Other | **1,410** | 786 |
| **Total** | **14,145** | 13,197 |

Welsh Government miscellaneous income includes funding received on behalf of the hosted function of Health and Care Research Wales within the THB. This has increased by £0.347M on 15/16 due to the transfer of functions from other NHS bodies and Welsh Government into this hosted function

## 5. Employee benefits and staff numbers

### 5.1 Employee costs

| | Permanent Staff | Staff on Inward Secondment | Agency Staff | Total | 2015-16 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Salaries and wages | 52,046 | 643 | 3,414 | **56,103** | 49,392 |
| Social security costs | 4,305 | 0 | 0 | **4,305** | 2,885 |
| Employer contributions to NHS Pension Scheme | 6,468 | 0 | 0 | **6,468** | 5,721 |
| Other pension costs | 0 | 0 | 0 | **0** | 0 |
| Other employment benefits | 0 | 0 | 0 | **0** | 0 |
| Termination benefits | 0 | 0 | 0 | **0** | 0 |
| **Total** | 62,819 | 643 | 3,414 | **66,876** | 57,998 |
| Charged to capital | | | | **240** | 20 |
| Charged to revenue | | | | **66,636** | 57,978 |
| | | | | **66,876** | 57,998 |
| Net movement in accrued employee benefits (untaken staff leave accrual included above) | | | | 0 | 0 |

### 5.2 Average number of employees

| | Permanent Staff | Staff on Inward Secondment | Agency Staff | Total | 2015-16 |
|---|---|---|---|---|---|
| | Number | Number | Number | Number | Number |
| Administrative, clerical and board members | 484 | 4 | 2 | **490** | 439 |
| Medical and dental | 26 | 0 | 4 | **30** | 23 |
| Nursing, midwifery registered | 486 | 4 | 11 | **501** | 447 |
| Professional, Scientific, and technical staff | 50 | 0 | 0 | **50** | 40 |
| Additional Clinical Services | 242 | 0 | 8 | **250** | 221 |
| Allied Health Professions | 114 | 0 | 4 | **118** | 114 |
| Healthcare Scientists | 2 | 0 | 0 | **2** | 2 |
| Estates and Ancilliary | 156 | 0 | 5 | **161** | 151 |
| Students | 5 | 0 | 0 | **5** | 7 |
| **Total** | **1,565** | **8** | **34** | **1,607** | 1,444 |

The increase in staff numbers mainly relates to the staff of Mental Health Services previously provided by Abertawe Bro Morga nnwg University Health Board and Betsi Cadwaladr University Health Board transferring back into THB services from the 1st December 2015. This transfer has meant an increase in staff numbers in adminstrative and Nursing categories by 100 Whole Time Equival ent (WTE) (2015-16 : part year effect 34 WTE)

### 5.3. Retirements due to ill-health

During 2016-17 there were 5 early retirements from the LHB agreed on the grounds of ill-health (5 in 2015-16 - £330,007.15) The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £193,494.44.

### 5.4 Employee benefits

The THB does not have an employee benefit scheme.

### 5.5 Reporting of other compensation schemes - exit packages

| Exit packages cost band (including any special payment element) | 2016-17 Number of compulsory redundancies Whole numbers only | 2016-17 Number of other departures Whole numbers only | 2016-17 Total number of exit packages Whole numbers only | 2016-17 Number of departures where special payments have been made Whole numbers only | 2015-16 Total number of exit packages Whole numbers only |
|---|---|---|---|---|---|
| less than £10,000 | 0 | 0 | 0 | 0 | 0 |
| £10,000 to £25,000 | 0 | 0 | 0 | 0 | 0 |
| £25,000 to £50,000 | 0 | 0 | 0 | 0 | 0 |
| £50,000 to £100,000 | 0 | 0 | 0 | 0 | 0 |
| £100,000 to £150,000 | 0 | 0 | 0 | 0 | 0 |
| £150,000 to £200,000 | 0 | 0 | 0 | 0 | 0 |
| more than £200,000 | 0 | 0 | 0 | 0 | 0 |
| Total | **0** | **0** | **0** | **0** | **0** |

| Exit packages cost band (including any special payment element) | 2016-17 Cost of compulsory redundancies £'s | 2016-17 Cost of other departures £'s | 2016-17 Total cost of exit packages £'s | 2016-17 Cost of special element included in exit packages £'s | 2015-16 Total cost of exit packages £'s |
|---|---|---|---|---|---|
| less than £10,000 | 0 | 0 | 0 | 0 | 0 |
| £10,000 to £25,000 | 0 | 0 | 0 | 0 | 0 |
| £25,000 to £50,000 | 0 | 0 | 0 | 0 | 0 |
| £50,000 to £100,000 | 0 | 0 | 0 | 0 | 0 |
| £100,000 to £150,000 | 0 | 0 | 0 | 0 | 0 |
| £150,000 to £200,000 | 0 | 0 | 0 | 0 | 0 |
| more than £200,000 | 0 | 0 | 0 | 0 | 0 |
| Total | **0** | **0** | **0** | **0** | **0** |

### 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 the LHB in the financial year 2016-17 was £155,000 - £160,000 (2015-16, £155,000 - £160,000). This was 6.3 times (2015-16, 6.1) the median remuneration of the workforce, which was £24,685 (2015-16, £25,948).

In 2016-17, 0 (2015-16, 0) employees received remuneration in excess of the highest-paid director.
Remuneration for staff ranged from £800 to £156,000 (2015-16 £1,400 to £157,000).
Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind.
It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.
Overtime payments should be included for the calculation of both elements of the relationship.

### 5.7 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that 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) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 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. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

#### b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.
The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.
The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

## c) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 2% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing to 8% over the next three years.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £43,000 for the 2016-17 tax year (2015-16 £5,824 and £42,385).

NEST has an annual contribution limit of £4,900 for the 2016-17 tax year (£4,700 for 2015-16). This means the most that can be contributed to a single pot in the current tax year is £4,900. This figure will be adjusted annually in line with average earnings. The annual contribution limit includes member contributions, money from their employer and any tax relief.

Alternatively under certification, employers may choose to calculate contributions in a way that meets the requirements of one of three sets of tiers described in the legislation. The three tiers have minimum contribution rates as detailed on the NEST website.

## 6. Operating leases

**LHB as lessee**

The Teaching Health Board has the following operating leases

- various short term leases on properties at fixed rentals subject to periodic review
- vehicle leases are generally for a period of three years

| **Payments recognised as an expense** | **2016-17** | 2015-16 |
|---|---|---|
| | **£000** | £000 |
| Minimum lease payments | **864** | 720 |
| Contingent rents | **0** | 0 |
| Sub-lease payments | **0** | 0 |
| **Total** | **864** | 720 |

| **Total future minimum lease payments** | | |
|---|---|---|
| **Payable** | **£000** | £000 |
| Not later than one year | **797** | 703 |
| Between one and five years | **1,051** | 984 |
| After 5 years | **303** | 576 |
| **Total** | **2,151** | 2,263 |

There are no future sublease payments expected to be received

**LHB as lessor**

| **Rental revenue** | **£000** | £000 |
|---|---|---|
| Rent | **346** | 278 |
| Contingent rents | **0** | 0 |
| **Total revenue rental** | **346** | 278 |

| **Total future minimum lease payments** | | |
|---|---|---|
| **Receivable** | **£000** | £000 |
| Not later than one year | **326** | 278 |
| Between one and five years | **186** | 120 |
| After 5 years | **182** | 149 |
| **Total** | **694** | 547 |

