Hywel Dda Local Health Board

FOREWORD

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

Statutory background

The Local Health Board was established on 1 October 2009 and comprises the former organisations of Hywel Dda NHS Trust and Carmarthenshire, Ceredigion and Pembrokeshire Local Health Boards.

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.

The statutory duty for Local Health Boards is enacted in the National Health Service (Wales) Act 2006. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

During the financial year 2012/13 Hywel Dda Local Health Board received £2.3m of additional resource via brokerage from within NHS Wales. This brokerage will be repaid in 2013/14. With this brokerage, the Local Health Board met its statutory duty to operate within the resources available.

The primary performance measure for Local Health Boards is the Achievement of Operational Financial Balance on page 2. This note compares net operating costs expended against Resource Limits allocated by the Welsh Government and measures whether operational financial balance has been achieved in year.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Note	2012-13 £'000	2011-12 £'000
Expenditure on Primary Healthcare Services	3.1	167,692	170,154
Expenditure on healthcare from other providers	3.2	161,480	159,094
Expenditure on Hospital and Community Health Services	3.3	427,978	430,064
		757,150	759,312
Less: Miscellaneous Income	4	58,127	58,020
LHB net operating costs before interest and other gains and losses		699,023	701,292
Investment Income	8	0	0
Other (Gains) / Losses	9	20	44
Finance costs	10	48	41
Net operating costs for the financial year		699,091	701,377

Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2013 is as follows:

	2012-13 £000	2011-12 £000
Net operating costs for the financial year	699,091	701,377
Less Non-discretionary expenditure	648	715
Less Revenue consequences of Bringing PFI schemes onto SoFP	0	0
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	698,443	700,662
Revenue Resource Limit	698,499	700,755
Under / (over) spend against Revenue Resource Limit	56	93

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

There were no inflationary uplift on allocations during 2012/13.

The Statement of Comprehensive Net Expenditure, note 3.1 reduction in expenditure is due to a reduction in Primary Care Service drug costs, not in services.

In note 3.2 previous years WHSSC have commissioned Cardiology Services of £2.6m from ABM ULHB under tertiary service arrangements. In 2012-13 Hywel Dda Health Board became responsible for contracting these services.

Impairment included in note 3.3 is funded by Welsh Government and does not impact on Health Board services.

The Health Board does not bear the full cost of Losses in note 3.3, only the first £25,000 per case. The remainder of the costs are born by the Welsh Risk Pool.

Other Comprehensive Net Expenditure

	2012-13 £'000	2011-12 £'000
Net gain / (loss) on revaluation of property, plant and equipment	61	6,378
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	61	6,378
Total comprehensive net expenditure for the year	**699,030**	**694,999**

Other Comprehensive Net Expenditure provides the total of reserve movements in year and when added to the Statement of Comprehensive Net Expenditure provides an analysis of the total movements in Taxpayers' Equity.

Net gains on revaluation of property, plant and equipment during 2012/13 is mainly due to the estate revaluation by the District Valuer which did not result in material gains. During 2011/12 the gain is as a result of an estimate increase in the estate value based on indices as provided by the District Valuer.

Statement of Financial Position as at 31 March 2013

	Notes	31 March 2013 £'000	31 March 2012 £'000
Non-current assets			
Property, plant and equipment	11	220,852	233,725
Intangible assets	12	432	483
Trade and other receivables	15	30,016	21,832
Other financial assets	19	0	0
Other assets	20	0	0
Total non-current assets		251,300	256,040
Current assets			
Inventories	14	8,354	7,333
Trade and other receivables	15	12,786	10,647
Other financial assets	19	0	0
Other assets	20	0	0
Cash and cash equivalents	18	158	838
		21,298	18,818
Non-current assets classified as "Held for Sale"	11	484	0
Total current assets		21,782	18,818
Total assets		273,082	274,858
Current liabilities			
Trade and other payables	16	68,055	64,636
Other financial liabilities	22	0	0
Provisions	17	5,872	5,576
Other liabilities	21	0	0
Total current liabilities		73,927	70,212
Net current assets/ (liabilities)		(52,145)	(51,394)
Non-current liabilities			
Trade and other payables	16	0	0
Other financial liabilities	22	0	0
Provisions	17	31,798	27,032
Other liabilities	21	0	0
Total non-current liabilities		31,798	27,032
Total assets employed		167,357	177,614
Financed by :			
Taxpayers' equity			
General Fund		150,267	160,444
Revaluation reserve		17,090	17,170
Total taxpayers' equity		167,357	177,614

The financial statements on pages 2 to 7 were approved by the Board on 5th June 2013 and signed on its behalf by:

Chief Executive...Mr T Purt ..... Date 5th June 2013

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

Note 11 - change in the value of Property, Plant and Equipment is due to the District Valuers estate ravaluation.

Note 14 - increased value of theatre and drugs stocks.

Note 15 - attributable to increase Welsh Risk Pool and Local Authority debtors.

Note 16 - increase in Tax and Social Security and non NHS creditors due to timing of payment.

Note 17 - increase in Welsh Risk Pool provision.

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2012-13			
Balance at 1 April 2012	160,444	17,170	**177,614**
Net operating cost for the year	(699,091)		**(699,091)**
Net gain/(loss) on revaluation of property, plant and equipment	0	61	**61**
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	141	(141)	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to NHS Trusts	0	0	**0**
Total recognised income and expense for 2012-13	(698,950)	(80)	**(699,030)**
Net Welsh Government funding	**688,773**		**688,773**
Balance at 31 March 2013	150,267	17,090	**167,357**

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

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

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

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

Statement of Cash flows for year ended 31 March 2013

	notes	2012-13 £'000	2011-12 £'000
Cash Flows from operating activities			
Net operating cost for the financial year		(699,091)	(701,377)
Movements in Working Capital	34	(9,070)	(8,055)
Other cash flow adjustments	35	48,865	52,786
Provisions utilised	17	(8,361)	(6,004)
Net cash outflow from operating activities		(667,657)	(662,650)
Cash Flows from investing activities			
Purchase of property, plant and equipment		(22,391)	(31,844)
Proceeds from disposal of property, plant and equipment		124	206
Purchase of intangible assets		(72)	(199)
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		(22,339)	(31,837)
Net cash inflow/(outflow) before financing		(689,996)	(694,487)
Cash flows from financing activities			
Welsh Government funding (including capital)		688,773	693,535
Capital receipts surrendered		0	0
Capital grants received		543	0
Capital element of payments in respect of finance leases and on-SoFP		0	(121)
Cash transferred (to)/ from other NHS bodies		0	0
Net financing		689,316	693,414
Net increase/(decrease) in cash and cash equivalents		(680)	(1,073)
Cash and cash equivalents (and bank overdrafts) at 1 April 2012		838	1,911
Cash and cash equivalents (and bank overdrafts) at 31 March 2013		158	838

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

Hywel Dda Local Health Board remained within its Cash Limit for 2012/13

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2012-13 Local Health Board Manual for Accounts and 2012-13 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.

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

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

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

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

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

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

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

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

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

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

Subsequent expenditure
Where subsequent expernditure 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.

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 and assets under construction and properties 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 LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

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

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to 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 Donated assets
Following the accounting policy change outlined in the Treasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

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

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

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

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

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

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

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

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

1.13.2 The Local Health Board as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

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

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

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

1.16 Provisions
Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using 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 LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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

1.17 Clinical negligence costs
The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool was hosted by Betsi Cadwaladr University Local Health Board until 31 May 2012 and from 1 June 2012 by Velindre NHS Trust.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.23 Losses and Special Payments
Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.
Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

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

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

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

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

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

a. Provision for clinical negligence and personal injury claims are arrived at based on advice received from Welsh Health Legal Services and the LHB's own legal advisors Morgan Cole. Given the nature of such claims, figures could be subject to significant change in future periods. The potential financial effect of such uncertainty is minimised by the cost recognised by the LHB is capped at £0.025m per case with the excess reclaimed from the Welsh Risk Pool. An associated Welsh Risk Pool debtor is separately identified in the debtors note.
b. The LHB includes a provision for retrospective claims for continuing healthcare funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing healthcare and the actual costs incurred by individuals in care homes. The provision is based on information made available to the LHB at the time of these accounts and could be subject to significant change as outcomes are determined.
c. As in prior years due to the relatively short timescale available to prepare the annual accounts, the primary care expenditure disclosed contains a number of estimates where the value of actual liabilities was not available prior to the date of the accounts submission, the main areas being:

- GMS Enhanced Services
- GMS Quality and Outcomes Framework
- Prescribing
- Dental
- Pharmacy

d. The LHB provides for potential bad debts both as a result of specific disputes and based on an assessment of the ability to collect for non NHS debtors, this is separately identified in the debtor note and any movement in the expenditure note. In addition where there is sufficient doubt on recoverability of NHS debt the LHB recognise a credit note provision which is netted off NHS debtors in the balance sheet and written back against income.
e. In line with IAS19 the LHB has reviewed the level of annual leave taken by its staff to 31st March. Based on a sample the LHB has accrued an estimate of the cost of untaken leave.

1.29 Private Finance Initiative (PFI) transactions

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

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

PFI asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

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

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

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

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

1.30 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.

1.31 Carbon Reduction Commitment Scheme

The Local Health Board is not a member of the Carbon Reduction Commitment Scheme.

1.32 Absorption accounting
Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. The FReM was amended in 2012-13 to provide for transfer by absorption accounting, it does not require retrospective adoption so prior year transactions have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

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.

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

During 2012-13 there have been no standards issued by the IASB that have not been adopted.

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

IFRS 9 Financial Instruments - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

1.35 Accounting standards issued that have been adopted early.

During 2012-13 there have been no accounting standards that have been adopted early.
All early adoption of accounting standards will be led by HM Treasury.

2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The LHB has achieved Operational Financial Balance as shown on the face of the Operating Cost Statement. The LHB received £2.3m in brokerage during 2012/13.

This brokerage represents only 0.3% of the Local Health Board's revenue resource limit.

Since 2010/11 the Local Health Board has achieved £100m of cash / containment savings.

2.2 Capital Resource Limit

The LHB is required to keep within its Capital Resource Limit :

	2012-13 £000	2011-12 £000
Gross capital expenditure	**23,607**	28,677
Add: Losses on disposal of donated assets	**0**	0
Less NBV of property, plant and equipment and intangible assets disposed	**(144)**	(165)
Less capital grants received	**(36)**	0
Less donations received	**(507)**	(801)
Charge against Capital Resource Limit	**22,920**	27,711
Capital Resource Limit	**22,959**	27,776
(Over) / Underspend against Capital Resource Limit	**39**	65

The Local Health Board remained within its Capital Resource Limit.

