

Powys Teaching Local Health Board

FOREWORD

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

Statutory background

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

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

Powys tLHB hosts the Community Health Councils in Wales. In addition, it is also responsible for hosting specific functions in respect of the accounts of the former Health Authorities most significantly in respect of clinical negligence. The tLHB also hosts National Institute for Social Care and Health Research (NISCHR) and Continuing Care Case Administration.

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.

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	58,799	60,211
Expenditure on healthcare from other providers	3.2	128,213	130,245
Expenditure on Hospital and Community Health Services	3.3	70,078	74,931
		<u>257,090</u>	<u>265,387</u>
Less: Miscellaneous Income	4	14,451	13,430
LHB net operating costs before interest and other gains and losses		242,639	251,957
Investment Income	8	0	4
Other (Gains) / Losses	9	0	0
Finance costs	10	215	1,393
Net operating costs for the financial year		242,854	253,346

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	242,854	253,346
Less Non-discretionary expenditure	-175	790
Less Revenue consequences of Bringing PFI schemes onto SoFP	0	0
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	243,029	252,556
Revenue Resource Limit	243,035	252,586
Under / (over) spend against Revenue Resource Limit	6	30

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

The tLHB has met its duty to breakeven for 2012/13 but has only done so because of additional financial support from the Welsh Government. An amount of £4.210M has been received as brokerage to bring the Health Board to break even. This sum will be repayable during the 2013/14 financial year and is therefore considered as an advance against the 2013/14 allocation.

Other Comprehensive Net Expenditure

	2012-13	2011-12
	£'000	£'000
Net gain / (loss) on revaluation of property, plant and equipment	(3,122)	1,673
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	(3,122)	1,673
Total comprehensive net expenditure for the year	245,976	251,673

Statement of Financial Position as at 31 March 2013

	31 March	31 March
	2013	2012
Notes	£'000	£'000
Non-current assets		
Property, plant and equipment	11 62,628	65,519
Intangible assets	12 0	0
Trade and other receivables	15 7,722	2,027
Other financial assets	19 0	0
Other assets	20 0	0
Total non-current assets	70,350	67,546
Current assets		
Inventories	14 154	155
Trade and other receivables	15 14,242	20,052
Other financial assets	19 0	0
Other assets	20 0	0
Cash and cash equivalents	18 160	317
	14,556	20,524
Non-current assets classified as "Held for Sale"	11 0	0
Total current assets	14,556	20,524
Total assets	84,906	88,070
Current liabilities		
Trade and other payables	16 28,925	25,470
Other financial liabilities	22 0	0
Provisions	17 11,240	17,675
Other liabilities	21 0	0
Total current liabilities	40,165	43,145
Net current assets/ (liabilities)	(25,609)	(22,621)
Non-current liabilities		
Trade and other payables	16 0	0
Other financial liabilities	22 0	0
Provisions	17 14,735	8,958
Other liabilities	21 0	0
Total non-current liabilities	14,735	8,958
Total assets employed	30,006	35,967
Financed by :		
Taxpayers' equity		
General Fund	290	3,060
Revaluation reserve	29,716	32,907
Total taxpayers' equity	30,006	35,967

The financial statements on pages 2 to 7 were approved by the Board on 19th June 2013 and signed on its behalf by:

Chief Executive.....Andrew Cottom..... Date19th June 2013.....

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

**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	3,060	32,907	35,967
Net operating cost for the year	(242,854)	(242,854)	(242,854)
Net gain/(loss) on revaluation of property, plant and equipment	0	(3,122)	(3,122)
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	69	(69)	0
Release of reserves to SoCNE	0	0	0
Transfers to NHS Trusts	0	0	0
Total recognised income and expense for 2012-13	(242,785)	(3,191)	(245,976)
Net Welsh Government funding	240,015	240,015	240,015
Balance at 31 March 2013	290	29,716	30,006

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	4,286	31,374	35,660
Net operating cost for the year	(253,346)		(253,346)
Net gain/(loss) on revaluation of property, plant and equipment	0	1,673	1,673
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	140	(140)	0
Release of reserves to SoCNE	0	0	0
Transfers to other bodies	0	0	0
Total recognised income and expense for 2011-12	(253,206)	1,533	(251,673)
Net Welsh Government funding	251,980		251,980
Balance at 31 March 2012	3,060	32,907	35,967

Statement of Cash flows for year ended 31 March 2013

	2012-13	2011-12
	£'000	£'000
Cash Flows from operating activities		
Net operating cost for the financial year	notes (242,854)	(253,346)
Movements in Working Capital	34 4,228	7,758
Other cash flow adjustments	35 7,809	(1,350)
Provisions utilised	17 (4,819)	(3,201)
Net cash outflow from operating activities	(235,636)	(250,139)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(4,892)	(1,861)
Proceeds from disposal of property, plant and equipment	0	0
Purchase of intangible assets	0	0
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
Net cash inflow/(outflow) from investing activities	(4,892)	(1,861)
Net cash inflow/(outflow) before financing	(240,528)	(252,000)
Cash flows from financing activities		
Welsh Government funding (including capital)	240,015	251,980
Capital receipts surrendered	0	0
Capital grants received	0	0
Capital element of payments in respect of finance leases and on-SoFP	0	0
Cash transferred (to)/ from other NHS bodies	356	0
Net financing	240,371	251,980
Net increase/(decrease) in cash and cash equivalents	(157)	(20)
Cash and cash equivalents (and bank overdrafts) at 1 April 2012	317	337
Cash and cash equivalents (and bank overdrafts) at 31 March 2013	160	317

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

The increase in Purchase of property, plant and equipment in 2012/13 relates to two major capital projects undertaken within the tLHB during the financial year. The first relates to a new building constructed on the Welshpool Hospital site to create a new Renal Unit, and also major refurbishment works at Llandrindod Wells Hospital Theatre.

Assets of £0.356M Net Book Value relating to Contractor Services were transferred to the NHS Shared Services Partnership (hosted by Velindre NHS Trust) within the resource accounting boundary during the 2012/13 financial year.

The difference between years relating to other Cash flow adjustments line above can be seen in Note 35 and relate to a significant movement in provisions that is non cash.

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 tLHB 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 tLHBs 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 tLHB;
- 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 tLHBs 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 expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE.

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 tLHB expects to obtain economic benefits or service potential from the asset. This is specific to the tLHB 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 tLHB 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 tLHB 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 tLHB'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 tLHB has a present legal or constructive obligation as a result of a past event, it is probable that the tLHB 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 tLHB 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 tLHB 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 tLHB 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 tLHB 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 tLHB 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 tLHB 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 a pooled budget with Powys County Council. Under the arrangement funds are pooled in accordance with S31 of the NHS (Wales) Act 2006 for funded Nursing Care activities and section 33 of the NHS (Wales) Act 2006 for the provision of community equipment and Information Technology Services.

The pool is hosted by Powys County Council. Payments for services provided are accounted for as Miscellaneous Income. The tLHB 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 tLHB'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 no 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.

1.27 Private Finance Initiative (PFI) transactions

The tLHB does not have any Private Finance Initiative transactions

1.28 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable. Where the time value of money is material, contingencies are disclosed at their present value.

1.29 Carbon Reduction Commitment Scheme

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

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

1.30 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.

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'.

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

The following standards have been issued by the IASB but have not been adopted because (insert reason).

1.32 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

1.33 Accounting standards issued that have been adopted early.

There are no Accounting standards issued that have been adopted early.

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2. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

The results reporting whether the tLHB has achieved Operational Financial Balance are shown on the face of the Statement of Comprehensive Net Expenditure.

2.2 Capital Resource Limit

2012-13	2011-12
£000	£000

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

Gross capital expenditure	4,258	2,841
Add: Losses on disposal of donated assets	0	0
Less NBV of property, plant and equipment and intangible assets disposed	(356)	0
Less capital grants received	0	0
Less donations received	(23)	(65)
Charge against Capital Resource Limit	3,879	2,776
Capital Resource Limit	3,883	2,777
(Over) / Underspend against Capital Resource Limit	4	1

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2012-13 Total £'000	2011-12 £'000
General Medical Services	31,430		31,430	31,203
Pharmaceutical Services	4,353	(1,073)	3,280	4,127
General Dental Services	7,196		7,196	7,078
General Ophthalmic Services	0	898	898	884
Other Primary Health Care expenditure	513		513	536
Prescribed drugs and appliances	15,482		15,482	16,383
Total	58,974	-175	58,799	60,211

3.2 Expenditure on healthcare from other providers

	2012-13 £'000	2011-12 £'000
Goods and services from other NHS Wales Health Boards	40,227	40,414
Goods and services from other NHS Wales Trusts	683	1,365
Goods and services from other non Welsh NHS bodies	45,332	45,845
Goods and services from WHSSC	27,252	27,161
Local Authorities	1,816	2,068
Voluntary organisations	1,761	1,302
NHS Funded Nursing Care	1,863	1,715
Continuing Care	9,098	10,302
Private providers	181	73
Specific projects funded by the Welsh Government	0	0
Public Health Wales	0	0
NWSSP, Business Services Centre / Business Services Partnership	0	0
Other	0	0
Total	128,213	130,245

The 7 Health Boards in Wales have established the Welsh Health Specialist Services Commission (WHSSC) which, through the operational management of Cwm Taf Health Board secures the provision of highly specialised healthcare for the whole of Wales. These arrangements include funding of services operated through a risk sharing agreement. The tLHB amount of this risk sharing arrangement for the year ended 31st March 2013 is £27.252M

3.3 Expenditure on Hospital and Community Health Services

	2012-13 £'000	2011-12 £'000
Directors' costs	960	871
Staff costs	51,661	54,803
Supplies and services - clinical	3,765	3,762
Supplies and services - general	1,005	1,109
Consultancy Services	987	595
Establishment	2,533	2,892
Transport	643	742
Premises	4,166	5,356
External Contractors	0	0
Depreciation	2,317	3,334
Amortisation	0	0
Fixed asset impairments and reversals (Property, plant & equipment)	1,354	436
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Audit fees	277	306
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	48	440
Research and Development	0	0
Other operating expenses	362	285
Total	70,078	74,931

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:	£000	£000
Clinical negligence	3,555	(4,752)
Personal injury	108	404
All other losses and special payments	0	23
Defence legal fees and other administrative costs	(21)	(89)
Gross increase/(decrease) in provision for future payments	3,642	(4,414)
Premium for other insurance arrangements	0	0
Irrecoverable debts	13	8
Less: income received/ due from Welsh Risk Pool	(3,607)	4,846
Total	48	440

There has been no expenditure arising from clinical redress during 2012/13 within Powys tHB

Personal injury includes £20k (2011-12 £274k) in respect of permanent injury benefits. The large increase in 2011/12 was due to additional provision being required based on additional information received in year from NHS Business Services Authority.