## 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.

| | **2016-17** | **2016-17** | 2015-16 | 2015-16 |
|---|---|---|---|---|
| **NHS** | **Number** | **£000** | Number | £000 |
| Total bills paid | **2,930** | **133,766** | 2,981 | 129,740 |
| Total bills paid within target | **2,244** | **125,425** | 2,173 | 121,791 |
| Percentage of bills paid within target | **76.6%** | **93.8%** | 72.9% | 93.9% |
| | | | | |
| **Non-NHS** | | | | |
| Total bills paid | **41,094** | **59,857** | 36,604 | 41,721 |
| Total bills paid within target | **38,464** | **54,113** | 33,126 | 35,686 |
| Percentage of bills paid within target | **93.6%** | **90.4%** | 90.5% | 85.5% |
| | | | | |
| **Total** | | | | |
| Total bills paid | **44,024** | **193,623** | 39,585 | 171,461 |
| Total bills paid within target | **40,708** | **179,538** | 35,299 | 157,477 |
| Percentage of bills paid within target | **92.5%** | **92.7%** | 89.2% | 91.8% |

The THB has not met the administrative target of payment of 95% of the number of non-nhs creditors within 30 days this year. This follows on from the change in methodology introduced in 2015/16 which saw the removal of primary care contractor related payments from the calculations (impact of 5% reduction on performance). The THB has undertaken many initiatives during the year to address this change in methodology which has led to an increase in performance on a month by month basis and the THB is now regularly achieving the target 95% on a monthly basis.

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

| | **2016-17** | 2015-16 |
|---|---|---|
| | **£** | £ |
| 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 |

## 8. Investment Income

| | 2016-17 | 2015-16 |
|---|---|---|
| | £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

| | 2016-17 | 2015-16 |
|---|---|---|
| | £000 | £000 |
| Gain/(loss) on disposal of property, plant and equipment | 1 | (1) |
| Gain/(loss) on disposal of intangible assets | 0 | 0 |
| Gain/(loss) on disposal of assets held for sale | 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 liabilities at fair value through SoCNE | 0 | 0 |
| Recycling of gain/(loss) from equity on disposal of financial assets held for sale | 0 | 0 |
| **Total** | 1 | (1) |

## 10. Finance costs

| | 2016-17 | 2015-16 |
|---|---|---|
| | £000 | £000 |
| Interest on loans and overdrafts | 0 | 0 |
| Interest on obligations under finance leases | 0 | 0 |
| 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 |
| Other interest expense | 0 | 0 |
| **Total interest expense** | 0 | 0 |
| Provisions unwinding of discount | 100 | 103 |
| Other finance costs | 0 | 0 |
| **Total** | 100 | 103 |

**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 2016** | 13,721 | 53,779 | 623 | 2,966 | 5,631 | 479 | 2,983 | 0 | **80,182** |
| Indexation | 527 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **527** |
| Additions | | | | | | | | | |
| - purchased | 32 | 2,926 | 0 | 1,950 | 1,049 | 0 | 873 | 0 | **6,830** |
| - donated | 0 | 0 | 0 | 13 | 27 | 0 | 0 | 0 | **40** |
| - 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 | 1,143 | 0 | (1,143) | 0 | 0 | 0 | 0 | **0** |
| Revaluations | 19 | (327) | 0 | 0 | 0 | 0 | 0 | 0 | **(308)** |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments | 0 | (1,261) | 0 | 0 | 0 | 0 | 0 | 0 | **(1,261)** |
| Reclassified as held for sale | (100) | (150) | 0 | 0 | 0 | 0 | 0 | 0 | **(250)** |
| Disposals | 0 | 0 | 0 | 0 | (197) | (12) | (525) | 0 | **(734)** |
| **At 31 March 2017** | 14,199 | 56,110 | 623 | 3,786 | 6,510 | 467 | 3,331 | 0 | **85,026** |
| | | | | | | | | | |
| **Depreciation at 1 April 2016** | 0 | 7,525 | 78 | 0 | 4,216 | 406 | 2,204 | 0 | **14,429** |
| 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 | (261) | 0 | 0 | 0 | 0 | 0 | 0 | **(261)** |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals | 0 | 0 | 0 | 0 | (197) | (12) | (525) | 0 | **(734)** |
| Provided during the year | 0 | 2,142 | 20 | 0 | 465 | 33 | 260 | 0 | **2,920** |
| **At 31 March 2017** | 0 | 9,406 | 98 | 0 | 4,484 | 427 | 1,939 | 0 | **16,354** |
| | | | | | | | | | |
| **Net book value at 1 April 2016** | 13,721 | 46,254 | 545 | 2,966 | 1,415 | 73 | 779 | 0 | **65,753** |
| | | | | | | | | | |
| **Net book value at 31 March 2017** | 14,199 | 46,704 | 525 | 3,786 | 2,026 | 40 | 1,392 | 0 | **68,672** |

**Net book value at 31 March 2017 comprises :**

| | | |
|---|---|---|
| Purchased | 14,199 | 44,507 |
| Donated | 0 | 2,197 |
| Government Granted | 0 | 0 |
| **At 31 March 2017 Asset financing :** | 14,199 | 46,704 |
| | | |
| Owned | 14,199 | 46,704 |
| Held on finance lease | 0 | 0 |
| On-SoFP PFI contracts | 0 | 0 |
| PFI residual interests | 0 | 0 |
| **At 31 March 2017** | 14,199 | 46,704 |

**The net book value of land, buildings and dwellings at 31 March 2017 comprises :**

| | **£000** |
|---|---|
| Freehold | **61,428** |
| Long Leasehold | **0** |
| Short Leasehold | **0** |
| | **61,428** |

**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 2015** | 13,503 | 50,265 | 589 | 1,996 | 5,461 | 505 | 3,100 | 0 | **75,419** |
| Indexation | 264 | 2,493 | 34 | 0 | 0 | 0 | 0 | 0 | **2,791** |
| Additions | | | | | | | | | |
| - purchased | 0 | 748 | 0 | 1,329 | 279 | 16 | 50 | 0 | **2,422** |
| - donated | 0 | 0 | 0 | 0 | 45 | 0 | 0 | 0 | **45** |
| - 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 | 359 | 0 | (359) | 0 | 0 | 0 | 0 | **0** |
| Revaluations | 0 | (223) | 0 | 0 | 0 | 0 | 0 | 0 | **(223)** |
| Reversal of impairments | 0 | 374 | 0 | 0 | 0 | 0 | 0 | 0 | **374** |
| Impairments | 0 | (135) | 0 | 0 | 0 | 0 | 0 | 0 | **(135)** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals | (46) | (102) | 0 | 0 | (154) | (42) | (167) | 0 | **(511)** |
| **At 31 March 2016** | 13,721 | 53,779 | 623 | 2,966 | 5,631 | 479 | 2,983 | 0 | **80,182** |
| | | | | | | | | | |
| **Depreciation at 1 April 2015** | 0 | 5,355 | 56 | 0 | 3,922 | 419 | 2,083 | 0 | **11,835** |
| Indexation | 0 | 305 | 3 | 0 | 0 | 0 | 0 | 0 | **308** |
| 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 | (222) | 0 | 0 | 0 | 0 | 0 | 0 | **(222)** |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals | 0 | (11) | 0 | 0 | (154) | (42) | (167) | 0 | **(374)** |
| Provided during the year | 0 | 2,098 | 19 | 0 | 448 | 29 | 288 | 0 | **2,882** |
| **At 31 March 2016** | 0 | 7,525 | 78 | 0 | 4,216 | 406 | 2,204 | 0 | **14,429** |
| | | | | | | | | | |
| **Net book value at 1 April 2015** | 13,503 | 44,910 | 533 | 1,996 | 1,539 | 86 | 1,017 | 0 | **63,584** |
| | | | | | | | | | |
| **Net book value at 31 March 2016** | 13,721 | 46,254 | 545 | 2,966 | 1,415 | 73 | 779 | 0 | **65,753** |
| | | | | | | | | | |
| **Net book value at 31 March 2016 comprises :** | | | | | | | | | |
| Purchased | 13,721 | 43,959 | 545 | 2,966 | 1,089 | 73 | 779 | 0 | **63,132** |
| Donated | 0 | 2,295 | 0 | 0 | 326 | 0 | 0 | 0 | **2,621** |
| Government Granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2016** | 13,721 | 46,254 | 545 | 2,966 | 1,415 | 73 | 779 | 0 | **65,753** |
| **Asset financing :** | | | | | | | | | |
| Owned | 13,721 | 46,254 | 545 | 2,966 | 1,415 | 73 | 779 | 0 | **65,753** |
| 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 2016** | 13,721 | 46,254 | 545 | 2,966 | 1,415 | 73 | 779 | 0 | **65,753** |