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited	Non-cash limited	2012-13 Total	2011-12
	£'000	£'000	£'000	£'000
General Medical Services	59,447		59,447	58,383
Pharmaceutical Services	18,751	(3,064)	15,687	16,136
General Dental Services	19,698		19,698	19,487
General Ophthalmic Services	0	3,712	3,712	3,642
Other Primary Health Care expenditure	5,851		5,851	5,876
Prescribed drugs and appliances	63,297		63,297	66,630
Total	**167,044**	**648**	**167,692**	170,154

3.2 Expenditure on healthcare from other providers

	2012-13	2011-12
	£'000	£'000
Goods and services from other NHS Wales Health Boards	33,410	30,882
Goods and services from other NHS Wales Trusts	3,035	3,275
Goods and services from other non Welsh NHS bodies	1,449	1,587
Goods and services from WHSSC	66,495	68,195
Local Authorities	5,575	5,543
Voluntary organisations	1,360	1,248
NHS Funded Nursing Care	3,326	3,804
Continuing Care	42,758	40,656
Private providers	2,493	2,447
Specific projects funded by the Welsh Government	0	0
Public Health Wales	1,495	1,313
NWSSP, Business Services Centre / Business Services Partnership	0	0
Other	84	144
Total	**161,480**	159,094

3.3 Expenditure on Hospital and Community Health Services

	2012-13 £'000	2011-12 £'000
Directors' costs	1,989	1,903
Staff costs	306,073	304,557
Supplies and services - clinical	52,401	50,178
Supplies and services - general	4,640	4,661
Consultancy Services	403	240
Establishment	9,550	9,664
Transport	1,073	1,016
Premises	13,375	13,804
External Contractors	286	397
Depreciation	13,329	13,569
Amortisation	147	84
Fixed asset impairments and reversals (Property, plant & equipment)	22,489	28,301
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	20
Audit fees	481	499
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	1,453	459
Research and Development	0	0
Other operating expenses	289	712
Total	427,978	430,064

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

	2012-13 £000	2011-12 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence	13,981	10,107
Personal injury	1,103	45
All other losses and special payments	256	180
Defence legal fees and other administrative costs	219	285
Gross increase/(decrease) in provision for future payments	15,559	10,617
Premium for other insurance arrangements	0	0
Irrecoverable debts	(80)	(379)
Less: income received/ due from Welsh Risk Pool	(14,026)	(9,779)
Total	1,453	459

Personal Injury includes £336,287 (2011-12 £182,887) in respect of permanent injury benefits.

Clinical redress arising during the year was £39,775 (2011-12 £3,000).

4. Miscellaneous Income

	2012-13 £'000	2011-12 £'000
Local Health Boards	17,386	18,627
WHSSC	535	884
NHS trusts	2,807	3,647
Strategic health authorities and primary care trusts	4,128	3,599
Foundation Trusts	0	0
Local authorities	3,854	3,662
Welsh Government	8,973	8,168
Non NHS:		
Prescription charge income	11	16
Dental fee income	2,680	2,677
Private patient income	232	203
Overseas patients (non-reciprocal)	44	22
Injury Costs Recovery (ICR) Scheme	1,233	864
Other income from activities	2,011	1,834
Patient transport services	0	0
Education, training and research	8,196	7,974
Charitable and other contributions to expenditure	1,735	1,498
Receipt of donated assets	507	801
Receipt of Government granted assets	36	0
Non-patient care income generation schemes	383	385
NWSSP, Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	60	86
Accommodation and catering charges	1,472	1,481
Mortuary fees	151	136
Staff payments for use of cars	245	227
Business Unit	0	0
Other	1,448	1,229
Total	58,127	58,020

Injury Cost Recovery (ICR) Scheme Income is subject to a provision for impairment of 12.6% to reflect expected rates of collection.

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12 Restated
	£000	£000	£000	£000	£000
Salaries and wages	257,823	2,157	5,238	265,218	264,345
Social security costs	20,256	0	0	20,256	19,741
Employer contributions to NHS Pension Scheme	30,491	0	0	30,491	30,424
Other pension costs	0	0	0	0	0
Other employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
Total	308,570	2,157	5,238	315,965	314,510
Charged to capital				333	211
Charged to revenue				315,632	314,299
				315,965	314,510

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12
	Number	Number	Number	Number	Number
Medical and dental	701	10	30	741	752
Ambulance staff	0	0	0	0	0
Administrative and estates	1,331	16	0	1,347	1,444
Healthcare assistants and other support staff	777	0	3	780	781
Nursing, midwifery and health visiting staff	3,830	4	23	3,857	3,805
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	817	1	1	819	799
Social care staff	0	0	0	0	0
Other	2	1	0	3	3
Total	7,458	32	57	7,547	7,584

2011-12 includes the number of staff on inward secondment of 37, and agency staff of 63.

5.3. Retirements due to ill-health

During 2012-13 there were 21 early retirements from the LHB agreed on the grounds of ill-health (14 in 2011-12 - £1,041,511.84). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,254,464.06.

5.4 Employee benefits

	2012-13	2011-12
	£000	£000
	0	0
	0	0
	0	0

5.5 Reporting of other compensation schemes - exit packages

	Total number of exit packages by cost band	Total number of exit packages by cost band
	Number	Number
	2012-13	2011-12
Exit package cost band		
<£10,000	1	0
£10,000 to £25,000	1	2
£25,000 to £50,000	3	3
£50,000 to £100,000	2	1
£100,000 to £150,000	1	0
£150,000 to £200,000	0	0
£200,000+	0	0
Total number of exit packages by type	8	6
Total resource cost £	414,537	206,065

The only exit packages paid during 2012-13 related to Voluntary Early Release.
The Voluntary Early Release Scheme has been designed to assist staff in taking a personal decision regarding their future employment and enable staff who may wish to leave their employment with the NHS Wales to do so with an appropriate compensatory payment.

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 2012-13 was £180,000 - £185,000 (2011-12 restated, £180,000 - £185,000). This was 7 times (2011-12, 7 times) the median remuneration of the workforce, which was £27,625 (2011-12 restated, £27,269)

In 2012-13, 3 (2011-12 restated, 8) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £14,153 to £199,557 (2011-12 restated £13,903 to £242,181).

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.

Prior year figures for 2011-12 have been restated using the All Wales agreed methadology.

5.7 Pension costs
Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations, using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013 is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

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 scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set 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 formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

[Where the organisation has employees who are members of other schemes, disclosures will be required in respect of them too.]

6. Operating leases

LHB as lessee

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

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

Payments recognised as an expense	**2012-13**	2011-12
	£000	£000
Minimum lease payments	**2,179**	2,216
Contingent rents	**0**	0
Sub-lease payments	**0**	0
Total	**2,179**	2,216

Total future minimum lease payments		
Payable	**£000**	£000
Not later than one year	**1,182**	1,101
Between one and five years	**990**	714
After 5 years	**0**	0
Total	**2,172**	1,815

There are no future sublease payments expected to be received.

LHB as lessor

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

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

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

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

	2012-13	2012-13	2011-12	2011-12
NHS	**Number**	**£000**	Number	£000
Total bills paid	**3,530**	**256,730**	3,889	155,415
Total bills paid within target	**3,279**	**255,764**	3,601	145,476
Percentage of bills paid within target	**92.9%**	**99.6%**	92.6%	93.6%
Non-NHS				
Total bills paid	**288,739**	**280,674**	297,698	285,088
Total bills paid within target	**276,007**	**267,417**	285,247	273,198
Percentage of bills paid within target	**95.6%**	**95.3%**	95.8%	95.8%
Total				
Total bills paid	**292,269**	**537,403**	301,587	440,503
Total bills paid within target	**279,286**	**523,181**	288,848	418,674
Percentage of bills paid within target	**95.6%**	**97.4%**	95.8%	95.0%

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

	2012-13	2011-12
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**0**	0

The Health Board has achieved it's prompt payment target of 95% of payment of the number of non nhs invoices within 30 days

During 2012/13 the increase in the NHS value paid is due to the inclusion of primary care payments

8. Investment Income

	2012-13	2011-12
	£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

	2012-13	2011-12
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	(20)	(44)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial 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	(20)	(44)

10. Finance costs

	2012-13	2011-12
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	2
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	2
Provisions unwinding of discount	48	39
Other finance costs	0	0
Total	48	41

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 2012	23,782	174,549	8,234	17,709	61,736	592	16,970	3,475	**307,047**
Indexation	0	0	0	0	0	0	0	0	**0**
Additions - purchased	0	2,465	0	14,023	4,221	0	1,737	547	**22,993**
Additions - donated	0	0	0	0	475	0	32	0	**507**
Additions - government granted	0	0	0	0	36	0	0	0	**36**
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	19,144	0	(19,291)	95	146	(148)	(29)	**(83)**
Revaluations	2,214	(19,999)	(56)	(92)	(10)	0	0	0	**(17,943)**
Impairments	(1,256)	(13,511)	(2)	(7,754)	(47)	0	0	0	**(22,570)**
Reclassified as held for sale	(270)	(145)	(199)	0	0	0	0	0	**(614)**
Disposals	0	0	0	0	(5,566)	(428)	(1)	0	**(5,995)**
At 31 March 2013	24,470	162,503	7,977	4,595	60,940	310	18,590	3,993	**283,378**
Depreciation at 1 April 2012	0	16,993	1,006	0	40,853	571	12,260	1,639	**73,322**
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	(1)	58	(64)	(52)	**(59)**
Revaluations	0	(16,993)	(1,006)	0	(5)	0	0	0	**(18,004)**
Impairments	0	(48)	0	0	(33)	0	0	0	**(81)**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	(5,553)	(428)	0	0	**(5,981)**
Provided during the year	0	5,598	532	0	5,178	38	1,698	285	**13,329**
At 31 March 2013	0	5,550	532	0	40,439	239	13,894	1,872	**62,526**
Net book value at 1 April 2012	23,782	157,556	7,228	17,709	20,883	21	4,710	1,836	**233,725**
Net book value at 31 March 2013	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**
Net book value at 31 March 2013 comprises :									
Purchased	24,230	153,842	7,445	4,595	19,086	67	4,658	2,121	**216,044**
Donated	240	3,111	0	0	1,379	4	38	0	**4,772**
Government Granted	0	0	0	0	36	0	0	0	**36**
At 31 March 2013	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**
Asset financing :									
Owned	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**
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 2013	24,470	156,953	7,445	4,595	20,501	71	4,696	2,121	**220,852**

The net book value of land, buildings and dwellings at 31 March 2013 comprises :

	£000
Freehold	187,424
Long Leasehold	1,444
Short Leasehold	0
	188,868

11.1 Property, plant and equipment

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

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

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

11. Property, plant and equipment (continued)

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

During 2012/13 fixed assets to the following value were bought from the following Charitable Funds totalled:

Hywel Dda General Fund Charity (1147863)	£484,982
In addition League of Friends Contributions totalled	£21,761
Total Donated Assets	£506,743

During 2012/13 fixed assets purchased to the following value were funded by:

Government Granted assets	£35,994

ii) The District Valuer has undertaken a NHS Wales Estate Revaluation as at 1 April 2012. This is a national exercise and includes all Land, Buildings and Dwellings of the Health Board. As such no indexation has been applied

A further revaluation exercise was undertaken of completed schemes within the Financial Period:

a. The effective date of revaluation were:
   - 8th October - Acute Clinical Decisions Unit, Glangwili General Hospital
   - 6th February - Front of House, Bronglais General Hospital
b. The revaluations were carried out by an independent valuer (Valuation Office Agency - District Valuer Services).
c. The valuation was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards, insofar as the terms are consistent with the agreed requirements of the National Health Service in Wales, the Welsh Government and HM Treasury.

iii) The revaluation exercises have not only altered the value of Land and buildings but also reviewed the building and dwelling asset lives.