Within Consultancy services there is expenditure with other organisations relating to specialist projects payable by the hosted function of National Institute of Social Care and Health Research (NISCHR) of £0.821M (2011/12 £0.464M)

Staff, establishment and premises costs have decreased in year due to the transfer of the Contractor Services hosted function to NHS Wales Shared Services Partnership (hosted by Velindre NHS Trust) on the 1st June 2012.

4. Miscellaneous Income

	2012-13 £'000	2011-12 £'000
Local Health Boards	2,636	2,893
WHSSC	159	202
NHS trusts	0	0
Strategic health authorities and primary care trusts	513	654
Foundation Trusts	0	0
Local authorities	0	0
Welsh Government	4,983	3,797
Non NHS:		0
Prescription charge income	(3)	(3)
Dental fee income	1,778	1,786
Private patient income	18	0
Overseas patients (non-reciprocal)	0	0
Injury Costs Recovery (ICR) Scheme	48	47
Other income from activities	1,321	1,284
Patient transport services	33	27
Education, training and research	126	120
Charitable and other contributions to expenditure	0	0
Receipt of donated assets	23	65
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	0	0
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	101	99
Other income:	0	0
Provision of laundry, pathology, payroll services	0	0
Accommodation and catering charges	106	135
Mortuary fees	15	13
Staff payments for use of cars	0	0
Business Unit	0	0
Other	2,594	2,311
Total	14,451	13,430

Welsh Government Miscellaneous Income has increased due to the increase in funding received on behalf of the hosted functions administering Continuing Health Care Retrospective Claims and the National Institute for Social Care and Health Research (NISCHR) within the tLHB.

5. Employee benefits and staff numbers

5.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12
	£000	£000	£000	£000	£000
Salaries and wages	43,858	576	169	44,603	47,318
Social security costs	2,856	0	0	2,856	2,916
Employer contributions to NHS Pension Scheme	5,162	0	0	5,162	5,440
Other pension costs	0	0	0	0	0
Other employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
Total	51,876	576	169	52,621	55,674
Charged to capital				74	28
Charged to revenue				52,547	55,646
				52,621	55,674

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	23	0	1	24	21
Ambulance staff	0	0	0	0	0
Administrative and estates	430	4	1	435	593
Healthcare assistants and other support staff	364	0	0	364	350
Nursing, midwifery and health visiting staff	427	5	0	432	425
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	126	0	0	126	135
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	1,370	9	2	1,381	1,524

There has been a restatement to 2011/12 of an increase of 57 due to the omission of fixed term staff from this note during 2011/12

5.3. Retirements due to ill-health

During 2012-13 there were 2 early retirements from the tLHB agreed on the grounds of ill-health (In 2011-12 there were 2).

The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £27,761.80 (2011-12 : £21,313.62).

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

Exit package cost band	Total number of exit packages by cost band Number 2012-13	Total number of exit packages by cost band Number 2011-12
<£10,000	4	1
£10,000 to £25,000	9	1
£25,000 to £50,000	7	2
£50,000 to £100,000	4	1
£100,000 to £150,000	0	0
£150,000 to £200,000	0	0
£200,000+	0	0
Total number of exit packages by type	24	5
Total resource cost £	689,142	165,888

Staff numbers have decreased in year due to the transfer of the Contractor Services, Payroll and Procurement functions to NHS Wales Shared Services Partnership (hosted by Velindre NHS Trust) on the 1st June 2012.

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 £135,000 - £140,000 (2011-12, £135,000 - £140,000). This was 5.4 times (2011-12, 5.6) the median remuneration of the workforce, which was £25,609 (2011-12, £24,400)

In 2012-13, 0 (2011-12, 0) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £723 to £137,500 (2011-12 £245 to £137,500).

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

Overtime payments should be included for the calculation of both elements of the relationship.

The median remuneration of the workforce for 2011-12 has been restated due to methodology of deriving at this figure being implemented during 2012-13 through a core report being available within the Electronic Staff Record system for organisations to use for this calculation. This restatement provides a comparative figure based on consistent methodology between the two financial years.

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).

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

6. Operating leases

LHB as lessee

The Teaching Local Health Board has the following operating leases

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

Payments recognised as an expense	2012-13	2011-12
	£000	£000
Minimum lease payments	700	1,284
Contingent rents	0	0
Sub-lease payments	0	0
Total	700	1,284

Total future minimum lease payments

Payable	£000	£000
Not later than one year	545	1,180
Between one and five years	461	2,112
After 5 years	34	722
Total	1,040	4,014

There are no future sublease payments expected to be received.

LHB as lessor

[General description of significant leasing arrangements]

Rental revenue	£000	£000
Rent	219	242
Contingent rents	0	0
Total revenue rental	219	242

Total future minimum lease payments

Receivable	£000	£000
Not later than one year	216	239
Between one and five years	136	179
After 5 years	149	149
Total	501	567

The Lease Commitments have reduced in 2012/13 due to the transfer of services to NHS Wales Shared Services Partnership and expenditure liabilities for leases transferring also.

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	2,381	113,689	2,350	117,435
Total bills paid within target	1,889	110,277	1,972	113,899
Percentage of bills paid within target	79.3%	97.0%	83.9%	97.0%
Non-NHS				
Total bills paid	63,515	36,484	66,592	39,697
Total bills paid within target	60,453	34,763	64,361	38,520
Percentage of bills paid within target	95.2%	95.3%	96.6%	97.0%
Total				
Total bills paid	65,896	150,173	68,942	157,132
Total bills paid within target	62,342	145,040	66,333	152,419
Percentage of bills paid within target	94.6%	96.6%	96.2%	97.0%

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

8. Investment Income

	2012-13 £000	2011-12 £000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	4
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	4

9. Other gains and losses

	2012-13 £000	2011-12 £000
Gain/(loss) on disposal of property, plant and equipment	0	0
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	0	0

10. Finance costs

	2012-13 £000	2011-12 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts		
main finance cost	0	0
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
Total interest expense	0	0
Provisions unwinding of discount	215	172
Other finance costs	0	1,221
Total	215	1,393

The other finance costs in 2011/12 includes a repayment of £1.221M of interest received by the tLHB into its PGO/GBS bank account since 2003 to HM Treasury. Additional funding for this payment was received from Welsh Government.

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	15,525	50,615	728	1,816	5,800	471	4,077	577	79,609
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	2,593	0	1,306	202	0	134	0	4,235
Additions - donated	0	0	0	0	23	0	0	0	23
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	(486)	(508)	(994)
Reclassifications	0	881	0	(959)	78	0	0	0	0
Revaluations	(1,787)	(7,176)	(78)	46	0	0	0	0	(8,995)
Impairments	0	(1,354)	0	0	0	0	0	0	(1,354)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(352)	0	(383)	(69)	(804)
At 31 March 2013	13,738	45,559	650	2,209	5,751	471	3,342	0	71,720
Depreciation at 1 April 2012	0	5,802	71	0	4,319	344	3,238	316	14,090
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	(391)	(247)	(638)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(5,802)	(71)	0	0	0	0	0	(5,873)
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(352)	0	(383)	(69)	(804)
Provided during the year	0	1,731	20	0	328	33	205	0	2,317
At 31 March 2013	0	1,731	20	0	4,295	377	2,669	0	9,092
Net book value at 1 April 2012	15,525	44,813	657	1,816	1,481	127	839	261	65,519
Net book value at 31 March 2013	13,738	43,828	630	2,209	1,456	94	673	0	62,628
Net book value at 31 March 2013 comprises :									
Purchased	13,738	40,793	630	2,209	1,192	94	673	0	59,329
Donated	0	3,035	0	0	264	0	0	0	3,299
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2013	13,738	43,828	630	2,209	1,456	94	673	0	62,628
Asset financing :									
Owned	13,738	43,828	630	2,209	1,456	94	673	0	62,628
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	13,738	43,828	630	2,209	1,456	94	673	0	62,628

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

	£000
Freehold	58,196
Long Leasehold	0
Short Leasehold	0
	58,196

A revaluation exercise of all Land and Building assets has been undertaken with a revaluation date of 1st April 2012. This was an exercise undertaken NHS Wales wide.

