

# ANEURIN BEVAN UNIVERSITY LOCAL HEALTH BOARD

## FOREWORD

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

### Statutory background

The Local Health Board was established on 1 October 2009 following the merger of Gwent Healthcare NHS Trust and the following Local Health Boards.

- Blaenau Gwent Local Health Board
- Caerphilly Local Health Board
- Monmouthshire Local Health Board
- Newport Local Health Board
- Torfaen Local Health Board

### Performance Management and Financial Results

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

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

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

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2015**

|   | Note | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------|------------------|------------------|
| Expenditure on Primary Healthcare Services                                | 3.1  | <b>256,287</b>   | 253,227          |
| Expenditure on healthcare from other providers                            | 3.2  | <b>281,405</b>   | 269,004          |
| Expenditure on Hospital and Community Health Services                     | 3.3  | <b>583,755</b>   | 576,421          |
|   |      | <b>1,121,447</b> | 1,098,652        |
| Less: Miscellaneous Income  | 4    | <b>86,336</b>    | 87,344           |
| <b>LHB net operating costs before interest and other gains and losses</b> |      | <b>1,035,111</b> | 1,011,308        |
| Investment Income   | 8    | <b>25</b>        | 25               |
| Other (Gains) / Losses  | 9    | <b>18</b>        | (199)            |
| Finance costs   | 10   | <b>966</b>       | 951              |
| <b>Net operating costs for the financial year</b>                         |      | <b>1,036,070</b> | 1,012,035        |

See note 2 on page 21 for in-year details of performance against Revenue and Capital allocations.

The notes on pages 8 to 65 form part of these accounts

## Other Comprehensive Net Expenditure

|   | <b>2014-15</b>   | 2013-14   |
|---|------------------|-----------|
|   | <b>£'000</b>     | £'000     |
| Net gain / (loss) on revaluation of property, plant and equipment       | <b>6,564</b>     | 6,585     |
| Net gain / (loss) on revaluation of intangibles                         | <b>0</b>         | 0         |
| Net gain / (loss) on revaluation of available for sale financial assets | <b>0</b>         | 0         |
| (Gain) / loss on other reserves   | <b>0</b>         | 0         |
| Impairment and reversals  | <b>0</b>         | 0         |
| Release of Reserves to Statement of Comprehensive Net Expenditure       | <b>0</b>         | 0         |
| Other comprehensive net expenditure for the year                        | <b>6,564</b>     | 6,585     |
| <b>Total comprehensive net expenditure for the year</b>                 | <b>1,029,506</b> | 1,005,450 |

**Statement of Financial Position as at 31 March 2015**

|  | 31 March<br>2015<br>Notes | 31 March<br>2014<br>£'000 | 31 March<br>2014<br>£'000 |
|--|---------------------------|---------------------------|---------------------------|
| <b>Non-current assets</b>                        |                           |                           |                           |
| Property, plant and equipment                    | 11                        | 458,349                   | 438,360                   |
| Intangible assets                                | 12                        | 1,572                     | 832                       |
| Trade and other receivables                      | 15                        | 30,401                    | 29,510                    |
| Other financial assets                           | 19                        | 785                       | 814                       |
| <b>Total non-current assets</b>                  |                           | <b>491,107</b>            | <b>469,516</b>            |
| <b>Current assets</b>                            |                           |                           |                           |
| Inventories                                      | 14                        | 5,947                     | 6,584                     |
| Trade and other receivables                      | 15                        | 54,001                    | 42,638                    |
| Other financial assets                           | 19                        | 29                        | 28                        |
| Cash and cash equivalents                        | 18                        | 3,465                     | 745                       |
|  |                           | <b>63,442</b>             | <b>49,995</b>             |
| Non-current assets classified as "Held for Sale" | 11                        | 0                         | 0                         |
| <b>Total current assets</b>                      |                           | <b>63,442</b>             | <b>49,995</b>             |
| <b>Total assets</b>                              |                           | <b>554,549</b>            | <b>519,511</b>            |
| <b>Current liabilities</b>                       |                           |                           |                           |
| Trade and other payables                         | 16                        | 103,766                   | 92,618                    |
| Other financial liabilities                      | 20                        | 0                         | 0                         |
| Provisions                                       | 17                        | 36,833                    | 24,619                    |
| <b>Total current liabilities</b>                 |                           | <b>140,599</b>            | <b>117,237</b>            |
| <b>Net current assets/ (liabilities)</b>         |                           | <b>(77,157)</b>           | <b>(67,242)</b>           |
| <b>Non-current liabilities</b>                   |                           |                           |                           |
| Trade and other payables                         | 16                        | 8,090                     | 7,997                     |
| Other financial liabilities                      | 20                        | 0                         | 0                         |
| Provisions                                       | 17                        | 34,306                    | 34,250                    |
| <b>Total non-current liabilities</b>             |                           | <b>42,396</b>             | <b>42,247</b>             |
| <b>Total assets employed</b>                     |                           | <b>371,554</b>            | <b>360,027</b>            |
| <b>Financed by :</b>                             |                           |                           |                           |
| <b>Taxpayers' equity</b>                         |                           |                           |                           |
| General Fund                                     |                           | 276,893                   | 262,841                   |
| Revaluation reserve                              |                           | 94,661                    | 97,186                    |
| <b>Total taxpayers' equity</b>                   |                           | <b>371,554</b>            | <b>360,027</b>            |

The financial statements on pages 2 to 7 were approved by the Board on 4th June 2015 and signed on its behalf by:

Chief Executive: Judith Paget

Date: 4 June 2015

The notes on pages 8 to 65 form part of these accounts

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2015**

|   | General<br>Fund<br>£000s | Revaluation<br>Reserve<br>£000s | Total<br>Reserves<br>£000s |
|---|--------------------------|---------------------------------|----------------------------|
| <b>Changes in taxpayers' equity for 2014-15</b>                 |                          |                                 |                            |
| <b>Balance at 1 April 2014</b>                                  | 262,841                  | 97,186                          | 360,027                    |
| Net operating cost for the year                                 | (1,036,070)              | 0                               | (1,036,070)                |
| Net gain/(loss) on revaluation of property, plant and equipment | 0                        | 6,564                           | 6,564                      |
| 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                                      | 9,089                    | (9,089)                         | 0                          |
| Release of reserves to SoCNE                                    | 0                        | 0                               | 0                          |
| Transfers to/from LHBs  | 0                        | 0                               | 0                          |
| <b>Total recognised income and expense for 2014-15</b>          | <b>(1,026,981)</b>       | <b>(2,525)</b>                  | <b>(1,029,506)</b>         |
| Net Welsh Government funding                                    | 1,041,033                | 0                               | 1,041,033                  |
| <b>Balance at 31 March 2015</b>                                 | <b>276,893</b>           | <b>94,661</b>                   | <b>371,554</b>             |

The notes on pages 8 to 65 form part of these accounts

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2014**

|   | General<br>Fund<br>£000s | Revaluation<br>Reserve<br>£000s | Total<br>Reserves<br>£000s |
|---|--------------------------|---------------------------------|----------------------------|
| <b>Changes in taxpayers' equity for 2013-14</b>                 |                          |                                 |                            |
| <b>Balance at 1 April 2013</b>                                  | 258,773                  | 92,761                          | 351,534                    |
| Net operating cost for the year                                 | (1,012,035)              | .....                           | (1,012,035)                |
| Net gain/(loss) on revaluation of property, plant and equipment | 0                        | 6,585                           | 6,585                      |
| 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                                      | 2,160                    | (2,160)                         | 0                          |
| <b>Release of reserves to SoCNE</b>                             | 0                        | 0                               | 0                          |
| Transfers to/from LHBs  | 0                        | 0                               | 0                          |
| <b>Total recognised income and expense for 2013-14</b>          | (1,009,875)              | 4,425                           | (1,005,450)                |
| Net Welsh Government funding                                    | 1,013,943                | .....                           | 1,013,943                  |
| <b>Balance at 31 March 2014</b>                                 | <b>262,841</b>           | <b>97,186</b>                   | <b>360,027</b>             |

The notes on pages 8 to 65 form part of these accounts

**Statement of Cash flows for year ended 31 March 2015**

|   | <b>2014-15</b>     | 2013-14            |
|---|--------------------|--------------------|
|   | <b>£'000</b>       | £'000              |
| <b>Cash Flows from operating activities</b>                             |                    |                    |
| Net operating cost for the financial year                               | (1,036,070)        | (1,012,035)        |
| Movements in Working Capital  | 32 (3,679)         | (1,992)            |
| Other cash flow adjustments   | 33 43,550          | 27,411             |
| Provisions utilised   | 17 (17,972)        | (15,651)           |
| <b>Net cash outflow from operating activities</b>                       | <b>(1,014,171)</b> | <b>(1,002,267)</b> |
| <b>Cash Flows from investing activities</b>                             |                    |                    |
| Purchase of property, plant and equipment                               | (22,753)           | (12,560)           |
| Proceeds from disposal of property, plant and equipment                 | 82                 | 700                |
| Purchase of intangible assets   | (958)              | (469)              |
| 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                  |
| <b>Net cash inflow/(outflow) from investing activities</b>              | <b>(23,629)</b>    | <b>(12,329)</b>    |
| <b>Net cash inflow/(outflow) before financing</b>                       | <b>(1,037,800)</b> | <b>(1,014,596)</b> |
| <b>Cash flows from financing activities</b>                             |                    |                    |
| Welsh Government funding (including capital)                            | 1,041,033          | 1,013,943          |
| Capital receipts surrendered  | 0                  | 0                  |
| Capital grants received   | 7                  | 25                 |
| Capital element of payments in respect of finance leases and on-SoFP    | (520)              | (535)              |
| Cash transferred (to)/ from other NHS bodies                            | 0                  | 0                  |
| <b>Net financing</b>  | <b>1,040,520</b>   | <b>1,013,433</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             | <b>2,720</b>       | <b>(1,163)</b>     |
| <b>Cash and cash equivalents (and bank overdrafts) at 1 April 2014</b>  | <b>745</b>         | <b>1,908</b>       |
| <b>Cash and cash equivalents (and bank overdrafts) at 31 March 2015</b> | <b>3,465</b>       | <b>745</b>         |

The notes on pages 8 to 65 form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2014-15 Local Health Board Manual for Accounts and 2014-15 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income and funding

The main source of funding for the Local Health Boards (LHBs) are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Welsh Government funding is recognised in the financial period in which the cash is received.

Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the general fund.

Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income has 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. The LHB have implemented a policy whereby employees are not permitted to carry forward leave other than leave that has been accrued as a result of an employee's entitlement to maternity or sick leave.



### **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 LHB's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

### **NEST Pension Scheme**

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

### **1.5 Other expenses**

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

### **1.6 Property, plant and equipment**

#### **Recognition**

Property, plant and equipment is capitalised if:

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

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

#### **Valuation**

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

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

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

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

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

In 2012-13 a formal revaluation exercise was applied to land and properties and annually since then. Land and buildings have been indexed with indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

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

### **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 LHB's 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 sale are not depreciated.

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

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

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

### **1.9 Research and Development**

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

### 1.10 Donated assets

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

### 1.11 Government grants

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

### 1.12 Non-current assets held for sale

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

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

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

### 1.13 Leases

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

#### 1.13.1 The Local Health Board as lessee

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

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

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

#### 1.13.2 The Local Health Board as lessor

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

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

#### **1.14 Inventories**

Inventories are valued at the lower of cost and net realisable value using the weighted average cost formula for hospital pharmacy stock. Other stocks are valued annually using first in first out basis. This is considered to be a reasonable approximation to fair value.

#### **1.15 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

#### **1.16 Provisions**

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

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

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

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

#### **1.17 Clinical negligence costs**

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool is hosted by Velindre NHS Trust.

#### **1.18 Financial assets**

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

##### **1.18.1 Financial assets are initially recognised at fair value**

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

**1.18.2 Financial assets at fair value through SoCNE**

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

**1.18.3 Held to maturity investments**

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

**1.18.4 Available for sale financial assets**

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

**1.18.5 Loans and receivables**

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

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

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

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

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

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

**1.19 Financial liabilities**

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

#### **1.19.1 Financial liabilities are initially recognised at fair value**

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

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

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

#### **1.19.3 Other financial liabilities**

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

#### **1.20 Value Added Tax**

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

#### **1.21 Foreign currencies**

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

#### **1.22 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 22 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 SoCNE on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

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

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

#### **1.24 Pooled budget**

The LHB has entered into a pooled budget with Monmouthshire County Council and the 5 Local Authorities in Gwent. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006.

##### **Monmouthshire County Council - Monnow Vale Health and Social Care Unit**

Funds are pooled for the provision of health and social care inpatient, outpatient, clinic and day care facilities to individuals who have medical, social, community or rehabilitation needs. The pool is hosted by Aneurin Bevan Local University Health Board. The financial operation of the pool is governed by a pooled budget agreement between the Local Health Board and Monmouthshire County Council. The income from Monmouthshire County Council is recorded as Local Authority Income in these accounts.

Expenditure for services provided under the arrangement is recorded under the appropriate expense headings in these accounts.

The property in which the unit is housed has been provided by a Private Finance Partner; the contract with the PFI partner is for 30 years and is categorised as an on balance sheet PFI scheme with the HB recognising 71% of the property - see Note 28 of these accounts for further details.

##### **The five Local Authorities in Gwent - Gwent Wide Integrated Community Equipment Service**

Funds are pooled for the provision of an efficient and effective GWICES (Gwent Wide Integrated Community Equipment Service) to service users who are resident in the partner localities. The pool is hosted by Torfaen County Borough Council. The Health Board makes a financial contribution to the scheme but does not account for the schemes expenditure or assets/liabilities generated by this expenditure.

The financial operation of the pool is governed by a pooled budget agreement between the bodies listed above and the Health Board. Payments for services provided by the host body, Torfaen County Borough Council, are accounted for as expenditure within these accounts.

##### **Monmouthshire County Council - Mardy Park Rehabilitation Centre**

Funds are pooled for the provision of care to individuals who have rehabilitation needs. The LHB has entered into a pooled budget with Monmouthshire County Council. The pool is hosted by Monmouthshire County Council.



**The five Local Authorities in Gwent - Gwent Frailty Programme**

Funds are pooled for the purpose of establishing a consistent service across Gwent. The pool is hosted by Caerphilly County Borough Council, as lead commissioner. The financial operation of the pool is governed by a pooled budget agreement between the bodies listed above and the Health Board. Payments for services provided by the host body, Caerphilly County Borough Council, are accounted for as expenditure within these accounts. Additional information is provided in Note 29.

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

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

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

**1.26 Key sources of estimation uncertainty**

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

The Health Board has provided for some £61m within note 17 in respect of potential clinical negligence and personal injury claims and associated defence fees. These provisions have been arrived at on the advice of NHS Wales Shared Services Partnership - Legal & Risk Services. Given the nature of such claims this figure could be subject to significant change in future periods. However, the potential financial effect of such uncertainty is mitigated by the fact that the LHB's ultimate liability in respect of individual cases is capped at £0.025m, with amounts above this excess level being reimbursed by the Welsh Risk Pool.

The Health Board has estimated a liability of £4.5m in respect of retrospective claims for Continuing Health Care funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing health care and the actual costs incurred by individuals in care homes. The provision is based on information made available to the Health Board at the time of these accounts and could be subject to significant change as outcomes are determined. Aneurin Bevan University Local Health Board has reviewed its portfolio of outstanding claims for continuing healthcare and made an assessment of likely financial liability based on an estimated success factor and expected weekly average costs of claims. The assumptions have been derived by reviewing a sample of claims.

The LHB provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this, the LHB is carrying a bad debt provision of £1.6m re non NHS organisations. In 2014-15 a bad debt provision of £437K was raised in respect of the VAT Fleming case regarding the recovery of Output VAT for predecessor organisations. While this provision is considered prudent and accurate at the statement of financial position date, due to the ongoing trading relationships it covers potentially there could be gains and losses re the ultimate recoverability in respect of amounts provided for.

Primary care expenditure includes estimates for areas which are paid in arrears and not finalised at the time of producing the accounts. These estimates relate to GMS Quality Outcome Framework, GMS Enhanced Services and dental contract performance, which are based on an assessment of likely final performance.

### 1.27 Private Finance Initiative (PFI) transactions

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

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

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

#### Services received

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

#### PFI asset

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

#### PFI liability

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

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

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

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

#### Lifecycle replacement

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

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

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a

deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

**Assets contributed by the LHB to the operator for use in the scheme**

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

**Other assets contributed by the LHB to the operator**

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

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

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

**Other PFI arrangements off Statement of Financial Position**

Where the LHB has no control or residual interest in the assets and the balance of risks and rewards lie with the operator, the arrangement is treated as an operating lease and the costs are included in the SoCNE as incurred. The LHB has two such arrangements relating to the maintenance of the energy systems in the Royal Gwent and Nevill Hall Hospitals.

**Joint PFI contract**

The LHB has entered into an agreement to share a facility, provided by a Private Finance Partner, with Monmouthshire County Council to match the agreement with the Private Finance Partner. The arrangement is treated as a PFI arrangement and the total obligation is included as a liability of the LHB. The contribution towards the unitary charge committed by Monmouthshire County Council is treated as a financial asset. The future contribution was measured initially at the same amount as the fair value of the share of the PFI asset and is subsequently measured as a finance lease.

**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 LHB. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

### **1.29 Carbon Reduction Commitment Scheme**

The Local Health Board completed the registration process in 2013/14 to become a member of the Carbon Reduction Commitment Scheme in 2014/15. The Health Board qualifies for phase 2 of the CRC scheme from 2014/15 which will require purchasing of allowances during the 2015/16 and in subsequent years.

### **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. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

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

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

During 2014-15 there have been no standards issued by the IASB that have not been adopted.

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2014-15. The application of the Standards as revised would not have a material impact on the accounts for 2014-15, were they applied in that year:

IFRS 13 Fair Value Measurement - subject to consultation

IPSAS 32 - Service Concession Arrangement - subject to consultation

### **1.32 Accounting standards issued that have been adopted early**

During 2014-15 there have been no accounting standards that have been adopted early.

All early adoption of accounting standards will be led by HM Treasury.

### **1.33 Charities**

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

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

## 2. Financial Duties Performance

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

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

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

### 2.1 Revenue Resource Performance

|   | 2014-15          |
|---|------------------|
| <b>Net operating costs for the year</b>   | <b>1,036,070</b> |
| Less general ophthalmic services expenditure and other non-cash limited expenditure | <b>(7,543)</b>   |
| Less revenue consequences of bringing PFI schemes onto SoFP                         | <b>0</b>         |
| Total operating expenses  | <b>1,028,527</b> |
| Revenue Resource Allocation   | <b>1,028,936</b> |
| <b>Under /(over) spend against Allocation</b>                                       | <b>409</b>       |

### 2.2 Capital Resource Performance

|  | 2014-15       |
|--|---------------|
| <b>Gross capital expenditure</b>   | <b>27,954</b> |
| Add: Losses on disposal of donated assets                                | <b>1</b>      |
| Less NBV of property, plant and equipment and intangible assets disposed | <b>(100)</b>  |
| Less capital grants received   | <b>(7)</b>    |
| Less donations received  | <b>(391)</b>  |
| Charge against Capital Resource Allocation                               | <b>27,457</b> |
| Capital Resource Allocation  | <b>27,472</b> |
| <b>(Over) / Underspend against Capital Resource Allocation</b>           | <b>15</b>     |

### **2.3 Duty to prepare a 3 year plan**

The LHB did submit an Integrated Medium Term Plan for the period 2014/15 - 2016/17 in accordance with the planning directions issued by the Welsh Ministers.

The Minister for Health and Social Services did not approve the plan submitted for the period 2014/15 - 2016/17.

The LHB did not meet its statutory financial duty under section 175 (2A) of the National Health Service (Wales) Act 2014.

The Health Board prepared an interim one year operational and financial plan for 2014-15 as it did not believe that its draft three year plan met fully either the Board's requirements or those set out in the NHS Finance (Wales) Act 2014. The Welsh Government confirmed in June 2014 that the LHB's draft three year plan did not meet statutory requirements and therefore Ministerial approval was not given.

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

|                                       | Cash<br>limited<br>£'000 | Non-cash<br>limited<br>£'000 | 2014-15<br>Total<br>£'000 | 2013-14<br>£'000 |
|---------------------------------------|--------------------------|------------------------------|---------------------------|------------------|
| General Medical Services              | 85,060                   |                              | 85,060                    | 84,574           |
| Pharmaceutical Services               | 29,314                   | 874                          | 30,188                    | 32,007           |
| General Dental Services               | 33,356                   |                              | 33,356                    | 32,707           |
| General Ophthalmic Services           | 41                       | 6,669                        | 6,710                     | 6,707            |
| Other Primary Health Care expenditure | 1,443                    |                              | 1,443                     | 0                |
| Prescribed drugs and appliances       | 99,530                   |                              | 99,530                    | 97,232           |
| <b>Total</b>                          | <b>248,744</b>           | <b>7,543</b>                 | <b>256,287</b>            | <b>253,227</b>   |

#### 3.2 Expenditure on healthcare from other providers

|   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------------------|------------------|
| Goods and services from other NHS Wales Health Boards | 50,715           | 52,995           |
| Goods and services from other NHS Wales Trusts        | 19,218           | 18,471           |
| Goods and services from other non Welsh NHS bodies    | 7,020            | 6,091            |
| Goods and services from WHSSC / EASC                  | 111,189          | 109,335          |
| Local Authorities                                     | 13,116           | 14,203           |
| Voluntary organisations                               | 4,465            | 4,071            |
| NHS Funded Nursing Care                               | 6,035            | 6,136            |
| Continuing Care                                       | 66,973           | 56,339           |
| Private providers                                     | 2,476            | 1,193            |
| Specific projects funded by the Welsh Government      | 0                | 0                |
| Other   | 198              | 170              |
| <b>Total</b>  | <b>281,405</b>   | <b>269,004</b>   |

#### Local Authorities expenditure relates to the following bodies:

|                                      | £'000         | £'000         |
|--------------------------------------|---------------|---------------|
| Blaenau Gwent County Borough Council | 493           | 538           |
| Caerphilly County Borough Council    | 6,083         | 6,895         |
| Monmouthshire County Borough Council | 1,174         | 1,293         |
| Newport City Council                 | 2,531         | 2,277         |
| Torfaen County Borough Council       | 2,830         | 3,197         |
| Powys County Borough Council         | 5             | 3             |
|                                      | <b>13,116</b> | <b>14,203</b> |

#### Note 3.1 - Expenditure on Primary Healthcare Services

The General Medical Services expenditure includes £5,473K (£5,277K 2013/14) in relation to staff salaries, the General Dental Services expenditure includes £2,574K (£2,679K 2013/14) in relation to staff salaries, and the Prescribed Drugs & Appliances expenditure includes £252K (£157K 2013/14) in relation to staff salaries.

**3.3 Expenditure on Hospital and Community Health Services**

|   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------------------|------------------|
| Directors' costs  | 2,077            | 2,112            |
| Staff costs   | 444,472          | 435,421          |
| Supplies and services - clinical                                    | 68,824           | 66,586           |
| Supplies and services - general                                     | 13,365           | 12,471           |
| Consultancy Services  | 278              | 195              |
| Establishment   | 8,185            | 8,914            |
| Transport   | 1,699            | 1,533            |
| Premises  | 21,674           | 20,643           |
| External Contractors  | 0                | 0                |
| Depreciation  | 23,729           | 21,049           |
| Amortisation  | 235              | 145              |
| Fixed asset impairments and reversals (Property, plant & equipment) | (10,276)         | (881)            |
| 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                | 111              |
| Audit fees  | 427              | 427              |
| Other auditors' remuneration  | 1                | 0                |
| Losses, special payments and irrecoverable debts                    | 3,146            | 3,256            |
| Research and Development  | 0                | 0                |
| Other operating expenses  | 5,919            | 4,439            |
| <b>Total</b>  | <b>583,755</b>   | <b>576,421</b>   |

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

|  | 2014-15<br>£000 | 2013-14<br>£000 |
|--|-----------------|-----------------|
| <b>Increase/(decrease) in provision for future payments:</b> |                 |                 |
| Clinical negligence  | 24,177          | 4,777           |
| Personal injury  | 1,354           | 553             |
| All other losses and special payments                        | 145             | 47              |
| Defence legal fees and other administrative costs            | 696             | 823             |
| Gross increase/(decrease) in provision for future payments   | 26,372          | 6,200           |
| Premium for other insurance arrangements                     | 0               | 0               |
| Irrecoverable debts  | 437             | 65              |
| <b>Less: income received/ due from Welsh Risk Pool</b>       | <b>(23,658)</b> | <b>(3,009)</b>  |
| <b>Total</b>   | <b>3,151</b>    | <b>3,256</b>    |

Personal injury includes £261,336(2013/14 £327,931) in respect of permanent injury benefits.

Note 3.4 includes £488,008 (£482,703 2013/14) relating to Redress cases which represents 59 (31 2013/14) cases where payments were made in year totalling of £276,288 (£260,283 2013/14) including defence fees. An additional provision has been created for a further 31 (29 2013/14) cases where an offer has been made or causation and breach have been proven with estimated costs of £211,720 (£222,420 2013/14).

Losses & Special payments in note 3.3 has a £5K difference to note 3.4 which relates to 3 primary care losses disclosed in note 3.1.



#### 4. Miscellaneous Income

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| Local Health Boards                                  | 24,341           | 23,463           |
| WHSSC /EASC  | 3,549            | 3,249            |
| NHS trusts   | 6,128            | 5,902            |
| Strategic health authorities and primary care trusts | 2,012            | 2,115            |
| Foundation Trusts                                    | 0                | 0                |
| Local authorities                                    | 12,955           | 9,818            |
| Welsh Government                                     | 2,059            | 3,728            |
| Non NHS:   |                  |                  |
| Prescription charge income                           | 0                | 0                |
| Dental fee income                                    | 5,864            | 5,541            |
| Private patient income                               | 572              | 655              |
| Overseas patients (non-reciprocal)                   | 0                | 0                |
| Injury Costs Recovery (ICR) Scheme                   | 1,787            | 1,881            |
| Other income from activities                         | 564              | 840              |
| Patient transport services                           | 0                | 0                |
| Education, training and research                     | 13,396           | 13,604           |
| Charitable and other contributions to expenditure    | 1,078            | 1,236            |
| Receipt of donated assets                            | 391              | 854              |
| Receipt of Government granted assets                 | 7                | 25               |
| Non-patient care income generation schemes           | 102              | 75               |
| NWSSP  | 0                | 0                |
| Deferred income released to revenue                  | 0                | 0                |
| Contingent rental income from finance leases         | 0                | 0                |
| Rental income from operating leases                  | 0                | 0                |
| Other income:  |                  |                  |
| Provision of laundry, pathology, payroll services    | 52               | 63               |
| Accommodation and catering charges                   | 2,629            | 2,827            |
| Mortuary fees  | 244              | 132              |
| Staff payments for use of cars                       | 733              | 666              |
| Business Unit  | 2,004            | 1,960            |
| Other  | 5,869            | 8,710            |
| <b>Total</b>   | <b>86,336</b>    | <b>87,344</b>    |

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of 18.9 % to reflect expected rates of collection.

The provision for impairment is included within the provision for irrecoverable debts within note 15.

**5. Employee benefits and staff numbers**

**5.1 Employee costs**

|  | Permanent Staff | Staff on Inward Secondment | Agency Staff | Total          | 2013-14        |
|--|-----------------|----------------------------|--------------|----------------|----------------|
|  | £000            | £000                       | £000         | £000           | £000           |
| Salaries and wages                           | 373,127         | 1,146                      | 8,191        | 382,464        | 373,489        |
| Social security costs                        | 27,559          | 0                          | 0            | 27,559         | 27,433         |
| Employer contributions to NHS Pension Scheme | 44,185          | 0                          | 0            | 44,185         | 44,384         |
| Other pension costs                          | 407             | 0                          | 0            | 407            | 529            |
| Other employment benefits                    | 0               | 0                          | 0            | 0              | 0              |
| Termination benefits                         | 678             | 0                          | 0            | 678            | 0              |
| <b>Total</b>                                 | <b>445,956</b>  | <b>1,146</b>               | <b>8,191</b> | <b>455,293</b> | <b>445,835</b> |
| Charged to capital                           |                 |                            |              | 446            | 257            |
| Charged to revenue                           |                 |                            |              | 454,847        | 445,578        |
|  |                 |                            |              | <b>455,293</b> | <b>445,835</b> |

Net movement in accrued employee benefits (untaken staff leave accrual included above) relating to long term sickness and maternity leave.

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Termination benefits are shown in staff costs in this note but the comparator for 2013/14 - £249,983 has not been adjusted.