**The net book value of land, buildings and dwellings at 31 March 2016 comprises :**

| | £000 |
|---|---|
| Freehold | 60,520 |
| Long Leasehold | 0 |
| Short Leasehold | 0 |
| | **60,520** |

## 11. Property, plant and equipment (continued)

i) Assets donated in the year were purchased from funds donated by the public and charitable organisations and from funds provided by associations linked to specific hospitals.

ii) Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Land and buildings are restated to current value using professional valuations carried out by the District Valuers of the Inland Revenue at 5 yearly intervals and in the intervening years by the use of indices provided from the District Valuer via the Welsh Government. The valuations are carried out primarily on the basis of Modern Equivalent Asset cost for specialised operational property and existing use value for non-specialised operational property. For non-operational properties the valuations are carried out at open market value. A valuation exercise was last undertaken during the 2012/13 financial year

iii) Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Equipment is depreciated on current cost evenly over the estimated useful life of the asset.

iv) There is considered to be no material difference between the open market value of properties and the existing use value at which they are held.

v) There has been one property purchase during the year and this relates to Waterloo Road in Llandrindod Wells. The THB purchased this property from the Local Authority for a purchase price of £160,000 in March 2017. This premises is used for clinical and community services for the Llandrindod Wells and surrounding areas.

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## 11. Property, plant and equipment

### 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 2016** | 0 | 0 | 0 | 0 | 0 | **0** |
| Plus assets classified as held for sale in the year | 100 | 150 | 0 | 0 | 0 | **250** |
| Revaluation | 0 | 0 | 0 | 0 | 0 | **0** |
| Less assets sold in the year | 0 | 0 | 0 | 0 | 0 | **0** |
| Add reversal of impairment of assets held for sale | 0 | 0 | 0 | 0 | 0 | **0** |
| 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 2017** | 100 | 150 | 0 | 0 | 0 | **250** |
| | | | | | | |
| **Balance brought forward 1 April 2015** | 0 | 0 | 0 | 0 | 0 | **0** |
| Plus assets classified as held for sale in the year | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation | 0 | 0 | 0 | 0 | 0 | **0** |
| Less assets sold in the year | 0 | 0 | 0 | 0 | 0 | **0** |
| Add reversal of impairment of assets held for sale | 0 | 0 | 0 | 0 | 0 | **0** |
| 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 2016** | 0 | 0 | 0 | 0 | 0 | **0** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Internally generated | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total at 31 March 2017** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

## 12. Intangible non-current assets

| | Software (purchased) | Software (internally generated) | Licences and trademarks | Patents | Development expenditure-internally generated | Carbon Reduction Commitments | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation at 1 April 2016** | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Reclassifications | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Reversal of impairments | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Impairments | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Additions- purchased | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Additions- internally generated | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Additions- donated | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Additions- government granted | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Reclassified as held for sale | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Transfers | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Disposals | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Gross cost at 31 March 2017** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Amortisation at 1 April 2016** | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Reclassifications | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Reversal of impairments | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Impairment | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Provided during the year | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Reclassified as held for sale | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Transfers | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Disposals | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Amortisation at 31 March 2017** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net book value at 1 April 2016** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net book value at 31 March 2017** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **At 31 March 2017** | | | | | | | |
| Purchased | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Donated | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Internally generated | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total at 31 March 2017** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Government Granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Internally generated | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total at 31 March 2017** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

## 12. Intangible non-current assets

| | Software (purchased) | Software (internally generated) | Licences and trademarks | Patents | Development expenditure-internally generated | Carbon Reduction Commitments | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation at 1 April 2015** | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions- purchased | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions- internally generated | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions- donated | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions- government granted | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Gross cost at 31 March 2016** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Amortisation at 1 April 2015** | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Provided during the year | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Amortisation at 31 March 2016** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net book value at 1 April 2015** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Net book value at 31 March 2016** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **At 31 March 2016** | | | | | | | |
| Purchased | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Donated | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Government Granted | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Internally generated | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total at 31 March 2016** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

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## 13 . Impairments

| | 2016-17 Property, plant & equipment £000 | 2016-17 Intangible assets £000 | 2015-16 Property, plant & equipment £000 | 2015-16 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) | **1,261** | 0 | **(239)** | 0 |
| **Total of all impairments** | **1,261** | 0 | **(239)** | 0 |
| **Analysis of impairments charged to reserves in year :** | | | | |
| Charged to the Statement of Comprehensive Net Expenditure | **1,261** | 0 | **(239)** | 0 |
| Charged to Revaluation Reserve | **0** | 0 | **0** | 0 |
| | **1,261** | 0 | **(239)** | 0 |

Within the healthcare segment of the THB, there is one impairment in year totalling £1.261M, charged to the statement of Comprehensive Net Expenditure.

This is as a result of the initial valuation for the bringing into use the newly refurbished and extended Birthing Unit at Llandrindod Wells Hospital and associated roof replacement works in this and adjacent areas.

Impairment funding to cover adjustments required is provided to the THB by Welsh Government on an annual basis

## 14.1 Inventories

| | **31 March 2017** | 31 March 2016 |
|---|---|---|
| | **£000** | £000 |
| Drugs | **73** | 83 |
| Consumables | **38** | 40 |
| Energy | **15** | 15 |
| Work in progress | **0** | 0 |
| Other | **7** | 4 |
| **Total** | **133** | 142 |
| Of which held at realisable value | **0** | 0 |

## 14.2 Inventories recognised in expenses

| | **31 March 2017** | 31 March 2016 |
|---|---|---|
| | **£000** | £000 |
| Inventories recognised as an expense in the period | **0** | 0 |
| Write-down of inventories (including losses) | **0** | 0 |
| Reversal of write-downs that reduced the expense | **0** | 0 |
| **Total** | **0** | **0** |