Within the healthcare segment of the tLHB, there have been three impairments in year totalling £1.354m. The first impairment relates to the valuation downwards of donated buildings held as part of the NHS Wales revaluation exercise

for which there was insufficient revaluation reserve for these assets (£0.227M). There was a further two impairments as a result of the initial valuation for the bringing into use of the newly built renal unit at Welshpool (£0.818M) and the refurbished theatre at Llandrindod Hospital (£0.309M).

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	15,525	47,788	700	1,557	6,425	423	3,856	678	76,952
Indexation	0	1,784	28	0	0	0	0	0	1,812
Additions - purchased	0	716	0	1,191	534	48	287	0	2,776
Additions - donated	0	58	0	0	7	0	0	0	65
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	932	0	(932)	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Impairments	0	(663)	0	0	0	0	0	0	(663)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,166)	0	(66)	(101)	(1,333)
At 31 March 2012	15,525	50,615	728	1,816	5,800	471	4,077	577	79,609
Depreciation at 1 April 2011	0	3,655	45	0	4,892	285	2,946	354	12,177
Indexation	0	137	2	0	0	0	0	0	139
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Impairments	0	(227)	0	0	0	0	0	0	(227)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,166)	0	(66)	(101)	(1,333)
Provided during the year	0	2,237	24	0	593	59	358	63	3,334
At 31 March 2012	0	5,802	71	0	4,319	344	3,238	316	14,090
Net book value at 1 April 2011	15,525	44,133	655	1,557	1,533	138	910	324	64,775
Net book value at 31 March 2012	15,525	44,813	657	1,816	1,481	127	839	261	65,519
Net book value at 31 March 2012 comprises :									
Purchased	15,525	41,472	657	1,816	1,198	127	839	261	61,895
Donated	0	3,341	0	0	283	0	0	0	3,624
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2012	15,525	44,813	657	1,816	1,481	127	839	261	65,519
Asset financing :									
Owned	15,525	44,813	657	1,816	1,481	127	839	261	65,519
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	15,525	44,813	657	1,816	1,481	127	839	261	65,519

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

	£000
Freehold	60,995
Long Leasehold	0
Short Leasehold	0
	<u>60,995</u>

11. Property, plant and equipment (continued.)

- i) Assets donated in the year were purchased from funds donated by the public and charitable organisations and from funds provided by associations linked to specific hospitals.
- ii) Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Land and buildings are restated to current value using professional valuations carried out by the District Valuers of the Inland Revenue at 5 yearly intervals and in the intervening years by the use of indices provided from the District Valuer via the Assembly. The valuations are carried out primarily on the basis of Modern Equivalent Asset cost for specialised operational property and existing use value for non-specialised operational property. For non-operational properties the valuations are carried out at open market value. A valuation exercise has been undertaken during the 2012/13 financial year
- iii) Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Equipment is depreciated on current cost evenly over the estimated useful life of the asset.
- iv) There is considered to be no material difference between the open market value of properties and the existing use value at which they are held.

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	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
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	0	0	0	0	0	0
Balance brought forward 1 April 2011	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2012	0	0	0	0	0	0

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2012	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Gross cost at 31 March 2013	0	0	0	0	0	0	0
Amortisation at 1 April 2012	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Amortisation at 31 March 2013	0	0	0	0	0	0	0
Net book value at 1 April 2012	0	0	0	0	0	0	0
Net book value at 31 March 2013	0	0	0	0	0	0	0
At 31 March 2013							
Purchased	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
Total at 31 March 2013	0	0	0	0	0	0	0

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	91	0	0	0	0	0	91
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	0	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(91)	0	0	0	0	0	(91)
Gross cost at 31 March 2012	0	0	0	0	0	0	0
Amortisation at 1 April 2011	91	0	0	0	0	0	91
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(91)	0	0	0	0	0	(91)
Amortisation at 31 March 2012	0	0	0	0	0	0	0
Net book value at 1 April 2011	0	0	0	0	0	0	0
Net book value at 31 March 2012	0	0	0	0	0	0	0
At 31 March 2012							
Purchased	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
Total at 31 March 2012	0	0	0	0	0	0	0

During the year a disposal relating to a software system used by the previous Finance Function of the Business Services Centre has been removed from the fixed asset register as it is no longer in use. All transactions since 2010/11 have been recorded within the financial systems of the individual health bodies. This system was carried within the fixed asset register at nil book value.

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13 . Impairments

	2012-13		2011-12	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	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)	4,476	0	436	0
Total of all impairments	4,476	0	436	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	1,354	0	436	0
Charged to Revaluation Reserve	3,122	0	0	0
	4,476	0	436	0

Within the healthcare segment of the tLHB, there have been three impairments in year totalling £1.354M charged to the Statement of Comprehensive Net Expenditure.

The first impairment relates to the valuation downwards of Land and Buildings held by the tHB. This impairment occurred as a result of the NHS Wales revaluation exercise on 1st April 2012 for which there was insufficient revaluation reserve for these assets. The total downward revaluation was £3.348M of which there was available revaluation reserve of £3.122M. There were some assets where the revaluation reserve held was insufficient and therefore incurred an impairment of £0.227M to be charged to the Statement of Comprehensive Net Expenditure.

The second impairment occurred as a result of the initial valuation for the bringing into use of the new build renal unit at Welshpool Hospital (£0.818M).

The third impairment occurred as a result of the bringing into use of the theatre refurbishment at Llandrindod Wells Hospital (£0.309M).

14.1 Inventories

	31 March 2013 £000	31 March 2012 £000
Drugs	55	58
Consumables	58	37
Energy	38	45
Work in progress	0	0
Other	3	15
Total	154	155
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March 2013 £000	31 March 2012 £000
Inventories recognised as an expense in the period	155	139
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
Total	155	139

15. Trade and other Receivables

Current	31 March 2013 £000	31 March 2012 £000
Welsh Government	601	1,107
WHSSC	33	130
Welsh Health Boards	1,387	745
Welsh NHS Trusts	219	188
Non - Welsh Trusts	95	96
Other NHS	0	0
Welsh Risk Pool	8,826	14,302
Local Authorities	373	211
Capital debtors	0	0
Other debtors	2,132	2,107
Provision for irrecoverable debts	(187)	(173)
Pension Prepayments	0	0
Other prepayments and accrued income	763	1,339
Sub total	14,242	20,052
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	7,722	2,027
Local Authorities	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	7,722	2,027
Total	21,964	22,079
Receivables past their due date but not impaired		
By up to three months	258	523
By three to six months	57	46
By more than six months	139	263
	454	832
Provision for impairment of receivables		
Balance at 1 April	(173)	(111)
Amount written off during the year	0	4
Amount recovered during the year	0	5
(Increase) / decrease in receivables impaired	(14)	(71)
Balance at 31 March	(187)	(173)

16. Trade and other payables

Current	31 March 2013 £000	31 March 2012 £000
Welsh Government	0	10
WHSSC	162	338
Welsh Health Boards	5,651	2,506
Welsh NHS Trusts	286	414
Other NHS	3,339	3,112
Income tax and social security	941	51
Non-NHS creditors	4,368	3,502
Local Authorities	435	141
Capital Creditors	876	1,533
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	0	0
Pensions: staff	658	41
Accruals	12,121	13,713
Deferred Income	0	0
Other creditors	88	109
Total	28,925	25,470
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

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
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	13,895	0	0	657	2,390	(3,231)	(5,136)	0	8,575
Personal injury	156	0	0	1	102	(100)	(4)	20	175
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	327	0	0	(8)	64	(91)	(150)		142
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	726			573	0	(756)	0	196	739
Restructuring	0			0	0	0	0	0	0
Other	2,571			0	967	(613)	(1,316)		1,609
Total	17,675	0	0	1,223	3,523	(4,791)	(6,606)	216	11,240
Non Current									
Clinical negligence	1,284	0	0	(657)	6,321	0	(20)	0	6,928
Personal injury	663	0	0	(1)	10	0	0	0	672
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	749	0	0	8	65	(28)	0		794
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	6,262			(573)	815	0	(163)	0	6,341
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0		0
Total	8,958	0	0	(1,223)	7,211	(28)	(183)	0	14,735
TOTAL									
Clinical negligence	15,179	0	0	0	8,711	(3,231)	(5,156)	0	15,503
Personal injury	819	0	0	0	112	(100)	(4)	20	847
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	1,076	0	0	0	129	(119)	(150)		936
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	6,988			0	815	(756)	(163)	196	7,080
Restructuring	0			0	0	0	0	0	0
Other	2,571			0	967	(613)	(1,316)		1,609
Total	26,633	0	0	0	10,734	(4,819)	(6,789)	216	25,975

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2014	Between 1 April 2014 and 31 March 2019	Between 1 April 2019 and 31 March 2024	Thereafter	Total
					£000
Clinical negligence	8,575	6,929	0	0	15,504
Personal injury	175	154	135	382	846
All other losses and special payments	0	0	0	0	0
Defence legal fees and other administration	142	793	0	0	935
Pensions relating to former directors	0	0	0	0	0
Pensions relating to other staff	739	2,760	2,069	1,513	7,081
Restructuring	0	0	0	0	0
Other	1,609	0	0	0	1,609
Total	11,240	10,636	2,204	1,895	25,975

The tLHB estimates that in 2013/14 it will receive £8.826M and in 2012-13 and beyond £7.722M from the Welsh Risk Pool in respect of Losses and Special Payments

£16.548M of provision relates to the probable liabilities of the former Health Authorities in respect of Medical Negligence and Personal Injury Claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust)

Contingent Liabilities are directly linked to these claims.