Desirable disclosures:

i) The LHB is not carrying any temporarily idle assets

ii) Gross carrying amount of all fully depreciated assets still in use as at 31st March 2013 is £38,499,709

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2012	0	0	0	0	0	0
Plus assets classified as held for sale in the year	270	344	0	0	0	614
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(130)	0	0	0	0	(130)
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 2013	140	344	0	0	0	484
Balance brought forward 1 April 2011	70	55	0	0	0	125
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Less assets sold in the year	(70)	(35)	0	0	0	(105)
Less impairment of assets held for sale	0	(20)	0	0	0	(20)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2012	0	0	0	0	0	0

The Property sold was Cartref which was sold in September 2012 for £129,585
The recognised loss on the sale of the Asset was £415

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 2012	753	0	11	0	0	0	764
Revaluation	0	0	0	0	0	0	0
Reclassifications	61	0	22	0	0	0	83
Impairments	0	0	0	0	0	0	0
Additions- purchased	66	0	6	0	0	0	72
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 2013	880	0	39	0	0	0	919
Amortisation at 1 April 2012	270	0	11	0	0	0	281
Revaluation	0	0	0	0	0	0	0
Reclassifications	59	0	0	0	0	0	59
Impairment	0	0	0	0	0	0	0
Provided during the year	146	0	1	0	0	0	147
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 2013	475	0	12	0	0	0	487
Net book value at 1 April 2012	483	0	0	0	0	0	483
Net book value at 31 March 2013	405	0	27	0	0	0	432
At 31 March 2013							
Purchased	387	0	27	0	0	0	414
Donated	18	0	0	0	0	0	18
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
Total at 31 March 2013	405	0	27	0	0	0	432

12. Intangible non-current assets (continued)

	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 2011	339	0	11	0	0	0	350
Revaluation	0	0	0	0	0	0	0
Reclassifications	215	0	0	0	0	0	215
Impairments	0	0	0	0	0	0	0
Additions- purchased	177	0	0	0	0	0	177
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	22	0	0	0	0	0	22
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 2012	**753**	**0**	**11**	**0**	**0**	**0**	**764**
Amortisation at 1 April 2011	181	0	9	0	0	0	190
Revaluation	0	0	0	0	0	0	0
Reclassifications	7	0	0	0	0	0	7
Impairment	0	0	0	0	0	0	0
Provided during the year	82	0	2	0	0	0	84
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 2012	**270**	**0**	**11**	**0**	**0**	**0**	**281**
Net book value at 1 April 2011	**158**	**0**	**2**	**0**	**0**	**0**	**160**
Net book value at 31 March 2012	**483**	**0**	**0**	**0**	**0**	**0**	**483**
At 31 March 2012							
Purchased	457	0	0	0	0	0	457
Donated	26	0	0	0	0	0	26
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
Total at 31 March 2012	**483**	**0**	**0**	**0**	**0**	**0**	**483**

Computer software is capitalised at its purchased price. It is not indexed as IT assets are not subject to indexation.

The assets are amortised monthly over their expected life.

The gross carrying amount of all fully amortised intangible assets still in use as at 31st March 2013 was £213,520

13 . Impairments

	2012-13 Property, plant & equipment £000	2012-13 Intangible assets £000	2011-12 Property, plant & equipment £000	2011-12 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)	22,489	0	28,321	0
Total of all impairments	22,489	0	28,321	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditur	22,489	0	28,321	0
Charged to Revaluation Reserve	0	0	0	0
	22,489	0	28,321	0

£22,489,313 of the impairment loss recognised is due tothe District Valuer revaluations for both the 5 Year cyclical NHS Wales Estate Revaluation and good housekeeping valuations which have been undertaken on schemes completed and brought into use during 2012-13

14.1 Inventories

	31 March 2013	31 March 2012
	£000	£000
Drugs	2,979	2,519
Consumables	5,090	4,578
Energy	285	236
Work in progress	0	0
Other	0	0
Total	8,354	7,333
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March 2013	31 March 2012
	£000	£000
Inventories recognised as an expense in the period	0	0
Write-down of inventories (including losses)	69	110
Reversal of write-downs that reduced the expense	0	0
Total	69	110

15. Trade and other Receivables

Current	31 March 2013 £000	31 March 2012 £000
Welsh Government	933	877
WHSSC	798	99
Welsh Health Boards	798	1,071
Welsh NHS Trusts	450	556
Non - Welsh Trusts	586	355
Other NHS	1	0
Welsh Risk Pool	1,904	1,216
Local Authorities	1,823	1,133
Capital debtors	0	0
Other debtors	4,290	4,294
Provision for irrecoverable debts	(441)	(539)
Pension Prepayments	0	0
Other prepayments and accrued income	1,644	1,585
Sub total	12,786	10,647
Non-current		
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	30,002	21,796
Local Authorities	0	0
Capital debtors	0	0
Other debtors	14	36
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	30,016	21,832
Total	42,802	32,479

Receivables past their due date but not impaired

By up to three months	604	283
By three to six months	8	12
By more than six months	6	30
	618	325

Provision for impairment of receivables

Balance at 1 April	(539)	(732)
Amount written off during the year	86	16
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	12	177
Balance at 31 March	(441)	(539)

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

16. Trade and other payables

Current	31 March 2013 £000	31 March 2012 £000
Welsh Government	0	0
WHSSC	195	1,130
Welsh Health Boards	3,682	3,336
Welsh NHS Trusts	1,339	319
Other NHS	5,570	5,653
Income tax and social security	6,598	3,988
Non-NHS creditors	7,014	5,738
Local Authorities	4,035	308
Capital Creditors	5,166	4,021
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	0	0
Pensions: staff	0	0
Accruals	29,351	32,680
Deferred Income	283	116
Other creditors	4,822	7,347
Total	68,055	64,636
Non-current		
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Income tax and social security	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	0	0
Pensions: staff	0	0
Accruals	0	0
Deferred Income	0	0
Other creditors	0	0
Total	0	0

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

17. Provisions

	At 1 April 2012	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 2013
Current	£000	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	266	0	0	962	621	(968)	(855)	0	26
Personal injury	1,794	0	0	59	488	(303)	(58)	46	2,026
All other losses and special payments	0	0	0	0	261	(256)	(5)	0	0
Defence legal fees and other administration	92	0	0	387	155	(85)	(534)		15
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	120			0	(27)	(23)	0	2	72
Restructuring	0			0	0	0	0	0	0
Other	3,304			3,416	644	(830)	(2,801)		3,733
Total	5,576	0	0	4,824	2,142	(2,465)	(4,253)	48	5,872
Non Current									
Clinical negligence	21,786	0	0	(962)	19,924	(5,582)	(5,709)	0	29,457
Personal injury	349	0	0	(59)	890	(132)	(217)	0	831
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	1,481	0	0	(387)	941	(182)	(343)		1,510
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	3,416			(3,416)	0	0	0		0
Total	27,032	0	0	(4,824)	21,755	(5,896)	(6,269)	0	31,798
TOTAL									
Clinical negligence	22,052	0	0	0	20,545	(6,550)	(6,564)	0	29,483
Personal injury	2,143	0	0	0	1,378	(435)	(275)	46	2,857
All other losses and special payments	0	0	0	0	261	(256)	(5)	0	0
Defence legal fees and other administration	1,573	0	0	0	1,096	(267)	(877)		1,525
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	120			0	(27)	(23)	0	2	72
Restructuring	0			0	0	0	0	0	0
Other	6,720			0	644	(830)	(2,801)		3,733
Total	32,608	0	0	0	23,897	(8,361)	(10,522)	48	37,670

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2014	Between 1 April 2014 31 March 2019	Between 1 April 2019 31 March 2024	Thereafter	Total
					£000
Clinical negligence	21,792	7,691	0	0	29,483
Personal injury	2,857	0	0	0	2,857
All other losses and special payments	0	0	0	0	0
Defence legal fees and other administration	1,012	513	0	0	1,525
Pensions relating to former directors	0	0	0	0	0
Pensions relating to other staff	72	0	0	0	72
Restructuring	0	0	0	0	0
Other	3,733	0	0	0	3,733
Total	29,466	8,204	0	0	37,670

The expected timing of cashflows are based on best available information, but they could change as the basis of individual case changes.

Other provision includes only provisions arising from Continuing Health Care.

The increase in total provisions is as a result of the increase in the clinical negligence provision of £7,431k.

17. Provisions (continued)

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

18. Cash and cash equivalents

	2012-13	2011-12
	£000	£000
Balance at 1 April	838	1,911
Net change in cash and cash equivalent balances	(680)	(1,073)
Balance at 31 March	158	838
Made up of:		
Cash held at GBS	424	1,576
Commercial banks and cash in hand	(266)	(738)
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	158	838
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	158	838

19. Other Financial Assets

	Current		Non-current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Financial assets				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through SoCNE	0	0	0	0
Held to maturity investments carried at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
	0	0	0	0

20. Other assets

	Current		Non-current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Carbon Reduction Commitment Scheme	0	0	0	0
Other assets	0	0	0	0
	0	0	0	0

21. Other liabilities

	Current		Non-current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Lease incentives	0	0	0	0
PFI asset -deferred credit	0	0	0	0
Other [specify]	0	0	0	0
	0	0	0	0

22. Other financial liabilities

Financial liabilities	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Financial assets carried at fair value through SoCNE	0	0	0	0
	0	0	0	0

23. Related Party Transactions

Total value of transactions with Board members and key senior staff in 2012-2013

	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£	£	£	£
Alliance Healthcare UK Ltd	4,643,635		34,924	
Borth Surgery	971,639	1,123	88,371	100
Ceredigion County Council	6,632,225	801,033	319,452	127,883
Dyfed Powys Police Authority		70,379		
Gwalia Housing	197,575	22,006		4,256
Marie Curie Cancer Care	363,360			
NHS Wirral	16,098	25,687		
Pembrokeshire County Council	6,425,723	957,004	1,909,355	687,572
Swansea University	333,188	184,028	11,784	103,414
Trinity St Davids University	49,708		8,500	

The Welsh Government is regarded as a related party. During the year Hywel Dda Local Health Board has had a significant number of material transactions with the Welsh Government and with other entities for which the 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	48	704,844		933
Welsh Health Specialised Services Committee (WHSSC)	66,605	535	195	798
Abertawe Bromorgannwg Local Health Board	34,249	5,677	3,271	107
Aneurin Bevan Local Health Board	235	434	0	21
Betsi Cadwaladwr Local Health Board	410	4,093	61	191
Cardiff and Vale Local Health Board	5,403	712	220	107
Cwm Taf Local Health Board	226	307	12	15
Powys Local Health Board	549	7,521	118	675
Welsh Risk Pool				31,906
Public Health Wales	1,540	1,650	565	214
Velindre NHS Trust	3,285	1,056	513	198
Welsh Ambulance Services NHS Trust	2,391	128	261	38

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

Name	Details	Interests
Mr Chris Martin	Chairman	Executive Adviser to Alliance Healthcare UK Ltd
Mr Eifion Griffiths	Independent Board Member	Board Member of Grwp Gwalia
		Treasurer and Governor of Trinity St Davids University
Mr David Wildman	Independent Board Member	Cabinet Member of Pembrokeshire County Council
Professor Melanie Jasper	Independent Board Member	Head of School of Human & Health Science , Swansea University
Mrs Julie James	Independent Board Member	Board Member of Marie Curie Cancer Care Wales
		Member of Dyfed Powys Police Misconduct Panel
Mr Trevor Purt	Chief Executive	Wife is Managing Director of NHS Wirral
Dr Sue Fish	Medical Director	Husband is a County Councillor for Ceredigion County Council
		Half Share in Borth Surgery, Ceredigion

24. Third Party assets

The LHB held £724,458 cash at bank and in hand at 31 March 2013 (31 March 2012: £721,728) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £586,511 at 31st March 2013 (31 March 2012 : £585,974). This has been excluded from cash and cash equivalents figure reported in the accounts.