## 15. Trade and other Receivables

| **Current** | **31 March 2017 £000** | 31 March 2016 £000 |
|---|---|---|
| Welsh Government | **2,193** | 2,086 |
| WHSSC / EASC | **54** | 188 |
| Welsh Health Boards | **1,290** | 1,459 |
| Welsh NHS Trusts | **196** | 108 |
| Non - Welsh Trusts | **108** | 138 |
| Other NHS | **0** | 0 |
| Welsh Risk Pool | **6,859** | 10,009 |
| Local Authorities | **239** | 264 |
| Capital debtors | **13** | 0 |
| Other debtors | **2,863** | 1,971 |
| Provision for irrecoverable debts | **(203)** | (203) |
| Pension Prepayments | **0** | 0 |
| Other prepayments | **503** | 428 |
| Other accrued income | **0** | 0 |
| **Sub total** | **14,115** | 16,448 |
| **Non-current** | | |
| Welsh Government | **0** | 0 |
| WHSSC / EASC | **0** | 0 |
| Welsh Health Boards | **0** | 0 |
| Welsh NHS Trusts | **0** | 0 |
| Non - Welsh Trusts | **0** | 0 |
| Other NHS | **0** | 0 |
| Welsh Risk Pool | **17,421** | 12,624 |
| Local Authorities | **0** | 0 |
| Capital debtors | **0** | 0 |
| Other debtors | **0** | 0 |
| Provision for irrecoverable debts | **0** | 0 |
| Pension Prepayments | **0** | 0 |
| Other prepayments | **0** | 0 |
| Other accrued income | **0** | 0 |
| **Sub total** | **17,421** | 12,624 |
| **Total** | **31,536** | 29,072 |
| **Receivables past their due date but not impaired** | | |
| By up to three months | **552** | 874 |
| By three to six months | **36** | 184 |
| By more than six months | **130** | 179 |
| | **718** | 1,237 |
| **Provision for impairment of receivables** | | |
| Balance at 1 April | **(203)** | (223) |
| Transfer to other NHS Wales body | **0** | 0 |
| Amount written off during the year | **0** | 0 |
| Amount recovered during the year | **34** | 33 |
| (Increase) / decrease in receivables impaired | **(34)** | (13) |
| Bad debts recovered during year | **0** | 0 |
| Balance at 31 March | **(203)** | (203) |

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

| **Receivables VAT** | | |
|---|---|---|
| Trade receivables | **0** | 0 |
| Other | **0** | 0 |
| Total | **0** | 0 |

## 16. Trade and other payables

| **Current** | **31 March 2017 £000** | 31 March 2016 £000 |
|---|---|---|
| Welsh Government | **76** | 49 |
| WHSSC / EASC | **116** | 1,346 |
| Welsh Health Boards | **2,880** | 2,218 |
| Welsh NHS Trusts | **266** | 96 |
| Other NHS | **2,467** | 3,181 |
| Taxation and social security payable / refunds | **476** | 0 |
| Refunds of taxation by HMRC | **0** | 0 |
| VAT payable to HMRC | **0** | 0 |
| Other taxes payable to HMRC | **0** | 0 |
| NI contributions payable to HMRC | **711** | 15 |
| Non-NHS creditors | **5,257** | 4,942 |
| Local Authorities | **4,111** | 4,592 |
| Capital Creditors | **1,668** | 727 |
| Overdraft | **0** | 0 |
| Rentals due under operating leases | **0** | 0 |
| Obligations under finance leases, HP contracts | **0** | 0 |
| Imputed finance lease element of on SoFP PFI contracts | **0** | 0 |
| Pensions: staff | **0** | 0 |
| Accruals | **19,232** | 18,295 |
| Deferred Income: | | |
| Deferred Income brought forward | **134** | 191 |
| Deferred Income Additions | **0** | 134 |
| Transfer to / from current/non current deferred income | **0** | 0 |
| Released to SoCNE | **(134)** | (191) |
| Other creditors | **0** | 0 |
| PFI assets –deferred credits | **0** | 0 |
| Payments on account | **0** | 0 |
| **Total** | **37,260** | 35,595 |

| **Non-current** | | |
|---|---|---|
| Welsh Government | **0** | 0 |
| WHSSC / EASC | **0** | 0 |
| Welsh Health Boards | **0** | 0 |
| Welsh NHS Trusts | **0** | 0 |
| Other NHS | **0** | 0 |
| Taxation and social security payable / refunds | **0** | 0 |
| Refunds of taxation by HMRC | **0** | 0 |
| VAT payable to HMRC | **0** | 0 |
| Other taxes payable to HMRC | **0** | 0 |
| NI contributions payable to HMRC | **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 | **0** | 0 |
| Imputed finance lease element of on SoFP PFI contracts | **0** | 0 |
| Pensions: staff | **0** | 0 |
| Accruals | **0** | 0 |
| Deferred Income : | | |
| Deferred Income brought forward | **0** | 0 |
| Deferred Income Additions | **0** | 0 |
| Transfer to / from current/non current deferred income | **0** | 0 |
| Released to SoCNE | **0** | 0 |
| Other creditors | **0** | 0 |
| PFI assets –deferred credits | **0** | 0 |
| Payments on account | **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 2016 | 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 2017 |
|---|---|---|---|---|---|---|---|---|---|
| **Current** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Clinical negligence | **8,657** | 0 | 0 | (2,186) | 230 | (67) | (23) | 0 | **6,611** |
| Personal injury | **1,175** | 0 | 0 | 53 | 85 | (359) | (682) | 15 | **287** |
| All other losses and special payments | **0** | 0 | 0 | 0 | 5 | (5) | 0 | 0 | **0** |
| Defence legal fees and other administration | **287** | 0 | 0 | (123) | 44 | (39) | (55) | | **114** |
| Pensions relating to former directors | **0** | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Pensions relating to other staff | **714** | | | 572 | 0 | (686) | 0 | 85 | **685** |
| Restructuring | **0** | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Other | **328** | | 0 | 0 | 0 | (46) | (282) | | **0** |
| **Total** | **11,161** | **0** | **0** | (1,684) | 364 | (1,202) | (1,042) | **100** | **7,697** |
| **Non Current** | | | | | | | | | |
| Clinical negligence | **12,543** | 0 | 0 | 2,186 | 4,746 | 0 | (2,186) | 0 | **17,289** |
| Personal injury | **1,036** | 0 | 0 | (53) | 98 | 0 | 0 | 0 | **1,081** |
| All other losses and special payments | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Defence legal fees and other administration | **81** | 0 | 0 | 123 | 56 | (2) | (125) | | **133** |
| Pensions relating to former directors | **0** | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Pensions relating to other staff | **5,683** | | | (572) | 701 | 0 | (222) | 0 | **5,590** |
| Restructuring | **0** | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Other | **0** | | 0 | 0 | 0 | 0 | 0 | | **0** |
| **Total** | **19,343** | **0** | **0** | **1,684** | **5,601** | **(2)** | **(2,533)** | **0** | **24,093** |
| **TOTAL** | | | | | | | | | |
| Clinical negligence | **21,200** | **0** | **0** | **0** | **4,976** | **(67)** | **(2,209)** | **0** | **23,900** |
| Personal injury | **2,211** | **0** | **0** | **0** | **183** | **(359)** | **(682)** | **15** | **1,368** |
| All other losses and special payments | **0** | **0** | **0** | **0** | **5** | **(5)** | **0** | **0** | **0** |
| Defence legal fees and other administration | **368** | **0** | **0** | **0** | **100** | **(41)** | **(180)** | | **247** |
| Pensions relating to former directors | **0** | | | **0** | **0** | **0** | **0** | **0** | **0** |
| Pensions relating to other staff | **6,397** | | | **0** | **701** | **(686)** | **(222)** | **85** | **6,275** |
| Restructuring | **0** | | | **0** | **0** | **0** | **0** | **0** | **0** |
| Other | **328** | | **0** | **0** | **0** | **(46)** | **(282)** | | **0** |
| **Total** | **30,504** | **0** | **0** | **0** | **5,965** | **(1,204)** | **(3,575)** | **100** | **31,790** |