Also included within 'other' at 31st March 2013 is £1.458M relating to retrospective continuing health care claims (2011/12 £2.347M)

A significant amount of the reversed/unused figure in the clinical negligence provision relates to one case being settled at a lower amount than provided for which has resulted in a reversal of provision of £4.987M

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
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	5,447	0	0	7,863	3,581	(1,583)	(1,413)	0	13,895
Personal injury	471	0	0	10	222	(496)	(62)	11	156
All other losses and special payments	0	0	0	0	23	(23)	0	0	0
Defence legal fees and other administration	543	0	0	97	38	(70)	(281)		327
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	753			558	0	(747)	0	162	726
Restructuring	0			0	0	0	0	0	0
Other	3,686			0	652	(225)	(1,542)		2,571
Total	10,900	0	0	8,528	4,516	(3,144)	(3,298)	173	17,675
Non Current									
Clinical negligence	16,102	0	0	(7,863)	0	(35)	(6,920)	0	1,284
Personal injury	429	0	0	(10)	333	0	(89)	0	663
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	714	0	0	(97)	202	(22)	(48)		749
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	6,744			(558)	330	0	(254)	0	6,262
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0		0
Total	23,989	0	0	(8,528)	865	(57)	(7,311)	0	8,958
TOTAL									
Clinical negligence	21,549	0	0	0	3,581	(1,618)	(8,333)	0	15,179
Personal injury	900	0	0	0	555	(496)	(151)	11	819
All other losses and special payments	0	0	0	0	23	(23)	0	0	0
Defence legal fees and other administration	1,257	0	0	0	240	(92)	(329)		1,076
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	7,497			0	330	(747)	(254)	162	6,988
Restructuring	0			0	0	0	0	0	0
Other	3,686			0	652	(225)	(1,542)		2,571
Total	34,889	0	0	0	5,381	(3,201)	(10,609)	173	26,633

18. Cash and cash equivalents

	2012-13 £000	2011-12 £000
Balance at 1 April	317	337
Net change in cash and cash equivalent balances	(157)	(20)
Balance at 31 March	<u>160</u>	<u>317</u>
Made up of:		
Cash held at GBS	126	517
Commercial banks and cash in hand	34	(200)
Current Investments	<u>0</u>	<u>0</u>
Cash and cash equivalents as in Statement of Financial Position	160	317
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	<u>0</u>	<u>0</u>
Cash and cash equivalents as in Statement of Cash Flows	<u>160</u>	<u>317</u>

19. Other Financial Assets

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

20. Other assets

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

21. Other liabilities

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2013	2012	2013	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	Current		Non-current	
	31 March	31 March	31 March	31 March
	2013	2012	2013	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 £
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During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Powys tLHB.

There have been no related party transactions with Welsh Ministers.

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

	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government	43	247,259	0	601
Abertawe Bro Morgannwg University Local Health Board	9,816	1,619	1,502	266
Aneurin Bevan Local Health Board	18,794	935	2,086	746
Betsi Cadwaladr Local Health Board	4,727	471	439	229
Cardiff & Vale University Local Health Board	1,994	33	676	17
Cwm Taf Local Health Board	1,343	29	273	10
Hywel Dda Local Health Board	7,521	549	675	118
Public Health Wales	137	160	39	35
Velindre NHS Trust	1,578	950	202	124
Welsh Ambulance Services NHS Trust	500	65	44	60
Welsh Risk Pool (hosted by Betsi Cadwaladr University Health Board)	0	0	87	0
WHSSC (Hosted by Cwm Taf Local Health Board)	27,297	248	162	33

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

Name	Details	Interests
Councillor Rosemarie Harris	Independent Member	Councillor, Powys County Council
Gloria Jones-Powell	Independent Member	Trustee/Director - Powys Association of Voluntary Organisations
Gyles Palmer	Independent Member	Vice President - Powys Carers Service
Jeremy Patterson	Associate Member	Chief Officer - Powys Carers Service Chief Executive - Powys County Council

The value of transactions with these bodies are as follows:

Powys Associations of Voluntary Organisations	£0.234M
Powys Carers Services	£0.002M
Powys County Council	£4.603M

Powys tLHB has hosted the following functions on behalf of NHS Wales on which it receives income from the Welsh Government and other LHB's:

- Residual Clinical Negligence
- Community Health Councils
- Contractor Services (until 31st May 2012)
- Continuing Care Case Administration
- National Institute for Social Care and Health Research (NISCHR)

Powys tLHB also has material transactions with English NHS Trusts with whom it commissions healthcare including;

- Shrewsbury and Telford NHS Trust
- Wye Valley NHS Trust
- The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust

Powys tLHB has also received revenue items donated from the Powys tLHB Charitable fund, for which the Board is the Corporate Trustee.

24. Third Party assets

The tLHB held £253.00 cash at bank and in hand at 31 March 2013 (31 March 2012: £17,891.45) which relates to monies held by the tLHB on behalf of patients. 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	601	0	0	0
Welsh Local Health Boards	1,387	0	5,651	0
Welsh NHS Trusts	219	0	286	0
Welsh Health Special Services Committee	33	0	162	0
All English Health Bodies	95	0	3,339	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	2,335	0	9,438	0
Other Central Government Bodies				
Other Government Departments	0	0	941	0
Revenue & Customs	183	0	0	0
Local Authorities	373	0	435	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	11,351	7,722	18,111	0
TOTAL	14,242	7,722	28,925	0
2011-12 :				
Welsh Government	1,107	0	10	0
Welsh Local Health Boards	745	0	2,506	0
Welsh NHS Trusts	188	0	414	0
Welsh Health Special Services Committee	130	0	338	0
All English Health Bodies	96	0	3,112	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	2,266	0	6,380	0
Other Central Government Bodies				
Other Government Departments	0	0	51	0
Revenue & Customs	151	0	0	0
Local Authorities	211	0	141	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	17,424	2,027	18,898	0
TOTAL	20,052	2,027	25,470	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	15	3,250,626	0	0
Personal injury	4	52,575	0	0
All other losses and special paym	1	0	0	0
Total	20	3,303,201	0	0

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

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000				
Case Ref	Case Type	0	0	0
MN/030/0163/EM	Clinical Negligence	583,000	583,000	0
MN/030/0180/ALF	Clinical Negligence	1,453,720	1,453,720	0
MN/030/0213/ES	Clinical Negligence	0	11,904,966	0
MN/030/0286/ALF	Clinical Negligence	206,491	2,406,491	0
MN/030/0303/AW	Clinical Negligence	100,000	750,000	0
MN/030/0400/FEW	Clinical Negligence	592,700	617,700	0
MN/030/0435/ED	Clinical Negligence	130,000	810,200	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
Sub-total		3,065,911	18,541,077	0
All other cases		237,290	481,863	0
Total cases		3,303,201	19,022,940	0

27. Contingencies

27.1 Contingent liabilities

	2012-13 £'000	2011-12 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	33,435	32,686
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	0	0
Continuing Health Care costs	2,212	1,739
Other	0	0
Total value of disputed claims	<u>35,647</u>	<u>34,425</u>
Amounts recovered in the event of claims being successful	0	0
Net contingent liability	<u>35,647</u>	<u>34,425</u>

Legal Claims for alleged medical or employer negligence: £30.370M of the £33.435M relate solely to the former Health Authorities in respect of Medical Negligence and Personal Injury Claims for incidents which occurred before the establishment of NHS Trusts (Pre 1996 and Pre 1992 depending on the Trust). Legal Advice has established that these claims are not likely to result in payments. In the unlikely event that amounts are payable, all payments will be reimbursed to Powys tLHB by the Welsh Risk Pool.

Uncertainties surrounding Continuing Healthcare Cost Liabilities: Liabilities for continuing care costs continue to be a significant financial issue for the tLHB. The December 2009 deadline for reclaiming pre-1/4/2003 care costs has resulted in a large increase in the number of claims registered, regarding both pre and post 1/4/2003 costs. Powys tLHB is responsible for post 1/4/03 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs: Note 17 contains the £1.458M provision made for probable continuing care costs relating to 52 claims received. Note 27.1 sets out the £2.212M contingent liability for possible continuing care costs relating to 7 claims received together with any possible liability over above the assumed payments on 45 cases included in Note 17. Any continuing healthcare claims which relate to Pre 1/4/2003 are included within the Welsh Government Resource Accounts.

27.2 Contingent assets

	2012-13 £'000	2011-12 £'000
	0	0
	0	0
	0	0
	<u>0</u>	<u>0</u>

28. Capital commitments

Contracted capital commitments at 31 March

	2012-13 £'000	2011-12 £'000
Property, plant and equipment	258	2,290
Intangible assets	0	0
	<u>258</u>	<u>2,290</u>

29. Finance leases

29.1 Finance leases obligations (as lessee)

The Teaching Local Health Board has no Finance Lease arrangements in operation

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	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
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	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

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 Teaching Local Health Board has no Finance Lease arrangements in operation

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	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
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	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

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

30.2 PFI schemes on-Statement of Financial Position

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

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

	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	<u>0</u>	<u>0</u>
Less: interest element	0	0
Total	<u><u>0</u></u>	<u><u>0</u></u>

30.3 Charges to expenditure

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

The LHB is committed to the following annual charges

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

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

31. Pooled budgets

A Funded Nursing Care

Powys Teaching Local Health Board and Powys County Council have entered into a partnership agreement in accordance with Section 31 of the Health Act 1999. The health related function which is subject to these arrangements is the provision of care by a registered nurse in care homes, which is a service provided by the NHS Body under section 2 of the National Health Service Act 1977. In accordance with the Social Care Act 2001 Section 49 care from a registered nurse is funded by the NHS regardless of the setting in which it is delivered. (Circular 12/2003)

The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Government Guidance NHS Funded Nursing Care 2004. The Budget set for 2012/13 for free nursing care was £2,033,572 allocation is now within the base allocation from WG. The Nurse Assessor funding was removed and put into individual locality budgets.