**5.2 Average number of employees**

|   | Permanent Staff | Staff on Inward Secondment | Agency Staff | Total         | 2013-14       |
|---|-----------------|----------------------------|--------------|---------------|---------------|
|   | Number          | Number                     | Number       | Number        | Number        |
| Medical and dental                              | 949             | 4                          | 7            | 960           | 975           |
| Ambulance staff                                 | 0               | 0                          | 0            | 0             | 0             |
| Administrative and estates                      | 2,001           | 5                          | 7            | 2,013         | 1,941         |
| Healthcare assistants and other support staff   | 2,669           | 0                          | 13           | 2,682         | 2,771         |
| Nursing, midwifery and health visiting staff    | 3,492           | 0                          | 127          | 3,619         | 3,558         |
| Nursing, midwifery and health visiting learners | 0               | 0                          | 0            | 0             | 0             |
| Scientific, therapeutic and technical staff     | 1,590           | 0                          | 4            | 1,594         | 1,516         |
| Social care staff                               | 0               | 6                          | 0            | 6             | 8             |
| Other   | 0               | 0                          | 0            | 0             | 13            |
| <b>Total</b>                                    | <b>10,701</b>   | <b>15</b>                  | <b>158</b>   | <b>10,874</b> | <b>10,782</b> |

**5.3. Retirements due to ill-health**

During 2014-15 there were 19 early retirements from the LHB agreed on the grounds of ill-health (20 in 2013-14 - £1,267,927.99.) The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,092,385.67

**5.4 Employee benefits**

| 2014-15 | 2013-14 |
|---------|---------|
| £000    | £000    |
| 0       | 0       |
| 0       | 0       |
| 0       | 0       |

5.5 Reporting of other compensation schemes - exit packages

| Exit packages cost band (including any special payment element) | 2014-15                           | 2014-15                    | 2014-15                       | 2014-15  | 2013-14                       |
|---|-----------------------------------|----------------------------|-------------------------------|--|-------------------------------|
|   | Number of compulsory redundancies | Number of other departures | Total number of exit packages | Number of departures where special payments have been made | Total number of exit packages |
|   | Whole numbers only                | Whole numbers only         | Whole numbers only            | Whole numbers only   | Restated Whole numbers only   |
| less than £10,000   | 0                                 | 4                          | 4                             | 0  | 3                             |
| £10,000 to £25,000  | 0                                 | 3                          | 3                             | 0  | 5                             |
| £25,000 to £50,000  | 0                                 | 6                          | 6                             | 0  | 3                             |
| £50,000 to £100,000   | 0                                 | 3                          | 3                             | 0  | 1                             |
| £100,000 to £150,000  | 0                                 | 1                          | 1                             | 0  | 0                             |
| £150,000 to £200,000  | 0                                 | 0                          | 0                             | 0  | 0                             |
| more than £200,000  | 0                                 | 0                          | 0                             | 0  | 0                             |
| <b>Total</b>  | <b>0</b>                          | <b>17</b>                  | <b>17</b>                     | <b>0</b>   | <b>12</b>                     |

| Exit packages cost band (including any special payment element) | 2014-15                         | 2014-15                  | 2014-15                     | 2014-15   | 2013-14                     |
|---|---------------------------------|--------------------------|-----------------------------|---|-----------------------------|
|   | Cost of compulsory redundancies | Cost of other departures | Total cost of exit packages | Cost of special element included in exit packages | Total cost of exit packages |
|   | £'s                             | £'s                      | £'s                         | £'s   | Restated £'s                |
| less than £10,000   | 0                               | 25,750                   | 25,750                      | 0   | 21,603                      |
| £10,000 to £25,000  | 0                               | 63,243                   | 63,243                      | 0   | 70,380                      |
| £25,000 to £50,000  | 0                               | 215,422                  | 215,422                     | 0   | 106,785                     |
| £50,000 to £100,000   | 0                               | 198,932                  | 198,932                     | 0   | 56,504                      |
| £100,000 to £150,000  | 0                               | 107,899                  | 107,899                     | 0   | 0                           |
| £150,000 to £200,000  | 0                               | 0                        | 0                           | 0   | 0                           |
| more than £200,000  | 0                               | 0                        | 0                           | 0   | 0                           |
| <b>Total</b>  | <b>0</b>                        | <b>611,246</b>           | <b>611,246</b>              | <b>0</b>  | <b>255,272</b>              |

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Exit costs in this note are accounted for in full in the year of departure. Where the LHB has agreed early retirements, the additional costs are met by the LHB and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

## 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 2014-15 was £185k - £190k (2013-14, £185k - £190k). This was 6.9 times (2013-14, 7.0) the median remuneration of the workforce, which was £27,102 (2013-14, £26,628).

The banded remuneration of the Chief Executive in the LHB in the financial year 2014-15 was £180k - £185k (2013-14, £185k - £190k). This was 6.7 times (2013-14, 7.0) the median remuneration of the workforce, which was £27,102 (2013-14, £26,628).

In 2014-15, 7 (2013-14, 9) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £15k to £254k (2013-14 £14k to £245k).

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

There has been a 1.8% increase in the median remuneration of the workforce due to :

- A lump sum payment of £187 (full time equivalent) to all Agenda for Change staff in post as at 1st December 2014
- Incremental pay progression
- Slight changes to the composition of the workforce

The highest paid director banded remuneration has remained the same as 2013-14 although the Interim Medical Director was the highest paid director in 2014-15 as opposed to the Chief Executive being the highest paid in 2013-14.

The ratio between the median remuneration of the workforce and the highest paid director decreased slightly due to the increase in the median remuneration.

## 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](http://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. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 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 future scheme terms are developed as part of the reforms to public service pension provision due to be implemented in 2015.

The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and after consideration of the advice of the Scheme Actuary. A formal valuation for funding purposes as at March 2012 is currently close to completion and will be used to inform the contribution rates applicable from 1 April 2015.

### c) Scheme provisions

The NHS Pension Scheme provides 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 "defined benefit" 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 inflation in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used as the measure of inflation and replaced the Retail Prices Index (RPI). Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

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

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

**d) National Employment Savings Trust (NEST)**

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

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

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

Currently, the legal minimum level of contributions is 2 per cent of a jobholder's qualifying earnings for employers whose legal duties have started. Of this, the employer needs to pay at least 1 per cent, though they can pay more if they want to.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,772 and £41,865 for the 2014/2015 tax year.

NEST has an annual contribution limit of £4,600 for the 2014/15 tax year (£4500 for 2013-14). This means the most that can be contributed to a single pot in the current tax year is £4,600. This figure will be adjusted annually in line with average earnings.

The annual contribution limit includes member contributions, money from their employer and any tax relief. It also includes any money paid in by someone else on behalf of the member, such as a member's partner or spouse.

## 6. Operating leases

### LHB as lessee

| <b>Payments recognised as an expense</b> | <b>2014-15</b> | <b>2013-14</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Minimum lease payments                   | <b>6,667</b>   | 6,352          |
| Contingent rents                         | <b>0</b>       | 0              |
| Sub-lease payments                       | <b>0</b>       | 0              |
| <b>Total</b>                             | <b>6,667</b>   | 6,352          |

### **Total future minimum lease payments**

| <b>Payable</b>             | <b>£000</b>   | <b>£000</b> |
|----------------------------|---------------|-------------|
| Not later than one year    | <b>4,283</b>  | 4,126       |
| Between one and five years | <b>8,396</b>  | 8,131       |
| After 5 years              | <b>3,531</b>  | 3,239       |
| <b>Total</b>               | <b>16,210</b> | 15,496      |

There are no future sublease payments expected to be received

### LHB as lessor

| <b>Rental revenue</b>       | <b>£000</b> | <b>£000</b> |
|-----------------------------|-------------|-------------|
| Rent                        | <b>0</b>    | 0           |
| Contingent rents            | <b>0</b>    | 0           |
| <b>Total revenue rental</b> | <b>0</b>    | 0           |

### **Total future minimum lease payments**

| <b>Receivable</b>          | <b>£000</b> | <b>£000</b> |
|----------------------------|-------------|-------------|
| Not later than one year    | <b>0</b>    | 0           |
| Between one and five years | <b>0</b>    | 0           |
| After 5 years              | <b>0</b>    | 0           |
| <b>Total</b>               | <b>0</b>    | 0           |

### LHB as lessee

The LHB has the following leases, none of which is subject to any contingency:

- Leases on properties which are at fixed rentals subject to periodic review. The significant Leases expire at dates between June 2015 and June 2032 except for one lease which does not expire until March 2064;
- Leases of medical and other equipment, including canteen, laundry and telephony equipment and photocopiers, at fixed rentals, generally for between three and seven years; and
- Vehicle leases at fixed rentals generally for a period of three or five years.

## 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.

|  | 2014-15 | 2014-15 | 2013-14 | 2013-14 |
|--|---------|---------|---------|---------|
|  | Number  | £000    | Number  | £000    |
| <b>NHS</b>                             |         |         |         |         |
| Total bills paid                       | 3,770   | 205,171 | 4,197   | 193,295 |
| Total bills paid within target         | 3,626   | 204,674 | 3,994   | 192,162 |
| Percentage of bills paid within target | 96.2%   | 99.8%   | 95.2%   | 99.4%   |
| <b>Non-NHS</b>                         |         |         |         |         |
| Total bills paid                       | 208,707 | 469,840 | 216,163 | 455,059 |
| Total bills paid within target         | 190,384 | 458,523 | 207,083 | 447,211 |
| Percentage of bills paid within target | 91.2%   | 97.6%   | 95.8%   | 98.3%   |
| <b>Total</b>                           |         |         |         |         |
| Total bills paid                       | 212,477 | 675,011 | 220,360 | 648,354 |
| Total bills paid within target         | 194,010 | 663,197 | 211,077 | 639,373 |
| Percentage of bills paid within target | 91.3%   | 98.2%   | 95.8%   | 98.6%   |

The Health Board did not achieve the target to pay 95% of the number of Non-NHS creditors within 30 days of delivery in 2014/15 2014/15 primarily because of delays in paying invoices caused by the implementation of a new Financial System in April 2014.

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

|   | 2014-15    | 2013-14  |
|---|------------|----------|
|   | £          | £        |
| 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                   | 479        | 0        |
| <b>Total</b>  | <b>479</b> | <b>0</b> |



## 8. Investment Income

|                             | 2014-15<br>£000 | 2013-14<br>£000 |
|-----------------------------|-----------------|-----------------|
| <b>Rental revenue :</b>     |                 |                 |
| PFI Finance lease income    |                 |                 |
| planned                     | 0               | 0               |
| contingent                  | 0               | 0               |
| Other finance lease revenue | 0               | 0               |
| <b>Interest revenue :</b>   |                 |                 |
| Bank accounts               | 1               | 1               |
| Other loans and receivables | 0               | 0               |
| Impaired financial assets   | 0               | 0               |
| Other financial assets      | 24              | 24              |
| <b>Total</b>                | <b>25</b>       | <b>25</b>       |

## 9. Other gains and losses

|  | 2014-15<br>£000 | 2013-14<br>£000 |
|--|-----------------|-----------------|
| Gain/(loss) on disposal of property, plant and equipment                           | (17)            | 136             |
| Gain/(loss) on disposal of intangible assets                                       | 0               | 0               |
| Gain/(loss) on disposal of assets held for sale                                    | (1)             | 63              |
| 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               |
| <b>Total</b>   | <b>(18)</b>     | <b>199</b>      |

## 10. Finance costs

|  | 2014-15<br>£000 | 2013-14<br>£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                            | 609             | 581             |
| contingent finance cost                      | 261             | 241             |
| Interest on late payment of commercial debt  | 0               | 0               |
| Other interest expense                       | 0               | 0               |
| <b>Total interest expense</b>                | <b>870</b>      | <b>822</b>      |
| Provisions unwinding of discount             | 96              | 129             |
| Other finance costs                          | 0               | 0               |
| <b>Total</b>                                 | <b>966</b>      | <b>951</b>      |

11.1 Property, plant and equipment

|   | Land<br>£000  | Buildings,<br>excluding<br>dwellings<br>£000 | Dwellings<br>£000 | Assets under<br>construction &<br>payments on<br>account<br>£000 | Plant and<br>machinery<br>£000 | Transport<br>equipment<br>£000 | Information<br>technology<br>£000 | Furniture<br>& fittings<br>£000 | Total<br>£000   |
|---|---------------|--|-------------------|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|-----------------|
| <b>Cost or valuation at 1 April 2014</b>  | 74,849        | 328,995                                      | 2,281             | 18,129   | 72,065                         | 446                            | 13,179                            | 3,510                           | 513,454         |
| Indexation  | 1,440         | 5,169  | 0                 | 0  | 719                            | 5                              | 7                                 | 35                              | 7,375           |
| Additions   |               |  |                   |  |                                |                                |                                   |                                 |                 |
| - purchased   | 393           | 4,987  | (48)              | 10,204   | 8,050                          | 0                              | 2,909                             | 102                             | 26,597          |
| - donated   | 0             | 113  | 0                 | 0  | 261                            | 0                              | 0                                 | 0                               | 374             |
| - government granted  | 0             | 7  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 7               |
| 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               |
| Reversal of impairments   | 57            | 11,280                                       | 114               | 0  | 2                              | 0                              | 0                                 | 0                               | 11,453          |
| Impairments   | (135)         | (485)  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | (620)           |
| Reclassified as held for sale   | (18)          | (54)   | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | (72)            |
| Disposals   | 0             | (3,707)                                      | 0                 | 0  | (6,643)                        | 0                              | (1,360)                           | (377)                           | (12,087)        |
| <b>At 31 March 2015</b>   | <b>76,586</b> | <b>346,305</b>                               | <b>2,347</b>      | <b>28,333</b>  | <b>74,454</b>                  | <b>451</b>                     | <b>14,735</b>                     | <b>3,270</b>                    | <b>546,481</b>  |
| <b>Depreciation at 1 April 2014</b>   | 0             | 19,753                                       | 76                | 1,792  | 43,293                         | 336                            | 8,081                             | 1,763                           | 75,094          |
| Indexation  | 0             | 358  | 0                 | 0  | 432                            | 4                              | 0                                 | 17                              | 811             |
| 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               |
| Reversal of impairments   | 0             | 629  | 4                 | 0  | 1                              | 0                              | 0                                 | 0                               | 634             |
| Impairments   | 0             | (77)   | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | (77)            |
| Reclassified as held for sale   | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0               |
| Disposals   | 0             | (3,707)                                      | 0                 | 0  | (6,627)                        | 0                              | (1,349)                           | (376)                           | (12,059)        |
| Provided during the year  | 0             | 14,635                                       | 71                | 0  | 6,978                          | 28                             | 1,714                             | 303                             | 23,729          |
| <b>At 31 March 2015</b>   | <b>0</b>      | <b>31,591</b>                                | <b>151</b>        | <b>1,792</b>   | <b>44,077</b>                  | <b>368</b>                     | <b>8,446</b>                      | <b>1,707</b>                    | <b>88,132</b>   |
| <b>Net book value at 1 April 2014</b>   | <b>74,849</b> | <b>309,242</b>                               | <b>2,205</b>      | <b>16,337</b>  | <b>28,772</b>                  | <b>110</b>                     | <b>5,098</b>                      | <b>1,747</b>                    | <b>438,360</b>  |
| <b>Net book value at 31 March 2015</b>  | <b>76,586</b> | <b>314,714</b>                               | <b>2,196</b>      | <b>26,541</b>  | <b>30,377</b>                  | <b>83</b>                      | <b>6,289</b>                      | <b>1,563</b>                    | <b>458,349</b>  |
| <b>Net book value at 31 March 2015<br/>comprises :</b>                                  |               |  |                   |  |                                |                                |                                   |                                 |                 |
| Purchased   | 73,759        | 312,922                                      | 2,196             | 26,541   | 28,962                         | 83                             | 6,265                             | 1,524                           | 452,252         |
| Donated   | 2,827         | 1,750  | 0                 | 0  | 1,393                          | 0                              | 24                                | 39                              | 6,033           |
| Government Granted  | 0             | 42   | 0                 | 0  | 22                             | 0                              | 0                                 | 0                               | 64              |
| <b>At 31 March 2015</b>   | <b>76,586</b> | <b>314,714</b>                               | <b>2,196</b>      | <b>26,541</b>  | <b>30,377</b>                  | <b>83</b>                      | <b>6,289</b>                      | <b>1,563</b>                    | <b>458,349</b>  |
| <b>Asset financing :</b>  |               |  |                   |  |                                |                                |                                   |                                 |                 |
| Owned   | 76,586        | 304,560                                      | 2,196             | 26,541   | 29,572                         | 83                             | 6,289                             | 1,563                           | 447,390         |
| Held on finance lease   | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0               |
| On-SoFP PFI contracts   | 0             | 10,154                                       | 0                 | 0  | 805                            | 0                              | 0                                 | 0                               | 10,959          |
| PFI residual interests  | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0               |
| <b>At 31 March 2015</b>   | <b>76,586</b> | <b>314,714</b>                               | <b>2,196</b>      | <b>26,541</b>  | <b>30,377</b>                  | <b>83</b>                      | <b>6,289</b>                      | <b>1,563</b>                    | <b>458,349</b>  |
| <b>The net book value of land, buildings and dwellings at 31 March 2015 comprises :</b> |               |  |                   |  |                                |                                |                                   |                                 |                 |
| Freehold  |               |  |                   |  |                                |                                |                                   |                                 | £000<br>383,115 |
| Long Leasehold  |               |  |                   |  |                                |                                |                                   |                                 | 10,381          |
| Short Leasehold   |               |  |                   |  |                                |                                |                                   |                                 | 0               |
|   |               |  |                   |  |                                |                                |                                   |                                 | <b>393,496</b>  |

11.1 Property, plant and equipment

|   | Land<br>£000  | Buildings,<br>excluding<br>dwellings<br>£000 | Dwellings<br>£000 | Assets under<br>construction &<br>payments on<br>account<br>£000 | Plant and<br>machinery<br>£000 | Transport<br>equipment<br>£000 | Information<br>technology<br>£000 | Furniture<br>& fittings<br>£000 | Total<br>£000   |
|---|---------------|--|-------------------|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|-----------------|
| <b>Cost or valuation at 1 April 2013</b>  | 75,079        | 318,425                                      | 2,407             | 17,575   | 68,036                         | 446                            | 14,212                            | 3,447                           | 499,627         |
| Indexation  | 0             | 3,384  | 48                | 0  | 0                              | 0                              | 0                                 | 0                               | 3,432           |
| Additions   |               |  |                   |  |                                |                                |                                   |                                 |                 |
| - purchased   | 0             | 2,181  | 713               | 4,082  | 4,752                          | 0                              | 891                               | 27                              | 12,646          |
| - donated   | 0             | 193  | 0                 | 0  | 608                            | 0                              | 17                                | 36                              | 854             |
| - government granted  | 0             | 25   | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 25              |
| Transfer from/into other NHS bodies   | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0               |
| Reclassifications   | 0             | 3,287  | 0                 | (3,528)  | 533                            | 0                              | (292)                             | 0                               | 0               |
| Revaluations  | 0             | 707  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 707             |
| Reversal of impairments   | 0             | 3,224  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 3,224           |
| Impairments   | (31)          | (2,279)                                      | (887)             | 0  | 0                              | 0                              | 0                                 | 0                               | (3,197)         |
| Reclassified as held for sale   | (199)         | (152)  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | (351)           |
| Disposals   | 0             | 0  | 0                 | 0  | (1,864)                        | 0                              | (1,649)                           | 0                               | (3,513)         |
| <b>At 31 March 2014</b>   | <b>74,849</b> | <b>328,995</b>                               | <b>2,281</b>      | <b>18,129</b>  | <b>72,065</b>                  | <b>446</b>                     | <b>13,179</b>                     | <b>3,510</b>                    | <b>513,454</b>  |
| <b>Depreciation at 1 April 2013</b>   | 0             | 10,484                                       | 74                | 1,792  | 38,923                         | 308                            | 7,813                             | 1,467                           | 60,861          |
| Indexation  | 0             | 143  | 1                 | 0  | 0                              | 0                              | 0                                 | 0                               | 144             |
| Transfer from/into other NHS bodies   | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0               |
| Reclassifications   | 0             | 0  | 0                 | 0  | 101                            | 0                              | (101)                             | 0                               | 0               |
| Revaluations  | 0             | (2,590)                                      | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | (2,590)         |
| Reversal of impairments   | 0             | 66   | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 66              |
| Impairments   | 0             | (835)  | (85)              | 0  | 0                              | 0                              | 0                                 | 0                               | (920)           |
| Reclassified as held for sale   | 0             | (30)   | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | (30)            |
| Disposals   | 0             | 0  | 0                 | 0  | (1,838)                        | 0                              | (1,648)                           | 0                               | (3,486)         |
| Provided during the year  | 0             | 12,515                                       | 86                | 0  | 6,107                          | 28                             | 2,017                             | 296                             | 21,049          |
| <b>At 31 March 2014</b>   | <b>0</b>      | <b>19,753</b>                                | <b>76</b>         | <b>1,792</b>   | <b>43,293</b>                  | <b>336</b>                     | <b>8,081</b>                      | <b>1,763</b>                    | <b>75,094</b>   |
| <b>Net book value at 1 April 2013</b>   | <b>75,079</b> | <b>307,941</b>                               | <b>2,333</b>      | <b>15,783</b>  | <b>29,113</b>                  | <b>138</b>                     | <b>6,399</b>                      | <b>1,980</b>                    | <b>438,766</b>  |
| <b>Net book value at 31 March 2014</b>  | <b>74,849</b> | <b>309,242</b>                               | <b>2,205</b>      | <b>16,337</b>  | <b>28,772</b>                  | <b>110</b>                     | <b>5,098</b>                      | <b>1,747</b>                    | <b>438,360</b>  |
| <b>Net book value at 31 March 2014<br/>comprises :</b>                                  |               |  |                   |  |                                |                                |                                   |                                 |                 |
| Purchased   | 72,077        | 307,531                                      | 2,205             | 16,337   | 27,263                         | 110                            | 5,067                             | 1,703                           | 432,293         |
| Donated   | 2,772         | 1,675  | 0                 | 0  | 1,483                          | 0                              | 31                                | 44                              | 6,005           |
| Government Granted  | 0             | 36   | 0                 | 0  | 26                             | 0                              | 0                                 | 0                               | 62              |
| <b>At 31 March 2014</b>   | <b>74,849</b> | <b>309,242</b>                               | <b>2,205</b>      | <b>16,337</b>  | <b>28,772</b>                  | <b>110</b>                     | <b>5,098</b>                      | <b>1,747</b>                    | <b>438,360</b>  |
| <b>Asset financing :</b>  |               |  |                   |  |                                |                                |                                   |                                 |                 |
| Owned   | 74,849        | 298,859                                      | 2,205             | 16,337   | 28,581                         | 110                            | 5,098                             | 1,747                           | 427,786         |
| Held on finance lease   | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0               |
| On-SoFP PFI contracts   | 0             | 10,383                                       | 0                 | 0  | 191                            | 0                              | 0                                 | 0                               | 10,574          |
| PFI residual interests  | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0               |
| <b>At 31 March 2014</b>   | <b>74,849</b> | <b>309,242</b>                               | <b>2,205</b>      | <b>16,337</b>  | <b>28,772</b>                  | <b>110</b>                     | <b>5,098</b>                      | <b>1,747</b>                    | <b>438,360</b>  |
| <b>The net book value of land, buildings and dwellings at 31 March 2014 comprises :</b> |               |  |                   |  |                                |                                |                                   |                                 |                 |
| Freehold  |               |  |                   |  |                                |                                |                                   |                                 | £000<br>375,689 |
| Long Leasehold  |               |  |                   |  |                                |                                |                                   |                                 | 10,607          |
| Short Leasehold   |               |  |                   |  |                                |                                |                                   |                                 | 0               |
|   |               |  |                   |  |                                |                                |                                   |                                 | <b>386,296</b>  |

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

Notes on property, plant and equipment

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 have been restated to current value using the professional valuations carried out by the District Valuers of the Inland Revenue, this was carried out in 2012-13 as part of the 5 yearly revaluation programme. The valuation was carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non specialised operational property. For non-operational properties the valuations were carried out at open market value. In 2014-15 indexation has been applied to land, buildings and equipment based on indices received from the District Valuers Office.

In addition to this in 2014-15, there has been a separate revaluation for Blaenavon Healthcare Centre as the asset had become surplus and required a valuation prior to sale.

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. Leaseholds are depreciated over the primary lease term. Equipment is depreciated on current cost evenly over the estimated useful life of the asset. There are standard suggested lives for classes of equipment as set below which are used as a default unless there is evidence proving an alternative, i.e. current manufacturer guidance on CT Scanners suggests a 7 year life. Health Board standard assumed lives:

Short life engineering plant and equipment - 5 years  
 Medium life engineering plant and equipment - 7 years  
 Long Life engineering plant and equipment - 15 years  
 Private vehicles - 7 years  
 Commercial vehicles - 10 years  
 Soft furniture and fittings - 5 years  
 Other furniture and fittings - 10 years  
 IT hardware - 5 years  
 Short life medical and other equipment - 5 years  
 Medium life medical equipment - 7 years  
 Long life medical equipment - 15 years

Where evidence is provided to show that an asset life should differ from those above this will be reviewed and adjusted. A shortened life would give a higher depreciation charge over the remaining life of the asset.

iv) No compensation has been received from third parties for assets impaired, lost or given up.

v) Impairment provisions have been made where valuations from the District Valuer indicate that the carrying value of the assets are above the current valuation.

vi) 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.

vii) The GCRC of fully depreciated equipment assets as at 31/03/2015 is £20,866K (£24,623K 2013/14).