**Expected timing of cash flows:**

| | In year to 31 March 2018 | Between 1 April 2018 31 March 2022 | Thereafter | Total |
|---|---|---|---|---|
| | | | | **£000** |
| Clinical negligence | 6,611 | 17,289 | 0 | **23,900** |
| Personal injury | 287 | 308 | 773 | **1,368** |
| All other losses and special payments | 0 | 0 | 0 | **0** |
| Defence legal fees and other administration | 114 | 133 | 0 | **247** |
| Pensions relating to former directors | 0 | 0 | 0 | **0** |
| Pensions relating to other staff | 685 | 3,174 | 2,416 | **6,275** |
| Restructuring | 0 | 0 | 0 | **0** |
| Other | 0 | 0 | 0 | **0** |
| **Total** | **7,697** | **20,904** | **3,189** | **31,790** |

The THB estimates that in 2017/18 it will receive £6.859M and in 2018-19 and beyond £17.421M from the Welsh Risk Pool in respect of Losses and Special Payments

£24.134M of the provision total relates to the probable liabilities of 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)

Contingent Liabilities are directly linked to these claims in Note 18.

## 17. Provisions (continued)

| | At 1 April 2015 | 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 2016 |
|---|---|---|---|---|---|---|---|---|---|
| **Current** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Clinical negligence | 1,131 | 0 | 0 | 6,924 | 2,198 | (1,129) | (467) | 0 | **8,657** |
| Personal injury | 569 | 0 | 0 | 50 | 1,248 | (491) | (216) | 15 | **1,175** |
| All other losses and special payments | 0 | 0 | 0 | 0 | 5 | (5) | 0 | 0 | **0** |
| Defence legal fees and other administration | 27 | 0 | 0 | 63 | 246 | (35) | (14) | | **287** |
| Pensions relating to former directors | 0 | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Pensions relating to other staff | 756 | | | 584 | 0 | (714) | 0 | 88 | **714** |
| Restructuring | 0 | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Other | 1,398 | | 0 | 0 | 118 | (478) | (710) | | **328** |
| **Total** | **3,881** | **0** | **0** | **7,621** | **3,815** | **(2,852)** | **(1,407)** | **103** | **11,161** |
| **Non Current** | | | | | | | | | |
| Clinical negligence | 27,895 | 0 | 0 | (6,924) | 0 | (606) | (7,822) | 0 | **12,543** |
| Personal injury | 1,091 | 0 | 0 | (50) | 5 | 0 | (10) | 0 | **1,036** |
| All other losses and special payments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Defence legal fees and other administration | 223 | 0 | 0 | (63) | 11 | (24) | (66) | | **81** |
| Pensions relating to former directors | 0 | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Pensions relating to other staff | 6,106 | | | (584) | 405 | 0 | (244) | 0 | **5,683** |
| Restructuring | 0 | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Other | 0 | | 0 | 0 | 0 | 0 | 0 | | **0** |
| **Total** | **35,315** | **0** | **0** | **(7,621)** | **421** | **(630)** | **(8,142)** | **0** | **19,343** |
| **TOTAL** | | | | | | | | | |
| Clinical negligence | 29,026 | 0 | 0 | 0 | 2,198 | (1,735) | (8,289) | 0 | **21,200** |
| Personal injury | 1,660 | 0 | 0 | 0 | 1,253 | (491) | (226) | 15 | **2,211** |
| All other losses and special payments | 0 | 0 | 0 | 0 | 5 | (5) | 0 | 0 | **0** |
| Defence legal fees and other administration | 250 | 0 | 0 | 0 | 257 | (59) | (80) | | **368** |
| Pensions relating to former directors | 0 | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Pensions relating to other staff | 6,862 | | | 0 | 405 | (714) | (244) | 88 | **6,397** |
| Restructuring | 0 | | | 0 | 0 | 0 | 0 | 0 | **0** |
| Other | 1,398 | | 0 | 0 | 118 | (478) | (710) | | **328** |
| **Total** | **39,196** | **0** | **0** | **0** | **4,236** | **(3,482)** | **(9,549)** | **103** | **30,504** |

## 18. Contingencies

### 18.1 Contingent liabilities

| Provisions have not been made in these accounts for the following amounts : | **2016-17 £'000** | 2015-16 £'000 |
|---|---|---|
| Legal claims for alleged medical or employer negligence | **18,658** | 32,301 |
| Doubtful debts | **0** | 0 |
| Equal Pay costs | **0** | 0 |
| Defence costs | **0** | 0 |
| Continuing Health Care costs | **0** | 0 |
| Other | **0** | 0 |
| Total value of disputed claims | **18,658** | 32,301 |
| Amounts recovered in the event of claims being successful | **18,558** | 32,243 |
| **Net contingent liability** | **100** | 58 |

**Legal Claims for alleged medical or employer negligence**: £18.513M of the £18.658M 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). Legal advice has established that these claims are not likely to result in payments. In the unlikely event that amounts are payable, all payments will be reimbursed to Powys THB by the Welsh Risk Pool

**Liabilities for continuing healthcare costs** continue to be a significant financial issue for the THB. The 31st July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1st April 2003 resulted in a large increase in the number of claims registered for the last financial year. However, the THB has a further 42 claims, which were received by the 31st July 2014 deadline, for which the assessment process remains incomplete. The assessment process is highly complex, involves multi disciplinary teams and for those reasons can take many months. At this stage the THB does not have the information to make a judgement on the likely success or otherwise of these claims, however they may result in significant additional costs to the THB, which cannot be quantified at this time.

Powys Teaching Health Board is aiming to complete all claims received by 31st July 2014 by the end of November 2018.

**Funded Nursing Care** : Health Boards in Wales (and equivalent bodies across the UK) are currently waiting for the Supreme Court to deliver its ruling over the responsibility for the costs of nurses delivering care in care homes. The Health Board currently pays for what it considers to be appropriate 'nursing care' costs in accordance with legislation, however, the Supreme Court case focuses on the local authorities claim that that 'nursing care' should be more widely defined than at present. We are not currently in a position to determine the likely outcome of this ruling nor any potential financial impact.