Gross Funding	Staff £	Other £	Total £
Powys County Council	0	1,064,557	1,064,557
Powys Teaching Local Health Board	(244,463)	969,015	724,552
Total Funding	(244,463)	2,033,572	1,789,109
Expenditure			
Monies spent in accordance with Pooled budget arrangement		1,864,086	1,864,086
Total Expenditure	0	1,864,086	1,864,086
Net under/(over) spend	(244,463)	169,486	(74,977)
*The tLHB employs 5 nurse assessors plus travel over and above allocation			
The above memorandum account is subject to independent audit .			

B Provision of Community Equipment

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

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Gross Funding	Powys County Council £	Powys tLHB Funding £	Expenditure £	Total £
Original funding	384,330	400,172		784,502
additional Grant funding	80,000	0		80,000
rental income	15,000	0		15,000
Total Funding	479,330	400,172		879,502
Expenditure				
Monies spent in accordance with Pooled budget arrangement			295,088	295,088
Total Expenditure	0	0	295,088	1,174,590
Net under/(over) spend	479,330	400,172	879,502	(295,088)
	<i>Share of deficit</i>	<i>157,990</i>	<i>137,098</i>	<i>295,088</i>
	<i>VAT on Health Board %share @20%</i>		<i>27,420</i>	
	<i>Total Deficit accrued in ledger</i>	<i>157,990</i>	<i>164,518</i>	
The above memorandum account is subject to independent audit .				

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

Powys Teaching Local Health Board and Powys County Council have entered into a partnership agreement in respect of lead commissioning from a pooled fund for the provision of IT services in accordance with Section 33 of the National Health Services Act 2006

Powys County Council is the host partner for the purposes of the Regulations.

The purpose of the agreement is to facilitate the provision of a shared IT service and the development of this service in Powys. The service is provided from a pooled fund and is within the tLHB's and the Council's powers.

The tLHB contribution to the IT pooled budget was £405,736

Gross Funding	Total £
Powys County Council	838,178
Powys Teaching Local Health Board	405,736
Total Funding	1,243,914
Expenditure	
Monies spent in accordance with Pooled budget arrangement	1,212,249
Total Expenditure	1,212,249
Net under/(over) spend	31,665
The above memorandum account is subject to independent audit .	

32. Financial Instruments

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	2,335	0	0	2,335
Cash at bank and in hand	160	0	0	160
Other financial assets	2,322	0	0	2,322
Total at 31 March 2013	4,817	0	0	4,817

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	27,326	0	27,326
Total at 31 March 2013	27,326	0	27,326

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	2,266	0	0	2,266
Cash at bank and in hand	317	0	0	317
Other financial assets	2,318	0	0	2,318
Total at 31 March 2012	4,901	0	0	4,901

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	25,470	0	25,470
Total at 31 March 2012	25,470	0	25,470

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 tLHB 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 tLHB 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 tLHB in undertaking its activities.

Currency risk

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

Interest rate risk

LHBs are not permitted to borrow. The tLHB therefore has low exposure to interest rate fluctuations

Credit risk

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

Liquidity risk

The tLHB 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 tLHB is not, therefore, exposed to significant liquidity risks.

34. Movements in working capital

	2012-13	2011-12
	£000	£000
(Increase)/decrease in inventories	1	(16)
(Increase)/decrease in trade and other receivables - non - current	(5,695)	14,775
(Increase)/decrease in trade and other receivables - current	5,810	(7,802)
(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	3,455	1,716
Increase/(decrease) in other current liabilities	0	0
Increase/(decrease) in assets held for sale	0	0
Total	3,571	8,673
Adjustment for accrual movements in fixed assets -creditors	657	(915)
Adjustment for accrual movements in fixed assets -debtors	0	0
Other adjustments	0	0
	4,228	7,758

35. Other cash flow adjustments

	2012-13	2011-12
	£000	£000
Depreciation	2,317	3,334
Amortisation	0	0
(Gains)/Loss on Disposal	0	0
Impairments and reversals	1,354	436
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	(23)	(65)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	4,161	-5,055
Total	7,809	(1,350)

36. Cash flow relating to exceptional items

There are no exceptional items

37. Events after the Reporting Period

There are no events after the Reporting Period to be declared.

38. Operating segments

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

		Total Powys "Health" £'000	Total Residual Clinical Negligence £'000	Total Community Health Councils £'000	Consolidation Adjustments £'000	Total £'000
	Note					
Expenditure on Primary Healthcare Services	3.1	58,799	0	0	0	58,799
Expenditure on healthcare from other providers	3.2	128,213	0	0	0	128,213
Expenditure on Hospital and Community Health Services	3.3	66,233	25	3,927	(107)	70,078
		253,245	25	3,927	(107)	257,090
Less: Miscellaneous Income	4	14,401	0	157	(107)	14,451
tLHB net operating costs before interest and other gains and losses		238,844	25	3,770	0	242,639
Investment Income	8	0	0	0	0	0
Other (Gains) / Losses	9	0	0	0	0	0
Finance costs	10	211	0	4	0	215
tLHB Net Operating Costs		239,055	25	3,774	0	242,854
Less Non Discretionary Expenditure		(175)	0	0	0	(175)
Revenue Resource Limit		239,205	25	3,805	0	243,035
Under / (over) spend against Revenue Resource Limit		(25)	0	31	0	6

39. Other Information

At 1 June 2012 the following functions:

- Contractor Services
- Procure to Pay Services comprising Accounts Payable and Procurement Services
- Payroll and Recruitment Services

and their associated asset and liabilities were transferred from Powys tLHB to Velindre NHS Trust to form NHS Wales Shared Services Partnership. 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 transferor accounts and post 1 June 2012 these are included in Velindre NHS Trust's financial statements

The below details the impact on the specific financial statement notes :

	£'000
Property, plant and equipment	356 (Net Book Value)
Receivables - Current	334
Staff Numbers	198.75 WTE

**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.....19th June 2013 Andrew Cottom..... Chief Executive

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

The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the tLHB 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:Mel Evans..... Dated: ...19th June 2013

Chief Executive:Andrew Cottom..... Dated: ...19th June 2013

Director of Finance:Rebecca Richards..... Dated: ...19th 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

Powys tLHB Annual Governance Statement

1 - Scope of Responsibility

The Board is accountable for Governance and Internal Control. As Accountable Officer and Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports 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.

In addition to the functions relating to the health and well being of the population of Powys, the Teaching Local Health Board (tLHB) is also accountable for the Community Health Councils in Wales and clinical negligence claims of the former Health Authorities in Wales. The tLHB also hosts functions of Continuing Care Case Administration and National Institute of Social and Health Care Research (NISCHR) for which it receives funding from the Welsh Government

As Accountable Officer I have a prescribed accountable link to the Director General, NHS Wales for the delivery of key regulatory and performance measures against which the organisation is assessed. These have taken the form of meetings between our Executive Teams (Health Board and Welsh Government) and individual performance review with the Director General based on agreed objectives. As these, achievements and risks to performance targets are discussed and action to address adverse performance and their associated impacts are agreed.

2 - Governance of the tLHB

2.1 The Board and its committees

The principal role of the tLHB Board is to exercise strong leadership, direction and control, including:-

- Setting the strategic direction of the organisation;
- Establishing and upholding the governance and accountability framework, including its values and standards of behaviour;
- Ensuring delivery of the aims and objectives of the organisation through effective challenge and scrutiny of tLHB performance across all areas of responsibility.

The Board functions as a corporate decision making body, Executive Directors and Independent Members being full and equal members and sharing corporate responsibility for all the decisions of the Board.

The Board is supported by the Corporate Governance Manager, who acts as principle advisor on all aspects of corporate governance within the Health Board.

During 2012/13 there were 5 Board Committees and sub-Committees in the discharge of functions:

- Quality and Safety Committee
 - Mental Health Act sub-Committee
 - Information Governance sub-Committee
- Audit Committee
- Integrated Governance Committee
- Charitable Funds Committee
- Remuneration and Terms of Service Committee (RATS)

Chairs of the Board’s Assurance Committees (Quality & Safety and Audit) come together with the Board’s Vice Chair and an additional Independent Member as the Integrated Governance Committee. This Committee provides the Board with assurance in respect of the organisation’s performance against delivery of its strategic objectives and maintains an oversight of the work of the Board’s Assurance Committees, ensuring integration of governance work across all business of the tLHB and all issues which fall outside or between the work of the Committees are addressed.

In addition there is a Welsh Health Specialised Services Joint Committee. The Joint Committee has been established for the purpose of jointly exercising those functions relating to the planning and securing of certain specialised and tertiary services on a national all-Wales basis, on behalf of each of the seven LHBs in Wales.

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.