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2012-13 :				
Welsh Government	933	0	0	0
Welsh Local Health Boards	3,019	30,002	3,682	0
Welsh NHS Trusts	450	0	1,339	0
Welsh Health Special Services Committee	798	0	195	0
All English Health Bodies	598	0	997	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	1	0	0	0
Miscellaneous	0	0	4,573	0
Credit note provision	(329)	0	0	0
Sub total	**5,470**	**30,002**	**10,786**	**0**
Other Central Government Bodies				
Other Government Departments	34	0	0	0
Revenue & Customs	0	0	6,598	0
Local Authorities	1,823	0	4,035	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	5,459	14	46,636	0
TOTAL	**12,786**	**30,016**	**68,055**	**0**
2011-12 :				
Welsh Government	877	0	0	0
Welsh Local Health Boards	2,395	21,796	3,336	0
Welsh NHS Trusts	556	0	319	0
Welsh Health Special Services Committee	99	0	1,130	0
All English Health Bodies	368	0	1,271	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	4,382	0
Credit note provision	(121)	0	0	0
Sub total	4,174	21,796	10,438	0
Other Central Government Bodies				
Other Government Departments	59	0	0	0
Revenue & Customs	0	0	3,988	0
Local Authorities	1,157	0	308	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	5,257	36	49,902	0
TOTAL	10,647	21,832	64,636	0

26. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2013		Approved to write-off to 31 March 2013	
	Number	£	Number	£
Clinical negligence	64	6,549,638	31	4,265,105
Personal injury	40	433,507	14	348,528
All other losses and special payments	229	255,990	228	255,990
Total	333	7,239,135	273	4,869,623

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

Cases exceeding £250,000		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Case Ref	Case Type	0	0	0
05RKUMN0006	Clinical Neg	(32,707)	1,667,500	1,667,500
05RR6MN0024	Clinical Neg	27,500	302,900	302,900
06RR6MN0020	Clinical Neg	574,790	575,000	0
06RVAMN0011	Clinical Neg	1,850,000	1,950,000	0
07RVAMN0001	Clinical Neg	18,083	413,083	413,083
08RR6MN0015	Clinical Neg	0	372,500	372,500
08RR6MN0017	Clinical Neg	484,532	485,000	0
08RVAMN0002	Clinical Neg	455,893	544,128	0
08RVAMN0009	Clinical Neg	1,036,000	1,050,000	0
12RYNMN0024	Clinical Neg	300,000	1,050,000	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
Sub-total		**4,714,091**	**8,410,111**	**2,755,983**
All other cases		2,525,044	5,302,317	2,113,639
Total cases		**7,239,135**	**13,712,428**	**4,869,622**

27. Contingencies

27.1 Contingent liabilities

Provisions have not been made in these accounts for the following amounts :	2012-13 £'000	2011-12 £'000
Legal claims for alleged medical or employer negligence	42,875	16,907
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	838	0
Continuing Health Care costs	13,148	9,981
Other	0	0
Total value of disputed claims	56,861	26,888
Amounts recovered in the event of claims being successful	41,303	14,316
Net contingent liability	15,558	12,572

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

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

27.2 Contingent assets

	2012-13 £'000	2011-12 £'000
	0	0
	0	0
	0	0
	0	0

28. Capital commitments

Contracted capital commitments at 31 March	2012-13 £'000	2011-12 £'000
Property, plant and equipment	18,318	20,182
Intangible assets	0	0
	18,318	20,182

29. Finance leases

29.1 Finance leases obligations (as lessee)

The Health Board as at 31st March 2013 had no remaining finance lease contracts.

Amounts payable under finance leases:

Land	31 March 2013 £000	31 March 2012 £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

29.1 Finance leases obligations (as lessee) continued

Amounts payable under finance leases:

Buildings

	31 March 2013 £000	31 March 2012 £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

Other

	31 March 2013 £000	31 March 2012 £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

29.2 Finance lease receivables (as lessor)

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

Amounts receivable under finance leases:

	31 March 2013 £000	31 March 2012 £000
Gross investment in leases		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	0	0
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

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

30.2 PFI schemes on-Statement of Financial Position

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

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

	31 March 2013	31 March 2012
	£000	£000
Not later than one year	**0**	0
Later than one year, not later than five	**0**	0
Later than five years	**0**	0
Sub total	**0**	0
Less: interest element	**0**	0
Total	**0**	0

30.3 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position PFI contracts was £0 (prior year £0).

The LHB is committed to the following annual charges

	31 March 2013 £000	31 March 2012 £000
PFI scheme expiry date:		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	0	0
Total	0	0

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

30.4 The LHB has no Public Private Partnerships

The LHB has no Public Private Partnerships

31. Pooled budgets

The Health Board has entered into a pooled budget with Ceredigion County Council on the 1st April 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and a memorandum note to the final accounts will provide details of the joint income and expenditure. The pool is hosted by Ceredigion County Council. The financial operation of the pool is governed by a pooled budget agreement between Ceredigion County Council and the Health Board. Payments for services provided by Ceredigion County Council in the sum of £296,832 are accounted for as expenditure in the accounts of the Health Board. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

The Health Board has entered into a pooled budget with Carmarthenshire County Council on the 1st October 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and a memorandum note to the final accounts will provide details of the joint income and expenditure. The pool is hosted by Carmarthenshire County Council. The financial operation of the pool is governed by a pooled budget agreement between Carmarthenshire County Council and the Health Board. Payments for services provided by Carmarthenshire County Council in the sum of £481,065 are accounted for as expenditure in the accounts of the Health Board. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

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

The Health Board has entered into an agreement with Pembrokeshire County Council on the 31st March 2011 under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store. Under the arrangement, both parties retained unpooled budgets for the period 1st April to 30th September 2012. From 1st October 2012 the agreement has operated as a pooled fund and for this period, payments for services provided by Pembrokeshire County Council in the sum of £121,771 are accounted for as expenditure in the accounts of the Health Board. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

The section 33 returns are subject to audit which are due from Local Government auditors in June.

32. Financial Instruments

Financial assets	At "fair value" through SoCNE	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	35,472	0	0	35,472
Cash at bank and in hand	158	0	0	158
Other financial assets	5,335	0	484	5,819
Total at 31 March 2013	40,965	0	484	41,449

Financial liabilities	At "fair value" through SoCNE	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	31,823	0	31,823
Total at 31 March 2013	31,823	0	31,823

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

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

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The LHB has no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

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

33. Financial risk management

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

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

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

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

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

34. Movements in working capital

	2012-13	2011-12
	£000	£000
(Increase)/decrease in inventories	(1,021)	(1,163)
(Increase)/decrease in trade and other receivables - non - current	(8,184)	(4,989)
(Increase)/decrease in trade and other receivables - current	(2,139)	1,784
(Increase)/decrease in other current assets	0	0
Increase/(decrease) in trade and other payables - non - current	0	0
Increase/(decrease) in trade and other payables - current	3,419	(7,089)
Increase/(decrease) in other current liabilities	0	0
Increase/(decrease) in assets held for sale	0	0
Total	(7,925)	(11,457)
Adjustment for accrual movements in fixed assets -creditors	(1,145)	3,487
Adjustment for accrual movements in fixed assets -debtors	0	(85)
Other adjustments	0	0
	(9,070)	(8,055)

35. Other cash flow adjustments

	2012-13	2011-12
	£000	£000
Depreciation	13,329	13,569
Amortisation	147	84
(Gains)/Loss on Disposal	20	44
Impairments and reversals	22,489	28,321
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	(507)	0
Government Grant assets received credited to revenue but non-cash	(36)	0
Non-cash movements in provisions	13,423	10,768
Total	48,865	52,786

36. Cash flow relating to exceptional items

The Health Board had no exceptional items relaing to the cash flow during 2012-13.

37. Events after the Reporting Period

There are no events after the reporting period.

38. Operating segments

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

39. Other Information

At 1 June 2012 the following functions:

Capital and PFI audit and consultancy services
Procure to Pay Services comprising Accounts Payable and Procurement Services
Payroll and Recruitment Services
Internal Audit Services

and their associated asset and liabilities were transferred from the Local Health Board to Velindre NHS Trust to form the NHS Wales Shared Services. In accordance with the FReM, the transfer of functions were treated using absorption accounting, adapted for the issue of PDC. All transactions and balances related to those functions pre 1 June 2012 are included in the Local Health Board's (as transferor) accounts and post 1 June 2012 are included in Velindre NHS Trust's (as transferee) financial statements.

Detailed below are the transactions which are inluded in Hywel Dda Local Health Board's financial statements prior to transfer on 1st June 2012:

	£'000
Income	85
Expenditure	494
Staff Costs	453
	Number
Staff Numbers	99 (90.6 wte for the 2 months)

At at 1st June 2012 the assets and liabilities that were transferred to Velindre NHS Trust are detailed below:

	£'000
Property, plant and equipment	9
Receivables -	
Current	19
Non-Current	0
Payables -	
Current	34
Non-Current	0

There are no assets nor liabilities held by the Local Health Boards relating to NHS Wales Shared Services as at the end of the financial year.

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

I certify that I have audited the financial statements of Hywel Dda Health Board for the year ended 2012-13 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 63 and 64, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of financial statements

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

I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion, the financial statements:

- give a true and fair view of the state of affairs of Hywel Dda Health Board as at 31 March 2013 and of its net operating costs, its recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on regularity

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

Opinion on other matters

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

Matters on which I report by exception

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

Report
- A separate substantive report is being made - please see my report attached.

Huw Vaughan Thomas
Auditor General for Wales
11th June 2013

Wales Audit Office
24 Cathedral Road
Cardiff, CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

Introduction

Under Section 61 of the Public Audit (Wales) Act 2004, I am required to examine, certify and report on the annual financial statements of Hywel Dda Local Health Board (the Health Board).

My audit certificate on page 61 and 62 contains my opinion that the financial statements give a *'true and fair view' in accordance with the National Health Service (Wales) Act 2006 and directions made there under by the Welsh Ministers.*

It also includes my opinion that the expenditure and income shown in the financial statements have been applied to the purposes intended by the National Assembly for Wales and that the financial transactions conform with the authorities that govern them. This is known as my *'regularity' opinion.*

The financial regime within which each Health Board is required to operate, prescribes a formal annual *'resource limit'. This is a statutory net expenditure limit, requiring each Health Board to function strictly within the resource limit that is set for it by the Welsh Government for that financial year.*

Where a Health Board's net expenditure exceeds the resource limit, that expenditure is deemed to be unauthorised and is therefore irregular. In such circumstances, I am required to qualify my regularity opinion, irrespective of the value of the excess spend.

For the 2012-13 financial year, the Health Board incurred net expenditure of £698.4 million. Its final resource limit was £698.5 million which included £2.3 million brokered from the Welsh Government at year end which is repayable in 2013-14.

This meant that the Health Board met its resource limit and as a result my 'true and fair view' and 'regularity' opinions are therefore unqualified.

I have nonetheless decided to issue a narrative report alongside my audit certificate to draw attention to this matter and to provide further details about the financial position of the Health Board.

Financial pressures and additional funding received in year

Current financial pressures across the public sector are well known. Against this background, together with the 2009 NHS re-organisation and the ambition to restructure service delivery across NHS Wales, the Welsh Government's 2012-13 health revenue budget decreased in real terms by 2.4 per cent from 2011-12.

As a result, the 2012-13 resource limit for the Health Board was originally set at £651.9 million. Based on this allocation, the Health Board estimated its 2012-13 funding gap to be £36.5 million.

The Health Board put plans in place at the start of the 2012-13 financial year to reduce this gap by £23.7 million leaving an estimated shortfall of £12.8 million. These plans consisted of savings plans and cost containment measures. The Health Board monitored and reported its performance against these targets to the Welsh Government at the end of each month.

Throughout the year, both the Health Board and Welsh Government paid close attention to the monthly reported outturn and to the forecast year end position. Forecasts were regularly updated and as is usual, various adjustments to the Health Board's resource limit were made by the Welsh Government to reflect specific agreed activities undertaken and their costs. The net effect of these adjustments was a revised resource limit, after the first seven months of the year of £690.5 million.

In November 2012, the Minister for Health and Social Services announced additional resource funding of £82 million to 'allow the NHS to manage current pressures and maintain quality of care'. The Health Board's share of this was £8.0 million, which contributed to a decrease in its forecast year end deficit at month eight to £3.0 million.

On 5 March 2013, as the financial challenge to meet statutory duties across NHS Wales continued, the Chief Executive NHS Wales wrote to the NHS body Chief Executives to clarify that there would be no further funding available from the Welsh Government and that Health Board's failing their targets would receive a financial statements qualification and be subject to escalation procedures.