### 18.2 Remote Contingent liabilities

| Please disclose the values of the following categories of remote contingent liabilities : | **2016-17 £'000** | 2015-16 £'000 |
|---|---|---|
| Guarantees | **0** | **0** |
| Indemnities | **0** | **7,270** |
| Letters of Comfort | **0** | **0** |
| **Total** | **0** | **7,270** |

There are no remote Contingent Liabilities for 2016/17

### 18.3 Contingent assets

| | **2016-17 £'000** | 2015-16 £'000 |
|---|---|---|
| | **0** | 0 |
| | **0** | 0 |
| | **0** | 0 |
| **Total** | **0** | 0 |

## 19. Capital commitments

| **Contracted capital commitments at 31 March** | **2016-17 £'000** | 2015-16 £'000 |
|---|---|---|
| Property, plant and equipment | **82** | 1,134 |
| Intangible assets | **0** | 0 |
| **Total** | **82** | 1,134 |

## 20. 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 2017 | | Approved to write-off to 31 March 2017 | |
|---|---|---|---|---|
| | Number | £ | Number | £ |
| Clinical negligence | 9 | 54,877 | 0 | 0 |
| Personal injury | 9 | 259,150 | 0 | 0 |
| All other losses and special payments | 10 | 4,861 | 0 | 0 |
| **Total** | 28 | 318,888 | 0 | 0 |

Analysis of cases which exceed £300,000 and all other cases

| **Cases exceeding £300,000** | Case type | Amounts paid out in year £ | Cumulative amount £ | Approved to write-off in year £ |
|---|---|---|---|---|
| MN/030/0186/ALF | Clinical Negligence | 0 | 521,886 | 0 |
| MN/030/0614/ECM | Clinical Negligence | 3,018 | 641,831 | 0 |
| MN/030/0623/GAK | Clinical Negligence | 752 | 308,249 | 0 |
| **Sub-total** | | **3,770** | **1,471,966** | **0** |
| **All other cases** | | 315,118 | 491,731 | 0 |
| **Total cases** | | **318,888** | **1,963,697** | **0** |

## 21. Cash and cash equivalents

| | 2016-17 £000 | 2015-16 £000 |
|---|---|---|
| Balance at 1 April | 666 | 902 |
| Net change in cash and cash equivalent balances | 8 | (236) |
| Balance at 31 March | 674 | 666 |
| | | |
| Made up of: | | |
| Cash held at GBS | 596 | 645 |
| Commercial banks | 78 | 21 |
| Cash in hand | 0 | 0 |
| Current Investments | 0 | 0 |
| **Cash and cash equivalents as in Statement of Financial Position** | 674 | 666 |
| Bank overdraft - GBS | 0 | 0 |
| Bank overdraft - Commercial banks | 0 | 0 |
| **Cash and cash equivalents as in Statement of Cash Flows** | 674 | 666 |

## 22. Other Financial Assets

| | Current | | Non-current | |
|---|---|---|---|---|
| | 31 March 2017 £000 | 31 March 2016 £000 | 31 March 2017 £000 | 31 March 2016 £000 |
| **Financial assets** | | | | |
| Shares and equity type investments | | | | |
| Held to maturity investments at amortised costs | 0 | 0 | 0 | 0 |
| At fair value through SOCNE | 0 | 0 | 0 | 0 |
| Available for sale at FV | 0 | 0 | 0 | 0 |
| Deposits | 0 | 0 | 0 | 0 |
| Loans | 0 | 0 | 0 | 0 |
| Derivatives | 0 | 0 | 0 | 0 |
| Other (Specify) | | | | |
| Held to maturity investments at amortised costs | 0 | 0 | 0 | 0 |
| At fair value through SOCNE | 0 | 0 | 0 | 0 |
| Available for sale at FV | 0 | 0 | 0 | 0 |
| **Total** | 0 | 0 | 0 | 0 |

## 23. Other financial liabilities

| | Current | | Non-current | |
|---|---|---|---|---|
| **Financial liabilities** | **31 March 2017 £000** | 31 March 2016 £000 | **31 March 2017 £000** | 31 March 2016 £000 |
| Financial Guarantees: | | | | |
| At amortised cost | **0** | 0 | **0** | 0 |
| At fair value through SoCNE | **0** | 0 | **0** | 0 |
| Derivatives at fair value through SoCNE | **0** | 0 | **0** | 0 |
| Other: | | | | |
| At amortised cost | **0** | 0 | **0** | 0 |
| At fair value through SoCNE | **0** | 0 | **0** | 0 |
| **Total** | **0** | 0 | **0** | 0 |

## 24. Related Party Transactions

Total value of transactions with Board members and key senior staff in 2016-2017

| | Payments to related party | Receipts from related party | Amounts owed to related party | Amounts due from related party |
|---|---|---|---|---|
| | £ | £ | £ | £ |

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 THB.

There have been no related party transactions with Welsh Ministers.

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

| | Payments to related party | Receipts from related party | Amounts owed to related party | Amounts due from related party |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Welsh Government | 257 | 292,431 | 76 | 2,193 |
| Abertawe Bro Morgannwg University Local Health Board | 9,269 | 1,549 | 803 | 136 |
| Aneurin Bevan University Local Health Board | 19,605 | 1,301 | 777 | 344 |
| Betsi Cadwaladr University Local Health Board | 2,868 | 854 | 132 | 405 |
| Cardiff & Vale University Local Health Board | 1,834 | 336 | 549 | 55 |
| Cwm Taf University Local Health Board | 2,223 | 234 | 310 | 277 |
| Hywel Dda University Local Health Board | 7,383 | 573 | 309 | 73 |
| Public Health Wales NHS Trust | 204 | 217 | 71 | 42 |
| Velindre NHS Trust | 2,263 | 385 | 147 | 106 |
| Welsh Ambulance Services NHS Trust | 1,022 | 48 | 48 | 48 |
| WHSSC (Hosted by Cwm Taf University Local Health Board) | 31,622 | 7 | 116 | 54 |

A number of the THB's Board members have interests in related parties as follows:

| Name | Details | Interests |
|---|---|---|
| Councillor Melanie Davies | Vice Chair | Councillor, Powys County Council |
| Councillor Matthew Dorrance | Independent Member | Councillor, Powys County Council |
| Councillor Tony Thomas | Independent Member | Councillor, Powys County Council |
| Patricia Buchan | Independent Member | Ex Officio Trustee - Powys Association of Voluntary Oragnisations |
| Amanda Lewis | Associate Member | Strategic Director of People, Powys County Council |
| Eifion Williams | Interim Finance Director | Employee of Abertawe Bro Morgannwg University Health Board |

The value of transactions with these bodies are as follows:

| | |
|---|---|
| Powys Association of Voluntary Organisations | £0.481M |
| Powys County Council | £7.725M |

Powys THB has hosted the following functions on behalf of NHS Wales on which it receives income from the Welsh Government and other LHB's:
- Residual Clinical Negligence
- Community Health Councils
- Continuing Care Case Administration
- Health and Care Research Wales (HCRW)

Powys THB also has material transactions with English NHS Trusts with whom it commissions healthcare including:
- Shrewsbury and Telford NHS Trust
- Wye Valley NHS Trust
- The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust

Powys THB has also received items donated from the Powys THB Charitable Fund, for which the Board is the Corporate Trustee.

## 25. Third Party assets

The THB held £0.00 cash at bank and in hand at 31 March 2017 (31 March 2016, £60.00) which relates to monies held by the THB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £0.00 at 31 March 2017 (31 March 2016, £0.00). This has been excluded from the Cash and Cash equivalents figure reported in the Accounts.

## 26. Finance leases

### 26.1 Finance leases obligations (as lessee)

The Teaching Health Board has no Finance Lease arrangements in operation

**Amounts payable under finance leases:**

| **Land** | **31 March 2017 £000** | 31 March 2016 £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 |
| Present value of minimum lease payments | **0** | 0 |
| Included in: | | |
| Current borrowings | **0** | 0 |
| Non-current borrowings | **0** | 0 |
| | **0** | 0 |

**26.1 Finance leases obligations (as lessee) continue**

**Amounts payable under finance leases:**

| **Buildings** | **31 March 2017** | 31 March 2016 |
|---|---|---|
| **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 |
| Present value of minimum lease payments | **0** | 0 |
| Included in: | | |
| Current borrowings | **0** | 0 |
| Non-current borrowings | **0** | 0 |
| | **0** | 0 |

| **Other** | **31 March 2017** | 31 March 2016 |
|---|---|---|
| **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 |
| Present value of minimum lease payments | **0** | 0 |
| Included in: | | |
| Current borrowings | **0** | 0 |
| Non-current borrowings | **0** | 0 |
| | **0** | 0 |

## 26.2 Finance leases obligations (as lessor) continued

The Local Health Board has no finance leases receivable as a lessor.