NAME	POSITION	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES
Mel Evans	Chair	(Chair) The Board (Chair) RATS	N/A
Jo Mussen	Vice Chair	(Vice Chair) The Board, Quality & Safety Committee RATS Integrated Governance Committee (Chair) Mental Health Act Sub – Committee	Mental Health, Older People, POVA

NAME	POSITION	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES
Gloria Jones Powell	Independent Member (Third Sector)	(Chair) Quality & Safety Committee Audit Committee Integrated Governance Committee	Children & Young People
Andrew Leonard	Independent Member (Community)	Audit Committee (Chair) Charitable Funds Mental Health Act Sub – Committee	Design, Sustainable Development
Roger Eagle	Independent Member (Legal)	(Vice Chair) Audit Committee RATS (Chair) Integrated Governance Committee Mental Health Act Sub-Committee	Complaints
Paul Dummer	Independent Member (University)	(Vice Chair) Quality & Safety Committee	Welsh language, Equalities
Jackie Walters (April – Dec 2012)	Independent Member (Trade Union)	Quality & Safety Committee Information Governance sub-Committee	Improving Care for Veterans & Severely Injured Personnel
Gareth Jones	Independent Member (Finance)	Quality & Safety Committee (Chair) Audit Committee Charitable Funds Committee RATS Integrated Governance Committee	N/A
Rosemarie Harris	Independent Member (Local Authority)	Audit Committee	Cancer Standards
Gyles Palmer	Independent Member (Capital & Estates)	Charitable Funds Committee Information Governance sub-Committee	Cleanliness
Mark Baird	Independent Member (Information, Communications & Technology)	Audit Committee Quality & Safety Committee (Chair) Information Governance sub-Committee	Violence & Aggression
Alan Austin	Associate Member, (Chair) Stakeholder Reference Group		N/A
Jeremy Patterson	Associate Member, CEO - Powys County Council		N/A
Dr Doug Paton (Jan – March 2013)	Associate Member, GP		NA
Andrew Cottom	Chief Executive		N/A
Rebecca Richards	Executive Director of Finance	Charitable Funds Committee	N/A
Brendan Lloyd	Executive Medical Director		N/A

NAME	POSITION	BOARD COMMITTEE MEMBERSHIP	CHAMPION ROLES
Carol Shillabeer	Executive Director of Nursing	Charitable Funds Committee	N/A
Bruce Whitear (Interim appointment)	Executive Director of Strategic Planning		N/A
Sumina Azam (Interim appointment)	Executive Director of Public Health		N/A
Amanda Smith	Executive Director of Therapies & Health Sciences		N/A
Joanna Davies	Executive Director of Workforce & OD		N/A

The Welsh Government require that Health Boards operate within the wider governance framework set for the NHS in Wales and incorporating the standards of good governance set for the NHS in Wales (as defined within the Citizen Centred Governance principles and Standards for Health Services in Wales), together with its planning and performance management frameworks.

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".

The tLHB reviewed compliance with its standing orders during 2012/13 and areas for improvement were monitored by the Audit Committee. In reviewing its governance arrangements 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.

In May 2012, the Board approved revised Standing Orders and Standing Financial Instructions in respect of changes made to hosting arrangements of the NHS Wales Shared Services Partnership. During the year, the Board also approved a revised Scheme of Reservation and Delegation of Powers, which were comprehensively reviewed to strengthen the organisation's governance. 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 following table outlines dates of Board and Committee meetings held during 2012/13:-

Board	18 Apr		27 June			5 Sept	24 Oct		19 Dec		20 Feb	
Audit	11 Apr	09 May 31 May		10 Jul		4 Sept	2 Oct	6 Nov	4 Dec		5 Feb	
Charitable Funds				10 Jul		4 Sept			4 Dec			
Quality & Safety		24 May		26 Jul		20 Sept		22 Nov				21 Mar
Integrated Governance		24 May		26 Jul		20 Sept		22 Nov		24 Jan		21 Mar
RATS				12 Jul				22 Nov		17 Jan		20 Mar

All meetings were quorate, however, where meetings were inquorate, escalation arrangements were in place to ensure that any matters of significant concern that could not be brought to the attention of the Committee could be raised with the tLHB Chair.

Stakeholder Reference Group (SRG)

The SRG's role is to provide independent advice on any aspect of tLHB business, which may include:

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

Local Partnership Forum (LPF)

The LPF's role is to provide a formal mechanism where the tLHB, as employer, and trade unions/professional bodies representing tLHB employees work together to improve health services for the citizens served by the tLHB - achieved through a regular and timely process of consultation, negotiation and communication.

Healthcare Professionals' Forum (HPF)

The HPF's role is to provide a balanced, multi disciplinary view of healthcare professional issues to advise the Board on local strategy and delivery. Its role does not include consideration of healthcare professional terms and conditions of service.

Excluding the Healthcare Professionals' Forum, which is yet to be established, these Advisory Groups are fully established and operating in accordance with Standing Orders.

I can confirm that, other than the need to establish its Healthcare Professionals' Forum, the Health Board is fully compliant with the required Governance Framework for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

During 2012/13, the Board received a number of documents/strategies for approval, discussion documents to inform the strategic direction of the organisation and documents providing the Board with assurances in respect of its work. The key document approved by the Board (April 2012) was the Annual Plan 2012/13. This Plan articulated the organisation's ambitions and high-level strategic objectives for 2012/13.

The Board, functioning as a corporate decision making body, has regularly considered assurance reports on the financial position, integrated performance and 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 Scheme of Delegation and Annual Plan 2013/14. It also received regular clinical leadership reports, via the Quality and Safety Committee, which provided 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.

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 assurance 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. 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 robust in identifying and mitigating risks.

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.

Quality & Safety Committee

The Committee plays a pivotal role in providing 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. 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 aims to do 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.

Committee Annual Reports

The Chair of the Audit Committee has prepared an Annual Report for 2012/13. The purpose of which is to provide the Board and the Accountable Officer with assurance in respect of the adequacy and effectiveness of the organisation's functions and systems to maintain a sound system of internal control.

The Chair of the Quality and Safety Committee has prepared an Annual Report for 2012/13. The purpose of which is to provide the Board and the public with assurance that the organisation has effective arrangements in place for the delivery of safe and high quality services for its population and that, where these arrangements are not effective, action is identified to make the required improvements.

2.2 Assessment of Corporate Governance

2.2.1 Welsh Risk Pool Services (WRPS) Assessment

The annual Welsh Risk Pool Services (WRPS) Assessment provides the tLHB an opportunity to gain internal assurance on four key risk areas:

- Concerns and Compensation Claims Standard
- Clinical Area 1: Maternity Services
- Clinical Area 2: Operating Department Services
- Clinical Area 3: Emergency Departments

No interviews were undertaken for this assessment and the documentation review was completed remotely by the Welsh Risk Pool Services Assessment Team.

The tLHB's draft results show an improvement in overall combined scores from the clinical areas as 98% (2011/12 88%). The assessment score against the Concerns and Compensation Claims Standard remained consistent between years at 70%.

Overall the WRPS assessments provide an opportunity to identify areas for improvement and put actions in place. The final reports are reported to the Risk Management Committee, Board of Directors, Audit Committee, Quality & Safety Committee and the Board.

2.2.2 Standards for Health Services in Wales

The organisation uses the Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to fulfil 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. Internal Audit have reviewed the process for this within the tLHB and has reported 'reasonable assurance' for this review.

The overarching 'Governance and Accountability Module' complements the service specific standards and is focused at organisational level. 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
- plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risk

The outcome of the Governance and Accountability self assessment is set out in the table below:

	Powys teaching 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				X	
Enabling Delivery			X		
Delivering results achieving excellence			X		
Overall Maturity Level			X		

2.2.3 – Governance and Assurance relating to quality of care

The outcome of quality and safety activity is reported through the Improving Patients Involvement and Experience Committee, Risk Management Committee, Corporate Health & Safety Committee and the Infection Control Committee and assurance provided to the Board through the Audit Committee and Quality and Safety Committee.

The following sections set out the range of work the Health Board has focussed on over the past year in order to ensure sound governance and assurance around the quality of care to patients.

The organisation engages with the 1000 lives Plus Programme, and the Board promotes use of methodologies for improvement, and is currently participating in nine programme areas of the 1000 Lives Plus initiative. Locally, each programme area is managed by one or more tLHB staff, and supported by an Executive director of the tLHB who retains responsibility for that programme area. Progress is reported quarterly to the Clinical Effectiveness Committee based on the 1000 Lives Plus scoring matrix. The final report is then submitted to the Quality and Safety Committee. The Medical Director provides updates to the 1000 Lives Plus Directors during their occasional site visits and there is active participation by a range of Health Board staff at both national 1000 Lives Plus events and any programme area learning sets or Web-ex sessions.

Following the publication of the **Francis Report**, the teaching Health Board engaged senior managers, executive team and non-officer members of the Board in two learning and development sessions, in February and March 2013, designed to facilitate reflection regarding lessons learned from the issues highlighted in the report.

A further development session was held with staff partners at Local Partnership Forum, in April 2013, to consider how best to engage the workforce (including contracted services) in understanding the key messages from the report and effective ways in which staff can contribute to organisation-wide self assessment and learning.

A report on the proposed approach to self assessment against the 290 recommendations was presented to Integrated Governance Committee in March and to the Board in April 2013.

Key areas for development identified include:

- Consistent and reliable gathering of patient feedback and engagement by Board Members in analysis of this information on a regular basis.
- Use of quality triggers to triangulate data and other information to alert the Board to risk and/or preventable incidents
- Engagement of stakeholders including CHC and GPs as a source of patient experience information
- Consistent and robust approach to managing and responding to, and learning from, incident reporting by staff.
- Effectiveness of patient safety walkarounds to be strengthened to inform and drive quality improvement.

The agreed approach to initial self-assessment against existing systems and processes includes:

- Safe Care, Compassionate Care Quality Assurance System to underpin the tLHB approach to quality;
- Work to be set in the context of the Board's vision and values;
- Governance and Accountability self assessment module of the Standards for Health Services to be revisited once amended by Health Inspectorate Wales to reflect priorities of Francis Report. The self-assessment based on the current Governance and Accountability module is completed.