On 24 April 2013 the Health Board requested resource brokerage of £2.3 million to cover the forecast overspend of £2.3 million against its 2012-13 resource limit. It received £2.3 million from Welsh Government on 29 April 2013 which it is required to repay in 2013-14.

The Health Board managed to meet its resource limit as detailed above and as a result its regularity opinion was unqualified.

Financial Implications for 2013-14

The Health Board's initial financial plan for 2013-14 has identified a gap of £56 million between its annual resource limit and its planned net expenditure. This includes repayment of the £2.3 million brokered from Welsh Government in 2012-13.

I intend to publish a report on health finances shortly, which considers these issues in more detail across the entirety of NHS Wales. In addition I will be monitoring the Health Board's financial performance as the 2013-14 year progresses.

Huw Vaughan Thomas
Auditor General for Wales
11th June 2013

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

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

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

Date 5th .....June..... 2013 Mr T Purt

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

- make judgements and estimates which are responsible and prudent

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

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

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

By Order of the Board

Signed:

Chairman: Mr C Martin ..... 5th June 2013

Chief Executive: Mr T Purt ..... 5th June 2013

Director of Finance: Mrs K Miles ..... 5th June 2013

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

Annual Governance Statement 2012-13

Scope of Responsibility

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

The Board functions as a corporate decision making body, with Executive Directors and Independent Members being equal members sharing corporate responsibility for all the decisions of the Board. The Board is supported by the Director of Corporate Services, who in performing the Board Secretary function, provides advice on all aspects of corporate governance within the Health Board.

The principle role of the Board is to exercise effective leadership, direction and control, including:

- ***Setting the strategic direction of the organisation within overall Welsh Government NHS policies and priorities;***
- ***Establishing and maintaining high standards of corporate governance and accountability;***
- ***Ensuring delivery of the aims and objectives of the organisation through effective challenge and scrutiny of the Health Board's performance across all areas of responsibility;***
- ***Enacting effective financial stewardship by ensuring that the Health Board is administered prudently and economically with resources applied appropriately and efficiently;***
- ***Instigating effective communication between the organisation and the community, including stakeholders, regarding planning and performance and that these are responsive to identified needs;***
- ***Appointing, appraising and remunerating senior executives.***

The Board has been constituted to comply with the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009. In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of Champion roles where they act as ambassadors for these matters.

Board and Committee membership together with attendance and Champion roles during 2012-13 was as follows, with all meetings being quorate:

IM/ED	Position	Area of Expertise	Champion Roles	QSC 5 mtgs	RATS 2 mtgs	AC 6 mtgs	IGC 8 mtgs	CFC 8 mtgs	MHAMC 2 mtgs	HB 8 mtgs
Chris Martin	Chair		- Carers		2/2					8/8
Sian-Marie James	Vice Chair		- Mental Health - Emergency Planning - Public & Patient Involvement - Complaints	5/5		4/6	7/8	7/8	2/2	7/8
Eifion Griffiths	Independent Member	Capital, Estates & Service Redesign	- Estates - Sustainable Development - Security Management	2/5	2/2	6/6				7/8
Julie James	Independent Member	Voluntary Sector	- Third Sector				6/8	8/8		8/8
Melanie Jasper	Independent Member	University		3/5						5/8
Mike Ponton	Independent Member	Community	- Children & Young Peoples Services - Armed Forces & Veterans						2/2	6/6
David Powell	Independent Member	IT	- IT & Information Governance			6/6	7/8		1/2	7/8
Margaret Rees-Hughes	Independent Member	Community	- Infection Control - Welsh Language - Organ Donation	5/5		6/6		7/8	2/2	7/8
Neil Sandford	Independent Member	Trade Union	- Violence & Aggression	4/5	2/2		8/8			5/8
Don Thomas	Independent Member	Finance			2/2	6/6	8/8	6/8		8/8
David Wildman (until 28/02/13)	Independent Member	Local Authority	- Children & Young Peoples Services			5/6	7/7			6/7
Chris Davies	Associate Member	Chair, Stakeholder Reference Group								5/8
Sandra Morgan	Associate Member	Acting Chair, Healthcare Professionals Forum								6/8
Parry Davies	Associate Member	Directors of Social Services Representative								3/8
Trevor Purt	Chief Executive						6/8	3/8		7/8

IM/ED	Position	Area of Expertise	Champion Roles	QSC 5 mtgs	RATS 2 mtgs	AC 6 mtgs	IGC 8 mtgs	CFC 8 mtgs	MHAMC 2 mtgs	HB 8 mtgs
Karen Howell	E.D. of Primary Care & Mental Health Services (Deputy CEO)						7/8			7/8
Karen Miles	E.D. of Finance & Economic Reform					6/6	8/8	8/8		8/8
Tony Chambers (Up to 30th Nov. 2012)	E.D. of Planning, Performance & Delivery						5/5			4/4
Mark Brandreth (wef 1st December 2012)	E.D. of Planning & Operations (Interim)						3/3			4/4
Kathryn Davies	E.D.of Strategic Integration, Therapies & Health Science		-Chronic Disease management -Long Term Care				5/8			6/8
Caroline Oakley	E.D of Nursing & Midwifery		Children				5/8			8/8
Sue Fish	Medical Director		-Delayed Transfers of Care -Length of Stay				5/8			7/8
Janet Wilkinson	E.D of Workforce & Organisational Development		-Stroke				8/8			8/8
Teresa Owen (wef 3rd Sept. 2012)	Director of Public Health						4/5			5/5
Sarah Jennings **	Director of Strategic Partnerships		-Armed Forces -Older People -Coaching							5/8
Chris Wright **	Director of Corporate Services	Board Secretary	-Veterans			6/6	8/8			8/8
Phil Kloer **	Director of Clinical Services						4/8			7/8

Initials	Committee
QSC	Quality & Safety Committee
RATS	Remuneration & Terms of Service
AC	Audit Committee
IGC	Integrated Governance Committee
CFC	Charitable Funds Committee
MHAMC	Mental Health Act Monitoring Committee
**	Non voting Members
As per the Committees' Terms of Reference appropriately briefed deputies constitutes attendance	

In support of the Board, the Health Board is also required to have three Advisory Groups. These are:

- **Stakeholder Reference Group –**
  engages with and has involvement into the Board's strategic direction, advises on service improvement proposals and provides feedback to the Board.
- **Local Partnership Forum -**
  is the formal mechanism where the Health Board works together with Trade Unions & professional bodies to improve health services for the population it serves;
- **Healthcare Professionals' Forum –**
  provides advice to the Board on all professional and clinical issues it considers appropriate.

In addition to the above, the Welsh Health Specialised Services Committee (WHSSC) (Wales) Regulations 2009 (SI 2009 No. 3097) made provision for the constitution of a "Joint Committee". This committee comprises all the Local Health Boards and is effectively seen as a sub committee of each Board, with Hywel Dda Health being represented by the Director of Finance & Economic Reform, who attends on behalf of the CEO. The Health Board also has representation on a committee of NHS Wales Shared Services Partnership which is considered as a sub committee of the Board, at which Hywel Dda is represented by the Director of Workforce & Organisational Development.

At a local level, Health Boards in Wales must agree Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the LHB (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice, and, together with the adoption of a scheme of matters reserved to the Board; a scheme of delegations to officers and others; 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 the range of corporate policies set by the Board make up the Governance Framework.

The governance structure of the Health Board accords with the Welsh Government's Governance e-manual & Citizen Centred Governance Principles in that the seven principles together with their key objectives provide the regulatory framework for the business conduct of the LHB and define its 'ways of working'. These arrangements support the principles included in H M Treasury's "Corporate Governance in Central Government Departments: Code of good practice 2011".

During the year, the Board approved revised Standing Orders and Standing Financial Instructions, together with an updated Scheme of Reservation and Delegation of Powers, which were comprehensively reviewed to strengthen the organisation's governance. This exercise was extended to reviewing the role of its Sub Committees' and Advisory Groups' Terms of Reference, ensuring that the remit of each is capable of

delivering the required scrutiny and assurance agenda. Although as Chief Executive I retain accountability, the Scheme of Delegation reflects the responsibilities and accountabilities delegated to Executive Directors for the delivery of the Health Board's objectives, whilst ensuring that high standards of public accountability, probity and performance are maintained.

The Board is supported in its role by a number of committees, each chaired by an Independent Member to reflect independence and objectivity, which provide scrutiny on the delivery of key areas of work. The committees have met regularly during the year with update and annual reports received by the Board.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

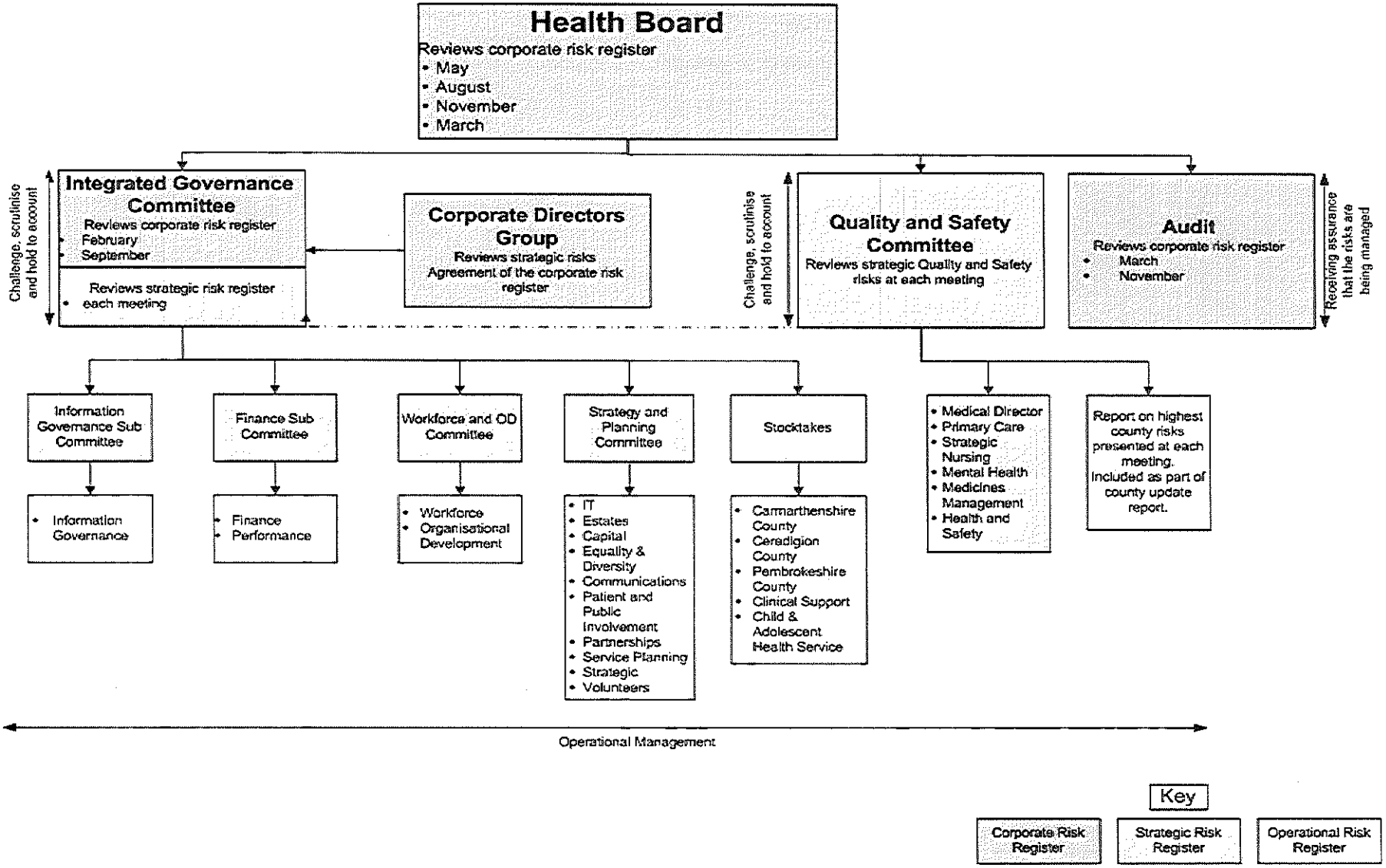
Capacity to handle risk

Our Risk Profile

The delivery of healthcare services carries inherent risk. The Health Board, in acknowledging that effective risk management is integral to the successful delivery of its services, has systems and processes in place which identifies and assesses risks, decides on appropriate responses and then provides assurance that the responses are effectual. The implications of risks taken by management in pursuit of improved outcomes in addition to the potential impact of risk-taking on and by its local communities, partner organisations and other stakeholders, is understood by the Board.