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

**11.2 Non-current assets held for sale**

|  | Land      | Buildings,<br>including<br>dwelling | Other<br>property,<br>plant and<br>equipment | Intangible<br>assets | Other assets | Total        |
|--|-----------|-------------------------------------|--|----------------------|--------------|--------------|
|  | £000      | £000                                | £000   | £000                 | £000         | £000         |
| <b>Balance brought forward 1 April 2014</b>  | 0         | 0                                   | 0  | 0                    | 0            | <b>0</b>     |
| Plus assets classified as held for sale in the year  | 18        | 54                                  | 0  | 0                    | 0            | <b>72</b>    |
| Revaluation  | 0         | 0                                   | 0  | 0                    | 0            | <b>0</b>     |
| Less assets sold in the year   | (18)      | (54)                                | 0  | 0                    | 0            | <b>(72)</b>  |
| Add reversal of impairment of assets held for sale   | 0         | 0                                   | 0  | 0                    | 0            | <b>0</b>     |
| Less impairment of assets held for sale  | 0         | 0                                   | 0  | 0                    | 0            | <b>0</b>     |
| Less assets no longer classified as held for sale, for reasons other than disposal by sale | 0         | 0                                   | 0  | 0                    | 0            | <b>0</b>     |
| <b>Balance carried forward 31 March 2015</b>   | <b>0</b>  | <b>0</b>                            | <b>0</b>                                     | <b>0</b>             | <b>0</b>     | <b>0</b>     |
| <b>Balance brought forward 1 April 2013</b>  | <b>60</b> | <b>204</b>                          | <b>0</b>                                     | <b>0</b>             | <b>0</b>     | <b>264</b>   |
| Plus assets classified as held for sale in the year  | 199       | 122                                 | 0  | 0                    | 0            | <b>321</b>   |
| Revaluation  | 0         | 0                                   | 0  | 0                    | 0            | <b>0</b>     |
| Less assets sold in the year   | (259)     | (215)                               | 0  | 0                    | 0            | <b>(474)</b> |
| Add reversal of impairment of assets held for sale   | 0         | 0                                   | 0  | 0                    | 0            | <b>0</b>     |
| Less impairment of assets held for sale  | 0         | (111)                               | 0  | 0                    | 0            | <b>(111)</b> |
| Less assets no longer classified as held for sale, for reasons other than disposal by sale | 0         | 0                                   | 0  | 0                    | 0            | <b>0</b>     |
| <b>Balance carried forward 31 March 2014</b>   | <b>0</b>  | <b>0</b>                            | <b>0</b>                                     | <b>0</b>             | <b>0</b>     | <b>0</b>     |

**Non Current Assets Held for Sale**

|                                    | Blaenavon<br>Healthcare<br>Unit | Total<br>£000 |
|------------------------------------|---------------------------------|---------------|
| Balance B/F 1 April 2014           | 0                               | 0             |
| Assets revalued in year            | 0                               | 0             |
| Assets classified as held for sale | 72                              | 72            |
| Impairment of assets held for sale | 0                               | 0             |
| Assets sold in the year            |                                 |               |
| Sale proceeds                      | (75)                            | (75)          |
| Costs of sale                      | 4                               | 4             |
| Profit/loss on sale                | (1)                             | (1)           |
|                                    | (72)                            | (72)          |
| Balance C/F 31 March 2015          | <b>0</b>                        | <b>0</b>      |

|                                    | Redwood<br>Hospital<br>£000 | Rhymney<br>Health<br>Centre<br>£000 | Leven<br>House<br>£000 | 27 Clytha<br>Park<br>£000 | Total<br>£000 |
|------------------------------------|-----------------------------|-------------------------------------|------------------------|---------------------------|---------------|
| Balance B/F 1 April 2013           | 0                           | 0                                   | 0                      | 264                       | 264           |
| Assets revalued in year            | 0                           | 0                                   | 0                      | 0                         | 0             |
| Assets classified as held for sale | 70                          | 49                                  | 202                    | 0                         | 321           |
| Impairment of assets held for sale | 0                           | 0                                   | 0                      | (111)                     | (111)         |
| Assets sold in the year            |                             |                                     |                        |                           |               |
| Sale proceeds                      | (75)                        | (50)                                | (275)                  | (160)                     | (560)         |
| Costs of sale                      | 5                           | 3                                   | 6                      | 9                         | 23            |
| Profit/loss on sale                | 0                           | (2)                                 | 67                     | (2)                       | 63            |
|                                    | (70)                        | (49)                                | (202)                  | (153)                     | (474)         |
| Balance C/F 31 March 2014          | <b>0</b>                    | <b>0</b>                            | <b>0</b>               | <b>0</b>                  | <b>0</b>      |

## 12. Intangible non-current assets

|  | Software<br>(purchased) | Software<br>(internally<br>generated) | Licences<br>and<br>trademarks | Patents  | Development<br>expenditure-<br>internally<br>generated | Carbon<br>Reduction<br>Commitments | Total        |
|--|-------------------------|---------------------------------------|-------------------------------|----------|--|------------------------------------|--------------|
|  | £000                    | £000                                  | £000                          | £000     | £000   | £000                               | £000         |
| <b>Cost or valuation at 1 April 2014</b> | 1,126                   | 0                                     | 0                             | 0        | 0  | 0                                  | 1,126        |
| Revaluation                              | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Reclassifications                        | (371)                   | 0                                     | 371                           | 0        | 0  | 0                                  | 0            |
| Reversal of impairments                  | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Impairments                              | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Additions- purchased                     | 344                     | 0                                     | 614                           | 0        | 0  | 0                                  | 958          |
| Additions- internally generated          | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Additions- donated                       | 17                      | 0                                     | 0                             | 0        | 0  | 0                                  | 17           |
| 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            |
| <b>Gross cost at 31 March 2015</b>       | <b>1,116</b>            | <b>0</b>                              | <b>985</b>                    | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>2,101</b> |
| <b>Amortisation at 1 April 2014</b>      | 294                     | 0                                     | 0                             | 0        | 0  | 0                                  | 294          |
| Revaluation                              | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Reclassifications                        | (54)                    | 0                                     | 54                            | 0        | 0  | 0                                  | 0            |
| Reversal of impairments                  | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Impairment                               | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Provided during the year                 | 155                     | 0                                     | 80                            | 0        | 0  | 0                                  | 235          |
| 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            |
| <b>Amortisation at 31 March 2015</b>     | <b>395</b>              | <b>0</b>                              | <b>134</b>                    | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>529</b>   |
| <b>Net book value at 1 April 2014</b>    | <b>832</b>              | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>832</b>   |
| <b>Net book value at 31 March 2015</b>   | <b>721</b>              | <b>0</b>                              | <b>851</b>                    | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>1,572</b> |
| <b>At 31 March 2015</b>                  |                         |                                       |                               |          |  |                                    |              |
| Purchased                                | 706                     | 0                                     | 851                           | 0        | 0  | 0                                  | 1,557        |
| Donated                                  | 15                      | 0                                     | 0                             | 0        | 0  | 0                                  | 15           |
| Government Granted                       | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Internally generated                     | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| <b>Total at 31 March 2015</b>            | <b>721</b>              | <b>0</b>                              | <b>851</b>                    | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>1,572</b> |

**12. Intangible non-current assets (continued)**

|  | Software<br>(purchased) | Software<br>(internally<br>generated) | Licences<br>and<br>trademarks | Patents  | Development<br>expenditure-<br>internally<br>generated | Carbon<br>Reduction<br>Commitments | Total        |
|--|-------------------------|---------------------------------------|-------------------------------|----------|--|------------------------------------|--------------|
|  | £000                    | £000                                  | £000                          | £000     | £000   | £000                               | £000         |
| <b>Cost or valuation at 1 April 2013</b> | 657                     | 0                                     | 0                             | 0        | 0  | 0                                  | 657          |
| Revaluation                              | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Reclassifications                        | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Reversal of impairments                  | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Impairments                              | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Additions- purchased                     | 469                     | 0                                     | 0                             | 0        | 0  | 0                                  | 469          |
| 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            |
| <b>Gross cost at 31 March 2014</b>       | <b>1,126</b>            | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>1,126</b> |
| <b>Amortisation at 1 April 2013</b>      | 149                     | 0                                     | 0                             | 0        | 0  | 0                                  | 149          |
| Revaluation                              | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Reclassifications                        | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Reversal of impairments                  | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Impairment                               | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Provided during the year                 | 145                     | 0                                     | 0                             | 0        | 0  | 0                                  | 145          |
| 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            |
| <b>Amortisation at 31 March 2014</b>     | <b>294</b>              | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>294</b>   |
| <b>Net book value at 1 April 2013</b>    | <b>508</b>              | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>508</b>   |
| <b>Net book value at 31 March 2014</b>   | <b>832</b>              | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>832</b>   |
| <b>At 31 March 2014</b>                  |                         |                                       |                               |          |  |                                    |              |
| Purchased                                | 832                     | 0                                     | 0                             | 0        | 0  | 0                                  | 832          |
| 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            |
| <b>Total at 31 March 2014</b>            | <b>832</b>              | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>832</b>   |

The opening balance comprised:

1. E-rostering Software programme net book value £124K with a remaining life of 1.5 years;
2. Licences for Ysbyty Ystrad Fawr for Microsoft Office and Patient Call Software net book value of £24K with a remaining life of 1.5 years;
3. Desktop software £38K with a remaining life of 3 years;
4. HSDU tracking software £24K with a remaining life of 3 years;
5. Kodak scanner software £16K with a remaining life 3 years;
6. Microsoft office and related software net book value £201K with a remaining life of 3.75 years;
7. Desktop software net book value £119K with a remaining life of 5 years;
8. Other software net book value £61K with a remaining life of 2.5 to 6 years.

These assets have not been subject to indexation or revaluation in the year.

Additions during the year comprised:

1. Encryption and End Point Security Software £42K with a 5 year life;
2. Clinical Application Assurance Tool software £40K with a 5 year life;
3. Endoscopy Reporting System software £117K with a 5 year life;
4. Microsoft EA Licences £574K with a 5 year life;
5. Anti Virus Software £68K with a 5 year life;
6. DHR E Forms Workflow software £70K with a 5 year life;
7. Other software £25K with a 5 year life;
8. Other licences £39K with a 2 to 5 year life.



### 13 . Impairments

|   | 2014-15                             |                           | 2013-14                             |                           |
|---|-------------------------------------|---------------------------|-------------------------------------|---------------------------|
|   | Property, plant & equipment<br>£000 | Intangible assets<br>£000 | Property, plant & equipment<br>£000 | Intangible assets<br>£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                     | 543                                 | 0                         | 766                                 | 0                         |
| Others (specify)                            | -10,819                             | 0                         | -1,536                              | 0                         |
| <b>Total of all impairments</b>             | <b>-10,276</b>                      | <b>0</b>                  | <b>-770</b>                         | <b>0</b>                  |

#### Analysis of impairments charged to reserves in year :

|   |                |          |             |          |
|---|----------------|----------|-------------|----------|
| Charged to the Statement of Comprehensive Net Expenditure | -10,276        | 0        | -770        | 0        |
| Charged to Revaluation Reserve                            | 0              | 0        | 0           | 0        |
|   | <b>-10,276</b> | <b>0</b> | <b>-770</b> | <b>0</b> |

#### Impairments

| 2013-2014 | Impairment amount<br>£000 | Reason for impairment<br>£000 | Nature of asset<br>£000 | Valuation basis<br>£000 | Charge to     |                             |
|-----------|---------------------------|-------------------------------|-------------------------|-------------------------|---------------|-----------------------------|
|           |                           |                               |                         |                         | SOCNE<br>£000 | Revaluation reserve<br>£000 |

#### IMPAIRMENTS

##### Changes in market price

|                                    |            |   |                                |                               |            |          |
|------------------------------------|------------|---|--------------------------------|-------------------------------|------------|----------|
| Blaenavon Healthcare Unit          | 543        | Assets recognised as surplus, moved to AHFS and marketed for sale | Non operational, held for sale | Fair value less costs to sell | 543        | 0        |
| Sub total Changes in market prices | 543        |   |                                |                               | 543        | 0        |
| <b>Total impairment</b>            | <b>543</b> |   |                                |                               | <b>543</b> | <b>0</b> |

#### REVERSAL OF IMPAIRMENTS

##### Changes in market price

|                                      |                 |                                       |                    |            |                 |          |
|--------------------------------------|-----------------|---------------------------------------|--------------------|------------|-----------------|----------|
| Ysbyty Aneurin Bevan                 | (1,506)         | Reversal of impairment in prior years | Operational assets | Indexation | (1,506)         | 0        |
| Ysbyty Ystrad Fawr                   | (5,496)         |                                       |                    |            | (5,496)         | 0        |
| Serennu Childrens Centre             | (333)           |                                       |                    |            | (333)           | 0        |
| Royal Gwent                          | (2,846)         |                                       |                    |            | (2,846)         | 0        |
| Llanfrechfa Grange                   | (462)           |                                       |                    |            | (462)           | 0        |
| Nevill Hall                          | (52)            |                                       |                    |            | (52)            | 0        |
| Various Community Sites              | (124)           |                                       |                    |            | (124)           | 0        |
| <b>Total reversal of impairments</b> | <b>(10,819)</b> |                                       |                    |            | <b>(10,819)</b> | <b>0</b> |
| <b>Net credit to SoCNE</b>           | <b>(10,276)</b> |                                       |                    |            | <b>(10,276)</b> | <b>0</b> |

Prior accounting practice was to credit revaluations of previously impaired assets to the revaluation reserve. However to ensure compliance with accounting standards, new guidance across Wales has been adopted requiring that these revaluations should now be credited to the income statement (SOCNE) to the extent of any previous impairment and then to the revaluation reserve for any excess amount. The reversal of impairment therefore credits SOCNE by £11.4M for the current period but is offset by an impairment on Blaenavon Resource Centre of £0.54M to give a total impairment figure of £10.8M.

## 14.1 Inventories

|                                   | <b>31 March</b> | 31 March |
|-----------------------------------|-----------------|----------|
|                                   | <b>2015</b>     | 2014     |
|                                   | <b>£000</b>     | £000     |
| Drugs                             | <b>1,860</b>    | 1,749    |
| Consumables                       | <b>3,879</b>    | 4,632    |
| Energy                            | <b>208</b>      | 203      |
| Work in progress                  | <b>0</b>        | 0        |
| Other                             | <b>0</b>        | 0        |
| <b>Total</b>                      | <b>5,947</b>    | 6,584    |
| Of which held at realisable value | <b>0</b>        | 0        |

## 14.2 Inventories recognised in expenses

|  | <b>31 March</b> | 31 March |
|--|-----------------|----------|
|  | <b>2015</b>     | 2014     |
|  | <b>£000</b>     | £000     |
| Inventories recognised as an expense in the period | <b>43</b>       | 33       |
| Write-down of inventories (including losses)       | <b>12</b>       | 6        |
| Reversal of write-downs that reduced the expense   | <b>0</b>        | 0        |
| <b>Total</b>                                       | <b>55</b>       | 39       |

Included in the Inventories recognised as an expense in the period is £43K of dental stock written down over the course of the year and £12K of Building and Engineering stock written-down due to the closure of the stores.

The Health Board transferred responsibility for the Cwmbran controlled stores to NHS Wales Shared Services Partnership from 01.04.2015 (£673K) which is reflected in the reduction in consumable inventories in note 14.1.

## 15. Trade and other Receivables

| <b>Current</b>  | <b>31 March<br/>2015<br/>£000</b> | 31 March<br>2014<br>£000 |
|---|-----------------------------------|--------------------------|
| Welsh Government  | 240                               | 495                      |
| WHSSC / EASC  | 594                               | 678                      |
| Welsh Health Boards   | 1,785                             | 3,878                    |
| Welsh NHS Trusts  | 695                               | 1,115                    |
| Non - Welsh Trusts  | 317                               | 449                      |
| Other NHS   | 0                                 | 0                        |
| Welsh Risk Pool   | 31,876                            | 20,210                   |
| Local Authorities   | 6,679                             | 3,034                    |
| Capital debtors   | 0                                 | 0                        |
| Other debtors   | 9,705                             | 10,552                   |
| Provision for irrecoverable debts   | (1,623)                           | (1,278)                  |
| Pension Prepayments   | 0                                 | 0                        |
| Other prepayments   | 3,733                             | 3,505                    |
| Other accrued income  | 0                                 | 0                        |
| <b>Sub total</b>  | <b>54,001</b>                     | <b>42,638</b>            |
| <b>Non-current</b>  |                                   |                          |
| Welsh Government  | 0                                 | 0                        |
| WHSSC / EASC  | 0                                 | 0                        |
| Welsh Health Boards   | 0                                 | 0                        |
| Welsh NHS Trusts  | 0                                 | 0                        |
| Non - Welsh Trusts  | 0                                 | 0                        |
| Other NHS   | 0                                 | 0                        |
| Welsh Risk Pool   | 28,570                            | 27,541                   |
| Local Authorities   | 0                                 | 0                        |
| Capital debtors   | 0                                 | 0                        |
| Other debtors   | 1,831                             | 1,969                    |
| Provision for irrecoverable debts   | 0                                 | 0                        |
| Pension Prepayments   | 0                                 | 0                        |
| Other prepayments   | 0                                 | 0                        |
| Other accrued income  | 0                                 | 0                        |
| <b>Sub total</b>  | <b>30,401</b>                     | <b>29,510</b>            |
| <b>Total</b>  | <b>84,402</b>                     | <b>72,148</b>            |
| <b>Receivables past their due date but not impaired</b>   |                                   |                          |
| By up to three months   | 1,603                             | 2,043                    |
| By three to six months  | 303                               | 401                      |
| By more than six months   | 962                               | 1,317                    |
|   | <b>2,868</b>                      | <b>3,761</b>             |
| <b>Provision for impairment of receivables</b>  |                                   |                          |
| Balance at 1 April  | (1,278)                           | (1,213)                  |
| Transfer to other NHS Wales body  | 0                                 | 0                        |
| Amount written off during the year  | 80                                | 0                        |
| Amount recovered during the year  | 0                                 | 0                        |
| (Increase) / decrease in receivables impaired   | (446)                             | (65)                     |
| Bad debts recovered during year   | 21                                | 0                        |
| Balance at 31 March   | <b>(1,623)</b>                    | <b>(1,278)</b>           |
| <p>In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies</p> |                                   |                          |
| <b>Receivables VAT</b>  |                                   |                          |
| Trade receivables   | 1,203                             | 649                      |
| Other   | 688                               | 589                      |
| <b>Total</b>  | <b>1,891</b>                      | <b>1,238</b>             |

**16. Trade and other payables**

| <b>Current</b>   | <b>31 March<br/>2015<br/>£000</b> | 31 March<br>2014<br>£000<br>Restated |
|--|-----------------------------------|--------------------------------------|
| Welsh Government                                       | 183                               | 216                                  |
| WHSSC / EASC   | 210                               | 1,621                                |
| Welsh Health Boards                                    | 1,806                             | 4,279                                |
| Welsh NHS Trusts                                       | 3,315                             | 1,115                                |
| Other NHS  | 3,930                             | 3,476                                |
| Taxation and social security payable / refunds         | 690                               | 8,857                                |
| Refunds of taxation by HMRC                            | 0                                 | 0                                    |
| VAT payable to HMRC                                    | 0                                 | 21                                   |
| Other taxes payable to HMRC                            | 0                                 | 0                                    |
| NI contributions payable to HMRC                       | 0                                 | 0                                    |
| Non-NHS creditors                                      | 32,052                            | 28,865                               |
| Local Authorities                                      | 5,226                             | 2,226                                |
| Capital Creditors                                      | 9,820                             | 5,969                                |
| Overdraft  | 0                                 | 0                                    |
| Rentals due under operating leases                     | 0                                 | 0                                    |
| Obligations under finance leases, HP contracts         | 0                                 | 0                                    |
| Imputed finance lease element of on SoFP PFI contracts | 572                               | 385                                  |
| Pensions: staff  | 6,888                             | 6,796                                |
| Accruals   | 48,637                            | 38,267                               |
| Deferred Income:                                       |                                   |                                      |
| Deferred Income brought forward                        | 0                                 | 0                                    |
| Deferred Income Additions                              | 0                                 | 0                                    |
| Transfer to / from current/non current deferred income | 0                                 | 0                                    |
| Released to SoCNE                                      | 0                                 | 0                                    |
| Other creditors  | 0                                 | 0                                    |
| PFI assets –deferred credits                           | 0                                 | 0                                    |
| Payments on account                                    | (9,563)                           | (9,475)                              |
| <b>Total</b>   | <b>103,766</b>                    | <b>92,618</b>                        |
| <b>Non-current</b>                                     |                                   |                                      |
| Welsh Government                                       | 0                                 | 0                                    |
| WHSSC / EASC   | 0                                 | 0                                    |
| Welsh Health Boards                                    | 0                                 | 0                                    |
| Welsh NHS Trusts                                       | 0                                 | 0                                    |
| Other NHS  | 0                                 | 0                                    |
| Taxation and social security payable / refunds         | 0                                 | 0                                    |
| Refunds of taxation by HMRC                            | 0                                 | 0                                    |
| VAT payable to HMRC                                    | 0                                 | 0                                    |
| Other taxes payable to HMRC                            | 0                                 | 0                                    |
| NI contributions payable to HMRC                       | 0                                 | 0                                    |
| Non-NHS creditors                                      | 0                                 | 0                                    |
| Local Authorities                                      | 0                                 | 0                                    |
| Capital Creditors                                      | 0                                 | 0                                    |
| Overdraft  | 0                                 | 0                                    |
| Rentals due under operating leases                     | 0                                 | 0                                    |
| Obligations under finance leases, HP contracts         | 0                                 | 0                                    |
| Imputed finance lease element of on SoFP PFI contracts | 8,090                             | 7,997                                |
| Pensions: staff  | 0                                 | 0                                    |
| Accruals   | 0                                 | 0                                    |
| Deferred Income :                                      |                                   |                                      |
| Deferred Income brought forward                        | 0                                 | 0                                    |
| Deferred Income Additions                              | 0                                 | 0                                    |
| Transfer to / from current/non current deferred income | 0                                 | 0                                    |
| Released to SoCNE                                      | 0                                 | 0                                    |
| Other creditors  | 0                                 | 0                                    |
| PFI assets –deferred credits                           | 0                                 | 0                                    |
| Payments on account                                    | 0                                 | 0                                    |
| <b>Total</b>   | <b>8,090</b>                      | <b>7,997</b>                         |

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

**17. Provisions**

|   | At 1 April 2014 | 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 2015 |
|---|-----------------|--|-------------------------------------|--|-------------------------|--------------------------|-----------------|-----------------------|------------------|
|   | £000            | £000   | £000                                | £000                                     | £000                    | £000                     | £000            | £000                  | £000             |
| <b>Current</b>                              |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 20,995          | 0  | 0                                   | 10,540                                   | 23,949                  | (13,227)                 | (10,546)        | 0                     | 31,711           |
| Personal injury                             | 950             | 0  | 0                                   | 676                                      | 2,227                   | (651)                    | (873)           | 29                    | 2,358            |
| All other losses and special payments       | 0               | 0  | 0                                   | 0  | 145                     | (145)                    | 0               | 0                     | 0                |
| Defence legal fees and other administration | 1,322           | 0  | 0                                   | (13)                                     | 1,312                   | (557)                    | (956)           |                       | 1,108            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 545             |  |                                     | 0  | 379                     | (513)                    | 0               | 67                    | 478              |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 807             |  | 0                                   | 0  | 1,047                   | (675)                    | (1)             |                       | 1,178            |
| <b>Total</b>                                | <b>24,619</b>   | <b>0</b>   | <b>0</b>                            | <b>11,203</b>                            | <b>29,059</b>           | <b>(15,768)</b>          | <b>(12,376)</b> | <b>96</b>             | <b>36,833</b>    |
| <b>Non Current</b>                          |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 22,871          | 0  | 0                                   | (10,540)                                 | 12,087                  | (227)                    | (1,313)         | 0                     | 22,878           |
| Personal injury                             | 2,094           | 0  | 0                                   | (676)                                    | 0                       | 0                        | 0               | 0                     | 1,418            |
| All other losses and special payments       | 0               | 0  | 0                                   | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Defence legal fees and other administration | 1,134           | 0  | 0                                   | 13                                       | 370                     | (116)                    | (30)            |                       | 1,371            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 4,625           |  |                                     | 0  | 99                      | 0                        | (71)            | 0                     | 4,653            |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 3,526           |  | 0                                   | 0  | 2,623                   | (1,861)                  | (302)           |                       | 3,986            |
| <b>Total</b>                                | <b>34,250</b>   | <b>0</b>   | <b>0</b>                            | <b>(11,203)</b>                          | <b>15,179</b>           | <b>(2,204)</b>           | <b>(1,716)</b>  | <b>0</b>              | <b>34,306</b>    |
| <b>TOTAL</b>                                |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 43,866          | 0  | 0                                   | 0  | 36,036                  | (13,454)                 | (11,859)        | 0                     | 54,589           |
| Personal injury                             | 3,044           | 0  | 0                                   | 0  | 2,227                   | (651)                    | (873)           | 29                    | 3,776            |
| All other losses and special payments       | 0               | 0  | 0                                   | 0  | 145                     | (145)                    | 0               | 0                     | 0                |
| Defence legal fees and other administration | 2,456           | 0  | 0                                   | 0  | 1,682                   | (673)                    | (986)           |                       | 2,479            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 5,170           |  |                                     | 0  | 478                     | (513)                    | (71)            | 67                    | 5,131            |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 4,333           |  | 0                                   | 0  | 3,670                   | (2,536)                  | (303)           |                       | 5,164            |
| <b>Total</b>                                | <b>58,869</b>   | <b>0</b>   | <b>0</b>                            | <b>0</b>                                 | <b>44,238</b>           | <b>(17,972)</b>          | <b>(14,092)</b> | <b>96</b>             | <b>71,139</b>    |

**Expected timing of cash flows:**

|   | In the remainder of spending review to 31 March 2016 | Between 1 April 2016 and 31 March 2021 | Between 1 April 2021 and 31 March 2026 | Thereafter | Total         |
|---|--|--|--|------------|---------------|
|   |  |  |  |            | £000          |
| Clinical negligence                         | 31,711   | 21,271                                 | 1,607                                  | 0          | 54,589        |
| Personal injury                             | 2,358  | 1,418                                  | 0                                      | 0          | 3,776         |
| All other losses and special payments       | 0  | 0                                      | 0                                      | 0          | 0             |
| Defence legal fees and other administration | 1,108  | 1,371                                  | 0                                      | 0          | 2,479         |
| Pensions relating to former directors       | 0  | 0                                      | 0                                      | 0          | 0             |
| Pensions relating to other staff            | 478  | 2,391                                  | 2,262                                  | 0          | 5,131         |
| Restructuring                               | 0  | 0                                      | 0                                      | 0          | 0             |
| Other                                       | 1,178  | 3,986                                  | 0                                      | 0          | 5,164         |
| <b>Total</b>                                | <b>36,833</b>  | <b>30,437</b>                          | <b>3,869</b>                           | <b>0</b>   | <b>71,139</b> |

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

The claims outstanding with the Welsh Risk Pool are based on best estimates of settlement of claims provided by the Health Board's legal advisors.

The Health Board estimates that in 2015/16 it will receive £31,876,248 and in 2016/17 and beyond £22,955,382 from the Welsh Risk Pool in respect of clinical negligence and personal injury payments.

Other provisions include: Continuing Healthcare IRP & Ombudsman claims £4,465,047.47 As per above the Local Health Board has estimated a liability of £4.465m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2014/15 is consistent with the methodology used in 2013/14. In the continuing absence of detailed assessment information the Health Board has used a mixture of actual assessments and the application of an expected success factor and average weekly costs to determine whether an individual claimant provision would be established.

Other provisions also include £89,680 for Ancillary Staff Banked Annual Leave Payments, £284,662 in relation to the potential impact of the FNC judicial review and £324,000 potential VAT penalty payment regarding an over claim of VAT identified by the Health Board to HMRC.

The total Health Board provision also includes an amount of £211,7420 which relates to 31 Redress cases where offers have been made to the families but not yet accepted or breach and causation have been proven.

## 17. Provisions (continued)

|   | At 1 April 2013 | 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 2014 |
|---|-----------------|--|-------------------------------------|--|-------------------------|--------------------------|-----------------|-----------------------|------------------|
|   | £000            | £000   | £000                                | £000                                     | £000                    | £000                     | £000            | £000                  | £000             |
| <b>Current</b>                              |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 34,970          | 0  | 0                                   | 1,675                                    | 15,957                  | (11,940)                 | (19,667)        | 0                     | 20,995           |
| Personal injury                             | 1,925           | 0  | 0                                   | (408)                                    | 1,363                   | (1,158)                  | (810)           | 38                    | 950              |
| All other losses and special payments       | 0               | 0  | 0                                   | 0  | 47                      | (47)                     | 0               | 0                     | 0                |
| Defence legal fees and other administration | 1,656           | 0  | 0                                   | (13)                                     | 1,195                   | (548)                    | (968)           |                       | 1,322            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 505             |  |                                     | 0  | 458                     | (509)                    | 0               | 91                    | 545              |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 401             |  | 0                                   | 0  | 921                     | (515)                    | 0               |                       | 807              |
| <b>Total</b>                                | <b>39,457</b>   | <b>0</b>   | <b>0</b>                            | <b>1,254</b>                             | <b>19,941</b>           | <b>(14,717)</b>          | <b>(21,445)</b> | <b>129</b>            | <b>24,619</b>    |
| <b>Non Current</b>                          |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 16,474          | 0  | 0                                   | (1,675)                                  | 8,967                   | (415)                    | (480)           | 0                     | 22,871           |
| Personal injury                             | 1,686           | 0  | 0                                   | 408                                      | 0                       | 0                        | 0               | 0                     | 2,094            |
| All other losses and special payments       | 0               | 0  | 0                                   | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Defence legal fees and other administration | 588             | 0  | 0                                   | 13                                       | 603                     | (63)                     | (7)             |                       | 1,134            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 4,554           |  |                                     | 0  | 87                      | 0                        | (16)            | 0                     | 4,625            |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 3,696           |  | 0                                   | 0  | 665                     | (456)                    | (379)           |                       | 3,526            |
| <b>Total</b>                                | <b>26,998</b>   | <b>0</b>   | <b>0</b>                            | <b>(1,254)</b>                           | <b>10,322</b>           | <b>(934)</b>             | <b>(882)</b>    | <b>0</b>              | <b>34,250</b>    |
| <b>TOTAL</b>                                |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 51,444          | 0  | 0                                   | 0  | 24,924                  | (12,355)                 | (20,147)        | 0                     | 43,866           |
| Personal injury                             | 3,611           | 0  | 0                                   | 0  | 1,363                   | (1,158)                  | (810)           | 38                    | 3,044            |
| All other losses and special payments       | 0               | 0  | 0                                   | 0  | 47                      | (47)                     | 0               | 0                     | 0                |
| Defence legal fees and other administration | 2,244           | 0  | 0                                   | 0  | 1,798                   | (611)                    | (975)           |                       | 2,456            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 5,059           |  |                                     | 0  | 545                     | (509)                    | (16)            | 91                    | 5,170            |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 4,097           |  | 0                                   | 0  | 1,586                   | (971)                    | (379)           |                       | 4,333            |
| <b>Total</b>                                | <b>66,455</b>   | <b>0</b>   | <b>0</b>                            | <b>0</b>                                 | <b>30,263</b>           | <b>(15,651)</b>          | <b>(22,327)</b> | <b>129</b>            | <b>58,869</b>    |

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

The claims outstanding with the Welsh Risk Pool are based on best estimates of settlement of claims provided by the Health Board's legal advisors.

The Health Board estimates that in 2014/15 it will receive £20,210,107 and in 2015/16 and beyond £23,348,189 from the Welsh Risk Pool in respect of clinical negligence and personal injury payments.