- Self assessment against those of the 290 recommendations that are relevant for Powys tLHB will be undertaken by the end of May 2013. This will include recommendations addressed through existing Board assurance and arrangements
- Scrutiny Panel to review the information collated and agree a consequent improvement plan in July 2013
- Outcome of self-assessment and improvement plan to be presented to Board in August 2013
- Integrated Governance Committee to oversee delivery of improvement plan, with support from Quality and Safety and Audit Committees
- Annual Quality Statement , Annual Governance Statement and Annual Report published to provide assurance to public

The planned approach to engagement with wider organisation and workforce over next few months include:

- Communication to share planned approach with staff in May
- Generic presentation in development to facilitate engagement by managers with locality and directorate teams
- Use of existing professional and management groups and local teams to develop engagement of staff in sharing suggestions and ideas. Action learning sets to be used/established to ensure access for all staff in process.
- Team-based working to underpin engagement in quality improvement.
- Use information and learning to further develop and build on improvement plan.

Implementation of **Transforming Care** has impacted positively on the safety, quality and experience of patient care on the participating wards, teams and theatre in particular the initiatives:

- patient status at a glance,
- safety cross charts,
- well organised ward environments,
- SKIN bundle,
- catheter bundle,
- oral care bundle,
- intentional rounding, and
- the reducing falls bundle.

The 'concerns' team continues to embed '**Putting Things Right**' across the organisation. The Terms of Reference for the Putting Things Right Panel were reviewed and updated in year to strengthen the governance arrangements and links to the Quality & Safety Committee and there is continued focus on learning from concerns and ensuring corrective action. The Concerns team have had capacity issues during the latter 6 months due to long term sickness of key staff; this has affected the compliance statistics the latter part of the financial year. The **Fundamentals of Care** Audit continually reports high levels of compliance with ensuring safety.

This year a new process of peer review and challenge has been added to enable a greater level of transparency in the self-assessment process. This has been identified as good practice and other areas in Wales are looking to adopt this approach. The **Medical Devices** work programme has been implemented throughout 2012-2013. This has placed greater emphasis on responsibility and accountability for medical devices at Locality and Service Directorate level. In addition, processes for ordering of equipment, maintenance etc, have been reviewed and improved. Further, the Board of Directors have approved the introduction of new syringe drivers in response to a number of reported incidents using the older type of syringe driver and in support of the Rapid Response Report on ambulatory syringe drivers promoting patient safety and ensuring consistency with Health Boards in Wales and provider organisations cross border. The approved Older Peoples Commissioner Report: **Dignified Care action plan** has been implemented and updated throughout the year.

The teaching Health Board continues to work in partnership, particularly with Powys County Council in **safeguarding children and young people and vulnerable adults**. The tLHB plays its full role in the Local Safeguarding Children's Board and good progress has been made during the year to protect those most vulnerable. The infrastructure in the tLHB has been strengthened in order to improve the way in which all staff work with each other to protect vulnerable people whether in a hospital or community setting. Working with partners for care delivered to Powys patients in out of county settings, often in England, does from time to time cause additional complexity, however there is a clear improvement plan for governance arrangements for these patients.

Care Home Governance arrangements have been strengthened this year following last year's identification of risk. This work is an important step in protecting the public and will further extend its remit next year.

To ensure the **quality of care** for treatment **outside of Powys**, initial internal work has commenced on strengthening the quality assurance framework for commissioned services and the schedules for monitoring these services reviewed. Examples of how we work with other NHS organisations who care for our patients include

- Formal links with Shrewsbury and Telford Hospital (SATH) Risk Management Department continue enabling Powys tLHB to work in partnership with them on issues that affect Powys patients in their care, including the sharing of root cause analysis investigations and outcomes from their investigations.
- Aneurin Bevan Health Board have enabled Powys Quality and Safety Unit staff access to mental health incidents reported through their Datix incident reporting system. This has served to strengthen the communication and joint working on reported serious incidents.

With regard to quality governance arrangements within a **primary care** setting, primary care providers for the tLHB (e.g. GP practices) have completed and continue to participate in the General Practice clinical governance self-assessment tool kit and our uptake rates are the best in Wales. The self-assessment is discussed at the Practice review visits and where a practice's self-assessment score requires improvement, the tLHB offers guidance, training and support to help them progress/improve through the levels.

3 – Internal Control and Risk

3.1 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.

3.2 - Capacity to handle risk

In safeguarding residents within Powys, the tLHB has continued its commitment to improving fundamental safety and quality standards. The overall responsibility for the management of risk lies with the Chief Executive Officer (CEO) as Accounting Officer for the Health Board. The Director of Therapies and Health Science has delegated risk management responsibilities and leads Risk Management on behalf of the CEO.

The role of the Risk Management Committee is to oversee delivery and implementation of the Board's Risk Management Strategy, ensuring that effective systems and processes are embedded throughout the organisation and should therefore be taken forward by management.

In terms of assurance to the Board in respect of risk management, the Audit Committee has a key role to play in providing the Board with assurance in respect of the effectiveness of the organisation's system of good governance, risk management and internal control (both clinical and non-clinical) that supports the achievement of the organisation's objectives. Therefore the Chair of the Risk Management Committee has provided reports to the Audit Committee on the Committee's work and assurances in respect of risk management arrangements.

The Risk Management Strategy (February 2011) and supporting Risk Management Policy and Risk Assessment Policy (April 2012) makes explicit that all staff are responsible for Risk Management within the organisation.

Since August 2012, all risks scored above 15 or new and amended risks are discussed by the Risk Management Committee for assessment and decision whether they go on the Corporate Risk Register.

In March 2013, to strengthen the system further, the Board of Directors reviewed and updated the Corporate Risk register with links made to the organisation's annual plan.

Throughout 2012-2013, we improved our reporting of clinical risks involving outbreaks/ closures of areas and their subsequent management and improvement actions. Two specific risks arising during the year include:

- a breach in the cold chain monitoring for storage of immunisations and vaccinations resulting clinical risk and financial loss. A number of improvement measures were implemented including 180 patients being offered the opportunity to be revaccinated for Human Papilloma Virus (HPV) as a precaution.
- the loss of potential patient identifiable information was reported to the Information Commissioner Officer (ICO). We were notified in January 2013 that regulatory action was not necessary because, although there was potential for harm to the data subjects, none materialised and the information itself did not constitute sensitive personal data or allow for identity fraud or other detriment. However, the ICO did consider the Health Board needed to take further steps to improve compliance with the Data Protection Act and this included induction/refresher training in Information Governance for all staff.

3.3 - The risk and control framework

The risk appetite is viewed in different ways dependent on whether the risk is an opportunity or threat to Powys. The risk appetite was reviewed by the Board of Directors in March 2013 to ensure the risks identified reflect the agenda of Powys and its provider organisations and the objectives going forward into the next financial year. The Board of Directors have not taken risks that had the potential to impair the delivery of patient services, the quality of care and patient safety or risks that affected the reputation of the organisation. The Board of Directors have been mindful of the fact that stakeholder and public perception of risk and their confidence in the ability of the tLHB to identify and mitigate risk successfully can change rapidly. To support this, the Board of Director's attitude to risk has been communicated to the whole organisation and applied in all decision making. The Corporate Risk Register has been made publicly available following our Board meeting in October, via our Publication Scheme.

The Audit Committee received assurances on the robustness of risk management systems and processes in September 2012 and January 2013.

The top risks on the corporate risk register agreed in March 2013 are available via the internet at :

http://www.wales.nhs.uk/sitesplus/documents/867/Final%20Board_Papers_24_April13.pdf

The basis for forming her opinion is as follows:

- The review of the process for self-assessment of Standards for Health Services in Wales. Evidence available by which the Board has arrived at its declaration in respect of the assessment for the Governance and Accountability module.
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the internal audit risk-based plan that have been reported to the Audit Committee throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
- Other assurance reviews including: reviews undertaken under the capital and estates audit programme; audit work performed in relation to the hosted primary care contractor services; and the work of the local counter fraud specialist.

During 2012/13 Internal Audit undertook this work through a risk-based plan of work, agreed with management and approved by the Audit Committee.

The audit coverage of Internal Audit, for 2012/13, focused on key strategic and operational risk areas. Informing the overall opinion was based on the completion of the audit plan

Type of report	Substantial Assurance Rating	Reasonable Assurance Rating	Limited Assurance Rating	No Assurance Rating
Financial Systems	0	3	2	0
Corporate Assurance/ Information Governance	0	10	2	0
Estates Assurance and Capital Audit	0	0	2	0
Total	0	13	6	0

(NB the above table excludes audits conducted on shared service arrangements discharged on behalf of the board)

The Health Board is mindful that the Internal Audit Programme is incomplete and the above rating is based on the Head of Internal Audit's assessment of the following reports currently in draft without consideration of management responses to issues raised:

- Corporate Governance;
- Payroll related processes – Health Board Owned;
- Learning for the Future - Taking forward and building on the recommendations from the Robert Powell Investigation
- Commissioning Healthcare Services and Healthcare Contract Management;
- Doing Well Doing Better Standards for Health Services;
- Clinical Quality and Safety;
- Welsh Risk Pool Claims;
- Continuing Healthcare; and
- Care Home Governance (Follow Up Review).

As a result following finalisation of these reports and population of Management Responses the above ratings may be subject to change to reflect the completed audit plan position.