**Amounts receivable under finance leases:**

| | **31 March 2017** | 31 March 2016 |
|---|---|---|
| **Gross Investment in leases** | **£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 |
| Present value of minimum lease payments | **0** | 0 |
| Included in: | | |
| Current borrowings | **0** | 0 |
| Non-current borrowings | **0** | 0 |
| | **0** | 0 |

## 27. Private Finance Initiative contracts

**The Teaching Local Health Board has no Private Fiancne Initiative Contracts in operation**

### 27.1 PFI schemes off-Statement of Financial Position

| Commitments under off-SoFP PFI contracts | Off-SoFP PFI contracts 31 March 2017 £000 | Off-SoFP PFI contracts 31 March 2016 £000 |
|---|---|---|
| Total payments due within one year | 0 | 0 |
| Total payments due between 1 and 5 years | 0 | 0 |
| Total payments due thereafter | 0 | 0 |
| Total future payments in relation to PFI contracts | 0 | 0 |
| Total estimated capital value of off-SoFP PFI contracts | 0 | 0 |

### 27.2 PFI schemes on-Statement of Financial Position

The Teaching Local Health Board has no Private Finance Initiative Contracts in operation

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

| | On SoFP PFI Capital element 31 March 2017 £000 | On SoFP PFI Imputed interest 31 March 2017 £000 | On SoFP PFI Service charges 31 March 2017 £000 |
|---|---|---|---|
| Total payments due within one year | 0 | 0 | 0 |
| Total payments due between 1 and 5 years | 0 | 0 | 0 |
| Total payments due thereafter | 0 | 0 | 0 |
| Total future payments in relation to PFI contracts | 0 | 0 | 0 |

| | On SoFP PFI Capital element 31 March 2016 £000 | On SoFP PFI Imputed interest 31 March 2016 £000 | On SoFP PFI Service charges 31 March 2016 £000 |
|---|---|---|---|
| Total payments due within one year | 0 | 0 | 0 |
| Total payments due between 1 and 5 years | 0 | 0 | 0 |
| Total payments due thereafter | 0 | 0 | 0 |
| Total future payments in relation to PFI contracts | 0 | 0 | 0 |
| Total present value of obligations for on-SoFP PFI contracts | 0 | | |

| 27.3 Charges to expenditure | 2016-17 | 2015-16 |
|---|---|---|
| | £000 | £000 |
| Service charges for On Statement of Financial Position PFI contracts (excl interest costs) | 0 | 0 |
| Total expense for Off Statement of Financial Position PFI contracts | 0 | 0 |
| The total charged in the year to expenditure in respect of PFI contracts | 0 | 0 |

The LHB is committed to the following annual charges

| PFI scheme expiry date: | 31 March 2017 £000 | 31 March 2016 £000 |
|---|---|---|
| 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.

**27.4 Number of PFI contracts**

| | Number of on SoFP PFI contracts | Number of off SoFP PFI contracts |
|---|---|---|
| Number of PFI contracts | 0 | 0 |
| Number of PFI contracts which individually have a total commitment > £500m | 0 | 0 |

| PFI Contract | On / Off-statement of financial position |
|---|---|
| Number of PFI contracts which individually have a total commitment > £500m | 0 |

**PFI Contract**

**27.5 The THB has no Public Private Partnerships during the year**

## 28. Pooled budgets

### A Funded Nursing Care

Powys Teaching 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 Government Guidance NHS Funded Nursing Care 2004.

| | Funding | Expenditure | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Gross Funding** | | | |
| Powys County Council | ***1,064,557*** | | ***1,064,557*** |
| Powys Teaching Health Board | ***1,043,867*** | | ***1,043,867*** |
| **Total Funding** | ***2,108,424*** | | ***2,108,424*** |
| **Expenditure** | | | |
| Monies spent in accordance with | | ***2,044,026*** | ***2,044,026*** |
| Pooled budget arrangement | | | |
| **Total Expenditure** | | ***2,044,026*** | ***2,044,026*** |
| | | | |
| **Net under/(over) spend** | | | ***64,398*** |
| The above memorandum account is subject to the financial statements of Powys County Council (the Host). | | | |

### B Provision of Community Equipment

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of community equipment in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the host partner for the purposes of the Regulations. The purpose of the agreement is to facilitate the provision of a community equipment service and the development of this service in Powys. The service is provided from a pooled fund and is within the THB's and the Council's powers.

| | Funding | Expenditure | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Gross Funding** | | | |
| Powys County Council | ***521,000*** | | ***521,000*** |
| Powys Teaching Health Board | ***521,000*** | | ***521,000*** |
| **Total Funding** | ***1,042,000*** | | ***1,042,000*** |
| **Expenditure** | | | |
| Monies spent in accordance with | | ***1,021,071*** | ***1,021,071*** |
| Pooled budget arrangement | | | |
| **Total Expenditure** | | | ***1,021,071*** |
| | | | |
| **Net under/(over) spend** | | | ***20,929*** |
| ***Share of underspend*** | | | ***10,465*** |
| The above memorandum account is subject to the financial statements of Powys County Council (the Host). | | | |

### C Provision of Section 33 Joint Agreement for the provision of IT Services

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of IT services in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the host partner for the purposes of the Regulations. The purpose of the agreement is to facilitate the provision of a shared IT service and the development of this service in Powys. The service is provided from a pooled fund and is within the THB's and the Council's powers.

| | Funding | Expenditure | Total |
|---|---|---|---|
| **Gross Funding** | £ | £ | £ |
| Powys County Council | ***2,340,500*** | | ***2,340,500*** |
| Powys Teaching Health Board | ***837,790*** | | ***837,790*** |
| Other Income | ***418,584*** | | ***418,584*** |
| **Total Funding** | ***3,596,874*** | | ***3,596,874*** |
| **Expenditure** | | | |
| Monies spent in accordance with | | ***3,642,328*** | ***3,642,328*** |
| Pooled budget arrangement | | | |
| **Total Expenditure** | | | ***3,642,328*** |
| | | | |
| **Net under/(over) spend** | | | ***(45,454)*** |
| The above memorandum account is subject to the financial statements audit of Powys County Council (the Host). | | | |

## 28. Pooled budgets (Continued)

### D Provision of Section 33 Joint Agreement for the provision of a Reablement Service

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of an effective and sustainable joint reablement service which meets the needs of the Powys communities in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the host partner for the purposes of the Regulations. This service is provided from a pooled fund and is within the THB's and the Council's powers.

| | Funding | Expenditure | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Gross Funding** | | | |
| Powys County Council | ***413,380*** | | ***413,380*** |
| Powys Teaching Health Board | ***828,000*** | | ***828,000*** |
| **Total Funding** | ***1,241,380*** | | ***1,241,380*** |
| **Expenditure** | | | |
| Monies spent in accordance with Pooled budget arrangement | | ***1,177,693*** | **1,177,693** |
| **Total Expenditure** | | | ***1,177,693*** |
| **Net under/(over) spend** | | | ***63,687*** |

The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).