The Management of Risk

Effective risk management is integral in enabling the Health Board to achieve its objectives, both strategic and operational in delivering safe, high quality services and patient care. The Health Board manages risk within a framework that devolves responsibility and accountability throughout the organisation, discharged through a County and Directorate (Executive Directors portfolio) structure and aligned with Committee reporting, as indicated in the diagram below.


Health Board
Reviews corporate risk register
• May
• August
• November
• March
Integrated Governance Committee
Reviews corporate risk register
• February
• September
Reviews strategic risk register
• each meeting
Challenge, scrutinise and hold to account
Corporate Directors Group
Reviews strategic risks
Agreement of the corporate risk register
Challenge, scrutinise and hold to account
Quality and Safety Committee
Reviews strategic Quality and Safety risks at each meeting
Audit
Reviews corporate risk register
• March
• November
Receiving assurance that the risks are being managed
Information Governance Sub Committee
• Information Governance
Finance Sub Committee
• Finance
• Performance
Workforce and OD Committee
• Workforce
• Organisational Development
Strategy and Planning Committee
• IT
• Estates
• Capital
• Equality & Diversity
• Communications
• Patient and Public Involvement
• Partnerships
• Service Planning
• Strategic
• Volunteers
Stocktakes
• Carmarthenshire County
• Ceredigion County
• Pembrokeshire County
• Clinical Support
• Child & Adolescent Health Service
• Medical Director
• Primary Care
• Strategic Nursing
• Mental Health
• Medicines Management
• Health and Safety
Report on highest county risks presented at each meeting. Included as part of county update report.
Operational Management
Key
Corporate Risk Register
Strategic Risk Register
Operational Risk Register

- Operational Risk Registers are developed at service delivery level within Counties and support directorates/areas of service managed strategically across the Health Board. These are populated, reviewed and monitored within each county/support directorate structure through individual Senior Management Team arrangements.
- All Executive Directors take responsibility for risk identification, management and mitigation within their areas of work and practice, in line with the management and accountability arrangements of the Health Board.
- The Health Board has developed a Corporate (Thematic) Risk Register, populated from thematic risks identified within Directorate risk registers, which is reviewed on a regular basis and is in the public domain.

Risk is reviewed, with this being further articulated when commentating on the review of effectiveness, in the following governance and assurance committees:-

- ***Integrated Governance Committee (IGC).***
- ***Quality & Safety Committee (Q&S).***
- ***Audit Committee***

The risk management framework is evolving with an improved understanding of its role in effective decision making across the Health Board as a multi facetted organisation. Effectively maintained risk registers are used to inform the day to day decision making activities of the organisation, e.g. the allocation of funding from the Discretionary Capital programme for 2012/13 was made in the context of addressing the known highest risks and pressures identified from the Estates risk register. In recognising that there is still room for improvement in the scrutiny of operational risk management arrangements, the implementation of a revised performance management process will enable any shortcomings to be addressed.

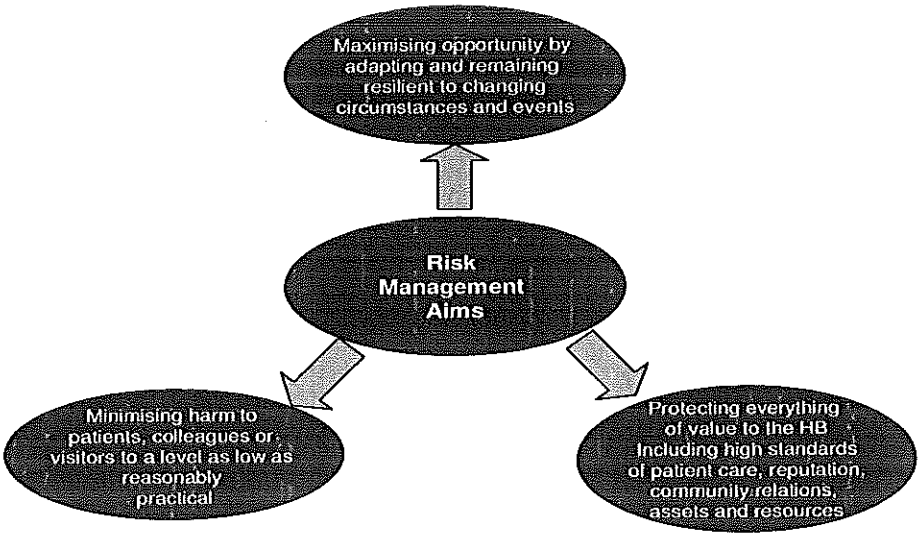
Integral to the culture and ethos of proactive risk management is the dissemination of learning from good practice and systems are in place to distribute information from external sources such as the National Patient Safety Agency and Welsh Risk Pool to appropriate staff. The role of individual staff in managing risk is also supported by a framework of policies and procedures which promote learning from experience and sharing of best practice. The Health Board has mechanisms in place across the organisation to learn lessons from claims, incidents or untoward occurrences, ensuring that corrective action is taken where required. The dissemination of both lessons learnt and areas of good practice is achieved through a variety of mechanisms including county learning from events groups and discussion at relevant committees, e.g. Putting Things Right Committee.

The corporate induction programme ensures that all new employees are provided with details of the Health Board's risk management systems and processes. Regular training opportunities, including presentations, are available throughout the Health Board to staff at all levels with tailored training for individual roles also undertaken. At a senior development level, a Risk Management Awareness session is incorporated into the training schedule for the Empowering Healthcare Leaders Programme.

The risk and control framework

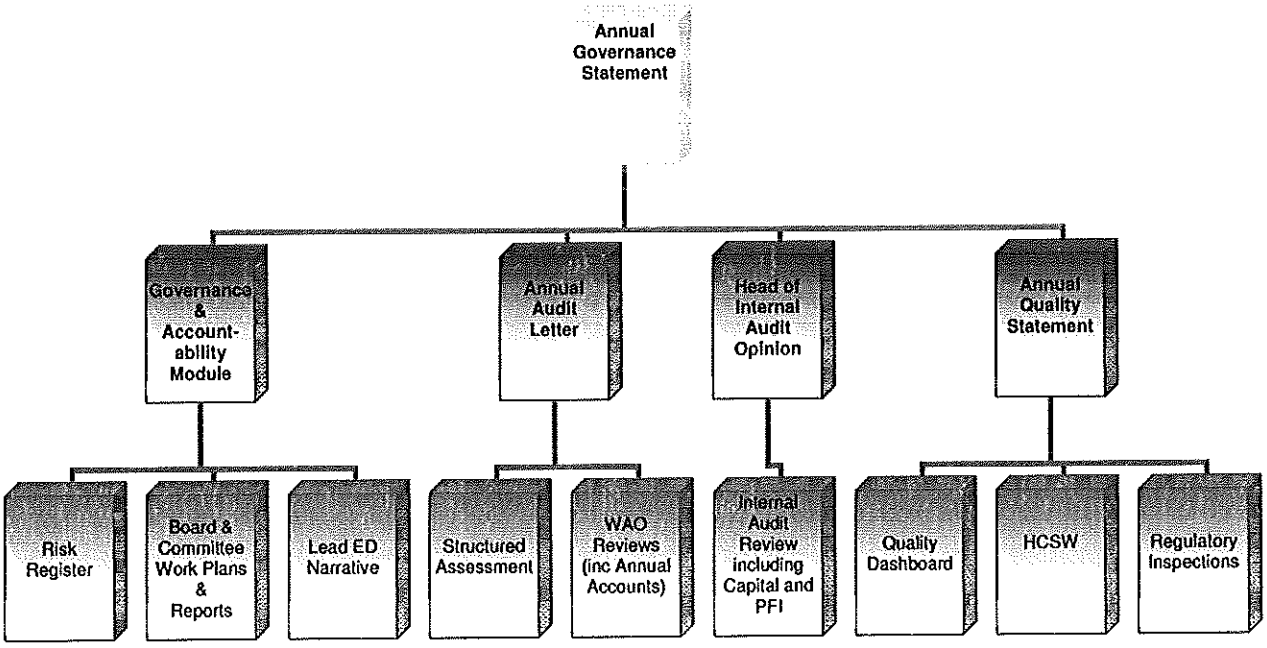
Aims of Risk Management

The Health Board views soundly based risk management as an integral element of effective governance and it is seen as central to its management processes in that risks are considered in terms of effect of uncertainty of objectives. The systems and processes in place have ensured achievement of the main risk management aims of:



Risk and Assurance Framework

The Health Board has an established assurance framework and internal controls to address risks as shown below:



The above considers the full range of the organisation's activities and responsibilities and ensures that the following disciplines are in place:

- Well defined strategies & policies are put into practice in all relevant parts of the organisation and are regularly reviewed;
- High quality services are delivered efficiently and effectively;
- Performance is regularly and rigorously monitored with effective measures implemented to tackle poor performance;
- Laws and regulations are complied with;
- Information used by the HB is relevant, accurate, reliable and timely
- Financial resources are safeguarded by being managed efficiently and effectively;
- Human and other resources are appropriately managed and safeguarded.

Risk Management Strategy & Policy

- Provides a framework for managing risk across the organisation, which is consistent with best practice and Welsh Government guidelines;
- Revised during the year to incorporate updated guidance on effective and enhanced risk management and amendments reflecting the Health Board's changing regulatory framework for risk management and reporting;
- Provides a clear, structured and systematic approach to the management of risk to ensure that risk assessment is an integral part of clinical, managerial and financial processes across the organisation;
- Sets out the role of the Board, Standing Committees and individual responsibilities of the Chief Executive, Executive Directors, managers and all staff in managing risk;
- Ensures the Health Board has mechanisms in place to identify the key risks and barriers to achieving its key strategic objectives in terms of safety, quality and finance;
- Is explicit as to risk management expectations of working with partners/stakeholders;
- Is underpinned by a **Risk Management Procedure;**
- Acknowledges that a certain degree of risk is unavoidable and the Health Board needs to take action in a way that it can justify, to manage risk to a tolerable level; the amount of risk that it judges as tolerable and justifiable is the **"Risk Appetite"** encapsulated as:

Risk Appetite

Hywel Dda Health Board recognises effective risk management is a key component of corporate and clinical governance and is integral to the delivery of its objectives in service provision to the citizens of the health community.

It is acknowledged that whilst a certain degree of risk is inherent in all the HBs activities, the HB will not accept risks that materially impair on the ability to deliver services to a high standard of safety and quality. As such the HB will not accept risks that materially impair its reputation or cause any disrepute with its stakeholders.

Risk Management Procedure

- Framework providing detailed guidance on the risk assessment process to be undertaken across the whole organisation in order to populate the Health Board's risk register in a consistent manner.
- Includes the processes of risk analysis and evaluation and makes it clear that the level of detail in a risk assessment should be proportionate to the risk.