Other provisions include: Continuing Healthcare IRP & Ombudsman claims £4,233,454. As per above the Local Health Board has estimated a liability of £4.233m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2013/14 is consistent with the methodology used in 2012/13. In the continuing absence of detailed assessment information the Health Board has used a mixture of actual assessments and the application of an expected success factor and average weekly costs to determine whether an individual claimant provision would be established.

Other provisions also include £99,460 for Ancillary Staff Banked Annual Leave Payments.

The total Health Board provision also includes an amount of £222,420 which relates to 29 Redress cases where offers have been made to the families but not yet accepted or breach and causation have been proven.

## 18. Cash and cash equivalents

|  | 2014-15<br>£000 | 2013-14<br>£000<br>Restated |
|--|-----------------|-----------------------------|
| Balance at 1 April   | 745             | 1,908                       |
| Net change in cash and cash equivalent balances                        | 2,720           | (1,163)                     |
| Balance at 31 March  | <u>3,465</u>    | <u>745</u>                  |
| Made up of:  |                 |                             |
| Cash held at GBS   | 2,978           | 192                         |
| Commercial banks   | 462             | 528                         |
| Cash in hand   | 25              | 25                          |
| Current Investments  | 0               | 0                           |
| <b>Cash and cash equivalents as in Statement of Financial Position</b> | <u>3,465</u>    | <u>745</u>                  |
| Bank overdraft - GBS   | 0               | 0                           |
| Bank overdraft - Commercial banks                                      | 0               | 0                           |
| <b>Cash and cash equivalents as in Statement of Cash Flows</b>         | <u>3,465</u>    | <u>745</u>                  |

## 19. Other Financial Assets

|   | Current                  |                          | Non-current              |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 31 March<br>2015<br>£000 | 31 March<br>2014<br>£000 | 31 March<br>2015<br>£000 | 31 March<br>2014<br>£000 |
| <b>Financial assets</b>                         |                          |                          |                          |                          |
| Shares and equity type investments              |                          |                          |                          |                          |
| Held to maturity investments at amortised costs | 0                        | 0                        | 0                        | 0                        |
| At fair value through SOCNE                     | 0                        | 0                        | 0                        | 0                        |
| Available for sale at FV                        | 0                        | 0                        | 0                        | 0                        |
| Deposits  | 0                        | 0                        | 0                        | 0                        |
| Loans   | 29                       | 28                       | 785                      | 814                      |
| Derivatives                                     | 0                        | 0                        | 0                        | 0                        |
| Other (Specify)                                 |                          |                          |                          |                          |
| Held to maturity investments at amortised costs | 0                        | 0                        | 0                        | 0                        |
| At fair value through SOCNE                     | 0                        | 0                        | 0                        | 0                        |
| Available for sale at FV                        | 0                        | 0                        | 0                        | 0                        |
| <b>Total</b>                                    | <u>29</u>                | <u>28</u>                | <u>785</u>               | <u>814</u>               |

## 20. Other financial liabilities

| Financial liabilities                   | 31 March<br>2015<br>£000 | 31 March<br>2014<br>£000 | 31 March<br>2015<br>£000 | 31 March<br>2014<br>£000 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Financial Guarantees:                   |                          |                          |                          |                          |
| At amortised cost                       | 0                        | 0                        | 0                        | 0                        |
| At fair value through SoCNE             | 0                        | 0                        | 0                        | 0                        |
| Derivatives at fair value through SoCNE | 0                        | 0                        | 0                        | 0                        |
| Other:                                  |                          |                          |                          |                          |
| At amortised cost                       | 0                        | 0                        | 0                        | 0                        |
| At fair value through SoCNE             | 0                        | 0                        | 0                        | 0                        |
| <b>Total</b>                            | <b>0</b>                 | <b>0</b>                 | <b>0</b>                 | <b>0</b>                 |



## 21. Related Party Transactions

The Assembly is regarded as a related party. During the year Aneurin Bevan University Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely,

NHS providers with which the LHB has had material transactions are as follows:-

| NHS Provider   | 2014-15                    |                           | As at 31st March 2015         |                              |
|--|----------------------------|---------------------------|-------------------------------|------------------------------|
|  | Payment from related party | Payments to related party | Amount due from related party | Amount owed to related party |
|  | £000                       | £000                      | £000                          | £000                         |
| Abertawe Bro-Morgannwg University Local Health Board | 1,052                      | 2,679                     | 35                            | 248                          |
| Betsi Cadwaladr University Health Board              | 157                        | 182                       | 114                           | 57                           |
| Cardiff and Vale University Local Health Board       | 3,717                      | 29,142                    | 1,134                         | 753                          |
| Cwm Taf Local Health Board                           | 1,032                      | 19,894                    | 198                           | 639                          |
| Hywel Dda Local Health Board                         | 336                        | 463                       | 0                             | 63                           |
| Powys Local Health Board                             | 19,603                     | 927                       | 304                           | 46                           |
| Velindre NHS Trust                                   | 4,263                      | 26,678                    | 535                           | 3,081                        |
| Welsh Ambulance Services NHS Trust                   | 190                        | 3,869                     | 20                            | 44                           |
| Public Health Wales                                  | 3,025                      | 807                       | 141                           | 190                          |
| Welsh Health Specialised Services Committee          | 3,549                      | 111,277                   | 594                           | 210                          |

In addition the LHB has had significant number of material transactions with other Government Departments and other central and local Government bodies. The most significant of these transactions are with the following:-

| Government Body                      | 2014-15                    |                           | As at 31st March 2015         |                              |
|--------------------------------------|----------------------------|---------------------------|-------------------------------|------------------------------|
|                                      | Payment from related party | Payments to related party | Amount due from related party | Amount owed to related party |
|                                      | £000                       | £000                      | £000                          | £000                         |
| Blaenau Gwent County Borough Council | 895                        | 1,518                     | 101                           | 91                           |
| Caerphilly County Borough Council    | 7,004                      | 7,156                     | 5,532                         | 3,555                        |
| Monmouthshire County Borough Council | 1,498                      | 2,091                     | 236                           | 173                          |
| Newport City Council                 | 2,244                      | 4,254                     | 505                           | 435                          |
| Torfaen County Borough Council       | 1,515                      | 3,658                     | 302                           | 971                          |

The LHB has also had significant material transactions with the following:

|  |       |    |    |   |
|--|-------|----|----|---|
| Aneurin Bevan Local Health Board Charitable Fund | 1,404 | 67 | 87 | 3 |
|--|-------|----|----|---|

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

| Member                       | Related Organisation                            | Relationship with Related Party                        | 2014-15                    |                           | As at 31st March 2015         |                              |
|------------------------------|---|--|----------------------------|---------------------------|-------------------------------|------------------------------|
|                              |   |  | Payment from related party | Payments to related party | Amount due from related party | Amount owed to related party |
|                              |   |  | £000                       | £000                      | £000                          | £000                         |
| Janet Smith                  | Garth Engineering                               | Husband is the Proprietor                              | 0                          | 3                         | 0                             | 0                            |
| Mark Gardner                 | Melin Homes                                     | Chief Executive  | 8                          | 74                        | 0                             | 0                            |
| Jane Carroll                 | Royal College of Nursing                        | Gwent Branch Secretary                                 | 3                          | 12                        | 0                             | 0                            |
|                              |   | Welsh Board Member                                     |                            |                           |                               |                              |
|                              |   | UK Stewards Committee                                  |                            |                           |                               |                              |
| Professor Helen Houston      | Cardiff University                              | Employee   | 120                        | 992                       | 168                           | 624                          |
|                              |   | Son is an Employee                                     |                            |                           |                               |                              |
| Christopher Koehli           | Seren Group                                     | Reach Board Member                                     | 0                          | 19                        | 0                             | 0                            |
| Cllr Brian Mawby             | Torfaen County Borough Council                  | Elected Member   | 1,515                      | 3,658                     | 302                           | 971                          |
|                              | Monmouthshire County Council                    | Wife is an employee                                    | 1,498                      | 2,091                     | 236                           | 173                          |
| Joanne Smith                 | Police and Crime Commissioner for Gwent         | Independent Member of the Gwent Police and Crime Panel | 8                          | 79                        | 0                             | 6                            |
| Philip Robson                | Hospice of Valleys                              | Trustee  | 1                          | 153                       | 0                             | 0                            |
| Professor Janet Wademan      | University of South Wales                       | Visiting Professor                                     | 105                        | 68                        | 45                            | 35                           |
| Richard Bevan                | South East Wales Crossroads - Caring for Carers | Voluntary Director / Trustee                           | 39                         | 57                        | 0                             | 0                            |
| Professor Siobhan McClelland | University of South Wales                       | Visiting Professor (Honorary)                          | 105                        | 68                        | 45                            | 35                           |
|                              | Welsh Health Specialised Services Committee     | Chair of the Emergency Ambulance Services Committee    | 3,549                      | 111,277                   | 594                           | 210                          |
|                              | Newport City Council                            | Husband is a Councillor (Chair Planning Committee)     | 2,244                      | 4,254                     | 505                           | 435                          |
|                              | Swansea University                              | Visiting Professor                                     | 1                          | 62                        | 0                             | 12                           |
| Frances Taylor               | Monmouthshire County Council                    | Councillor   | 1,498                      | 2,091                     | 236                           | 173                          |

## 22. Third Party assets

The LHB held £740,049 cash at bank and in hand at 31 March 2015 (31 March 2014, £711,568) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £0 at 31 March 2015 (31 March 2014, £0). This has been excluded from the Cash and Cash equivalents figure reported in the Accounts. The LHB held £70,135.36 (31 March 2014, £25,560) of consignment stock which relates to stock held on behalf of suppliers but not invoiced until utilised.

## 23. Intra Government balances

|   | Current<br>receivables<br>£000 | Non-current<br>receivables<br>£000 | Current<br>payables<br>£000 | Non-current<br>payables<br>£000 |
|---|--------------------------------|------------------------------------|-----------------------------|---------------------------------|
| <b>2014-15 :</b>                                    |                                |                                    |                             |                                 |
| Welsh Government                                    | 240                            | 0                                  | 183                         | 0                               |
| Welsh Local Health Boards                           | 1,785                          | 0                                  | 1,806                       | 0                               |
| Welsh NHS Trusts                                    | 32,571                         | 28,570                             | 3,315                       | 0                               |
| WHSSC / EASC  | 594                            | 0                                  | 210                         | 0                               |
| All English Health Bodies                           | 312                            | 0                                  | 3,889                       | 0                               |
| All N. Ireland Health Bodies                        | 0                              | 0                                  | 0                           | 0                               |
| All Scottish Health Bodies                          | 5                              | 0                                  | 41                          | 0                               |
| Miscellaneous                                       | 0                              | 0                                  | 0                           | 0                               |
| Credit note provision                               | 0                              | 0                                  | 0                           | 0                               |
| <b>Sub total</b>                                    | <b>35,507</b>                  | <b>28,570</b>                      | <b>9,444</b>                | <b>0</b>                        |
| Other Central Government Bodies                     |                                |                                    |                             |                                 |
| Other Government Departments                        | 13                             | 0                                  | 56                          | 0                               |
| Revenue & Customs                                   | 1,891                          | 0                                  | 690                         | 0                               |
| Local Authorities                                   | 6,679                          | 0                                  | 5,226                       | 0                               |
| Balances with Public Corporations and trading funds | 0                              | 0                                  | 0                           | 0                               |
| Balances with bodies external to Government         | 9,911                          | 1,831                              | 88,350                      | 8,090                           |
| <b>TOTAL</b>  | <b>54,001</b>                  | <b>30,401</b>                      | <b>103,766</b>              | <b>8,090</b>                    |
| <b>2013-14 :</b>                                    |                                |                                    |                             |                                 |
| Welsh Government                                    | 495                            | 0                                  | 216                         | 0                               |
| Welsh Local Health Boards                           | 3,878                          | 0                                  | 4,279                       | 0                               |
| Welsh NHS Trusts                                    | 21,325                         | 27,541                             | 1,115                       | 0                               |
| WHSSC / EASC  | 678                            | 0                                  | 1,621                       | 0                               |
| All English Health Bodies                           | 444                            | 0                                  | 3,436                       | 0                               |
| All N. Ireland Health Bodies                        | 0                              | 0                                  | 0                           | 0                               |
| All Scottish Health Bodies                          | 5                              | 0                                  | 39                          | 0                               |
| Miscellaneous                                       | 0                              | 0                                  | 0                           | 0                               |
| Credit note provision                               | -21                            | 0                                  | 0                           | 0                               |
| <b>Sub total</b>                                    | <b>26,804</b>                  | <b>27,541</b>                      | <b>10,706</b>               | <b>0</b>                        |
| Other Central Government Bodies                     |                                |                                    |                             |                                 |
| Other Government Departments                        | 112                            | 0                                  | 1                           | 0                               |
| Revenue & Customs                                   | 1,238                          | 0                                  | 8,858                       | 0                               |
| Local Authorities                                   | 3,034                          | 0                                  | 2,226                       | 0                               |
| Balances with Public Corporations and trading funds | 0                              | 0                                  | 0                           | 0                               |
| Balances with bodies external to Government         | 11,450                         | 1,969                              | 70,827                      | 7,997                           |
| <b>TOTAL</b>  | <b>42,638</b>                  | <b>29,510</b>                      | <b>92,618</b>               | <b>7,997</b>                    |

## 24. 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<br>period to 31 March 2015 |                   | Approved to write-off<br>to 31 March 2015 |                  |
|---------------------------------------|--|-------------------|---|------------------|
|                                       | Number   | £                 | Number                                    | £                |
| Clinical negligence                   | 161  | 13,453,544        | 72  | 6,786,505        |
| Personal injury                       | 66   | 650,553           | 14  | 614,172          |
| All other losses and special payments | 131  | 110,112           | 131                                       | 110,112          |
| <b>Total</b>                          | <b>358</b>   | <b>14,214,209</b> | <b>217</b>                                | <b>7,510,789</b> |

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

| Cases exceeding £300,000 | Case Ref    | Case Type | Amounts                  | Cumulative        | Approved to               |
|--------------------------|-------------|-----------|--------------------------|-------------------|---------------------------|
|                          |             |           | paid out in<br>year<br>£ | amount<br>£       | write-off<br>in year<br>£ |
|                          |             |           | 0                        | 0                 | 0                         |
|                          | 00RVFMN0009 | MN        | 2,550,000                | 2,550,000         | 0                         |
|                          | 07RVFMN0035 | MN        | 2,749,999                | 3,229,999         | 0                         |
|                          | 09RVFMN0010 | MN        | 85,000                   | 2,600,000         | 0                         |
|                          | 10RVFMN0011 | MN        | 55,000                   | 780,505           | 0                         |
|                          | 10RVFMN0047 | MN        | 1,166,782                | 1,166,782         | 1,166,782                 |
|                          | 10RVFMN0061 | MN        | 65,000                   | 390,000           | 390,000                   |
|                          | 10RVFMN0072 | MN        | 0                        | 470,000           | 0                         |
|                          | 10RVFMN0090 | MN        | 315,000                  | 315,000           | 0                         |
|                          | 10RVFMN0118 | MN        | 40,000                   | 320,000           | 0                         |
|                          | 10RVFMN0133 | MN        | 660,000                  | 660,113           | 660,113                   |
|                          | 10RVFMN0136 | MN        | 27,440                   | 392,440           | 0                         |
|                          | 10RVFPI0039 | PI        | 0                        | 470,000           | 470,000                   |
|                          | 11RVFMN0010 | MN        | 15,000                   | 420,000           | 0                         |
|                          | 11RVFMN0051 | MN        | 60,000                   | 360,000           | 0                         |
|                          | 11RVFMN0078 | MN        | 75,000                   | 1,562,100         | 1,562,100                 |
|                          | 11RVFMN0107 | MN        | 735,000                  | 735,000           | 735,000                   |
|                          | 12RVFMN0035 | MN        | 493,600                  | 493,600           | 0                         |
|                          | 13RVFMN0002 | MN        | 64,951                   | 990,540           | 990,540                   |
|                          |             |           | 0                        | 0                 | 0                         |
|                          |             |           | 0                        | 0                 | 0                         |
|                          |             |           | 0                        | 0                 | 0                         |
| <b>Sub-total</b>         |             |           | <b>9,157,772</b>         | <b>17,906,079</b> | <b>5,974,535</b>          |
| <b>All other cases</b>   |             |           | <b>5,056,437</b>         | <b>9,703,117</b>  | <b>1,536,254</b>          |
| <b>Total cases</b>       |             |           | <b>14,214,209</b>        | <b>27,609,196</b> | <b>7,510,789</b>          |

## 25. Contingencies

### 25.1 Contingent liabilities

|   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------------------|------------------|
| Provisions have not been made in these accounts for the following amounts : |                  |                  |
| Legal claims for alleged medical or employer negligence                     | 198,879          | 168,371          |
| Doubtful debts  | 0                | 0                |
| Equal Pay costs   | 0                | 0                |
| Defence costs   | 4,604            | 4,009            |
| Continuing Health Care costs  | 7,781            | 12,177           |
| Other   | 166              | 166              |
| Total value of disputed claims  | <u>211,430</u>   | <u>184,723</u>   |
| Amounts recovered in the event of claims being successful                   | 197,315          | 166,419          |
| Net contingent liability  | <u>14,115</u>    | <u>18,304</u>    |

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them. The legal claims have increased by £31m from 2013/14 due to an increase in the potential claims from 328 in 2013/14 to 341 in 2014/15 with 5 cases in excess of £5m. Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents.

The Other Contingent Liabilities relate to 12 Redress cases where breach and causation have not been proven.

#### Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. The 31<sup>st</sup> July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1<sup>st</sup> April 2003 has resulted in a large increase in the number of claims registered this financial year.

ABULHB is responsible for post 1<sup>st</sup> April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note 17 includes £4,465m provision made for probable continuing care costs relating to 334 claims received;

Note 25.1 sets out the £7,781m contingent liability for possible continuing care costs relating to 334 claims received;

However, in addition the LHB has a further 318 claims, which were received by the 31<sup>st</sup> July 2014 deadline, for which the assessment process has not yet been completed. The assessment process is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the LHB does not have the information to make a judgement on the likely success or otherwise of these claims, however they may result in significant additional costs to the LHB, which cannot be quantified at this time.

### 25.2 Contingent assets

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
|  | 0                | 0                |
|  | 0                | 0                |
|  | 0                | 0                |
|  | <u>0</u>         | <u>0</u>         |

## 26. Capital commitments

### Contracted capital commitments at 31 March

|                               | 2014-15<br>£'000 | 2013-14<br>£'000 |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | 2,561            | 10,024           |
| Intangible assets             | 0                | 0                |
|                               | <u>2,561</u>     | <u>10,024</u>    |

**27. Finance leases**

**27.1 Finance leases obligations (as lessee)**

No finance leases have been entered into in 2014-15.

**Amounts payable under finance leases:**

| <b>Land</b>                                      | <b>31 March<br/>2015<br/>£000</b> | <b>31 March<br/>2014<br/>£000</b> |
|--|-----------------------------------|-----------------------------------|
| <b>Minimum lease payments</b>                    |                                   |                                   |
| 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>                          |
|  | <u>0</u>                          | <u>0</u>                          |
| <b>Present value of minimum lease payments</b>   |                                   |                                   |
| 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                           | <u>0</u>                          | <u>0</u>                          |
|  | <u>0</u>                          | <u>0</u>                          |

27.1 Finance leases obligations (as lessee) continue

Amounts payable under finance leases:

| <b>Buildings</b>                                   | <b>31 March</b>     | 31 March     |
|--|---------------------|--------------|
|  | <b>2015</b>         | 2014         |
|  | <b>£000</b>         | £000         |
| <b>Minimum lease payments</b>                      |                     |              |
| 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>     |
| <br><b>Present value of minimum lease payments</b> |                     |              |
| 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>     |
| <br><b>Other</b>                                   | <br><b>31 March</b> | <br>31 March |
|  | <b>2015</b>         | 2014         |
|  | <b>£000</b>         | £000         |
| <b>Minimum lease payments</b>                      |                     |              |
| 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>     |
| <br><b>Present value of minimum lease payments</b> |                     |              |
| 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>     |

**27.2 Finance leases obligations (as lessor) continued**

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

**Amounts receivable under finance leases:**

|  | <b>31 March</b> | 31 March |
|--|-----------------|----------|
|  | <b>2015</b>     | 2014     |
|  | <b>£000</b>     | £000     |
| <b>Gross Investment in leases</b>                  |                 |          |
| 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> |
|  | <u>0</u>        | <u>0</u> |
| <br><b>Present value of minimum lease payments</b> |                 |          |
| 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                             | <u>0</u>        | <u>0</u> |
|  | <u>0</u>        | <u>0</u> |

## 28. Private Finance Initiative contracts

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

The LHB has two PFI operational schemes deemed to be off-Statement of Financial Position

|                                      | Newport<br>Hospitals<br>Energy<br>Scheme<br>£000 | Nevill Hall<br>Hospitals<br>Energy<br>Scheme<br>£000 | Total<br>£000 |
|--------------------------------------|--|--|---------------|
| Estimated capital value of the PFI € | 4000   | 3300   | 7300          |

Both schemes relate to the provision of replacement heating and lighting systems within the respective hospitals. Neither has resulted in guarantees, commitments or other rights and obligations upon the LHB. The Newport hospitals scheme commenced in 1998 for a period of 15 years and the Nevill Hall scheme commenced in 2000 for a period of 25 years. The Newport contract ended on 1st November 2014, however has been extended by mutual agreement for 7 months whilst a new arrangement is negotiated. The payments are made quarterly in advance with prepayments at year end for the period beyond 31 March 2015 included in debtors.

| Commitments under off-SoFP PFI contracts                | Off-SoFP PFI<br>contracts | Off-SoFP PFI<br>contracts |
|---|---------------------------|---------------------------|
|   | 31 March 2015<br>£000     | 31 March 2014<br>£000     |
| Total payments due within one year                      | 779                       | 1,241                     |
| Total payments due between 1 and 5 years                | 2,955                     | 2,882                     |
| Total payments due thereafter                           | 4,962                     | 5,562                     |
| Total future payments in relation to PFI contracts      | 8,696                     | 9,685                     |
| Total estimated capital value of off-SoFP PFI contracts | 7,300                     | 7,300                     |

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

The LHB has three PFI schemes which are deemed to be on-Statement of Financial Position and the assets are treated as assets of the LHB.

**Nevill Hall Hospital Day Surgery** - a purpose built day unit including the provision of medical equipment for the unit. The PFI partner has responsibility for maintaining the building and replacing the equipment used with the unit. The scheme commenced in 1998 and the obligations for on-Statement of Financial Position is £2,089K. The scheme is for a period of 25 years.

**Chepstow Community Hospital** - a new community hospital including the provision of ancillary support services. This scheme commenced in 1998 for a period of 25 years and the obligations for on-Statement of Financial Position is £3,903K.

**Monnow Vale Health and Social Care Facility** - a new health and social care facility. This scheme commenced in 2004 for a period of 30 years and the obligations for on-Statement of Financial Position is £2,670K.

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

|  | On SoFP PFI<br>Capital element<br>31 March 2015<br>£000 | On SoFP PFI<br>Imputed interest<br>31 March 2015<br>£000 | On SoFP PFI<br>Service charges<br>31 March 2015<br>£000 |
|--|---|--|---|
|  | Total payments due within one year                      | 572  | 570   |
| Total payments due between 1 and 5 years           | 2,698   | 1,807  | 9,745   |
| Total payments due thereafter                      | 5,392   | 1,337  | 17,981  |
| Total future payments in relation to PFI contracts | 8,662   | 3,714  | 30,018  |

|  | On SoFP PFI<br>Capital element<br>31 March 2014<br>£000 | On SoFP PFI<br>Imputed interest<br>31 March 2014<br>£000 | On SoFP PFI<br>Service charges<br>31 March 2014<br>£000 |
|--|---|--|---|
|  | Total payments due within one year                      | 385  | 541   |
| Total payments due between 1 and 5 years           | 1,979   | 1,859  | 10,902  |
| Total payments due thereafter                      | 6,018   | 1,707  | 21,312  |
| Total future payments in relation to PFI contracts | 8,382   | 4,107  | 34,848  |

|  |        |
|--|--------|
| Total present value of obligations for on-SoFP PFI contracts | 42,394 |
|--|--------|



| <b>28.3 Charges to expenditure</b>  | <b>2014-15</b>      | 2013-14      |
|---|---------------------|--------------|
|   | <b>£000</b>         | £000         |
| Service charges for On Statement of Financial Position PFI contracts (excl interest cost) | <b>1979</b>         | 2124         |
| Total expense for Off Statement of Financial Position PFI contracts                       | <b>1307</b>         | 1587         |
| The total charged in the year to expenditure in respect of PFI contracts                  | <b><u>3,286</u></b> | <u>3,711</u> |

The LHB is committed to the following annual charges

|  | <b>31 March 2015</b> | 31 March 2014 |
|--|----------------------|---------------|
|  | <b>£000</b>          | £000          |
| <b>PFI scheme expiry date:</b>                 |                      |               |
| Not later than one year                        | <b>41</b>            | 520           |
| Later than one year, not later than five years | <b>0</b>             | 0             |
| Later than five years                          | <b>2,768</b>         | 2,888         |
| <b>Total</b>                                   | <b><u>2,809</u></b>  | <u>3,408</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.

#### 28.4 Number of PFI contracts

|  | <b>Number of<br/>on SoFP<br/>PFI<br/>contracts</b> | <b>Number<br/>of off<br/>SoFP PFI<br/>contracts</b> |
|--|--|---|
| Number of PFI contracts  | 3  | 2   |
| Number of PFI contracts which individually have a total commitment > £500m | 0  | 0   |

| <b>PFI Contract</b>                         | <b>On /off<br/>statement<br/>of financial<br/>position</b> |
|---|--|
| Nevill Hall Hospital Day Surgery            | On   |
| Chepstow Community Hospital                 | On   |
| Monnow Vale Health and Social Care Facility | On   |
| Newport Hospitals Energy Scheme             | Off  |
| Nevill Hall Hospital Energy Scheme          | Off  |

#### 30.5 The LHB has / has no Public Private Partnerships

The LHB has no Public Private Partnerships

## 29. Pooled budgets

The Health Board has four pooled budgets. The specific accounting treatment of each pooled budget is covered within Accounting Policies note 1.24.

### **Monnow Vale Health and Social Care Unit**

The Health Board has entered into a pooled budget with Monmouthshire County Council. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 to provide health and social care inpatient, outpatient, clinic and day care facilities to individuals who have medical, social, community or rehabilitation needs and a memorandum note to the accounts provides details of the joint income and expenditure. The asset value of property, plant & equipment is £4,857K which is split 72% Aneurin Bevan Health Board and 28% Monmouthshire County Council. The costs incurred under the pooled budget is declared in the memorandum trading account.

### **Gwent Wide Integrated Community Equipment Service**

The Health Board has entered into a pooled budget with the 5 Local Authorities in the Gwent area, namely Blaenau Gwent, Caerphilly, Monmouth, Newport and Torfaen County Borough Councils, for the provision of an effective integrated GWICES (Gwent Wide Integrated Community Equipment Service) to service users who are resident in the partners' localities. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the joint equipment store in the Gwent area. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement. The LHB's contribution is £625K for 2014/15 (£581K 2013/14).

### **Mardy Park Rehabilitation Centre**

The Health Board has entered into a pooled budget arrangement with Monmouthshire County Council. Under the arrangement funds are pooled under Section 33 of the NHS (Wales) Act 2006 to provide care to individuals who have rehabilitation needs. The pool is hosted by Monmouthshire County Council and the LHBs contribution is £159K for 2014/15 (£151K 2013/14).

### **Gwent Frailty Programme**

The Health Board has entered into a pooled budget with 5 Local Authorities in the Gwent area, namely Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen County councils, for the provision of a Gwent wide integrated health and social care Frailty service, for service users who are resident in the partners' localities. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the purpose of establishing a consistent service for the Gwent area. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement. The LHB's contribution is £6,915K for 2014/15 (£6,334K 2013/14).