### E Provision of Section 33 Joint Agreement for the provision of Tier 2/3 Psycho-social Treatment Services

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement in accordance with Section 33 of the National Health Services Act 2006. Powys County Council is the lead commissioner and the host partner for the purposes of the Regulations. The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations. The purpose of the agreement is to provide a Tier 2 and 3 service provision for drug and alcohol users and their concerned others.

| | Funding | Expenditure | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Gross Funding** | | | |
| Powys County Council | ***669,912*** | | ***669,912*** |
| Powys Teaching Health Board | ***121,864*** | | ***121,864*** |
| **Total Funding** | ***791,776*** | | ***791,776*** |
| **Expenditure** | | | |
| Monies spent in accordance with Joint Arrangement | | 791,776 | **791,776** |
| **Total Expenditure** | | ***791,776*** | ***791,776*** |
| **Net under/(over) spend** | | | ***0*** |

The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).

### F Provision of Section 33 Joint Agreement for the provision of Personal Care at Glan Irfon Integrated Health and Social Care Unit, Builth Wells

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement to enable the use of resources relating to the Inpatient Services at the Glan Irfon Health and Social Centre, Builth Wells.
This agreement is in line with Section 33 of the National Health Service Wales Act 2006 and provides a coordinated approach to the commissioning, management and monitoring of these Inpatient Services.

The Service Provider, BUPA Health Care under the pooled budget will provide person centred care at the new unit, for up to 12 residents within the short stay shared care unit (max 6 weeks stay) with in-reach clinical, nursing and reablement support (registered under CSSIW for Residential Care).

| | Funding | Expenditure | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Gross Funding** | | | |
| Powys County Council | ***177,249*** | | ***177,249*** |
| Powys Teaching Health Board | ***176,280*** | | ***176,280*** |
| **Total Funding** | ***353,529*** | | ***353,529*** |
| **Expenditure** | | | |
| Monies spent in accordance with Pooled budget arrangement | | 353,529 | **353,529** |
| **Total Expenditure** | | ***353,529*** | ***353,529*** |
| **Net under/(over) spend** | | | ***0*** |

The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).

## 28. Pooled budgets (Continued)

### G Provision of Section 33 for the provision of Services to Carers

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement to ensure the integrated provision high quality, cost effective services to Carers which meet local health and social care needs, through the establishment of a Pooled fund / non pooled but delegated to funds nder Section 33 of the National Health Service Wales Act 2016

| | Funding | Expenditure | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Gross Funding** | | | |
| Powys County Council | ***236,650*** | | ***236,650*** |
| Powys Teaching Health Board | ***16,582*** | | ***16,582*** |
| **Total Funding** | | | ***253,232*** |
| **Expenditure** | | | |
| Monies spent in accordance with Pooled budget arrangement | | ***253,232*** | ***253,232*** |
| **Total Expenditure** | | | ***253,232*** |
| **Net under/(over) spend** | | | ***0*** |

The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).

### H Provision of Section 33 for the provision of an Integrated Care Team for Older People - Ystradgynlais Scheme

Powys Teaching Health Board and Powys County Council have entered into a partnership agreement to ensure the delviery of integrated health and social care via an Integrated Care Team for Older Peole in the Ystradgynlais area based on service user need.

| | Funding | Expenditure | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Gross Funding** | | | |
| Powys County Council | ***1,460,308*** | | ***1,460,308*** |
| Powys Teaching Health Board | ***2,123,835*** | | ***2,123,835*** |
| **Total Funding** | ***3,584,143*** | | ***3,584,143*** |
| **Expenditure** | | | |
| Monies spent in accordance with Joint Arrangement | | 3,465,338 | **3,465,338** |
| **Total Expenditure** | | ***3,465,338*** | ***3,465,338*** |
| **Net under/(over) spend** | | | ***118,805*** |

The above memorandum account is subject to the financial statements audit of Powys County Council (the Host).

**29. 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 THB 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 THB 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 THB in undertaking its activities.

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

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

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

**Liquidity risk**
The THB 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 THB is not, therefore, exposed to significant liquidity risks.

## 30. Movements in working capital

| | 2016-17 | 2015-16 |
|---|---|---|
| | £000 | £000 |
| (Increase)/decrease in inventories | 9 | (20) |
| (Increase)/decrease in trade and other receivables - non - current | (4,797) | 15,472 |
| (Increase)/decrease in trade and other receivables - current | 2,333 | (10,909) |
| Increase/(decrease) in trade and other payables - non - current | 0 | |
| | 0 | |
| Increase/(decrease) in trade and other payables - current | 1,665 | 6,445 |
| **Total** | (790) | 10,988 |
| Adjustment for accrual movements in fixed assets -creditors | (941) | 494 |
| Adjustment for accrual movements in fixed assets -debtors | 13 | (48) |
| Other adjustments | 0 | |
| | 0 | |
| | (1,718) | 11,434 |

## 31. Other cash flow adjustments

| | 2016-17 | 2015-16 |
|---|---|---|
| | £000 | £000 |
| Depreciation | 2,920 | 2,882 |
| Amortisation | 0 | 0 |
| (Gains)/Loss on Disposal | (1) | 1 |
| Impairments and reversals | 1,261 | (239) |
| Release of PFI deferred credits | 0 | 0 |
| Donated assets received credited to revenue but non-cash | (40) | (45) |
| Government Grant assets received credited to revenue but non-cash | 0 | |
| | 0 | |
| Non-cash movements in provisions | 2,490 | (5,210) |
| **Total** | 6,630 | (2,611) |

## 32. Events after the Reporting Period

There are no events after the Reporting Period to be declared

## 33. Operating segments

IFRS 8 requires bodies to report information about each of its operating segments.

| | | Total Total Powys "Health" £'000 | Total Residual Clinical Negligence £'000 | Total Community Health Councils £'000 | Total Continuing Care Case Administration £'000 | Total Health and Care Research Wales (HCRW) £'000 | Consolidation Adjustments £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| | **Note** | | | | | | | |
| Expenditure on Primary Healthcare Services | 3.1 | 65,345 | 0 | 0 | 0 | 0 | 0 | 65,345 |
| Expenditure on healthcare from other providers | 3.2 | 148,981 | 0 | 0 | 0 | 0 | 0 | 148,981 |
| Expenditure on Hospital and Community Health Services | 3.3 | 79,738 | 25 | 3,830 | 1,469 | 3,849 | (71) | 88,840 |
| | | **294,064** | **25** | **3,830** | **1,469** | **3,849** | **(71)** | **303,166** |
| Less: Miscellaneous Income | 4 | 11,958 | 0 | 0 | 1,469 | 3,849 | (71) | 17,205 |
| **THB net operating costs before interest and other gains and losses** | | **282,106** | **25** | **3,830** | **0** | **0** | **0** | **285,961** |
| Investment Income | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other (Gains) / Losses | 9 | (1) | 0 | 0 | 0 | 0 | 0 | (1) |
| Finance costs | 10 | 98 | 0 | 2 | 0 | 0 | 0 | 100 |
| **THB Net Operating Costs** | | **282,203** | **25** | **3,832** | **0** | **0** | **0** | **286,060** |
| Add Non Discretionary Expenditure | 2.1 | 1,006 | 0 | 0 | 0 | 0 | 0 | 1,006 |
| Revenue Resource Limit | 2.1 | 283,294 | 25 | 3,832 | 0 | 0 | 0 | 287,151 |
| **Under / (over) spend against Revenue Resource Limit** | | **85** | **0** | **0** | **0** | **0** | **0** | **85** |

## 34. Other Information

## 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 Assembly 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