- Risk management requires participation, commitment and collaboration from all staff and the process starts with the systematic identification of risks throughout the organisation, documented on risk registers.
- Executive Directors, County Directors and Senior Managers are also responsible for ensuring that staff understand and apply both the Health Board's Strategy and Procedure in relation to risk management.

Working with Partners/Stakeholders

Working with partner organisations is becoming a prominent factor and although delivering services through partners can bring significant benefits and innovation, it is recognised that the Health Board has less direct control than if delivering them alone. An environment where services and projects are increasingly being delivered through partner organisations can lead to risks around failing to align agendas and ineffective communication. During the year the Health Board has taken action to ensure that any such contracts/agreements, e.g. Section 33 agreements, have been revisited with the underpinning arrangements being scrutinised and clarified.

Risk Profile

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

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

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

The areas of highest risk, together with the management of those risks, faced by the Health Board during 2012/13 are reflected in the following table:

RISK PROFILE

Risk Area	Mitigation
Finance	
• Achievement of financial balance • Achievement of savings targets	Measures in place to continually monitor position: • Working groups specific to savings areas, • Corporate Director Group performance monitoring, • Performance management processes, • Enactment of Turnaround Plans, • Work undertaken by Transformation Team • Finance Sub Committee • Integrated Governance Committee. These processes provide regular monitoring and operational solutions with regular update reporting to Audit Committee and Board
Medical	
• Self-presentation by patients at Bronglais General Hospital (neo-nates) and Prince Philip Hospital (Accident & Emergency – particularly paediatrics).	Operational management in place: • At risk births are planned for delivery in units with full Special Care Baby Units or neo-nates facilities; • Accident & Emergency protocols are in place with Welsh Service Ambulance Trust for transfer of inappropriate patients • Self-presenting patients stabilised and transferred Both risks remain and long term solutions are subject to service reconfiguration as part of the development of the Clinical Services Strategy. Board has approved one complex unit and one level 2 neonatal unit for Glangwili Hospital.
• Time delays in investigating concerns exacerbating likelihood of recurrence before remedial action taken leading to Litigation as a result of poor clinical practice or errors.	• Detailed incident reporting processes in place • Learning from events groups across all counties to identify issues and take proactive action. • Active initiatives in the Health Board to improve clinical governance and clinical standards • 1000+ Lives • Robust Risk Adjusted Mortality Index review processes • Quality & Safety Committee has a comprehensive infrastructure to monitor concerns, complaints, claims and incidents • Operational focus at county level with regular reporting of progress in clinical governance issues. • Establishment of Clinical Networks
• Medicines Management – Inadequate aseptic facilities at all three DGH sites	• Policies and standard operating procedures • Maintenance, servicing and performance assessment of isolators
Quality & Safety	
• Compromised care due to increasing referral rates capacity, impacting on waiting times, diagnostic and treatment access to services and beds; failure to maintain standards as a result of poor practice.	Operational mitigation in place: • Transformation Team looking to improve patient flows; • Training programmes both in terms of incident investigations and professional responsibilities
• Medical Equipment Backlog – equipment either out of service or in need of replacement exceeds limited funding available for replacement.	• Programme of standardisation of key equipment to provide greater resilience • Prioritisation of equipment purchasing through Capital Planning Group

Risk Area	Mitigation
Workforce	

• Shortages of key staff - Issues in relation to our workforce include
  • Age profile,
  • Recruitment issues in some medical specialities,
  • Sustainable medical training rotas.
	Operationally mitigation to ensure safe services provided:
	
	• use of agency/bank/locum staff
	• temporary collapsing of services where necessary
	• bed management
	• management of rotas
	• development of medical workforce plan
	• recruitment and retention strategy
	
	Strategically these issues will ultimately be mitigated by the reconfiguration of services with network solutions being implemented.

Performance	
• Failure to achieve targets and priorities set by WG and other regulatory bodies.	Rigorous performance monitoring regime implemented. Involvement of DSU for assistance with RTT & Cancer services
Strategy	
• Sustainability of current service models • Implementation of the Clinical Services Strategy	Due to the workforce and financial challenges highlighted elsewhere service reconfiguration is essential to ensure that strategically the Health Board can address the issues it faces. Delivery of the Clinical Services Strategy will set the long term strategic direction for the organisation and ensure services can meet local needs, be safe and of high quality and sustainable. Implementation Board & Population Health Groups
Estates	
• Compliance issues within the estates Infrastructure in relation to a number of estates related legislative requirements and statutory obligations, with some specific areas of concern.	• There are a number of issues relating to historic under-investment. • All issues have day-to-day operational mitigation in place • Comprehensive and prioritised discretionary capital programme in place. • Regularly monitored by the Capital Planning and Strategy and Planning Groups and the Health & Safety Co-ordinating Group
Corporate Issues	
• Information Governance – a range of risks relating to information governance	Information Governance Committee Structure in place for monitoring and assurance
• Information Technology - Sub optimal information systems across the Health Board requiring ongoing support, upgrade and development in order to meet service and statutory requirements	• Comprehensive Information Technology strategy under development. • The position is regularly monitored by the Informatics working groups, Capital Planning and Strategy and Planning Groups to ensure that investment is appropriately targeted. • Working with N.H.S. Wales Informatics Service to prioritise All Wales solutions
• Judicial review of Health Board decisions	• Comprehensive evidence base in place to support the consultation process undertaken.
• Risks around major incident planning	• Range of national, regional and local policies in place • HBs Civil Contingencies Strategy updated and revision of Major Incident Plan
• Carers – unavailability of Carers in the system to undertake their caring duties would have a detrimental impact on financial and service delivery.	• Cares Programme Board & Implementation Plan • Information & Consultation Strategy for Carers

Corporate Governance

For the NHS in Wales, governance is defined as "a system of accountability to citizens, service users, stakeholders and the wider community, within which healthcare organisations work, take decisions and lead their people to achieve their objectives." In simple terms this transposes to the way in which NHS bodies ensure that they are doing the right things, in the right way, for the right people, in a manner that upholds the values set for the Welsh public sector.

During the year, the Health Board entered into a Formal Consultation process regarding its Clinical Services Strategy, with key elements of the consultation process receiving Consultation Institute accreditation. A detailed consultation plan, (available on the Health Board website) outlined how the Health Board intended to engage with its citizens. Responses were independently analysed and used to inform the Board decision making process around proposed changes to services.

The Health Board has been developing an action plan which will address future Quality & Safety requirements with particular emphasis on the recommendations made within the Mid Staffordshire enquiries, 2010 & 2013. It applies to all services provided by the Health Board and during the year has focused on a number of initiatives that became key high impact target areas, against which Counties/Directorates have been measured and monitored for improved performance. Engagement with the 1000 lives Plus programme has continued and the Board promotes the use of methodologies for improvement and is aware of improvements made and barriers to extend. The Health Board's Annual Quality Statement provides more detailed information on how quality of services are scrutinised and debated, areas for improvement identified and prioritized. A significant advancement during the year has been the development of a Quality & Safety Dashboard which will be the new and more effective approach for reporting to the Committee.

The work previously initiated to promote the use of Standards for Healthcare Services in Wales (SHCSW) with partner organisations continued during the year. This included working with the third sector and the use of the How to Guide which is designed to support third sector organisations to demonstrate adherence against the Standards with training sessions with multi partner organisations being held. The first organisations to be supported through the process are those presently in receipt of funding from the Health Board, thereby providing assurance that contracted organisations are operating according to the parameters of the Standards.

A full review of both the process for and status of the Standards for Healthcare Services in Wales was instigated during the year. In order to enhance scrutiny and assurance, a mid term review (self assessment) comprising an overarching corporate position for all 26 Standards was undertaken, which concluded that all had been scored at level 3 or above. Further to this and to confirm embedding of standards at operational level, self assessments, supported by improvement plans, were undertaken at County level. The process this year evolved to include Independent Members being assigned to each of the Standards thereby improving the level of scrutiny afforded. This work was then progressed, cumulating in a Board work-shop to scrutinize and inform the status of the Governance & Accountability disclosure. This year's outcome demonstrates an improvement from last year with the Health Board progressing from developing plans and processes to having well developed plans & processes in place. The complete Governance & Accountability Module is available on the Health Board's web site.

Disclosures

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

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

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

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

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

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

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

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

5. Data Security - During the course of the year there have been two incidents relating to data security which have required reporting to the ICO.

No.	Incident Type	Cause of Incident	Outcomes
1	Inappropriate disclosure of patient identifiable information.	Following a thorough investigation, it has become clear that the origin of the incident was a number of years ago and aligned to one of the Health Board's predecessor organisations, with the member of staff involved no longer employed, having left the service a number of years back.	Recommendations were made which are now being implemented, to avoid any such possible recurrence. The implementation of the recommendations is being monitored through the Health Board's governance structures. This case is currently with the ICO.

No.	Incident Type	Cause of Incident	Outcomes
2.	Sharing of personal identifiable information with Police Authority	Following a detailed investigation, it was apparent that the Health Board had consent to share the information and had shared the information in the interest of patient care. The root cause of the incident was not identifying a named individual within the Police Authority with whom the information could be directly shared.	Recommendations were made and implemented to ensure that information could be shared securely and appropriately. The implementation of the recommendations was monitored through the Health Board's governance structures. No enforcement was applied from the ICO in respect of the incident.

Control measures are in place to ensure that risks to data security are identified, managed and controlled and the Board has put an information risk management process in place.

6. In reviewing its governance arrangements as outlined in Section 1 above and taking into account its assessment against the Governance & Accountability Module, the Health Board is clear that it is operating in accordance with the Corporate Governance Code and that there have been no departures from the Code.

7. There has not been any Ministerial Direction imposed on the Health Board.

Review of effectiveness

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

General

The Board, functioning as a corporate decision making body, has regularly considered assurance reports on the financial position, integrated performance and quarterly concerns, whilst also receiving updates on key issues such as the Carers Measure and the Mental Health Measure. It also received and approved the Workforce Plan, revised SO's/SFI's and the Welsh Language Annual Monitoring Report. Regular Clinical Leadership reports were also considered, providing a progress update in relation to innovations and interventions which have resulted in an improvement in the quality and safety of care delivered by services across the Health Board through clinical leadership at all levels of the organisation. Following consultation, it also approved the Clinical Services Strategy (Your Health, Your Future).

The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives and has been supported in this role by the work of the following main committees:

- **Audit Committee**
  The Audit Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. It undertakes these duties by providing advice and assurance to the Board on the effectiveness of arrangements in place around strategic governance, assurance framework and processes for risk management and internal control, including the Health Board's arrangements for Counter Fraud . The Committee independently monitors, reviews and reports to the Board on the processes of governance and where appropriate, facilitates and supports the attainment of effective processes. In discharging its duties, the Audit Committee, working to an agreed annual work programme, reviewed the assurance and prepared an Annual Report highlighting the following areas:

  - Internal financial control matters, such as safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information;
  - Adequacy of disclosure statements which are supported by the Head of Internal Audit Opinion and other opinions;
  - The adequacy of relevant policies, legality issues and the Codes of Conduct, underpinned by review of the Health Board's Hospitality Register and Single Tender Actions summary;
  - The policies and procedures related to fraud and corruption, together with information on particular cases and outcomes;
  - That the system for risk management is evolving with improved systems in place for identifying and mitigating risks, providing assurance to the Board that the risks impacting on the delivery of the Health Board's objectives are being appropriately managed.