### **Pooled Budget memorandum account for the period 1st April 2014 - 31st March 2015**

#### **Monnow Vale**

|   | <b>Cash</b>    | <b>Own Contribution</b> | <b>Grants</b> | <b>Total</b>     |
|---|----------------|-------------------------|---------------|------------------|
|   | £              | £                       | £             | £                |
| <b>Funding</b>                              |                |                         |               |                  |
| Aneurin Bevan University Local Health Board | 0              | 2,061,001               | 0             | 2,061,001        |
| Monmouthshire County Council                | 321,576        | 659,105                 | 0             | 980,681          |
| <b>Total Funding</b>                        | <b>321,576</b> | <b>2,720,106</b>        | <b>0</b>      | <b>3,041,682</b> |
| <b>Expenditure</b>                          |                |                         |               |                  |
| Aneurin Bevan University Local Health Board | 0              | 2,080,713               | 0             | 2,080,713        |
| Monmouthshire County Council                | 321,576        | 672,730                 | 0             | 994,306          |
| <b>Total Expenditure</b>                    | <b>321,576</b> | <b>2,753,443</b>        | <b>0</b>      | <b>3,075,019</b> |
| <b>Net (under)/over spend</b>               | <b>0</b>       | <b>33,337</b>           | <b>0</b>      | <b>33,337</b>    |

**30. Financial Instruments**

| Financial assets  |  |   |  | 31 March<br>2015 | 31 March<br>2014          |
|---|--|---|--|------------------|---------------------------|
|   | Loans<br>Receivables &<br>Deposits held<br>to maturity at<br>amortised<br>cost<br>£000 | At fair value<br>through the<br>SoCNE<br>£000 | Available for<br>sale at fair<br>value<br>£000 | TOTAL<br>£000    | TOTAL<br>£000<br>Restated |
| <b>Cash and Cash Equivalents</b>                          |  |   |  |                  |                           |
| Cash balances (GBS, commercial banks and in hand)         | 3,465  |   |  | 3,465            | 745                       |
| Liquid deposits   | 0  |   |  | 0                | 0                         |
| <b>Receivables</b>  |  |   |  |                  |                           |
| Trade and other receivables (net of impairment allowance) | 82,292   |   |  | 82,292           | 69,921                    |
| Accrued Income (must exclude prepayments)                 | 0  |   |  | 0                | 0                         |
| Interest receivable                                       | 25   |   |  | 25               | 25                        |
| <b>Other Financial Assets</b>                             |  |   |  |                  |                           |
| Shares and equity type investments                        | 0  | 0   | 0  | 0                | 0                         |
| Loans   | 814  |   |  | 814              | 842                       |
| Deposits held to maturity                                 | 0  |   |  | 0                | 0                         |
| Derivatives   |  | 0   |  | 0                | 0                         |
| Other   | 0  | 0   | 0  | 0                | 0                         |
| <b>Total</b>  | <b>86,596</b>  | <b>0</b>                                      | <b>0</b>                                       | <b>86,596</b>    | <b>71,533</b>             |

**Financial liabilities**

|                                     | Carried at<br>amortised<br>cost<br>£000 | At fair value<br>through the<br>SoCNE<br>£000 | TOTAL<br>£000    | TOTAL<br>£000<br>Restated |
|-------------------------------------|---|---|------------------|---------------------------|
| <b>Bank and Other Borrowings</b>    |   |   |                  |                           |
| Bank overdraft and other borrowings | 0                                       |   | 0                | 0                         |
| <b>Trade and Other Payables</b>     |   |   |                  |                           |
| Trade and other payables            | (63,430)                                |   | (63,430)         | (54,563)                  |
| Accruals                            | (48,637)                                |   | (48,637)         | (38,267)                  |
| PFI and lease obligations           | (8,662)                                 |   | (8,662)          | (8,382)                   |
| Interest payable                    | 0                                       |   | 0                | 0                         |
| <b>Other Financial Liabilities</b>  |   |   |                  |                           |
| Financial guarantees                | 0                                       | 0   | 0                | 0                         |
| Derivatives                         |   | 0   | 0                | 0                         |
| Other                               | 0                                       | 0   | 0                | 0                         |
| <b>Total</b>                        | <b>(120,729)</b>                        | <b>0</b>                                      | <b>(120,729)</b> | <b>(101,212)</b>          |

### **31. Financial risk management**

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

#### **Currency risk**

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

#### **Interest rate risk**

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

#### **Credit risk**

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

#### **Liquidity risk**

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

**32. Movements in working capital**

|  | <b>2014-15</b>  | 2013-14 |
|--|-----------------|---------|
|  | <b>£000</b>     | £000    |
| (Increase)/decrease in inventories                                 | <b>637</b>      | (12)    |
| (Increase)/decrease in trade and other receivables - non - current | <b>(862)</b>    | (8,925) |
| (Increase)/decrease in trade and other receivables - current       | <b>(11,364)</b> | 12,827  |
| Increase/(decrease) in trade and other payables - non - current    | <b>93</b>       | (385)   |
| Increase/(decrease) in trade and other payables - current          | <b>11,148</b>   | (5,921) |
| <b>Total</b>   | <b>(348)</b>    | (2,416) |
| Adjustment for accrual movements in fixed assets -creditors        | <b>(3,851)</b>  | (111)   |
| Adjustment for accrual movements in fixed assets -debtors          | <b>0</b>        | 0       |
| Other adjustments  | <b>520</b>      | 535     |
|  | <b>(3,679)</b>  | (1,992) |

**33. Other cash flow adjustments**

|   | <b>2014-15</b>  | 2013-14 |
|---|-----------------|---------|
|   | <b>£000</b>     | £000    |
| Depreciation  | <b>23,729</b>   | 21,049  |
| Amortisation  | <b>235</b>      | 145     |
| (Gains)/Loss on Disposal  | <b>18</b>       | (199)   |
| Impairments and reversals   | <b>(10,276)</b> | (770)   |
| Release of PFI deferred credits                                   | <b>0</b>        | 0       |
| Donated assets received credited to revenue but non-cash          | <b>(391)</b>    | (854)   |
| Government Grant assets received credited to revenue but non-cash | <b>(7)</b>      | (25)    |
| Non-cash movements in provisions                                  | <b>30,242</b>   | 8,065   |
| <b>Total</b>  | <b>43,550</b>   | 27,411  |

**34. Cash flow relating to exceptional items**

There are no exceptional items in the accounting statements

### **35. Events after the Reporting Period**

There are no events to report.

### 36. Operating segments

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

Whilst the organisation is structured into divisions, performance management and the allocation of resources flow from the Board of Aneurin Bevan University Health Board.

There are no hosted services within the health board. Divisions do not manage capital programmes, have any autonomy in relation to balance sheets or produce discrete accounts.

For the purposes of IFRS 8 it is therefore deemed that there is no requirement to report any operating segments.

### 37. Other Information

37.1 Additional Information to support Note 19 - Other Financial Assets

#### Additional breakdown of Monmouthshire County Council PFI Loan

|                | Current              |                      | Non-Current          |                      |
|----------------|----------------------|----------------------|----------------------|----------------------|
|                | 31-Mar<br>2015<br>£0 | 31-Mar<br>2014<br>£0 | 31-Mar<br>2015<br>£0 | 31-Mar<br>2014<br>£0 |
| Current        | <b>29</b>            | 28                   |                      |                      |
| 2 to 5 years   |                      |                      | <b>124</b>           | <b>121</b>           |
| 5 to 10 years  |                      |                      | <b>176</b>           | <b>171</b>           |
| 10 to 15 years |                      |                      | <b>202</b>           | <b>197</b>           |
| 15 to 20 years |                      |                      | <b>232</b>           | <b>226</b>           |
| 20 to 25 years |                      |                      | <b>51</b>            | <b>99</b>            |
|                | <b>29</b>            | <b>28</b>            | <b>785</b>           | <b>814</b>           |

38. Remuneration Report

Salary and Pension entitlements of Senior Managers

Remuneration

| Name  | Title  | 2014-15                                |   |                             |                                       | 2013-14                                |   |                             |                                       |
|---|--|--|---|-----------------------------|---------------------------------------|--|---|-----------------------------|---------------------------------------|
|   |  | Salary<br>(bands of<br>£5,000)<br>£000 | Benefits in kind<br>(to nearest<br>£100)<br>£00 | Pension<br>Benefits<br>£000 | Total<br>(bands of<br>£5,000)<br>£000 | Salary<br>(bands of<br>£5,000)<br>£000 | Benefits in kind<br>(to nearest<br>£100)<br>£00 | Pension<br>Benefits<br>£000 | Total<br>(bands of<br>£5,000)<br>£000 |
| <b>Executive Directors</b>                              |  |  |   |                             |                                       |  |   |                             |                                       |
| Andrew Goodall  | Chief Executive (Until 08.06.14)   | 30 - 35                                | 0   | 13                          | 45 - 50                               | 185 - 190                              | 0   | 42                          | 225 - 230                             |
| Judith Paget  | Chief Operating Officer (Until 08.06.14) /<br>Chief Executive (Interim Since 09.06.14<br>Substantive Since 27.10.14)       | 180 - 185                              | 0   | 495                         | 675 - 680                             | 135 - 140                              | 11  | 21                          | 155 - 160                             |
| Alan Brace  | Director of Finance / Deputy Chief Executive<br>(Since 09.06.14)   | 140 - 145                              | 0   | 90                          | 230 - 235                             | 135 - 140                              | 0   | 21                          | 155 - 160                             |
| Allan Davies **   | Director of Performance Improvement (Until<br>04.01.15) / Interim Director of Planning and<br>Performance (Since 05.01.15) | 110 - 115                              | 0   | 165                         | 275 - 280                             | 105 - 110                              | 0   | 11                          | 115 - 120                             |
| Denise Llewellyn  | Nurse Director   | 125 - 130                              | 0   | 18                          | 140 - 145                             | 125 - 130                              | 0   | 19                          | 140 - 145                             |
| Richard Bowen   | Director of Planning (Until 01.01.15)  | 95 - 100                               | 0   | 14                          | 110 - 115                             | 130 - 135                              | 0   | 59                          | 190 - 195                             |
| Anne Phillimore   | Director of Workforce and Organisational<br>Development  | 125 - 130                              | 0   | 18                          | 140 - 145                             | 125 - 130                              | 0   | 19                          | 145 - 150                             |
| Dr Gill Richardson                                      | Director of Public Health  | 120 - 125                              | 0   | 0                           | 120 - 125                             | 120 - 125                              | 0   | 0                           | 120 - 125                             |
| Dr Grant Robinson                                       | Medical Director (Until 30.08.13)  | 0                                      | 0   | 0                           | 0                                     | 80 - 85                                | 0   | 15                          | 95 - 100                              |
| Dr Paul Buss  | Medical Director (Interim Since 06.09.13<br>Substantive Since 01.01.15)  | 185 - 190                              | 0   | 189                         | 375 - 380                             | 105 - 110                              | 0   | 118                         | 220 - 225                             |
| Janet Smith   | Director of Therapies and Health Sciences<br>(Until 20.07.14)  | 30 - 35                                | 0   | 0                           | 30 - 35                               | 95 - 100                               | 0   | 16                          | 115 - 120                             |
| Alison Shakeshaft                                       | Director of Therapies and Health Sciences<br>(Interim Since 09.07.14 Substantive Since<br>01.10.14)                        | 70 - 75                                | 0   | 95                          | 165 - 170                             | 0                                      | 0   | 0                           | 0                                     |
| Jamie Marchant  | Interim Chief Operating Officer (Since<br>09.06.14)  | 100 - 105                              | 18  | 101                         | 200 - 205                             | 0                                      | 0   | 0                           | 0                                     |
| Richard Bevan   | Board Secretary  | 90 - 95                                | 0   | 14                          | 105 - 110                             | 90 - 95                                | 0   | 16                          | 105 - 110                             |
| <b>Non-Executive Directors</b>                          |  |  |   |                             |                                       |  |   |                             |                                       |
| David Jenkins OBE                                       | Chairman   | 65 - 70                                | 0   | 0                           | 65 - 70                               | 65 - 70                                | 0   | 0                           | 65 - 70                               |
| Prof. Siobhan McClelland ***                            | Vice Chair (Since 09.04.13)  | 60 - 65                                | 0   | 0                           | 60 - 65                               | 55 - 60                                | 0   | 0                           | 55 - 60                               |
| Wendy Bourton OBE                                       | Independent Non Officer Member<br>(Third/Voluntary Sector)   | 15 - 20                                | 1   | 0                           | 15 - 20                               | 15 - 20                                | 1   | 0                           | 15 - 20                               |
| Jane Carroll  | Independent Non Officer Member (Trade<br>Union)  | 15 - 20                                | 0   | 0                           | 15 - 20                               | 15 - 20                                | 0   | 0                           | 15 - 20                               |
| Prof. Helen Houston                                     | Independent Non Officer Member (University)  | 15 - 20                                | 1   | 0                           | 15 - 20                               | 15 - 20                                | 2   | 0                           | 15 - 20                               |
| Chris Koehli  | Independent Non Officer Member (Finance)   | 15 - 20                                | 0   | 0                           | 15 - 20                               | 15 - 20                                | 0   | 0                           | 15 - 20                               |
| Clr Brian Mawby   | Independent Non Officer Member (Local<br>Authority)  | 15 - 20                                | 1   | 0                           | 15 - 20                               | 15 - 20                                | 0   | 0                           | 15 - 20                               |
| Joanne Smith  | Independent Non Officer Member<br>(Community)  | 15 - 20                                | 0   | 0                           | 15 - 20                               | 10 - 15                                | 0   | 0                           | 10 - 15                               |
| Philip Robson   | Independent Non Officer Member<br>(Community)  | 15 - 20                                | 1   | 0                           | 15 - 20                               | 15 - 20                                | 0   | 0                           | 15 - 20                               |
| Peter Sampson   | Independent Non Officer Member<br>(Community) (Until 31.03.14)   | 0                                      | 0   | 0                           | 0                                     | 15 - 20                                | 1   | 0                           | 15 - 20                               |
| Frances Taylor  | Independent Non Officer Member<br>(Community) (Since 21.05.14)   | 10 - 15                                | 0   | 0                           | 10 - 15                               | 0                                      | 0   | 0                           | 0                                     |
| Prof. Janet Wademan                                     | Independent Non Officer Member (ICT)   | 15 - 20                                | 1   | 0                           | 15 - 20                               | 15 - 20                                | 1   | 0                           | 15 - 20                               |
| Mark Gardner  | Associate Independent Non Officer Member<br>(Chair of Stakeholder Group)   | 0                                      | 0   | 0                           | 0                                     | 0                                      | 0   | 0                           | 0                                     |
| Stewart Greenwell                                       | Associate Independent Non Officer Member<br>(Director of Social Services) (Until May 2013)                                 | 0                                      | 0   | 0                           | 0                                     | 0                                      | 0   | 0                           | 0                                     |
| Liz Majer   | Associate Independent Non Officer Member<br>(Director of Social Services) (Since July 2013)                                | 0                                      | 0   | 0                           | 0                                     | 0                                      | 0   | 0                           | 0                                     |
| Dr Sue Greening   | Associate Independent Non Officer Member<br>(Chair of Health Professionals Forum)  | 0                                      | 0   | 0                           | 0                                     | 0                                      | 0   | 0                           | 0                                     |
|   |  | <b>2014-15</b>                         | <b>2013-14</b>                                  |                             |                                       |  |   |                             |                                       |
| Band of Chief Executive's Total Remuneration £000       |  | 180 - 185                              | 185 - 190                                       |                             |                                       |  |   |                             |                                       |
| Median Total Remuneration £                             |  | 27,102                                 | 26,628  |                             |                                       |  |   |                             |                                       |
| Ratio   |  | 6.7                                    | 7.0   |                             |                                       |  |   |                             |                                       |
|   |  | <b>2014-15</b>                         | <b>2013-14</b>                                  |                             |                                       |  |   |                             |                                       |
| Band of Highest paid Director's Total Remuneration £000 |  | 185 - 190                              | 185 - 190                                       |                             |                                       |  |   |                             |                                       |
| Median Total Remuneration £                             |  | 27,102                                 | 26,628  |                             |                                       |  |   |                             |                                       |
| Ratio   |  | 6.9                                    | 7.0   |                             |                                       |  |   |                             |                                       |

The Independent Non Office Member (Trade Union) - Jane Carroll is a full time employee of the Aneurin Bevan University Local Health Board.

Aneurin Bevan University Local Health Board reimburse Cardiff University for the costs incurred by Prof. Helen Houston in undertaking the role of Independent Non Officer Member (University). The costs incurred for 2014-15 were £15,936

The amount of pension benefits for the year which contributes to the single total figure is calculated using a similar method to that used to derive pension values for tax purposes and is based on information received from NHS BSA Pensions Agency.

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

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

\*\* The 2013-14 salary shown for Allan Davies excludes arrears paid of £36k

\*\*\* The 2014-15 salary for Prof. Siobhan McClelland includes £12k which has been recharged to Welsh Health Specialised Services Committee (Emergency Ambulance Services Committee)



38. Remuneration Report continued

Salary and Pension entitlements of Senior Managers

Pension Benefits

| Name               | Title  | Real   | Real   | Total accrued   | Lump sum at   | Cash  | Cash  | Real  | Employer's contribution to stakeholder pension |
|--------------------|--|--|--|---|---|---|---|---|--|
|                    |  | increase in pension at age 60 (bands of £2,500) £000 | increase in pension lump sum at aged 60 (bands of £2,500) £000 | pension at age 60 at 31 March 2015 (bands of £5,000) £000 | age 60 related to accrued pension at 31 March 2015 (bands of £5,000) £000 | Equivalent Transfer Value at 31 March 2015 £000 | Equivalent Transfer Value at 31 March 2014 £000 | increase in Cash Equivalent Transfer Value £000 |  |
| Andrew Goodall     | Chief Executive (Until 08.06.14)   | 0.0 - 2.5  | 0.0 - 2.5  | 40 - 45   | 120 - 125   | 629   | 550   | 12  | 0  |
| Judith Paget       | Chief Operating Officer (Until 08.06.14) / Chief Executive (Interim Since 09.06.14 Substantive Since 27.10.14)       | 20.0 - 22.5  | 62.5 - 65.0  | 75 - 80   | 235 - 240   | 1,539   | 1,065   | 445   | 0  |
| Alan Brace         | Director of Finance / Deputy Chief Executive (Since 09.06.14)  | 2.5 - 5.0  | 10.0 - 12.5  | 50 - 55   | 160 - 165   | 1,073   | 951   | 97  | 0  |
| Allan Davies       | Director of Performance Improvement (Until 01.01.15) / Interim Director of Planning and Performance (Since 02.01.15) | 5.0 - 7.5  | 20.0 - 22.5  | 50 - 55   | 150 - 155   | 1,198   | 984   | 188   | 0  |
| Denise Llewellyn   | Nurse Director   | 0.0 - 2.5  | 0.0 - 2.5  | 55 - 60   | 165 - 170   | 1,068   | 1,007   | 34  | 0  |
| Richard Bowen      | Director of Planning (Until 01.01.15)  | 0.0 - 2.5  | 0.0 - 2.5  | 35 - 40   | 105 - 110   | 522   | 484   | 19  | 0  |
| Anne Phillimore    | Director of Workforce and Organisational Development   | 0.0 - 2.5  | 0.0 - 2.5  | 30 - 35   | 95 - 100  | 703   | 651   | 34  | 0  |
| Dr Gill Richardson | Director of Public Health  | (7.5) - (5.0)  | 22.5 - (20.0)  | 30 - 35   | 100 - 105   | 637   | 733   | (116)   | 0  |
| Dr Paul Buss       | Medical Director (Interim Since 06.09.13 Substantive Since 01.01.15)   | 7.5 - 10.0   | 22.5 - 25.0  | 70 - 75   | 210 - 215   | 1,441   | 1,217   | 191   | 0  |
| Janet Smith *      | Director of Therapies and Health Sciences (Until 20.07.14)   | (2.5) - 0.0  | (2.5) - 0.0  | 45 - 50   | 145 - 150   | 0   | 1,125   | 0   | 0  |
| Alison Shakeshaft  | Director of Therapies and Health Sciences (Interim Since 09.07.14 Substantive Since 01.10.14)                        | 2.5 - 5.0  | 10.0 - 12.5  | 30 - 35   | 95 - 100  | 568   | 445   | 81  | 0  |
| Jamie Marchant     | Interim Chief Operating Officer (Since 09.06.14)   | 2.5 - 5.0  | 12.5 - 15.0  | 20 - 25   | 60 - 65   | 320   | 217   | 78  | 0  |
| Richard Bevan      | Board Secretary  | 0.0 - 2.5  | 0.0 - 2.5  | 30 - 35   | 100 - 105   | 572   | 537   | 21  | 0  |

\* No Cash Equivalent Transfer Value shown for 31 March 2015 as retired.

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

**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: 4 June 2015

Judith Paget, Chief Executive

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

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

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

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

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

**By Order of the Board**

**Signed:**

Chairman: David Jenkins

Dated: 4 June 2015

Chief Executive: Judith Paget

Dated: 4 June 2015

Director of Finance: Alan Brace

Dated: 4 June 2015

**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

## 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 Aneurin Bevan University Local Health Board for the year ended 31 March 2015 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

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

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 66 and 67, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

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

### **Scope of the audit of financial statements**

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

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

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Aneurin Bevan University Local Health Board as at 31 March 2015 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; and
- 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;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

### **Report**

- Please see my Report on page 72

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**11 June 2015**

**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

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

## Introduction

On 1 April 2014 the *NHS Finance (Wales) Act 2014* amended the *NHS (Wales) Act 2006* and required LHBs to meet two new statutory financial duties.

I have decided to issue a narrative report alongside my audit certificate to explain the new duties, the performance of Aneurin Bevan University Health Board (LHB) against them, and the implications for 2015-16.

## New financial duties

The **first financial duty** gives additional resource flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period, replacing the duty to balance their books over a one year period. The first three-year period under this duty is 2014-15 to 2016-17, so LHBs' performance against this duty will not be measured until 2016-17.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the spending limit set for those three years, is 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend. For the 2014-15 financial year, any excess spend against annual financial allocations is not irregular spend and so does not affect my regularity opinion.

The **second financial duty** is a new duty requiring LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services and delivery of the first financial duty. An LHB will be deemed to have met this duty for 2014-15 if it submitted a Board approved 2014-15 to 2016-17 plan to the Welsh Ministers, who then approved it by the date the Accountable Officer signed the 2014-15 Financial Statements.

## LHB performance against duties

### **First Financial Duty**

As set out above, the LHB will not be measured against the *first financial duty* until 2016-17. Nevertheless it is expected to manage its finances to ensure it does not over spend against its annual revenue and capital allocations. This is because the LHB's annual performance impacts on the ability of the Department of Health and Social Services to meet its own financial targets.

As shown in Notes 2.1 and 2.2 to the Financial Statements, in 2014-15 the LHB operated within both its annual revenue resource allocation and annual capital resource allocation. It received additional revenue resource allocation of £26.7 million in December 2014 which contributed to meeting its target.



### **Second Financial Duty**

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its *second financial duty* to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17.

Instead the Health Board prepared an interim one-year operational and financial plan for 2014-15 as it did not believe that its draft three-year plan met fully either the Board's requirements or those set out in the NHS Finance (Wales) Act 2014.

The Welsh Government confirmed in June 2014 that the LHB's draft three-year plan did not meet statutory requirements and therefore Ministerial approval was not given.

The Health Board's interim one-year operational and financial plan for 2014-15 was approved by the Board in March 2014. The plan identified a gap of £26.7 million between its annual resource allocation and the planned net expenditure for 2014-5.

### **Look ahead to 2015-16**

The LHB has until June 2016 (ie the date the Accountable Officer signs the 2015-16 financial statements) to obtain Ministerial approval for its three-year plan 2015-16 to 2017-18.

The Health Board has submitted a three-year integrated plan 2015-16 to 2017-18 and received confirmation of Ministerial approval on 2 June 2015.

The LHB's approved three-year plan running from 2015-6 to 2017-18 identifies a potential financial deficit of £19.7 million in 2015-6 and it is seeking further cost improvement and savings opportunities to close this gap.

As at the end of April 2015 the Health Board is reporting an in-month deficit of £2.4 million and current performance without corrective action could result in a deficit of £26.0 million at 2015-16 year-end.

**Huw Vaughan Thomas**

**Auditor General for Wales**

**11 June 2015**

## **Governance Statement 2014/2015**

### **1. Scope of responsibility**

The Board of Aneurin Bevan University Health Board is accountable for good governance, risk management and internal control of the organisation. As Chief Executive of the Health 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 also safeguarding 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 Accountable Officer of NHS Wales.

Aneurin Bevan University Health Board, established on 1<sup>st</sup> October 2009, covers the areas of Blaenau Gwent, Caerphilly, Monmouthshire, Newport, and Torfaen. The Health Board has an annual budget from the Welsh Government of just over £1 billion per year from which we plan and deliver services for the population of the Gwent area and also South Powys. The Health Board as well as providing services locally works in partnership to seek to improve health and well-being in the area.

The Health Board is committed to ensure that everything we do and the ways in which we undertake and fulfil our objectives, roles and responsibilities are:

- *Delivering Patient Centred Services:* Taking all opportunities to organise services around the citizen and balancing the whole system.
- *Focusing on Safety, Excellence and Quality:* We have a responsibility to ensure that patients and the population we serve receive the best quality, evidence-based care we can provide and to ensure we deliver the basics exceptionally well. We also have a responsibility to consider quality in its wider definition including patient experience (and appropriate access to services and care), maximum productivity and minimal waste, as well as clinical effectiveness and patient safety.
- *Empowering Our Staff:* We can only deliver by trusting our staff, supporting them to make the right decisions close to the patient and to find innovative ways of developing the workforce.

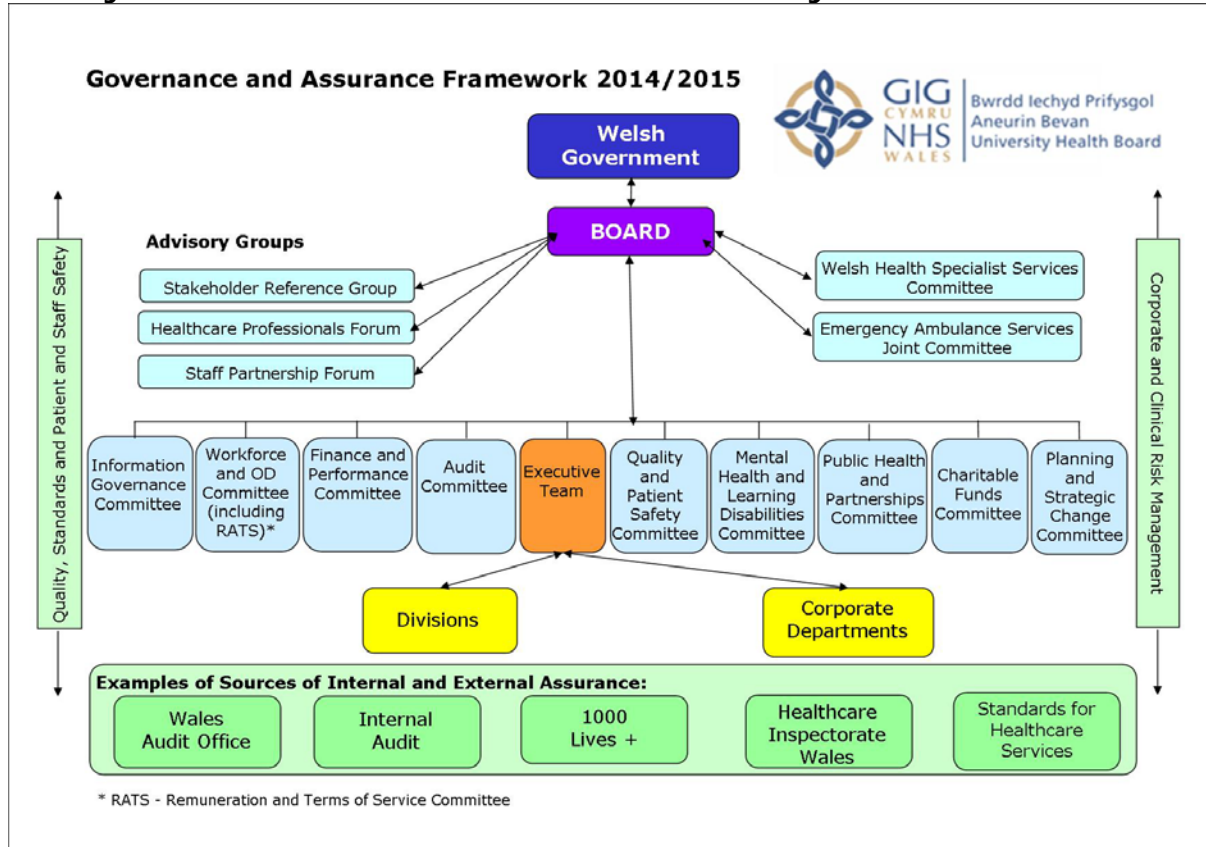
- *Achieve Better use of Resources*: Whatever changes we make and wherever we deliver care we must do this in line with best practice, with an excellent workforce, within the resources we receive and with confidence that improvements can be maintained.
- *Improving Our Public Health*: At present, there is major inequity in health status within our population. We need to focus our efforts alongside those of Local Authorities and other partners to systematically improve the health of the population in those areas of greatest need, through addressing determinants of health, supporting healthier lifestyles and improving access to evidence based preventative services.