During the year the Audit Committee considered four internal audit reports which had a limited assurance rating. Priority was given to ensuring the action plans associated with such reports are expedited. Two reports are still in draft stage and have yet to be finalised and reported to audit committee.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. I have nominated a lead Director for each Audit area to urgently address the weaknesses highlighted. Action plans to address each weakness have been developed by those responsible for their implementation and corresponding timescales have been provided to the Audit Committee. Monitoring of their implementation will be overseen by the Audit Committee and tested for compliance by Internal Audit during 2013/14.

3.4.2 External Audit

The Wales Audit Office undertook a Structured Assessment of the organisation during 2012. The process of which is to review corporate arrangements for governance, management of resources and financial management.

The 2012 review concluded that the tLHB has made some progress in addressing the areas for development identified in the 2011 structured assessment, although specific challenges still remain. The report issued by Wales Audit Office followed up the previous years recommendations which focussed on:

- developing medium and long-term health and service outcomes;
- improving performance management arrangements;
- progressing stakeholder engagement;
- developing medium-term financial plans;
- and developing a Board Assurance Framework.

I consider that good progress can be shown around these areas.

In summarising conclusions from recent budgetary controls and financial management reviews, Wales Audit Office concluded in February 2013 that budgetary control was effective for in-year reporting and the production of the financial statements, although there were some areas for improvement. Their findings also highlighted that financial management still needed to be improved and further work is ongoing to address this.

3.4.3 Counter Fraud

The Counter Fraud resource increased significantly during 2012/13, in addition, greater value for money has been achieved by utilising a locally based officer.

Progress has been made in respect of the following;

- Continuity of service provided by the former nominated Lead Local Counter Fraud Officer to oversee provision and retention of a locally based counter fraud officer
- Counter fraud officer has had the benefit of improved direct networking with staff and managers to promote the fraud awareness message,,leading to increased referrals and contact from staff and contractors for advice and guidance.
- Input into policies and procedures to prevent and deter fraudulent activity, this will continue into 2013/14.
- Achievement of the WG Directions 2006 and provision of information for NHS Protect .Greater liaison with related NHS and policing bodies resulting in improved networking and information sharing practices both internal and external to the Health Board.

4. Other Governance Declarations

4.1 Equality, Diversity and Human Rights.

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

4.2 Employment

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.

4.3 Sustainability

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.

The tLHB has assessed its key sustainability objectives in respect of:

- Promoting health and well-being
- Undertaking more activity in Powys and reducing the need for out of county travel for residents
- Achieving ISO 14001 accreditation
- Reducing energy consumption

A Sustainability Committee, of the Board of Directors, has been agreed as the vehicle for setting, delivery and review of sustainability targets.

4.4 Ministerial Directions

A number of Ministerial Directions have been issued within the year which relate to tLHB operations. They are as follows:

Updates and amendments to Primary Care Fees and Charges:

- The Primary Medical Services (Directed Enhanced Services) (Wales) (Amendment) Directions 2012 – The amendment directions update the influenza immunisation scheme and the severe mental illness scheme contained within the Primary Medical Services (Directed Enhanced Services) (Wales) Directions 2007.
- Directions to Local Health Boards as to the General Dental Services Statement of Financial Entitlements (Amendment) (2012 No. 27) – The General Dental Services Statement of Financial Entitlements and the Personal Dental Services Statement of Financial Entitlements have been amended to uplift NHS contract values for dentists.
- Directions to Local Health Boards as to the Personal Dental Services Statement of Financial Entitlements (Amendment) (2012 No. 26) – The General Dental Services Statement of Financial Entitlements and the Personal Dental Services Statement of Financial Entitlements have been amended to uplift NHS contract values for dentists.

- Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment) Directions 2012(2012 No. 13) The above amendment Directions implement the changes in Wales to the General Medical Services contract for 2012/13 which were agreed between NHS employers and the 4 UK Health Departments.

Updates and amendments relating to NHS Wales Shared Services Partnership:

- The NHS Wales Shared Services Directions 2011 (Revocation) Directions 2012 (2012 No .23) – These Directions apply to Local Health Boards and National Health Services Trusts regarding the transfer of services to NHS Wales Shared Services Partnership as at 1st June 2012.

Updates and amendments to Hospital Related Services:

- Directions to Local Health Boards 2012 (2012 No. 14) – These Directions set a maximum patient charge for expensive lenses prescribed within the hospital eye service.

The following link is provided to the Ministerial Directions issued for further reference on their contents:

<http://wales.gov.uk/legislation/subordinate/nonsi/nhswales/2012/?lang=en>

5. Overall conclusion for 2012/13

Taking into consideration the issues presented in this statement, my conclusions on 2012/13 are as follows;

- Budgetary Control is effective and financial controls are generally sound, with some areas of weakness which we will address in 2013/14.
- Governance and assurance is generally sound, further improvement will be made in 2013/14 through the introduction of the Assurance dashboard.
- Risk Management is generally sound and has shown significant improvement since 2011/12.
- Clinical Quality and Safety has been demonstrated to be generally sound through the oversight of the Quality and Safety Committee.
- Controls in place under the remit of NHS Wales Shared Services Partnership are generally sound but with improvements required in recruitment.

- Other controls are still subject to finalisation of the 2012/13 internal audit plan but emerging themes suggest there are areas for concentrated effort in improvement (Continuing Healthcare, Care Home Governance, local hospital controls, capital and estates) including the continued implementation of recommendations arising from the 2011/12 audit
- Our financial position remains of significant concern given the outturn position in 2012/13. We have put in measures to address this (see section 6).

6. Looking Forward to 2013/14

During 2012/13, the Board has identified a number of priorities to be addressed during 2013/14, ensuring strengthened governance, assurance and accountability within the organisation:-

Corporate Governance

During 2013/14, the Board will implement its Board Assurance Dashboard which supports effective management of the Board's strategic risks. The Dashboard will set out the key strategic risks to achieving the Board's objectives, the controls in place to prevent those risks from materialising and the assurances that the Board received regarding the effectiveness of those controls.

The organisation will use the outcome of the Governance and Accountability Module of the Standards for Health Services to support improvements in the governing arrangements of the organisation, ensuring improvement actions are delivered through the Board's Annual Plan 2013/14.

Delivering the Vision

In April 2013, the Board received the three year Plan which articulated the Board's vision and ambitions as well as its key strategic objectives. To ensure delivery of its objectives, the Board will need to give focus to a number of areas, including:-

- accountabilities and performance management
- technical skill such as commissioning and contracting across all sectors including primary care and secondary care
- a whole system approach to improvement and cost reduction
- performance gaps and opportunities
- organisational capacity and capability.

Financial Performance

The tLHB has a requirement to deliver a balanced financial plan for 2013/14 and therefore a strategy will need to be developed to ensure that the organisation lives within its means. The actions identified above (delivering the vision) will contribute to the organisation developing a plan to live within its means. In addition, the tLHB has commissioned an intervention programme from an external consultant to assist delivery of the organisation's financial plan. Specifically they will:

- freshly articulate the Health Board's underlying problem and what the obstacles are for success
- Understanding the financial position of the organisation and undertaking a 'red pen' exercise ensuring effective discipline and pace are in place to bring good practice
- To work with the Chief Executive and the key stakeholders to identify areas/high level themes of cost reduction across the Health Board

This review commenced in May 2013 and will inform our further/future cost reduction programme to demonstrate improved financial performance and our progression in meeting our statutory financial duties.

The establishment of the Transformation Board in 2012/13 and Programme Office will further strengthen the organisation's arrangements around delivery.

Signed by Andrew Cottom

Chief Executive:

Date: 19th June 2013

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

I certify that I have audited the financial statements of Powys Teaching Health Board for the year ended 31 March 2013 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 the Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

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

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

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Powys Teaching 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 Powys Teaching Health Board as at 31st 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.

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

Please see my report on pages 90 and 91.

Huw Vaughan Thomas
Auditor General for Wales
25th 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 Powys Teaching Health Board (the Health Board).

My audit certificate on page 88 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 on whether the expenditure and income shown in the financial statements have been applied to the purposes intended by the National Assembly for Wales and whether the financial transactions conform with the authorities that govern them. This is known as my “*regularity*” opinion .

The financial regime within which each local health board (LHB) is required to operate, prescribes an annual “*resource limit*”. This is a statutory net expenditure limit, requiring each LHB to function strictly within the resource limit that is set for it by the Welsh Government for that financial year.

Where an LHB’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 £243.029 million. Its final resource limit was £243.035 million, which included an additional £4.210 million agreed in June 2013, by way of resource brokerage, 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, and the NHS in particular, 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% from 2011-12.

As a result, the 2012-13 resource limit for the Health Board was originally set at £230.671 million. Based on this allocation, the Board estimated its 2012-13 funding gap to be £19.1 million.

The Health Board put plans in place at the start of the 2012-13 financial year to reduce this gap by £11 million leaving an estimated shortfall of £8.1 million. 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 after the first seven months of the year was a revised resource limit of £234.143 million and a forecast year end deficit of £8.399 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 £4 million, which contributed to a decrease in its forecast year end deficit at month eight to £4.399 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 LHBs failing their targets would receive an accounts qualification and be subject to escalation procedures.

In April 2013, the Health Board requested resource brokerage of £4.210 million to cover its overspend against its 2012-13 resource limit. It received £4.210 million from the Welsh Government on 11 June 2013, which it is required to repay in 2013-14.

Financial Implications for 2013-14

The Health Board's initial financial plan for 2013-14 (April 2013) has identified a gap of £17.5 million between its annual resource limit and its planned net expenditure. This includes repayment of the excess spend incurred in 2012-13.

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

Huw Vaughan Thomas

Auditor General for Wales

Date 25th June 2013