  In providing the above assurance to the Board, the Audit Committee has specifically:

  - Approved risk based Internal Audit plans and considered the opinions given on reports with Executive/Assistant Directors held to account where appropriate;
  - Considered the Head of internal Audit Opinion for 2012/13 on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes;
  - Discussed and approved for recommendation to the Board, the Health Board's audited financial statements and Auditor General's Opinion
  - Reviewed and approved the Health Board's governance framework, including Standing Orders, Standing Financial Instructions and Scheme of Delegation.

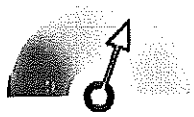
Assurance

External/Independent Assurance to the Audit Committee, supporting the governance structure during the year and providing the scrutiny and assurance to underpin the effectiveness of the system of internal control was delivered by Internal & External Audit.

- ***Internal Audit***
  The service provided from Internal Audit has been enhanced through the introduction of an Internal Audit Charter setting out the purpose, authority and responsibility of Internal Audit. The role of Internal Audit is to provide an independent and objective opinion on the system of control. The opinion considers whether effective risk management, control and governance arrangements are in place in order to achieve the Board's objectives. The work of Internal Audit is undertaken in compliance with the NHS Internal Audit Standards, with the annual audit programme based on the outcomes from an audit risk assessment matrix.

The Audit Committee has received progress reports against delivery of the plan at each meeting with individual assignment reports also being received. Internal Audit reports the findings of its work to management, and action plans are agreed to address any identified weaknesses. The outcome of each audit, providing an overall conclusion on the adequacy and application on internal controls for each area under review was considered by the Committee. Where appropriate, Executive Directors or other officers of the Health Board have been requested to attend in order to be held to account and to provide assurance that remedial action is being taken. The assessment on adequacy and application of internal control measures can range from "No Assurance" through to "Substantial Assurance". A schedule tracking the implementation of all agreed audit recommendations is also provided to the Committee.

The Head of Internal Audit's overall opinion for 2012/13 concluded:



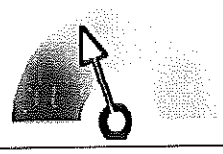
The Board can take reasonable assurance that the arrangements, upon which the organisation relies to manage risk, control and governance within those areas under review, and the operational compliance noted, are suitably designed and applied effectively. However, some issues have been identified that, if not addressed, increase the likelihood of risks materialising.

- ***Capital & PFI Audit***

The Audit Committee approved a risk based Capital and PFI 2012/13 Annual Audit Plan. Consideration has been given to the audit opinion awarded to each assignment that has been reported to the Committee throughout the year. Where limited assurances have been reported, further scrutiny or review of the actions recommended has been activated, with Executive Directors or other officers held to account as appropriate. Any weaknesses identified and subsequent remedial action to be implemented is monitored by the Strategy & Planning Sub Committee which considers all such reports in significant detail.

If deemed necessary, representation at Audit Committee meetings has been forthcoming in order to confirm that issues are being addressed in order to achieve an adequate level of assurance.

The Opinion & Annual Report produced by Capital & PFI Audit Services concluded:



The Board can take limited assurance that the arrangements, upon which the organisation relies to manage risk, control and governance within those areas under review, and the operational compliance noted, are suitably designed and applied effectively. However, management need to address the exposure to significant risk in several areas.

The main reason for the above opinion concerned the governance of projects and new procedures/structures that have been or are being implemented should address these in future.

- ***Wales Audit Office***

As the Health Board's appointed external auditor, WAO is responsible for scrutinising the Health Board's financial systems and processes, performance management, key risk areas and the Internal Audit function. The Wales Audit Office undertake financial and performance audit work specific to the Health Board with all individual audit reviews being considered by the Audit Committee with additional assurances sought from Executive Directors & Senior Managers as appropriate. The WAO also provides information on the

Auditor General's programme of national value for money examinations which impact on the Health Board, with best practice being shared.

During the year, WAO undertook the Structured Assessment Year 3 review of the Health Board which focused on progress made in the areas previously highlighted as scope for improvement. The assessment concluded that overall good progress has been made during the year in addressing the areas for development previously identified although specific challenges remain. The findings of this report are being used to develop comprehensive work plans to address the issues identified.

The work undertaken as part of Structured Assessment contributed towards the WAO Annual Audit Report 2012. The key findings and conclusions emanating from the report are summarised as follows:

- Although the Health Board had sound financial management arrangements, the significant financial cost pressures it faced made it unlikely that statutory breakeven duty would be achieved without additional assistance.
- It was noted that whilst governance arrangements have continued to be strengthened with the internal control environment maturing and supporting effective Board assurance. Further embedding of risk management to become more outcome focused would be beneficial.
- The Health Board has continued to improve management information but further work is required to bring together different strands of information to strengthen the Board's ability to plan, make decisions and scrutinise.
- Significant progress has been made to strengthen information governance although ICT capacity and infrastructure remain a risk.
- Improvements are being realised in transforming services for unscheduled care & chronic conditions management but the Health Board will need to overcome a number of risks.
- One of the key challenges facing the Health Board is that of effectively managing a reducing workforce to deliver the Clinical Services Strategy.
- The Health Board has made good progress on addressing recommendations arising from previous WAO work on catering services with a focus on nutrition and now needs to ensure that service change is achieved as a result of the plans instigated.

The position of the actions undertaken in response to those areas of activity which received limited assurance from the various audit sources is summarised in the table below. It should be noted however that this list is not exhaustive and the key risks to the Health Board are included within the Risk Profile table above.

Subject	Issue	Action
Information Governance	Toolkit level 2 not achieved in all areas	Detailed action plans in place with monitoring of delivery through IGSC
Children's Services – Continuing Healthcare Payments	Lack of robust processes to ensure appropriate payments made to service providers.	Detailed action plan with monitoring arrangements now in place.
Pharmacy Stores	Lack of appropriate processes to ensure adequate control within identified stores	Detailed action plan with monitoring arrangements now in place, with progress to be reported to Audit Committee.
Quality & Safety	Quality agenda not yet providing the right level of assurance	Development of quality dashboard and improved reporting arrangements in place by June 2013.

Subject	Issue	Action
Project Governance of Capital Schemes	Gaps in project management structures	Programme management structure put in place
ICT Capacity & Infrastructure	Network resilience and infrastructure remain a risk	Capital investment plan and restructuring of NWIS

- ***Integrated Governance Committee (IGC)***
  The Committee provides the internal control mechanism for risk management regularly monitoring the Corporate Risk Register and other assurance mechanisms on behalf of the Board. It is supported by a comprehensive structure of sub-committees with responsibility for identifying, managing and mitigating risk and providing IGC with the appropriate assurance. Through its sub committee reporting structure, the IGC has, for example, been made aware of the following risks:

  - Informatics – major risks relating to IM&T resourcing and capital investment in IT infrastructure
  - Estates – informs of work in progress to address high risk areas
  - Strategic Partnerships – major risks and mitigation in the event of Local Authority withdrawal from joint contracts with the 3rd Sector and L.A. withdrawal from informal arrangements regarding integrated service delivery.

  The Committee during the year has constantly scrutinised the detailed and ongoing monitoring of the financial position including challenging the delivery of the savings targets and achievement of financial objectives.

- ***Quality & Safety Committee***
  The Committee plays a pivotal role in risk management and providing assurance that clinical risks are being managed or mitigated and provides advice and assurance to the Board in relation to its responsibilities with regard to the quality and safety of healthcare. The Committee is supported by a comprehensive sub-committee structure which has accountability for delivery of mitigation and managing operational issues. It provides scrutiny on the arrangements for safeguarding and improving the quality and safety of patient centred healthcare in accordance with its stated objectives and the requirements and standards determined for the NHS in Wales. It does this through providing evidence based and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the quality and safety of healthcare. One of the sub committees with a key function is the Health and Safety Coordinating Group. The key focus of the group is to identify Health & Safety risks, ensure corrective action is taken and to assist the Health Board in reducing its potential liability in relation to risk by providing advice and support.

- ***Mental Health Act Monitoring Committee***
  Board Members are the Hospital Managers (HMs) for the purposes of the Mental Health Act 1983 (the 1983 Act) and delegate their functions to Officers and Lay Members. HMs have a range of responsibilities, including:

  - Ensuring that patient's care and treatment complies with the 1983 Act;
  - Authority to detain patients admitted under the 1983 Act; and
  - Power to discharge certain patients (s.23 of the 1983 Act) - which can only be exercised by three or more members of a committee formed for that purpose.

  The purpose of the Committee is to assure the Health Board that those functions of the 1983 Act, which they have delegated to officers and staff, are being carried out correctly; and that the wider operation of the 1983 Act in relation to the HB's area is operating

properly. It is supported by a Sub-Committee, which has responsibility for reviewing and monitoring how the operation of the delegated functions of section 23 of the 1983 Act are being exercised (power of discharge), and that the processes employed in relation to the power of discharge are fair, reasonable and exercised lawfully.

Other sources of External/Independent Assurance

The governance structure is further supported by the work of other independent/external bodies:

- ***Welsh Risk Pool***
  The WRP undertook a review of the previous year's assessment of clinical evidence criteria in the high risk areas of Emergency Departments, Operating Department Services and Maternity Services. The aim of the review, based purely on submission of evidential documentation, was to assess what progress had been made in addressing those areas of concern previously identified and the report is currently awaited.

  The Health Board has also been assessed against the revised Concerns and Claims Standard, which has been significantly revised to include more assurance on lessons learned. Preliminary feedback has indicated that the process is well embedded with claims management almost fully compliant. Areas for improvement identified include reducing unnecessary delays in investigating and responding to those who raise concerns, improving systems for learning lessons and for monitoring the efficacy of actions taken to reduce reoccurrence.
- ***Healthcare Inspectorate Wales (HIW)***
  The Health Board is provided with independent and objective assurance on the quality, safety and effectiveness of the services it delivers through reviews undertaken by and reported on by HIW. This work is additional to the assurances emanating from embedded of and assessment against the Standards for Healthcare in Wales and the completion of the Governance & Accountability Module. During the year in addition to any unannounced cleanliness or dignity and respect spot checks and any special themed reviews which would have been reported through the appropriate committee, specific follow up reviews have been undertaken. The outcomes of any such reviews and any emanating action plans are discussed in the most appropriate forum with any lessons learnt shared throughout the Health Board.

Other review and assurance mechanisms

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

Review of economy, efficiency and effectiveness on the use of resources

The Health Board's arrangements were reviewed as part of WAO's Structured Assessment work, which concluded that it had sound financial management arrangements in place but also faced significant cost pressures during 2012/13.

It must also be noted that Local Health Boards in Wales are required to ensure that net operating costs do not exceed their allocated funding or Resource Limit - this obligation was fully met by Hywel Dda Local Health Board in 2012/13. This, however, was achieved through the Health Board requesting and receiving resource brokerage of £2.3 million to cover the forecast overspend and will have to be repaid in 2013/14.

Other statutory duties which the Health Board is required to meet and which were achieved are to:

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

Conclusion

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

The Board's continued focus is the provision of high quality, safe and sustainable services within the available resources. With the continuation of 'flat cash' that is, no additional funding for inflation or growth, 2013/14 will be one of the Board's most challenging years. Substantial savings plans to meet this challenge are being worked through by counties and corporate directorates, with planned expenditure reductions in workforce, medicines management, and continuing healthcare, combined with demand management of activity.

The Planning Framework for 2013/14 to 2015/16 and the Annual Plan for 2013/14, sets out the strategy for the Health Board over the next three years, with high level objectives and key areas for progress in 2013/14. The Annual Plan 2013/14 is an integrated plan, incorporating the Quality Delivery, Workforce and Financial Plan, bringing together the Health Board's approach to delivering safe and sustainable services and key actions to be taken to initiate Transforming Care.

My review confirms that the Board has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and that that no significant internal control or governance issues have been identified.

Signed by
Trevor Purt

Chief Executive

Date 7th June 2013