**Table Two** (page 29) of this statement provides an overview of the Health Board's performance against our stated organisational objectives as outlined above and also outlines decisions made, areas considered during the year and key risks identified and responded to by the Board and the wider organisation.

During 2014/2015, the Health Board has continued to develop a system of governance and assurance. The Board sits at the top of the organisation's governance and assurance systems and sets strategic objectives, monitors progress, agrees actions to achieve these objectives and ensures appropriate controls are in place and are working properly throughout the organisation. To do this the Board also takes assurance from its Committees and also its assessments against the Standards for Health Services in Wales and other professional standards and regulatory frameworks.

The Health Board's agreed objectives as outlined above, also seek to ensure we meet national priorities set by Welsh Government, locally determined priorities and also national and professional standards throughout the conduct of our business. Reporting and monitoring against these objectives and the risks associated with their delivery and achievements are received by the Health Board and its Committees. The Board has further developed its committee structure during the last year with the establishment of the new Finance and Performance Committee and the Planning and Strategic Change Committee. These committees replaced the previous Finance, Performance and Sustainability Committee. Further information with regard to these new committees is provided below.

## Our System of Governance and Accountability:



Aneurin Bevan University Health Board in line with all Health Boards in Wales has agreed Standing Orders for the regulation of proceedings and business of the organisation. 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 delegation 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 Health Board has also developed with our staff a Values and Behaviours Framework, which was launched by the Board in November 2013 and activity has been undertaken to embed this throughout the organisation. During the year a new Staff Code of Business Conduct Policy was agreed to better manage any conflicts of interest that might arise for our Board Members and staff.

**Aneurin Bevan University Health Board** usually meets six times a year in public. The Board is made up of individuals from a range of backgrounds, disciplines and areas of expertise. The Board comprises the Chair, Vice Chair and nine other Independent Members and the Chief Executive and seven Executive Directors. There are also three Associate Independent Members. The full membership of the Board is outlined in Table One below.

The Board provides leadership and direction to the organisation and has a key role in ensuring that the organisation has sound governance arrangements in place. The Board also seeks to ensure that it has an open culture and high standards in the ways in which its work is conducted. Together, Board Members share corporate responsibility for all decisions and play a key role in monitoring the performance of the organisation. All the meetings of the Board in 2014/2015 were appropriately constituted with a quorum. The key business and risk matters considered by the Board during 2014/2015 are outlined in Table Two.

**Committees of the Board:** The Health Board has established a range of committees, as outlined in the diagram above. These Committees are chaired by Independent Members of the Board and the Committees have key roles in relation to the system of governance and assurance, decision making, scrutiny, development discussions, an assessment of current risks and performance monitoring. Key governance and performance matters considered by the Committees of the Board are included in Table Two.

The committees provide assurance reports to each meeting of the Board to contribute to its assessment of assurance and to provide scrutiny on the delivery of objectives. There is also cross representation between Committees to support the connection of the business of committees and also to seek to integrate assurance reporting. The Health Board is continuing to develop the ways in which its Committees work together to ensure the Board has assurance on the breadth of the Health Board's work to meet its objectives and responsibilities. Each committee also undertakes an annual assessment of its own effectiveness and produces an Annual Report for submission to the Health Board in May of each year.

During the last year two new committees were established. These are the Finance and Performance Committee and the Planning and Strategic Change Committee. The Planning and Strategic Change Committee has adopted a new model of membership, which includes both Independent Members and Executive Members of the Board as part of the Committee to recognise that the committee is constituted to focus on development matters rather than acting as an assurance committee for scrutiny purposes.

The Board, as part of its committee structure, also has a Charitable Funds Committee which oversees the Health Board's Charitable Funds on behalf of the Board as the Board is also the corporate trustee for the Charitable Funds held by the organisation. This is reflected in the overall governance structure of the organisation to provide assurance that Charitable Funds are being appropriately considered and overseen.

An important Committee of the Board in relation to this Annual Governance Statement is the **Audit Committee**, which on behalf of the Board keeps under review the design and adequacy of the Health Board's governance and assurance arrangements and its system of internal control. During 2014/2015, key issues considered by the Audit Committee relating to the overall governance of the organisation have been:

- Keeping under review the governance arrangements for retrospective continuing healthcare claims.
- The Committee approved an Internal Audit Plan for 2014/2015 and has kept under review the resulting Internal Audit Reports and noted key areas of risk and tracked the management responses made to improve systems and organisational policies.
- A continued focus on improvements in the financial systems and controls procedures and the monitoring of payments and trending processes;
- Continuing to oversee a comprehensive programme of compliance internal audits in Divisions of the organisation and on wards with regard to the planning and approval of bank shifts, the approval of annual leave and financial controls due to risks identified following a Counter Fraud investigation on one ward during 2014;
- Continuing to seek assurance on the processes for post payment verification reviews for primary care practitioners;
- Keeping under review the Health Board's risk management strategy and processes and the Committee has approved an updated format for the Corporate Risk Register which seeks to clearly assess the potential impact of risks;
- Sought continuing assurance on the management of the Health Board's processes for the management of policies and procedures. This has been guided and advised by performance reports from Wales Audit Office (including the Structured Assessment, please see page 16) and Internal Audit Reports.
- A review of the Health Board's approach to the declarations of interests of its members and officers and particularly focused on how potential conflicts of interest are managed for Health Board clinicians undertaking private practice alongside their NHS work. This has resulted in the Board adopting a new Staff Code of Business Conduct Policy and reporting arrangements.

The **Quality and Patient Safety Committee** is also a crucial committee with regard to the assessment of the Health Board's overall governance and assurance. Key issues considered by this committee are outlined in Table Two, but have not been highlighted in this document as they are covered comprehensively in the Health Board's Annual Quality Statement to be published in September 2015. However, the Committee in its Annual Report identified a number of key achievements during 2014/2015, which are outlined below:

- The development of a Quality Improvement Overview, which includes updates on areas of concern to the Committee, has continued during 2014/15. The overview is being used to identify key areas of risk and to inform the Committee's agenda. This will also form the basis of the development of a quality assurance framework during 2015.
- The quality of information provided to the Committee has improved significantly, as has the Health Board's performance as measured by RAMI (Risk Adjusted Mortality Index). Additionally data is now provided for each of the major hospitals and Divisions and the Committee continues to explore variation in data and performance in relation to condition specific deaths of patients in our care. The Committee also receives regular updates in relation to the focused work on Mortality Audits and Review Process for all deaths of patients in our care.
- Following the External Review of the Management of Clostridium Difficile Infections within the Health Board the organisation is seeing positive improvement and the Committee has been reassured with this progress and the improving levels of compliance in relation to Clostridium Difficile compared with the rest of Wales.
- The Committee has continued to monitor the number of patients admitted with pressure sores and has welcomed the addition of a dedicated Community Tissue Viability Nurse who is working with nursing home and primary care colleagues to raise awareness.
- A dashboard approach has been developed to provide reassurance on the standard of care being delivered in nursing homes.
- The Committee has continued to focus on the experience of patients and service users. Patient experience surveys have been considered at the Patient Experience Group with Divisional reports included as part of the Quality and Patient Safety Overview Report and discussed by the Committee.

- The Committee considered the Evans Report on complaints. In principle the report was very supportive of the introduction of Putting Things Right and particularly the work that had been undertaken in the Health Board area. The Committee is also focusing on additional work to further advance the sharing of experience and learning from complaints throughout the organisation.
- The Committee has been involved in the production of the second Annual Quality Statement and the active engagement of stakeholders in its design and content, particularly through the Health Board's Stakeholder Reference Group.
- The Committee undertook a range of work on recent national reports and incidents including Trusted to Care Report and the Jasmine Review; in both cases the Health Board's arrangements were found to be sound;
- The Committee over the past 12 months has reviewed the Health Board's Delivery Plans for Diabetes, Heart Disease, Respiratory Health and Neurological Conditions.

As the Planning and Strategic Change and Finance and Performance Committees of the Board have been established as new Committees during the year a short overview of each of these new committees is provided below for information:

**Planning and Strategic Change Committee:** The Planning and Strategic Change Committee has a key role in advising and guiding the organisation's planning arrangements and implementing major change (one year, medium and longer terms plans). In particular it advises the Board on:

- Delivering major service changes included in the Clinical Futures strategy, including maximising the opportunities outlined in the Integrated Medium Term Plan (Three Year Plan);
- Identifying challenges and opportunities arising from the South Wales Collaborative /Acute Care Alliance partnership work and any potential impact on local services;
- Strengthening commissioning of services, including contributing to determining local targets and managing demand;



- Implementing value based clinical services and adopting Prudent Healthcare principles and further developing the Health Board's work on patient outcomes;
- Identifying current innovative practice and aligning it with Health Board performance; and
- Maximising capacity in our organisation and effective use of our resources in line with the Health Board's plans.

**Finance and Performance Committee:** The Committee has the key roles on behalf of the Health Board of:

- Considering in detail annual performance and financial matters in relation to all aspects of the business of the Health Board in line with the Health Board's statutory requirements and its Integrated Medium Term Plan.
- Making recommendations for action to continuously improve the performance and the financial position of the organisation.
- Closely monitoring progress against agreed annual improvement actions.
- Advising on aligning service performance, workforce performance and financial performance matters into an integrated whole systems approach.

**Membership of the Health Board and its Committees:**

In Table One below, the membership of the Board is outlined for 2014/2015 and the attendance at Board meetings for this period. It also highlights the membership of Health Board Committees and the areas of Health Board responsibilities that are championed by the members of the Board. The Health Board keeps under review the membership of Board Committees to ensure changes are made regularly to refresh the membership of each committee and respond to circumstances when new members join the Board. This ensures that the Board maximises the skills and knowledge of the members of the Board by engaging them in the right committee to meet their background and areas of interest. A report of any proposed changes is approved by the Board at its meeting in May of each year. The Board also ensures that terms of reference for each committee are reviewed annually to ensure the work of committees clearly reflects any required governance requirements or changes to delegation arrangements or areas of responsibility from the Board.

## Health Board Attendance at Public Board Meetings 2014/2015:

- Audit Committee
- ◆ Quality and Patient Safety Committee
- Information Governance Committee
- ★ Mental Health and Learning Disability Committee
- ▲ Public Health and Partnerships Committee
- ◆ Charitable Funds Committee
- ◐ Workforce and OD Committee
- ◆ Remuneration and Terms of Service Committee
- ◎ Finance and Performance Committee
- ✿ Planning and Strategic Change Committee

**Table 1**

| Name  | Position        | Board Committee Membership<br>2014/2015   | Champion Roles  | Attendance Record at Board<br>2014/2015 |
|---|-----------------|---|---|---|
| David Jenkins<br>OBE  | Chair           | ◐ (Chair)<br>◆ (Chair)<br>◎ (Chair)<br>(Attends all other Committee meetings as an observer). |   | Attended<br>6 out of 6<br>meetings      |
| Professor Siobhan<br>McClelland   | Vice Chair      | ◆<br>■<br>★ (Chair)<br>✿ (Vice Chair)   | <ul style="list-style-type: none"> <li>• Mental Health Lead</li> <li>• Primary Care Lead</li> <li>• Community Lead</li> </ul> | Attended<br>5 out of 6<br>meetings      |
| Dr Andrew<br>Goodall<br><br>(Dr Goodall left the organisation at the end of June 2014 to take up the role of Director General for Health and Social Services and Chief Executive of NHS Wales at Welsh Government). | Chief Executive | ◎ (Lead Officer)<br>◆<br>Attends all committees on a periodic basis                           |   | Attended<br>1 out of 1<br>meetings      |

| Name                                      | Position  | Board Committee Membership   | Champion Roles  | Attendance Record at Board 2014/2015 |
|---|---|--|---|--------------------------------------|
| Judith Paget                              | Chief Operating Officer and Deputy Chief Executive (until the end of June 2014)<br><br>Interim Chief Executive until the end of October 2014<br><br>Appointed as permanent Chief Executive from the 27 <sup>th</sup> October 2014 | 2014/2015<br>★ Lead Officer<br>⊙<br>▲ Lead Officer<br>✿<br><br>◆<br>⊙ (Lead Officer)<br>Attends all committees on a periodic basis<br><br>◆<br>⊙ (Lead Officer)<br>✿<br>Attends all committees on a periodic basis |   | Attended 6 out of 6 meetings         |
| Wendy Bourton OBE                         | Independent Member (Third Sector)   | ◆<br>★ (Vice Chair)<br>▲ (Vice Chair)<br>⊙   | <ul style="list-style-type: none"> <li>• Patient Champion</li> <li>• Welsh Language Champion</li> <li>• Caerphilly Area Lead</li> </ul>   | Attended 5 out of 6 Meetings         |
| Richard Bowen                             | Director of Planning  | ✿  |   | Attended 3 out of 4 meetings         |
| Left the organisation in 31 December 2014 |   |  |   |                                      |
| Alan Brace                                | Director of Finance   | ● Lead Officer<br>◆ Lead Officer<br>⊙ Lead Officer<br>✿  |   | Attended 6 out of 6 meetings         |
| Dr Paul Buss                              | Interim Medical Director until the end of December 2014<br><br>Medical Director from 1 January 2015   | ◆ Lead Officer<br>✿<br>⊙   |   | Attended 6 out of 6 meetings         |
| Jane Carroll                              | Independent Member (Trade Union)  | ◆ (Vice Chair)<br>● (Vice Chair)<br>▲<br>⊙<br>◆ (Vice Chair)   | <ul style="list-style-type: none"> <li>• Staff Welfare (including the prevention of Violence and Aggression)</li> <li>• 1000 Lives Plus</li> <li>• Mental Health and Learning Disabilities</li> </ul> | Attended 4 out of 6 meetings         |

| Name                    | Position   | Board Committee Membership   | Champion Roles   | Attendance Record at Board 2014/2015 |
|-------------------------|--|--|--|--------------------------------------|
| Professor Helen Houston | Independent Member (University)  | <ul style="list-style-type: none"> <li>◆ (Vice Chair)</li> <li>★</li> <li>▲ (Chair)</li> <li>☼</li> </ul>                    | <ul style="list-style-type: none"> <li>• University Lead</li> <li>• Children and Young People Champion</li> <li>• Families and Therapies Lead</li> </ul>                     | Attended 4 out of 6 meetings         |
| Christopher Koehli      | Independent Member (Finance)   | <ul style="list-style-type: none"> <li>● (Vice Chair)</li> <li>◆ (Chair)</li> <li>☾</li> <li>☼ (Chair)</li> <li>◆</li> </ul> | <ul style="list-style-type: none"> <li>• Carers Champion</li> <li>• Primary Care and Network Divisional Lead</li> <li>• Torfaen Area Lead</li> </ul>                         | Attended 6 out of 6 meetings         |
| Denise Llewellyn        | Director of Nursing  | <ul style="list-style-type: none"> <li>◆ Lead Officer</li> <li>⊙</li> </ul>  |  | Attended 6 out of 6 meetings         |
| Jamie Marchant          | Interim Chief Operating Officer  | <ul style="list-style-type: none"> <li>★ Lead Officer</li> <li>⊙</li> <li>▲ Lead Officer</li> <li>☼</li> </ul>               |  | Attended 6 out of 6 meetings         |
| Cllr Brian Mawby        | Independent Member (Local Authority)   | <ul style="list-style-type: none"> <li>▲</li> <li>⬢ (Chair)</li> <li>⊙</li> <li>★</li> </ul>                                 | <ul style="list-style-type: none"> <li>• Veterans/Armed Forces Lead</li> <li>• Facilities Lead</li> <li>• Local Government Lead</li> <li>• Structural Design Lead</li> </ul> | Attended 5 out of 6 meetings         |
| Anne Phillimore         | Director of Workforce and OD   | <ul style="list-style-type: none"> <li>☾ Lead Officer</li> <li>⊙</li> <li>◆ Lead Officer</li> </ul>                          |  | Attended 6 out of 6 meetings         |
| Dr Gill Richardson      | Director of Public Health  | <ul style="list-style-type: none"> <li>▲ Lead Officer</li> <li>⊙</li> <li>☼</li> </ul>                                       |  | Attended 6 out of 6 meetings         |
| Philip Robson           | Independent Member (Community)   | <ul style="list-style-type: none"> <li>● (Chair)</li> <li>◆</li> <li>⬢</li> <li>⊙ (Vice Chair)</li> <li>◆</li> </ul>         | <ul style="list-style-type: none"> <li>• Blaenau Gwent Area Lead</li> <li>• Unscheduled Care Lead</li> <li>• Safeguarding Lead</li> </ul>                                    | Attended 6 out of 6 meetings         |
| Alison Shakeshaft       | Interim Director of Therapies and Health Science from July 2014<br><br>Director of Therapies and Health Science from October 2014. | <ul style="list-style-type: none"> <li>◆ Lead Officer</li> <li>⊙</li> <li>☼</li> </ul>                                       |  | Attended 6 out of 6 meetings         |

| Name   | Position  | Board Committee Membership  | Champion Roles  | Attendance Record at Board 2014/2015 |
|--|---|---|---|--------------------------------------|
| Jan Smith<br>Left the organisation on 20 <sup>th</sup> July 2014 | Director of Therapies and Health Sciences                               | ◆ Lead Officer<br>⊙<br>⊛  |   | Attended 1 out of 1 meetings         |
| Joanne Smith   | Independent Member (Community)  | ● (Vice Chair)<br>◐<br>⊛<br>◆   | <ul style="list-style-type: none"> <li>Newport Area Lead</li> <li>Putting Things Right Champion</li> <li>Equality Lead</li> </ul>       | Attended 6 out of 6 meetings         |
| Frances Taylor   | Independent Member (Community)  | ●<br>◐<br>◑<br>⊙  | <ul style="list-style-type: none"> <li>Patient Experience Lead</li> <li>Scheduled Care Lead</li> <li>Monmouthshire Area Lead</li> </ul> | 4 out of 6 meetings                  |
| Professor Janet Wademan  | Independent Member (ICT)  | ● (Chair)<br>◐<br>⊛<br>◆  | <ul style="list-style-type: none"> <li>Older People Champion</li> <li>ABCI Lead</li> <li>Community Services Lead</li> </ul>             | Attended 6 out of 6 meetings         |
| Mark Gardner   | Chair of the Stakeholder Reference Group (Associate Independent Member) | ▲ (Associate Member)<br>◑ (Associate Member)  |   | Attended 5 out of 6 meetings         |
| Dr Sue Greening MBE  | Chair of the Health Professionals Forum (Associate Independent Member)  | ◆ (Associate Member)  |   | Attended 5 out of 6 meetings         |
| Liz Majer  | Associate Independent Member – Directors of Social Services             | ▲ (Associate Member)  |   | Attended 5 out of 6 meetings         |
| Richard Bevan  | Board Secretary   | Attends a range of committee meetings on a regular basis. Lead Officer for the Stakeholder Reference Group and Healthcare Professionals Forum<br>⊙<br>⊛<br>● Lead Officer |   | Attended 5 out of 6 meetings         |

| Name   | Position   | Board Committee Membership   | Champion Roles | Attendance Record at Board 2014/2015 |
|--|--|--|----------------|--------------------------------------|
| Allan Davies   | Director of Performance Improvement<br><br>Interim Director of Planning and Performance from 05 January 2015 | <ul style="list-style-type: none"> <li>■ Lead Officer</li> <li>⦿ Lead Officer</li> <li>✿ Lead Officer</li> </ul> |                | Attended 6 out of 6 meetings         |
| Please note that Executive members of the Board are lead officers for some committees, but can be required to attend all committees. |  |  |                |                                      |

As indicated, the attendance of Board Members at the in-public Board meetings during the last year is shown above. However, members are involved in a range of other activities on behalf of the Board, such as Board Development Meetings (at least six a year), meetings of Committees of the Board, service visits and a range of other internal and external meetings.

The Board also meets in public in June to formally approve the Annual Accounts of the Health Board following detailed consideration by the Health Board's Audit Committee. This meeting has not been included in the above attendance record as this is a procedural meeting and is run with the required number of members for a quorum for the Board only and therefore not all members are required to attend.

All of the meetings of Board Committees during 2014/15 were quorate, with the exception of a meeting of the Quality and Patient Safety Committee held on 1<sup>st</sup> October 2014, which was not quorate for a proportion of the meeting however, any decisions or approvals for the period when the Committee was not quorate were deferred to or ratified at the meeting held on 3<sup>rd</sup> December 2014.

**Advisory Groups** – The Board also has three advisory groups. These are the Stakeholder Reference Group, Healthcare Professionals Forum and the Trade Union Partnership Forum (Local Partnership Forum) established in line with our Standing Orders.

**Stakeholder Reference Group:** The Group is made up of a range of partner organisations from across the Health Board area. The Group is Chaired by an Associate Independent Member. The Group during the year has continued to advise the Health Board on a range of service issues and planning and development matters and acts as a 'critical friend' to the organisation with regard to its emerging plans.

**Healthcare Professionals Forum:** The Forum comprises representatives from a range of clinical and health professions within the Health Board and across primary care practitioners. The Forum is chaired by an Associate Independent Member of the Board. The Group during the year has considered a range of professional and service issues and provided advice to the Board with regard to how to effectively engage with professionals across the organisation. The Forum also provides input to the National Joint Professional Advisory Committee (NJPAC) at Welsh Government and the Chair is automatically a member of the NJPAC.

**Trade Union Partnership Forum (Local Partnership Forum):** The Trade Union Partnership Forum is jointly chaired by George Puckett on behalf of the staff side and Judith Paget for the management side. The Forum is responsible for engaging with staff organisations on key issues facing the organisation. The TUPF provides the formal mechanism for consultation, negotiation and communication between our staff and the Health Board, embracing the Trades Union Congress principles of partnership. The Forum via its Chairs reports formally to the Board each year.

**Progressing the Health Board's Plans against its objectives** - The Health Board is in the process of implementing a five year strategic programme, which focuses on further modernising local services and our workforce to better meet the needs of local people. As part of this five year process the Board considered an Integrated Medium Term Plan (Three Year Plan) at its March 2015 meeting and approved the Plan for submission to the Welsh Government for final approval.

Also, on the 1<sup>st</sup> April 2014 the *NHS Finance (Wales) Act 2014* amended the *NHS (Wales) Act 2006* and required LHBs to meet two new statutory financial duties.

The **first financial duty** gives additional resource flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period, replacing the duty to balance their books over a one year period. The first three year period under this duty is 2014/15 to 2016/17, so LHBs' performance against this duty will not be measured until 2016/17. However, it is important to note that the Financial Statements for 2014/15 show the LHB met both its annual revenue resource allocation and annual capital resource allocation for the year.

The **second financial duty** is a new duty requiring LHBs to prepare and have approved by the Welsh Ministers a rolling three year integrated medium term plan. Instead the Health Board prepared an interim one year operational and financial plan for 2014/15 as it did not believe that its draft three year plan met fully either the Board's requirements or those set out in the *NHS Finance (Wales) Act 2014*. The Welsh Government confirmed in June 2014 that the LHB's draft three year plan

did not meet statutory requirements and therefore Ministerial approval was not given. The second financial duty was therefore not met.

During the last year, in terms of the delivery of our plans, there is clear evidence of many areas of positive progress and improvement, but it is recognised by the Health Board that this is not yet consistent across the whole organisation. Nevertheless, the Health Board has succeeded in delivering and achieving many of the targets set by the Welsh Government, but not all, having not achieved some of the Referral to Treatment Time (RTT) targets for patient care. The Health Board is also undertaking a range of actions to embed consistent improvement and delivery throughout the organisation. The overall performance of the organisation is provided in Table Two.

The Health Board is also continuing to develop and embed policies and procedures in the organisation to enable successful delivery of its governance and assurance arrangements. This includes the further development of the Health Board's Scheme of Delegation to ensure that decision making is enabled and supported by the most appropriate staff and teams at the most appropriate levels. This is designed to encourage further local decision making with clearly understood local accountability for delivery and improvement. Also, an updated Policy on Policies and Procedures has been approved, which enables the Health Board to ensure that policies are consistently developed, implemented, monitored and reviewed. The implementation of this work is being guided and monitored by the Audit Committee, which has included a review of the Health Board's on-line policy database and the introduction of a quarterly policy digest for staff to provide information on new and amended policies in the previous quarter.

**All-Wales Risk Pool Arrangements:** The Welsh Risk Pool Services (WRPS) is a risk sharing mechanism, akin to an insurance arrangement which provides indemnity to NHS Wales's organisations against negligence claims and losses. Individual NHS organisations must meet the first £25,000 of a claim or loss which is similar to an insurance policy excess charge. Until the beginning of financial year 2014/15 the WRPS was funded directly by Welsh Government with overspends being covered directly from WG budgets.

It was confirmed in January 2014 that the Minister for Health and Social Services had decided that the Welsh Risk Pool budget would be transferred back into NHS Wales from 1 April 2014. With the growth in claims experienced in the NHS the Welsh Risk Pool had typically overspent each year and so the devolvement of the budget to NHS Wales was significant. A budget of £70 million was confirmed, based on 2013/14 outturn, with a further £5 million contingency funding. The rationale for devolving the budget to NHS Wales was to align financial governance relating to claims with corporate and quality governance. Therefore a risk



sharing mechanism that seeks to incentivise improvement is being developed on an all-Wales basis to share financial risk across NHS bodies in Wales if overspends arise. The basis of risk share in 2014/15 was based on revenue budget allocation shares for Health Boards. The budget of £75 million devolved to NHS Wales was sufficient to manage costs in 2014/15, meaning that there was no financial exposure to this Health Board. It does however, represent a significant ongoing financial risk.

**Wales Audit Office Structured Assessment:** The Wales Audit Office Structured Assessment Report for 2014 highlighted that the organisation's governance arrangements have continued to mature and develop to meet our stated goals and also identified that the key areas identified in last year's structured assessment have also improved because our structures and frameworks continue to develop and mature effectively. This external assessment of the Health Board's continuing development was encouraging, but the Health Board recognises that there is further improvement work required to respond to our stated ambitions as an organisation to provide the best services for local people. The Health Board has in place a programme of actions to respond to the areas of further development identified in the Structured Assessment.

The key assessment and conclusion from Wales Audit Office was as follows:

**Wales Audit Office Structured Assessment Overall Conclusion:**

*'The Health Board has arrangements to support good governance and a strong performance and improvement focus, but more needs to be done to ensure the healthcare model is modernised and financially sustainable to meet the need of future generations:*

*The Health Board's financial management arrangements ensured that it met its target to break even for 2013/14, but it does not yet have effective sustainable financial planning as part of an integrated medium term plan.*

*The Health Board's governance arrangements are continuing to improve from a broadly sound base, but the organisation needs to strengthen planning to ensure it meets its future longer term financial challenges and population health demands.*

*The Health Board needs to further develop its approach to the design and management of change and to strengthen workforce planning'.*

(WAO, 2014)

The Health Board has committed to a range of actions in response to the Structured Assessment and these include:

- Building on the Health Board's current approach by developing longer term savings plans, but also exploring the potential for income generation as an organisation and in partnership.
- As part of the development and implementation of the Integrated Medium Term Plan (Three Year Plan) the Health Board is reviewing its planning capacity and the resources made available to take forward the implementation of the plan.
- Further enhancing the Health Board's approach to clinical engagement as part of our programmes of change and patient pathway design.
- Building on existing good quality and patient safety committee arrangements by the development of a quality assurance framework.
- Reviewing the information taken to the Board to ensure that this includes more information on clear patient outcomes, clarity on risk appetite and consistency of risk reporting.
- Developing a clear change management framework and develop a programme of delivery and monitoring.

Progress against these key actions is being taken forward via the Executive Team and will be monitored by the Audit Committee.

The Health Board along with its internal sources of assurance, which includes its internal audit function provided by NHS Shared Services, also uses sources of external assurance and reviews from auditors, regulators and inspectors to inform and guide our development. The outcomes of these assessments are being used by the Health Board to further inform our improvement planning and the embedding of good governance across a range of the organisation's responsibilities.

The Health Board also has in place a tracking system for internal audit recommendations and the agreed management actions, which is regularly reported to the Health Board's Audit Committee. This is being further developed to also include the tracking of external audit recommendations.

The Health Board uses reports from Healthcare Inspectorate Wales, the Welsh Risk Pool and other inspectorates and regulatory bodies to inform the governance and assurance approaches established by the organisation. The Health Board has also undertaken Healthcare Inspectorate Wales' annual Governance and Accountability Module Self-Assessment for 2014/2015 and the outcome of this assessment has been incorporated into the annual performance assessment provided in Table

Two and the assessment levels for each module for the last four years are shown in Appendix Two.

However, produced below is the overall assessment of the module's key themes:

|  | <b>Aneurin Bevan University Health Board</b>   |  |   |   |   |
|--|--|--|---|---|---|
| <b>Governance and Accountability Module</b>    | 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. |
| <b>Setting the Direction</b>                   |  |  |   | ✓   |   |
| <b>Enabling Delivery</b>                       |  |  |   | ✓   |   |
| <b>Delivering results achieving excellence</b> |  |  |   | ✓   |   |
| <b>Overall Maturity Level</b>                  |  |  |   | ✓   |   |

**Annual Quality Statement** - The Health Board published its second Annual Quality Statement in 2014, which provided the organisation with an opportunity to outline for the public an assessment of what the Health Board has been doing to ensure our services are meeting local needs and are achieving the required standards of quality and safety. The third Annual Quality Statement will be produced in September 2015.

**ABCi** - The Health Board also uses information regarding best practice available inside and outside the public sector to benchmark its performance and continue to foster a culture of continuous improvement that has been established by the ABCi (Aneurin Bevan Continuous Improvement) initiative in the Health Board to lead and advise on areas of this work. ABCi lead for the organisation on engagement with the 1000 Lives Plus Programme and the Board promotes the use of these methodologies for improvement and is aware of improvements made and barrier to improvements and these are monitored by the Quality and Patient Safety Committee on behalf of the Board.

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

The Health Board's 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 2015 and up to the date of approval of the annual report and accounts.

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

Aneurin Bevan University Health Board has continued to develop and embed its approaches to risk management over the last year, but recognises that further work is required to ensure risk systems continue to be streamlined and interconnected and that our understanding of risks actively informs the Health Board's key priorities and actions and our overall approach to risk governance.

Continuing review has been undertaken on the Health Board's Risk Management Strategy and Process and this has been informed by using feedback from Internal Audit Reports and the Wales Audit Office Structured Assessment. The Audit Committee agreed a further update in 2015, which included a reformatting of the Health Board's Corporate Risk Register to focus more clearly on the impact of risks. Further work is taking place to rework the Corporate Risk Register to incorporate the risks to the Health Board of non-delivery of the agreed Integrated Medium Term Plan.

The Health Board sees active and integrated risk management as key elements of all aspects of our functions and responsibilities especially in order to support the successful delivery of our business. This assists in ensuring high quality and safe health care is provided to local people, that we contribute to improving the health and well-being of our population and that a safe and supportive working environment is provided for our staff.

The Health Board also recognises that risks can arise from not taking opportunities to develop and deliver improved services. The Health Board recognises it might need to take controlled risks over time or at certain times to enable the delivery of new forms of services or different ways of delivering services in changing economic, political and social contexts and the Health Board's appetite for risk is assessed on an issue by issue basis

bearing in mind the issues outlined above. The Health Board via its Public Health and Partnerships Committee has also developed a Public Health and Health Promotion Risk Register, which recognises the different nature of public health risks and also potentially the longer timeframes involved with these types of risks. This work is seen as leading work in the NHS in Wales.

As Chief Executive, I have overall responsibility for the management of risk for the Health Board. The Executive Lead for clinical risk management is the Director of Nursing and has delegated responsibility for ensuring that arrangements are in place to effectively assess and manage clinical risks across the Health Board. The Board Secretary along with the Director of Nursing work together to design systems and processes for risk management with the Board Secretary having responsibility for maintaining and co-ordinating a corporate risk register and the corporate reporting of risks. The Health Board and its Committees identify and monitor risks within the organisation. Specifically, the Executive Team meetings present an opportunity for the executive function to consider and address risk and actively engage with and report to the Board and its Committees on the organisation's risk profile.

The Health Board is also committed to ensuring staff throughout the organisation are trained and equipped to appropriately assess, manage escalate and report risks and further work continues to embed good risk management throughout the organisation but it is recognised that further work is required to extend the scope of risk management training across the organisation. The Health Board has established a network of risk leads across the Divisions and Departments of the Health Board and has recently undertaken an assessment of risk management training needs to further inform a programme of training and development for 2015/2016.

This work throughout the Health Board is being informed by best practice examples through advice from the Health Board's Internal Auditors and the Wales Audit Office.

The risk profile of the Health Board is continually changing, but the key risks that emerge and can impact upon the Health Board's achievement of its objectives include strategic, operational, financial and compliance risks. The key risks of the organisation as at the 31<sup>st</sup> March 2015 are outlined below and are also covered in the overall performance report at Table Two.

There were 27 risks on the Health Board's Corporate Risk Register at the end of March 2015.

| Category of Risk           | Number of Risks at March 2015 |
|----------------------------|-------------------------------|
| Strategic Risks            | 6                             |
| Financial Risks            | 1                             |
| Operational/Business Risks | 13                            |
| Compliance Risks           | 7                             |

The profile of corporate level risks as at 31<sup>st</sup> March 2015 in terms of their assessed levels is outlined in the risk map below. Further information with regard to risks as at 31<sup>st</sup> March 2015 is provided in Table Two:

| Consequence Score | Likelihood Score |               |               |             |                     |
|-------------------|------------------|---------------|---------------|-------------|---------------------|
|                   | 1<br>Rare        | 2<br>Unlikely | 3<br>Possible | 4<br>Likely | 5<br>Almost certain |
| 5 - Catastrophic  |                  |               |               | ● 5         | ● 1                 |
| 4 - Major         |                  |               |               | ● 5         |                     |
| 3 - Moderate      |                  |               |               | ● 7         | ● 6                 |
| 2 - Minor         |                  | ● 2           |               |             |                     |
| 1 - Negligible    | ● 1              |               |               |             |                     |

The Health Board also has in place a tracking system for risks on the Health Board's Corporate Risk Register to demonstrate the profile of risks and their trends over time. These can be viewed as part of the Health Board meeting papers on our website.

<http://www.wales.nhs.uk/sitesplus/866/page/41395>

### The risk and control framework

The Health Board's approach to risk management provides a framework and structured process for the identification and management of risk across the organisation to better inform decision making. The Health Board's systems and processes allow for the Board and staff to implement necessary actions to respond to risks at all organisational levels. They also facilitate the reporting of risks throughout the organisation, escalating to senior levels of management, where required, and to the Health Board and its Committees via the Executive Team, or vice versa, to further inform corporate decisions.

The Health Board recognises that through these processes it is not possible to eliminate or avoid all risks and that in some instances the Board, the wider organisation and with our partners we might have to take informed risks to further our stated aims and objectives. However, as risks are recognised and identified, actions to understand and respond to these risks are undertaken and implemented. If after all necessary steps have been taken and the risk remains, the Health Board may decide to accept the risk and continue to actively manage it.

The Board's decision to accept and actively manage risks might be different for the range of its responsibilities. The Board through information and intelligence from within and outside the organisation will determine the level of risk it is willing to accept for each area of its plans and business – known as its 'risk appetite'. This is determined by the Board at its meetings and informed by the work of its committees and strategic and operational planning activities.

The Health Board links closely with public service partners, such as Local Authorities and other bodies and organisations to assess and manage risk and to understand key issues and risk that could impact upon the Health Board and affect the effective and efficient delivery of its services and functions to support patient care.

The Health Board also uses the 'Doing Well, Doing Better: Standards for Health Services in Wales' as a part of our framework for gaining assurance on our ability to fulfil our aims and objectives for the delivery of safe and high quality health services. This involves self-assessment of our performance against the standards across all activities and at all levels throughout the organisation and this is also linked to the Health Board's approach to risk management. The outcome of this assessment and the Health Board's general performance against the Standards are included in Table Two.

**UK Corporate Governance Code:** Aneurin Bevan Health Board has also undertaken an assessment against the main principles of the UK Corporate Governance Code as they relate to an NHS public sector organisation in Wales. This assessment has been informed by the Health Board's assessment against the Governance and Accountability Module undertaken by the Board in April 2015 and also evidenced by internal and external audits. The Health Board is satisfied that it is complying with the main principles of the Code, is following the spirit of the Code to good effect and is conducting its business openly and in line with the Code. The Health Board has not identified any departures from the Code through the year. However, the Board recognises that not all reporting elements of the Code are outlined in this Governance Statement but are reported more fully in the Health Board's wider Annual Report.

**Ministerial Directions 2014/2015 and Welsh Health Circulars:** A list of Welsh Government Ministerial Directions issued in 2014/15 is available at the following Welsh Government website:

<http://wales.gov.uk/legislation/subordinate/nonsi/nhswales/2013/?lang=en>

The Health Board can confirm that all eight of these directions have been fully considered and assessed and where appropriate implemented by the Health Board or in partnership with other NHS organisations.

The Welsh Government also reintroduced Welsh Health Circulars during 2014/2015, which replaced Ministerial Letters/Directions. These are centrally logged within the Health Board with a lead Executive Director identified to oversee the implementation of the required action or to develop the required response. Also, where appropriate the Board, one of its Committees or the Executive Team monitors progress against the circulars.

There are no major issues to report with regard to the implementation of these Ministerial Directions or Welsh Health Circulars.

Also a formal system is in place that tracks regulatory and inspection reports against statutory requirements and all such reports are made available to the appropriate Board Committee.

**Information Governance:** The Health Board has a range of responsibilities in relation to the appropriate use and access to the information that it holds including confidential patient information. This is guided by legislation and the Caldicott principles. The Medical Director is the Health Board's Caldicott Guardian.

The Health Board has a Board Committee Structure in place that provides the Board with assurance that it meets its obligations under law and its strategic objectives, including working with its partners. The Information Governance Committee (IGC) provides assurance and advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the Health Board's arrangements for creating, collecting, storing, safeguarding, disseminating, disclosing, sharing, using and disposing of information in accordance with its stated objectives, legislative responsibilities and any relevant requirements and standards determined for the NHS in Wales. The structure of the Committee has been reviewed during the last year and a revised structure is now in place for the year 2015/16.

During 2014/15, the Health Board received over 5,000 Data Protection Act Subject Access Requests (SARs) – this is an increase of over 20 per



month compared to 2013/14. The largest proportion of requests received continues to be made by solicitors and legal services at 73%. The Health Board communicates with all requestors, especially if the request is complex and the 40 day target is unlikely to be met, so that the requestor's expectations are managed appropriately.

The Health Board recorded over 800 incidents regarded as an Information Governance incident – this is similar to 2013/14. There were several complaints made regarding allegations of potential breaches of confidentiality, inappropriate use of social media, the integrity of data, and non-compliance with the Data Protection Act (Subject Access Requests). Of these the Health Board is confident that the issues were dealt with promptly and there was no effect on the patients or the organisation.

There were two requests made by an AM on behalf of patients, both of which were satisfactorily dealt with. There were four requests from the Information Commissioner's Office, which were also satisfactorily dealt with no further issues.

The Health Board's Information Governance Policy Framework is continually being reviewed and during 2014/15 nine policies were created or reviewed and the Health Board liaised with all other Health Boards to ensure a consistent approach to policy content across NHS Wales.

Over 76% of the staff have undertaken information governance training either through the Health Board's innovative e-learning or through classroom style delivery.

The Health Board ensures that sharing information with our partner organisations is undertaken in a consistent and appropriate way for the benefit of the patient and citizen. The Health Board has developed several Information Sharing Protocols (ISPs) in line with the Welsh Government's approved model of the Wales Accord on the Sharing of Personal Information (WASPI) framework. This meets the "Duty to Share" of the Caldicott 2 Report.

**Data Quality:** The Health Board is committed to ensuring the best standards of data quality to inform decision making and assessment of performance to improve services for patients. There are systems and audit processes in place to continually focus on improving data quality by regular checks on validity, consistency, time lines and accuracy both locally and in partnership with NWIS. The Health Board developed a revised Data Quality Policy in 2014/15 based on developing greater ownership from staff at all levels of the organisation reinforced by approaches for more real time data capture to ensure improved timeliness. A range of improvement actions are in place to ensure that the Board received the highest quality of the data to ensure it can make its assessments of governance and assurance.

#### **4. Review of effectiveness**

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

As Accountable Officer I have overall responsibility for risk management and report to the Board regarding the effectiveness of risk management across the Health Board. My advice to the Board is informed by reports on internal controls received from all its committees and in particular the Audit Committee and Quality and Patient Safety Committee. The Quality and Patient Safety Committee also provides assurance relating to issues of clinical governance, patient safety and health standards. In addition, reports submitted to the Board by the Executive Team identify risk issues for consideration.

Each of the Health Board's Committees have considered a range of reports relating to their areas of business during the last year, which have included a comprehensive range of internal audit reports and external audit reports and reports on professional standards and from other regulatory bodies. The Committees have also considered and advised on areas for local and national strategic developments and new policy areas. Each Committee develops an annual report of its business and the areas that it has covered during the last year and these are reported in public to the Health Board.

#### **'Doing Well – Doing Better – Standards for Health Services in Wales – Governance and Accountability Module Assessment**

A key element of my review as Accountable Officer and the review by the Board of its effectiveness has been to use the self-assessment Governance and Accountability Module in relation to the Standards for Health Services. Details from the Board's self-assessment (provided at Table Two) made against each statement in the module needs to be understood in the context of the Health Board's progress against its five year programme of improvement and its annual performance outlined in Table Two. The self-assessment process was undertaken by the full Board and was this process has been subject to independent internal assurance by the organisation's Head of Internal Audit. From the self-assessment processes the Health Board has identified that although generally good progress has been made there are some areas of the Health Board's functions and priorities which will require a further focus in

2015/2016. Some the key actions identified by the Board are outlined in overview below:

Key areas of improvement action in 2015/206 will be:

- Implementation of our refreshed Engagement Strategy approved in 2015 and the establishment of an Engagement Team with particular focus on continuous engagement with our local communities on Clinical Futures and the preparation for the Specialist and Critical Care Centre;
- Successful implementation of the year one priorities for the Health Board's Integrated Medium Term Plan (Three Years 2015-2018);
- Establishment and embedding in partnership of the Gwent area Partnership for Health and Social Care in response to the Social Services and Well Being Act;
- Develop and take forward the Health Board's Organisational Development Strategy and use this as part of the approach to the delivery of the Integrated Medium Term Plan;
- Further develop our communication and engagement arrangements with our staff, especially with our middle managers and clinicians;
- Continued development of Neighbourhood Care Networks (NCNs) in primary care as part of the focus of the integration of services as part of the Integrated Medium Term Plan;
- Embed the new Health and Care Standards for Wales;
- Further embed Equality Impact Assessment in the processes of the Health Board and its partnership work;
- Development and delivery of the approach to Business Intelligence and the availability of real time data for the organisation and for publication for our citizens;
- Further programme improvements for the Health Board's estate, especially in primary care, but also in preparation for the Specialist and Critical Care Centre (SCCC);
- Align corporate risk assessment and reporting to the risks associated with the delivery of the Integrated Medium Term Plan, including further development of public health risk assessment and reporting.

- Increase the use of social media as part of the wider communications and engagement strategy for the Health Board;
- Take forward the Health Board's participation on the International Consortium for Health Outcomes (ICHOM) work and have a continued focus on positive outcomes for our citizens through our programme of work and the services we provide;
- Further develop the Health Board's approach to learning and sharing of experience and good practice.

The organisation has plans in place to achieve the improvement actions identified and within clearly defined timescales proportionate to the risk. The Health Board will also continue to take forward the Standards for Health Services in their new form having been recently re-launched by Welsh Government as the new Health and Care Standards for Wales. This will be achieved through further embedding these throughout the organisation at all levels and across all activities. The Standards will continue to be used to underpin the 5-Year Service Workforce and Financial Strategic Framework and our Three Year Integrated Medium Term Plan and associated Annual and Delivery Plans of the Health Board.

There is evidence through Internal Audit reports that teams and services are using the standards to assess risk and prioritise improvement and this will be taken forward further through embedding the Health Board's risk management framework and strategy. However, our Internal Audit work indicates that there are some divisions where the processes are working well, but there are other Divisions where assurance of Standards being embedded is not as robust and it is recognised that further work is required with these teams and services to ensure Standards are actively used and inform operational activity and decision making. These Standards and risks will continue to be monitored at the appropriate committees of the Board.

The overall monitoring of the Standards for Health Services takes place via the Quality and Patient Safety Committee and the Governance and Assurance Framework including the Health Board's approach to risk is monitored via the Audit Committee on behalf of the Health Board. Through this work the Board also gains assurance that the organisation is meeting the standards across the range of its activities. We actively use our understanding of our risks, including risks associated with services being provided by others on our behalf and also feedback from patients, the public and partner organisations such as the Aneurin Bevan Community Health Council, to continue to understand the impact of the Health Board's risks on local services. For those services which are jointly provided with other public stakeholders, risks which impact upon these

services and organisations, are managed through joint structures and processes and local agreements.

The effectiveness and performance of the organisation, which informs my review of effectiveness of the overall system of control and assurance, has been included in Table Two, which provides an integrated report of the Health Board's performance against its stated objectives.

The Health Board has continued to pursue and refine its service strategy and has focused on integrating care for citizens within health services and also with partner organisations. This has also focused on improving safety and quality for patients and developing sustainable solutions for services based on engagement with citizens and staff and service reconfiguration in many areas. During the last year the Health Board has approved an integrated Engagement Strategy and agreed dedicated resources to support its implementation.

The Health Board has continued to focus on making progress by developing its plans and organisational response by:

- Connecting services and support through further integrating Primary, Community and Hospital services. This is being particularly led through the work of our Neighbourhood Care Networks and our key priorities of our Integrated Medium Term Plan;
- Promoting opportunities to integrate with Social Care and the Third Sector. Key to this work is the Health Board's response in partnership to the Social Services and Well Being Act and the establishment of a new Gwent Health and Social Care Partnership;
- Focusing on driving specific performance areas to be delivered based on the National Performance Framework, "Together for Health" and "Setting the Direction";
- Continuing to integrate the Health Board's organisational structure and bringing together opportunities for whole system working. This has included participating in the work of the South Wales Collaborative and also taking forward the principles of prudent health care and co-production.

This has provided the necessary drive and commitment which has resulted in developing agreed plans to achieve service change and specifically shifting the balance of care provision more towards community settings and reducing reliance on hospital based care.

**Table 2**

| <b>Objective: Delivering Patient Centred Services:</b><br><b>Taking all opportunities to organise services around the citizen and balancing the whole system.</b>  |  |   |
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| <b>Mapped to themes of the Standards for Health Services</b>   | <b>Risks Profile</b>   | <b>Annual Performance</b>   |
| <p>The Standards for Health Services relating to this objective are: 3, 5, 7, 8, 9, 10, 13 and 15.</p> <p>* please note that the list of Standards for Health Services is provided as an appendix to this Statement.</p> | <p>Failure of the Health Board to agree and effectively implement a financially balanced Three Year Plan. (Red Risk – Risk Score 20)</p> <p>Failure of the Health Board’s Emergency Care provision to meet the needs of local people. (Red Risk – Risk Score 20)</p> <p>Risk that the Health Board will be unable to meet the Deanery requirements and the planned approach to meeting the 1:11 rota and single site working for obstetrics, paediatrics and gynaecology. (Red Risk – Risk Score 20)</p> <p>Failure of out-patient services as currently configured to meet demand. (Amber Risk – Risk Score 15)</p> | <p>The Health Board considers that it can demonstrate good progress on the delivery of the vision for the NHS in Wales set out in Together for Health and the Programme for Government. This can be demonstrated particularly through the Health Board’s continued implementation and phased delivery of our Clinical Futures Strategy. The Health Board was pleased to receive formal approval from Welsh Government of the Outline Business Case (OBC) for the Specialist and Critical Care Centre and work is now ongoing to complete a Full Business Case in readiness the new facility to open in 2019.</p> <p>The Health Board continues to participate in extensive partnership work across South Wales and work is currently being taken forward on proposals along with the development of the South Wales Collaborative, Acute Care Alliances across South Wales and South Powys and preparations for the implementation of the 111 number to access healthcare.</p> <p>The Health Board initiated a comprehensive process to develop a Winter Plan for 2014/15 learning from the previous years and building on the service and management improvements initiated during 2014. The plan involved all key stakeholders and supported by agreed escalation levels to focus on remedial action at the earliest time. The winter pressures and demand experienced this year were significant and the impact on the delivery and performance of our services was unprecedented. A further comprehensive review has been undertaken to inform future planning.</p> <p>The Health Board has been actively working on its Integrated Three Year Plan over the last year. The Plan responds to the NHS Wales Policy Framework and outlines our actions to deliver Welsh Government targets and deliver local priorities ambitions. This Plan was supported by the Board at its March 2015 meeting and was submitted to the Welsh Government for approval.</p> |

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|  | <p>Failure to secure junior level trainees at Ysbyty Ystrad Fawr due to Deanery changes and the withdrawal of junior medical staff in training in February 2015. Failure to recruit Advanced Nurse Practitioners as part of new models. (Yellow Risk – Risk Score 10)</p> | <p>The Health Board has also undertaken a range of service reconfiguration activities during the year to better deliver services around patient needs.</p> <ul style="list-style-type: none"> <li>• High patient satisfaction rates across all areas in the Fundamentals of Care Audit with the only major issues being in Oral Health and Hygiene</li> <li>• Continued with work to embed our Patient Experience Framework outlining how the Health Board will actively seek the views and experiences of patients and users</li> <li>• Improved access to General Medical, General Dental and Community Optometrist services across Gwent and continued to focus on supporting the improvement of primary care facilities and estate.</li> <li>• The Health Board has developed 12 Neighbourhood Care Networks have these have continued to develop and are making a real impact across the Health Board and have genuinely become multi-professional. The NCNs are crucial to the ways in which services become increasingly integrated across primary, community and hospital care and also ensuring the shift of more services to the community and in people's own homes.</li> <li>• Fast track discharge for palliative care patients, with specialist nurses providing consistent seven day services</li> <li>• Dementia Intelligent Targets have improved services for people with dementia in all 5 target areas, and increased staff engagement in this important area, particularly in general acute wards. There have been clear improvements in services for patients with memory problems and dementia.</li> <li>• More patients than ever before are coming in to hospital on the day of surgery.</li> <li>• Generally, but also in preparation for the transfer of services to the new SCCC, the Health Board has undertaken a range of service reconfiguration work in the following areas and these are reflected in the Health Board's Integrated Medium Term Plan for example, Stroke Services.</li> </ul> <p>The Health Board has faced particular challenges during the year as a result of required negotiations with the Wales Deanery regarding the provision of services at Ysbyty Ystrad Fawr due to training and rota requirements. This has now been resolved with a new model of services in place. However discussions with the Deanery are now focusing on the configuration of paediatric, obstetric, neonatal and gynaecology services.</p> <p>The Health Board considers that there has been evidence of improvement with more connectivity in some areas. However, there are still real challenges to meet the demand for services and especially for unscheduled care/emergency services and managing the impact that this demand has on the other areas of service delivery for the Board. It is recognised that some re-alignment</p> |
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|   |   | is still required to ensure the Health Board has a clear focus on the whole system and that structures are integrated and are clear about who does what and why and that delivery is embedded throughout the Health Board with every individual clear regarding their roles and responsibilities. This will need to be reinforced through continued good internal communications, especially through management structures and also further engagement with local people with regard to the Health Board's plans and proposed service developments.  |
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| <p><b>Objective: Focusing on Safety, Excellence and Quality:</b><br/> <b>We have a responsibility to ensure that patients and the population we serve receive the best quality, evidence-based care we can provide and to ensure we deliver the basics exceptionally well. We also have a responsibility to consider quality in its wider definition including patient experience (and appropriate access), maximum productivity and minimal waste, as well as clinical effectiveness and patient safety.</b></p> |   |  |
| Mapped to Standards for Health Services   | Risk Profile  | Annual Performance   |
| <p>The Standards for Health Services relating to this objective are: 6, 7, 11, 13, 16, 22</p>   | <p>Failure to meet the Welsh Government Annual Quality Framework and performance targets (RTT) (Red Risk – Risk Score 25)</p> <p>Failure of the Health Board to meet the target that no patient should wait longer than 12 hours in our emergency departments. (Red Risk - Risk Score 20)</p> <p>Failure of the Health Board to meet the public and patient quality of care, positive experience and the dignity of care expectations of local people. (Red Risk – Risk Score – 20)</p> | <p>The Health Board has continued to focus on the provision of safe and high quality services for our citizens, including the continued reduction of waste, unintended harm and variation in our services. During the last year the Health Board has published its second Annual Quality Statement which provides an open and transparent reporting of the Health Board's approach in relation to quality and safety matters, but also outlines those areas where further work is required. The Health Board will be producing its third Annual Quality Statement for 2014/15 and this is being developed with advice from our stakeholders and patients to ensure that it contains information that is valuable to local people to build on the design advice and feedback received last year. The Health Board has also sought to routinely publish more of our performance information on line and a key area of priority is to provide where possible real time data and information for services and patients.</p> <p>Key performance during the year has focused on:</p> <ul style="list-style-type: none"> <li>▪ Agreeing plans and investment to improve compliance with the Mental Health Measure requirements without losing the well regarded service model.</li> <li>▪ Seeking to ensure that the Health Board achieves the Referral to Treatment Time (RTT) targets for 2014/2015. However, this has been particularly challenging this year with over 2000 patients at the end of March 2015 had been waiting longer than 36 weeks for treatment with the majority waiting for orthopaedic treatments and also 433 patients having to wait longer than 52 weeks for treatment, again in the area of orthopaedics.</li> </ul> |



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|  | <p>Failure of the Health Board to ensure the right care is in place in local care homes to comply with POVA and other requirements. (Amber Risk – Risk Score 16)</p> <p>Failure of the Health Board to design and implement its major incident plan. (Amber Risk – Risk Score 15)</p> <p>Risk of not delivering governance model for mental health services in Powys. (Amber Risk – Risk Score 15)</p> <p>Failure to maximise infection control performance. (Amber Risk – Risk Score 15)</p> <p>Failure of the Health Board to have in place agreed corporate governance and assurance arrangement including risk management. (Amber Risk – Risk Score 12)</p> | <ul style="list-style-type: none"> <li>▪ Achieving more progress in integrating services in primary, secondary and community care, including care of frail older people and development of integrated pathways for minor oral surgery and ophthalmology.</li> <li>▪ Continued to ensure good access for patients to GP and Dental services.</li> <li>▪ Major changes to the Minor Oral Surgery and Glaucoma pathways to reduce demand to secondary care and develop more sustainable services.</li> <li>▪ Sustaining improvements in reducing C Difficile rates and numbers with a reduction of 46% on the previous year.</li> <li>▪ Sustaining the lowest level of MRSA rates in Wales for several years.</li> <li>▪ Reduction in the Health Board’s RAMI to 94 (lowest in Wales) compared to the Welsh average of 103.</li> <li>▪ Significant reduction in the backlog of patients waiting for an outpatient follow-up and plans are in place to deliver further improvement.</li> <li>▪ Sustaining good compliance with patient safety solutions for alerts and rapid response notices together with comparatively low number of serious incidents.</li> <li>▪ Major improvement in the care of Stroke patients with the ring fencing beds improving performance against Bundle 2 of the Stroke pathway.</li> <li>▪ Progress achieved in recovering cancer performance during late 2014 although challenges still remain.</li> <li>▪ Good progress in implementing Nursing Principles although recruitment difficulties continue.</li> <li>▪ Progress achieved in improving outpatient services in Neurology, Diabetes, Orthopaedics and Nephrology.</li> <li>▪ Positive progress with the digitisation of medical records with over 70,000 patients now having their records available in a digitised format.</li> <li>▪ Developed plans for delivery of the Prudent Healthcare agenda.</li> <li>▪ Developed an approach for convergence of Wales Clinical Portal (WCP) and the local Health Board clinical portal to further promote the National IT Programme.</li> <li>▪ Increasing healthcare improvement and Research and Development activity reflecting the benefits of University Health Board status and building our partnership with Cardiff University on pioneering applied mathematical modelling in UK health care through our ABCi.</li> <li>▪ Progressed work to deliver the SCCC and participated fully in the ongoing work of the South Wales Programme/South Wales Acute Care Alliances.</li> </ul> <p>There have been major challenges in key delivery areas during 2014/15, particularly with waiting times for treatment; cancer waits in some specialties; and in keeping pace with unscheduled care demand. These pressures are not unique to Gwent, but experienced throughout the United Kingdom. Locally, much of this increased demand is generated by the current health and social</p> |
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|  |  | <p>care system's inability to adequately care for the growing number of older frail patients. The Health Board has, however, sustained better comparative performance against the 4 hour target and achieved some success in managing emergency demand. Some of the key areas to focus on in 2015/16 to recover a more timely access to services include:</p> <ul style="list-style-type: none"> <li>▪ Reducing the number of patients waiting for long periods of time in Accident and Emergency departments.</li> <li>▪ Working with ambulance services to make sure patients are directed to the best place to meet their needs to reduce delays for ambulances at hospitals.</li> <li>▪ Reducing waiting times for patients requiring outpatient assessment, diagnostic investigation or planned surgery.</li> <li>▪ Reducing variation in cancer waiting times by resolving some key workforce issues in Breast services.</li> <li>▪ Reducing the number of patients waiting for outpatient follow up.</li> </ul> <p>The Health Board takes very seriously the safety and quality of services that we plan and provide for local people. The Health Board has continued to focus on this through the development of the ABCi approach and our commitment to continuous improvement and also our continued participation in national approaches such as 1000 Lives Plus. Nevertheless, some Standards for Health Service feedback and reports from external and internal audits provide information on some performance that remains variable on standards.</p> <p>The Health Board is undertaking a range of work with the Older People's Commissioner with regard to safe and dignified care. This has included active engagement with patients and service users along with Health Board clinicians to be clear about the key issues which impact on the quality of care provided locally.</p> |
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**Empowering Our Staff:** We can only deliver by trusting our staff, supporting them to make the right decisions close to the patient and to find innovative ways of developing the workforce.

| Mapped to Standards for Health Services   | Risk Profile   | Annual Performance  |
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| <p>The Standards for Health Services relating to this objective are: 2, 18, 24, 25 and 26</p> | <p>Failure of the Health Board to plan for, recruit and retain staff with the right skills to deliver high quality care. (Amber Risk – Risk Score 16)</p> <p>Failure of the Health Board to actively and fully respond to the results of the 2013 Staff Survey. (Amber Risk – Risk Score 16)</p> <p>Failure of the Health Board to reframe workforce levels in line with the Three Year Plan through the new service models. (Amber Risk – Risk Score 16)</p> <p>Failure of the Health Board to secure appropriate levels of medical staff. (Amber Risk – Risk Score 15)</p> <p>Failure of the introduction of the new LIMS system. (Amber Risk – Risk Score 15)</p> <p>Failure of the Health Board to ensure sufficient</p> | <p>The Health Board clearly understands the importance of setting and embedding a culture of openness, candour and that good care is fundamental to the delivery of high quality and safe services for our population. Underpinning this is the Health Board’s Organisational Development Strategy which clearly articulates the necessary actions at a transactional level to achieve the transformational change required to deliver both the outcomes of the Francis Report, Trusted to Care Report and our Clinical Futures Strategy. This will support the step change in culture, systems and leadership we need to continue to take forward. However, the Health Board recognises that there is further work to be done to take forward this work within the organisation at all levels and in all areas.</p> <p>The Health Board has continued to develop its approach to being an open and transparent organisation by building on the commitment to promote positive values and behaviours throughout the organisation. The organisation has made progress with this through the active engagement of staff through a range of mechanisms, feedback and communication opportunities. This has included approving a new Staff Business Conduct Policy and new processes to support its implementation throughout the Health Board. The organisation is also undertaking further work on promoting the Health Board’s Whistleblowing Policy, but there is continuing confidence that concerns and grievances are currently responded to well within the organisation and in a timely way.</p> <p>The Health Board during the last year has:</p> <ul style="list-style-type: none"> <li>• Held its fourth Staff Recognition Awards celebrating and recognising the commitment of staff from across the organisation in taking forward improvements and innovation to better meet the needs of patients. Nationally the Health Board has also been shortlisted for nine NHS Wales awards, the largest number of any health organisation in Wales and staff and teams have received national recognition through a range of prestigious awards.</li> <li>• Medical and Dental appraisal figures have improved considerably over the last twelve months due to the requirement for appraisal as part of the revalidation process. 98% of Health Board doctors are engaged with the appraisal process. However, it is unlikely that 100% will be directly engaged during any one year given the transient nature of some medical staff. The Health Board has also become a UK pilot site for Nurse Revalidation with the Nursing and Midwifery Council (NMC).</li> </ul> |

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|  | <p>governance in respect of medical ad hoc locum and agency booking and usage. (Amber Risk – Risk Score 15)</p> | <ul style="list-style-type: none"> <li>• The Health Board has sought to improve its compliance with Personal Appraisal and Development Reviews (PADR). The Health Board will continue to seek to achieve its target of 85% compliance.</li> <li>• During 2014/15 the Health Board has had a continued focus on reducing sickness levels within the Health Board, but there has been an increase in average sickness absence to 5.62% (January 2015 latest figures). Higher levels of sickness absence has impacted on increased agency staff and bank staff usage across the Health Board.</li> <li>• The ways in which we work with our staff and partners such as Trade Unions is key to delivering the Health Boards core business and our Employee Engagement Framework has been further developed in line with our staff survey action plan.</li> <li>• Well-being - The Health Board recognises that an individual's well-being can be affected by negative behaviour. There is clear evidence that treating each other with dignity, respect and kindness has a positive impact on the quality of patient care. The Employee Well-being Service provides support and a range of interventions to consider how we keep employees well-being at the heart of plans and the Health Board continues to ensure that the service is available to all our staff.</li> <li>• The organisation has increased its focus on improving the rates and quality of job planning as a means of optimising the contribution of the consultant workforce to improved care for patients and supporting the potential for expansion of the provision of seven days services where clinically indicated.</li> </ul> <p>The Health Board recognises, however, that there is still further work to be undertaken on organisational development and engaging with all staff at all levels, especially below the higher level management structures and also with regard to clinical leaders in the organisation. Nevertheless, there is clear evidence that clinical engagement and leadership within the organisation has further strengthened during the last year. More work is also to be undertaken with the primary care workforce, however the developing Primary Care Strategy and the work of the Neighbourhood Care Networks and initiatives such as 'A for Access' in primary care is beginning to demonstrate changing relationships and clear future vision.</p> <p>The Health Board was delighted to be awarded in 2013 University status and is putting in place plans to take maximise the opportunities presented by University status. We are focusing on clinical experience, practice and developments – and using in particular the university status given to the organisation to renew enthusiasm and practical actions in respect of lifting research and development further into the organisation. We have had a good pattern of progress in this field over the last few years which in part supported our formal request for university status.</p> |
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|  |   | The Health Board believes that the majority of our workforce is appropriately skilled and delivers safe, high quality services in our current configuration. Further work is required to ensure the PADR process is fully embedded and compliance levels further increase, but good progress has been made in the last year. Further work is also required on comprehensive workforce planning and not only in the context of the SCCC. The Health Board also recognises that new models of care will require new roles and skill sets and this is being taken forward within the Health Board led by Workforce and OD and in partnership with social care partners and other partners.  |
| <b>Objective: Achieve Better use of Resources: Whatever changes we make and wherever we deliver care we must do this in line with best practice, with an excellent workforce, within the resources we receive and with confidence that improvements can be maintained.</b> |   |  |
| <b>Mapped to Standards for Health Services</b>   | <b>Risk Profile</b>   | <b>Annual Performance</b>  |
| The Standards for Health Services relating to this objective are: 12, 16, 19 and 20.   | <p>Failure of the Health Board to fully engage with key stakeholders and partners in timely ways on strategic and service plans and that proposals will be opposed. (Amber Risk – Risk Score 16)</p> <p>Risk of inadequate levels of capital funding. (Amber Risk – Risk Score 12)</p> <p>Failure of the Health Board to effectively manage and access health records. (Amber Risk – Risk Score 12)</p> <p>Failure of the Health Board's current electronic bank staff system. (Amber Risk – Risk Score 12)</p> | <p>The Health Board during the last year has:</p> <ul style="list-style-type: none"> <li>• Achieved a fifth successive year of savings and achieved financial balance with a small surplus of approximately £400,000.</li> <li>• The Health Board maintained performance and compliance with targets in a number of areas and also seeking to continue to improve quality outcomes. However, as noted previously, there were some areas where RTT performance was not satisfactory, especially with regard to the level of patients that were required to wait longer than 36 weeks for treatment and it was unacceptable that some of our patients were required to wait over 52 weeks for treatment.</li> <li>• In relation to savings for 2015/16, the Health Board recognises that this will pose a particular challenge to ensure that current levels of savings can be maintained and sustained in line with our plans as outlined in our Integrated Medium Term Plan.</li> <li>• Effective working with National Wales Informatics Service (NWIS) and suppliers leading to the implementation of Laboratory Informatics Management System (LIMS) on programme in March 2014</li> <li>• Successful continued roll out of the e-rostering system, however, continuing challenges of compliance are still being worked on across the organisation.</li> <li>• The Health Board commissioned extensive work by our Internal Auditors to review all wards and services with regard to their compliance with financial and workforce operating policies. E.g. sickness absence, annual leave and booking of shifts And follow-up work has continued to improve compliance.</li> <li>• The Health Board has been continuing to progress the digitisation of Health records.</li> </ul> |

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|  | <p>Failure of the Health Board to ensure staff have completed statutory and mandatory training. (Amber Risk – Risk Score 12)</p> <p>Failure of the Health Board’s current primary care estate to be fit for purpose. (Amber Risk – Risk Score 12)</p> <p>Failure to achieve financial balance at the end of 2014/2015. (Green Risk – Risk Score 5)</p> | <ul style="list-style-type: none"> <li>• The Health Board during 2014/15 has had a particular focus on developing outcomes for patients and has worked with international programmes such as ICHOM to take this forward. This has included developing alternative approaches to review how clinical value is delivered within the organisation. The value based clinical services approach describes how the Health Board will take forward a number of the key messages of the Bevan Commission on prudent healthcare.</li> <li>• Opening of the new Blaenavon Primary Care Resource Centre</li> <li>• The Health Board has continued to focus on active communications inside and outside the organisation to support further engagement and share information, some examples are: <ul style="list-style-type: none"> <li>○ The ‘Be Winter Wise’ campaign was again undertaken this year to encourage people to look after their health during winter and choose services that best meet their needs</li> <li>○ A follow-up video was made to the much acclaimed film called “why A&amp;E is such a special place” explaining the importance of using A&amp;E for serious or life threatening situations and the new video ‘Is it really an Emergency?’.</li> <li>○ Conferences were held for Nursing &amp; Midwifery and Therapies &amp; Health Sciences during the year which has had positive feedback from staff stating that they felt energised by their engagement</li> <li>○ The Health Board ensures that national and international focus on specific issues is supported locally with examples in 2014/15 being International Nursing Day, World Sepsis Day, Nutrition and Hydration Week.</li> <li>○ The Health Board’s Communications Team won a PRIDE Award in 2014 for its crisis management communications work.</li> </ul> </li> </ul> <p>The Health Board has a particular focus on developing the right facilities and equipment to support service delivery. There are some major challenges, however, such as the Royal Gwent Hospital site and difficulties delivering specialised, acute services with multiple District General Hospital Services, however, these are being responded to through the Clinical Futures Programme and will also be responded to through the agreed South Wales Programme and the collaborative work that is now being taken forward.</p> <p>The Health Board has sought to ensure that good information is available throughout the organisation to inform and guide service development and delivery and that this is also available at Board level to support assurance. There is some evidence of information across the organisation becoming more integrated to support patient care, especially in community services. Information driving improvement over the next 12 months will need to be a continuing priority. The Health Board has taken forward innovative work on the development of business intelligence systems to support this work.</p> |
|--|--|--|

|   |  | <p>The Health Board has successfully delivered improvements in financial management over recent years. We have also over the last few months enhanced financial planning systems, but it is recognised that further integration work with service planning, service improvements and workforce and OD developments to enable the delivery of the Health Board's Integrated Medium Term Plan.</p>  |
|---|--|---|
| <p><b>Objective: Improving Our Public Health:</b> At present, there is major inequity in health status within our population. We need to focus our efforts alongside those of Local Authority and other partners to systematically improve the health of the population in those areas of greatest need, through addressing determinants of health, supporting healthier lifestyles and improving access to evidence based preventative services.</p> |  |   |
| Mapped to Standards for Health Services   | Risk Profile   | Annual Performance  |
| <p>The Standards for Health Services relating to this objective are: 3, 18 and 14.</p>  | <p>Potential risk of Ebola affecting Gwent area residents. (Yellow Risk – Risk Score 10)</p> | <p>The Health Board considers that the organisation is making an effective contribution to the wider public health and well-being agenda both locally and nationally, which contribute to the overall strategic vision for Wales. However, it is recognised that the Health Board needs to undertake further work on better understanding the diverse needs of our local population and how the organisation with its partners can respond to improve health and well-being and this is being assisted by the development of leading work in Wales on a Public Health risk profile. The Health Board has during the last year:</p> <ul style="list-style-type: none"> <li>▪ Investment in Public Health to target improvements in population health prioritising smoking cessation, immunisations and obesity.</li> <li>▪ Improvement based on last year's position with regard to the uptake of smoking cessation services and this has included the extension smoking cessation enhanced service with pharmacies, work with maternity services and a continued approach to smoke free hospitals.</li> <li>▪ In terms of childhood immunisations the uptake has been 83.4%, which is below the all Wales figure of 87.5%, but actions are in place, especially in areas such as Newport where uptake has been the lowest.</li> <li>▪ Uptake for influenza vaccinations was 70%, slightly above the all-Wales average of 68%. 40% of our staff took the opportunity to have a vaccination, a slight increase on last year.</li> <li>▪ Significant progress has been made with the Living Well Living Longer Programme addressing the Inverse Care Law and health inequalities. The programme in Blaenau Gwent has been delivering evidence based interventions with the local populations, including health checks.</li> <li>▪ Good progress has been made with the childhood obesity strategy and the Gwent Adult Weight Management Service has been launched. There is pilot service for pregnant women with a BMI of 35 plus.</li> </ul> |

### ***Additional Assurance Disclosures:***

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.

Control measures are also in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with and the Health Board is implementing an Equality and Human Rights Strategy approved by the Board.

Risk assessments have been undertaken and delivery plans are in place in accordance with emergency preparedness and civil contingency requirements to adapt and mitigate for the extreme weather predicted as a consequence of climate change based on UK Climate Impacts programme 2009 projections.

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.

Further to the National Health Service Finance (Wales) Act 2014 becoming law in Wales from 27<sup>th</sup> January 2014, new duties with regard to operational planning were placed upon the Local Health Boards. The legislative changes are effected to section 175 of the NHS Wales Act 2006. The Health Board therefore approved an Integrated Medium Term Plan at its March 2015 Board meeting for submission to Welsh Government.

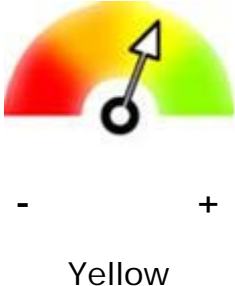
**Post Payment Verification:** In accordance with the Welsh Government directions the Post Payment Verification (PPV) Team, (a role undertaken for the Health Board by the NHS Shared Services Partnership), in respect of General Medical Services Enhanced Services and General Ophthalmic Services has carried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



## 5. Head of Internal Audit Opinion

My assurance assessment on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes set out below is confined to those areas examined in the risk based audit plan which has been agreed by the Executive Team and approved by the Audit Committee.

**The Head of Internal Audit has concluded:**

|                             |  |  |
|-----------------------------|--|--|
| <b>Reasonable assurance</b> |  <p>-                      +<br/>Yellow</p> | <p>The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <b>low to moderate impact on residual risk</b> exposure until resolved.</p> |
|-----------------------------|--|--|

In reaching this opinion, I have identified that the Board can take positive assurance that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the following assurance domains:

- Corporate governance, risk management and regulatory compliance;
- Strategic Planning, performance management and reporting;
- Financial governance and management;
- Clinical governance quality and safety;
- Information governance and security; and
- Capital and estates management.

Some aspects of my assessment, however, provided only limited assurance and this was in the audit domains of Operational Service and Functional Management and Workforce management. This is due to 10 limited assurance opinions across these domains. There have been a number of audits where we have followed up progress in addressing the recommendations made in our limited assurance reports. There are 4 areas where we have undertaken follow up audits and identified limited progress in these areas (Ward Compliance, e-rostering, Gwent Wide

Integrated Community Equipment Service (GWICES) and Arjohuntleigh (bed management contract). Whilst we recognise the amount of effort put into Ward Compliance by management and operational staff (identified during our second follow up audit), the risks identified in my opinion still remain until the Health Board implements its new bank system which is currently underway.

### **Internal Audit Reports – Limited Assurance:**

During the year Internal Audit also issued the following audit reports with a conclusion of limited assurance:

- Ward Compliance Audit Follow Ups;
- E-rostering Follow Up;
- Putting Things Right Follow Up;
- Scheduled Care Divisional Audit;
- Cardiology Waiting List Initiative;
- Audit of payments to Medical Staff;
- Medicines Homecare Services;
- Patients Monies & Property;
- Arjohuntleigh & Arjohuntleigh Follow Up;
- GWICES & GWICES Follow Up;
- Freedom of information; and
- Data Quality.

These were reported to the Audit Committee and further work is being undertaken by the Health Board to respond to these areas of identified limited assurance. In response to these reports, each report has a tailored plan of improvement actions, which has been agreed by the Executive Team and is monitored through lead Executives. A tracking of progress against these plans is also undertaken and a report submitted to the Audit Committee. Those audits that have remained as limited assurance in the follow up review have been required to provide updates at each Audit Committee as to the progress made to address the control weaknesses identified. These areas of limited assurance will also mean that further follow-up work will also be undertaken through the risk based programme of internal audit work for 2015/2016 for these areas.

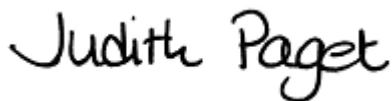
## **6. Conclusion**

This Governance Statement indicates that the Health Board has continued to make progress and mature during 2014/2015 and that we are further developing and embedding good governance and appropriate controls throughout the organisation.

However, the Health Board is aware, that there have been a number of areas of the business of our organisation and our performance during the last year that have received assessments of 'limited' assurance from Internal Audit and suggested areas of improvement from Wales Audit Office through the Structured Assessment, which required management action to respond to the impact of potential risk, which are outlined above.

In each instance, as outlined, management action is being taken forward to respond in these areas and progress is monitored by the Health Board's Committees, particularly the Audit Committee and the Board. The Health Board will continue to progress and improve these arrangements as we further develop as an organisation.

The Board has also through our own self-assessment of the Governance and Accountability Module and the Standards for Health Services identified further areas for improvement, which have also been outlined in this Statement. We will continue as an organisation to take forward these improvements and in so doing continue to undertake our business openly and provide information publically on our performance and about our services to seek to provide assurance to our citizens and stakeholders that the services we provide are efficient, effective and appropriate and designed to meet their needs and expectations.



.....  
Judith Paget  
Chief Executive

Date: 4<sup>th</sup> June 2015

## **Appendix One – List of the Standards for Health Services in Wales**

- Standard 1 Governance and Accountability
- Standard 2 Equality, Diversity and Human Rights
- Standard 3 Health Promotion, Protection and Improvement
- Standard 4 Civil Contingency and Emergency Planning
- Standard 5 Citizen Engagement and Feedback
- Standard 6 Participating in Quality Improvement Activities
- Standard 7 Safe and Clinically Effective Care
- Standard 8 Care Planning & Provision
- Standard 9 Patient Information and Consent
- Standard 10 Dignity & Respect
- Standard 11 Safeguarding Children
- Standard 11 Vulnerable Adults
- Standard 12 Environment
- Standard 13 Infection Prevention and Control and Decontamination
- Standard 14 Nutrition
- Standard 15 Medicines Management
- Standard 16 Medical Devices, Equipment and Diagnostic Systems
- Standard 17 Blood Management
- Standard 18 Communicating Effectively
- Standard 19 Information Management and Communication Technology
- Standard 20 Records Management
- Standard 21 Research, Development and Innovation
- Standard 22 Managing Risk and Health & Safety
- Standard 23 Dealing with concerns and managing incidents
- Standard 24 Workforce Planning
- Standard 25 Workforce Recruitment and Employment Practices
- Standard 26 Workforce Training and Organisational Development

## Appendix Two:

### Governance and Accountability Module

#### Maturity Matrix Definitions:

The maturity matrix has been provided below for information to indicate the levels of assessment used by the Board in its consideration of the Annual Governance and Accountability Module. The full Health Board met in April 2015 to undertake a self-assessment against the module and the results are provided below in overview, the full assessment will be published by the Health Board following submission to Healthcare Inspectorate Wales in June 2015.

|  |                          |
|--|--------------------------|
| We do not yet have a clear, agreed understanding of where we are (or how we are doing) and what/where we need to improve.  | <b>Strongly Disagree</b> |
| We are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.                            | <b>Disagree</b>          |
| We are developing plans and processes and can demonstrate progress with some of our key areas for improvement.   | <b>Agree in Part</b>     |
| We have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation/business.                                       | <b>Agree</b>             |
| We can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from module statements. | <b>Strongly Agree</b>    |

#### Self Assessments Scores – 2010 - 2015

| Setting the Direction – Statements  | Board Self-Assessment Level  |
|---|--|
| We make an effective contribution to the achievement of the strategic vision for health services in Wales.  | Maturity Level<br>2010/2011 – Agree<br>2011/2012 – Agree - →<br>2012/2013 – Strongly Agree - ↑<br>2013/2014 – Strongly Agree - →<br>2014/2015 – <b>Strongly Agree</b> - →      |
| We have a clear purpose, vision and overall strategic direction that effectively align our local needs with the national strategy for health services in Wales. | Maturity Level<br>2010/2011 – Strongly Agree<br>2011/2012 – Agree - ↓<br>2012/2013 – Agree - →<br>2013/2014 – Agree - →<br>2014/2015 – <b>Strongly Agree</b> - ↑               |
| Our citizens, staff and other stakeholders inform and influence our organisation/business's purpose, strategic vision and direction.                            | Maturity Level<br>2010/2011 – Agree in Part<br>2011/2012 – Agree in Part - →<br>2012/2013 – Agree in Part - →<br>2013/2014 – Agree in Part - →<br>2014/2015 – <b>Agree</b> - ↑ |

|   |  |
|---|--|
| <p>We carry out our work instilled with a strong sense of values, supported by clear standards of ethical behaviour.</p>  | <p>Maturity Level</p> <p>2010/2011 – Strongly Agree<br/> 2011/2012 – Strongly Agree - →<br/> 2012/2013 – Strongly Agree - →<br/> 2013/2014 – Strongly Agree - →<br/> 2014/2015 – <b>Strongly Agree</b> - →</p> |
| <p>We promote equality and recognise diversity across all our services and activities.</p>  | <p>Maturity Level</p> <p>2010/2011 – Agree in Part<br/> 2011/2012 – Agree in Part - →<br/> 2012/2013 – Agree - ↑<br/> 2013/2014 – Agree - →<br/> 2014/2015 – <b>Agree</b> - →</p>                              |
| <p>We apply and embed professional standards and quality requirements in a way that meets the needs and expectations of patients, service users, citizens and other stakeholders.</p>                                       | <p>Maturity Level</p> <p>2010/2011 – Agree in Part<br/> 2011/2012 – Agree - ↑<br/> 2012/2013 – Agree - →<br/> 2013/2014 – Agree - →<br/> 2014/2015 – <b>Agree</b> - →</p>                                      |
| <p><b>Enabling Delivery – Statements</b></p>  |  |
| <p>We have the right people, with the right skills, doing the right things, in the right place, and at the right time to meet our responsibilities for the provision of safe, high quality care</p>                         | <p>Maturity Level</p> <p>2010/2011 – Disagree<br/> 2011/2012 – Agree in Part - ↑<br/> 2012/2013 – Agree in Part - →<br/> 2013/2014 – Agree in Part - →<br/> 2014/2015 – <b>Agree in Part</b> - →</p>           |
| <p>The different services and parts of our organisation/business work well together, and everyone understands who does what and why.</p>  | <p>Maturity Level</p> <p>2010/2011 – Disagree<br/> 2011/2012 – Agree in Part - ↑<br/> 2012/2013 – Agree in Part - →<br/> 2013/2014 – Agree in Part - →<br/> 2014/2015 – <b>Agree in Part</b> - →</p>           |
| <p>We properly safeguard all those who work in or access our health services (including those who may accompany patients or service users), paying particular attention to the needs of children and vulnerable adults.</p> | <p>Maturity Level</p> <p>2010/2011 – Agree in Part<br/> 2011/2012 – Agree in Part - →<br/> 2012/2013 – Agree in Part - →<br/> 2013/2014 – Agree in Part - →<br/> 2014/2015 – <b>Agree</b> - ↑</p>              |

|  |  |
|--|--|
| <p>We have the right facilities (equipment and environment) to enable us to consistently deliver safe, high quality services across all the communities we serve.</p>  | <p>Maturity Level</p> <p>2010/2011 – Disagree<br/> 2011/2012 – Agree in Part - ↑<br/> 2012/2013 – Agree in Part - →<br/> 2013/2014 – Agree in Part - →<br/> 2014/2015 – <b>Agree in Part</b> - →</p> |
| <p>We support the development and delivery of high quality, safe and accessible services through strong, effective financial planning and management.</p>  | <p>Maturity Level</p> <p>2010/2011 – Agree in Part<br/> 2011/2012 – Agree in Part - →<br/> 2012/2013 – Agree - ↑<br/> 2013/2014 – Agree - →<br/> 2014/2015 – <b>Strongly Agree</b> - ↑</p>           |
| <p>Our workforce at all levels in the organisation/business are equipped with the information they need to help them carry out their work effectively, and this information is shared appropriately and securely held.</p> | <p>Maturity Level</p> <p>2010/2011 – Disagree<br/> 2011/2012 – Agree in Part - ↑<br/> 2012/2013 – Agree in Part - →<br/> 2013/2014 – Agree in Part - →<br/> 2014/2015 – <b>Agree in Part</b> - →</p> |
| <p>We are an innovative organisation/business that takes proper account of the risks (both opportunities and threats) to the achievement of our aims and objectives.</p>   | <p>Maturity Level</p> <p>2010/2011 – Disagree<br/> 2011/2012 – Agree in Part - ↑<br/> 2012/2013 – Agree - ↑<br/> 2013/2014 – Agree - →<br/> 2014/2015 – <b>Agree</b> - →</p>                         |
| <p>We have strong, effective relationships with our workforce, partners, citizens and other stakeholders.</p>  | <p>Maturity Level</p> <p>2010/2011 – Disagree<br/> 2011/2012 – Agree in Part - ↑<br/> 2012/2013 – Agree - ↑<br/> 2013/2014 – Agree in Part - ↓<br/> 2014/2015 – <b>Agree</b> - ↑</p>                 |
| <p>Decisions taken throughout our organisation are made by those best placed to do so, are well informed, timely and are effectively communicated.</p>   | <p>Maturity Level</p> <p>2010/2011 – Disagree<br/> 2011/2012 – Agree in Part - ↑<br/> 2012/2013 – Agree in Part - →<br/> 2013/2014 – Agree in Part - →<br/> 2014/2015 – <b>Agree in Part</b> - →</p> |

| <b>Delivering Results and Achieving Excellence - Statements</b>  |  |
|--|--|
| We have a clear understanding of how well we are performing overall, what services are doing well, and what services need improving (including those services that are carried out by others on our behalf).       | Maturity Level<br>2010/2011 – Agree in Part<br>2011/2012 – Agree in Part - →<br>2012/2013 – Agree - ↑<br>2013/2014 – Agree - →<br>2014/2015 – <b>Agree</b> - →                 |
| We respond quickly and effectively to address areas of concern, including those relating to individuals' performance.  | Maturity Level<br>2010/2011 – Agree in Part<br>2011/2012 – Agree in Part - →<br>2012/2013 – Agree in Part - →<br>2013/2014 – Agree in Part - →<br>2014/2015 – <b>Agree</b> - ↑ |
| We operate in accordance with all legal and other requirements placed on us.   | Maturity Level<br>2010/2011 – Agree in Part<br>2011/2012 – Agree - ↑<br>2012/2013 – Agree - →<br>2013/2014 – Agree - →<br>2014/2015 – <b>Strongly Agree</b> - ↑                |
| We know what our citizens and others (including our workforce) think of us, and this influences what we do and how we do it.   | Maturity Level<br>2010/2011 – Agree in Part<br>2011/2012 – Agree in Part - →<br>2012/2013 – Agree in Part - →<br>2013/2014 – Agree in Part - →<br>2014/2015 – <b>Agree</b> - ↑ |
| We measure our performance against 'best practice' and other standards set for the services we provide and we use the results to drive improvement in the provision of high quality, safe and accessible services. | Maturity Level<br>2010/2011 – Agree in Part<br>2011/2012 – Agree in Part - →<br>2012/2013 – Agree - ↑<br>2013/2014 – Agree - →<br>2014/2015 – <b>Agree</b> - →                 |
| We learn from our own and others experiences, and in turn share our learning with others.  | Maturity Level<br>2010/2011 – Agree<br>2011/2012 – Agree - →<br>2012/2013 – Agree - →<br>2013/2014 – Agree - →<br>2014/2015 – <b>Agree</b> - →                                 |