

# Powys Local Health Board Consolidated

## FOREWORD

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

### Statutory background

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

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

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

### Performance Management and Financial Results

From inception Local Health Boards in Wales must comply fully with the Treasury's Resource Accounting Manual. As a result the Income and Expenditure Account has been replaced by an Operating Cost Statement as the primary statement of in-year expenditure. Assembly income is allocated on receipt directly to the General Fund in the Balance Sheet.

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 11. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year. Note 2.2 measures capital expenditure against a Capital Resource Limit.

## RECOVERY PLAN (Strategic Change and Efficiency Plan)

The Powys LHB Strategic Change and Efficiency Plan was approved by the Mid and West Wales Regional office of the Welsh Assembly Government in April 2003. The plan outlined the inherited loans from Dyfed Powys Health Authority and Powys Healthcare NHS Trust which totalled £832,000 and the financial pressures facing the LHB until 2007/08, together with extensive service efficiencies and savings plans that were needed to address the underlying financial pressures over the period.

On 20<sup>th</sup> May 2004 the Welsh Assembly Government confirmed the resource available and to be repaid over the life of the Strategic Change and Efficiency Plan. The details are set out below:

	<b>Loan / Assistance</b>	<b>Surplus required to repay</b>
2002/03	£832,000	-
2003/04 <sup>1</sup>	£503,000	-
2004/05	-	
2005/06	-	£189,000
2006/07	-	£570,000
2007/08		£577,000

In 2003/04 the Board was successful in reducing the strategic assistance requirement in that year from £2m to £0.503m and the breakeven duty for the year was achieved through resource allocation assistance.

The Local Health Board remains committed to achieving financial recovery, including repayment of loans earlier than originally set out. A budget plan for 2005/06 has been approved which sets out a breakeven position and the first repayment of the inherited loan.

<sup>1</sup>This strategic assistance will be repaid by a subsequent reduction in the revenue resource limit of the Local Health Board.

**OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

	Note	Total £000	2003-04 Total £000
<b>Commissioning</b>			
Gross operating costs	4.1,4.2,4.3,4.4	98,103	85,252
Less : Miscellaneous income	3.2	2,413	2,245
Commissioner net operating costs		<b>95,690</b>	<b>83,007</b>
<b>Providing</b>			
Gross operating costs	4.5	92,113	95,238
Less : Miscellaneous income	3.2	29,442	32,176
Provider net operating costs		<b>62,671</b>	63,062
<b>LHB net operating costs before interest</b>		<b>158,361</b>	<b>146,069</b>
Interest receivable		(154)	(174)
Interest payable		507	265
<b>LHB net operating costs</b>		<b>158,714</b>	<b>146,160</b>

**STATEMENT OF RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2005**

	£000	Re-stated <sup>1</sup> £000
Unrealised surplus / (deficit) on revaluation / indexations of fixed assets	12,918	7,198
Net increases / reductions in General Fund due to transfers of assets	(7,861)	0
Impairment losses	0	0
(Reduction) / Increases in the donated asset and government reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	(185)	424
<b>Recognised gain / (loss) for the year</b>	<b>4,872</b>	<b>7,622</b>

<sup>1</sup>Adjustments have been made to the comparative figures in respect of Assembly funding in both the Balance Sheet and General Fund in the form of a prior period adjustment. No prior period adjustment has been made in respect of the operating cost statement and cash flow. Full details of the adjustments are set out in Note 8 Prior Period Adjustment.

The SRGL format has changed for 2004-05 and 2003-04 balances have been restated to reflect this.

**BALANCE SHEET AS AT 31 MARCH 2005**

	Note	£000	2003-04 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	69	85
Tangible fixed assets	5.2	173,143	172,516
<b>CURRENT ASSETS</b>			
Stocks and work-in-progress	6.1	381	92
Debtors	6.2	57,379	56,488
Cash at bank and in hand		1,634	537
<b>Total Current Assets</b>		<b>59,394</b>	<b>57,117</b>
Creditors: amounts falling due within one year	6.3	18,121	22,973
<b>Net current assets / (liabilities)</b>		<b>41,273</b>	<b>34,144</b>
Creditors: amounts falling due after more than one year	6.4	832	832
Provisions for liabilities and charges	6.5	64,246	54,403
<b>TOTAL NET ASSETS</b>		<b>149,407</b>	<b>151,510</b>
<b>FINANCED BY:</b>			
General fund	6.6	36,090	44,684
Donated Assets Reserve	6.7	4,849	4,249
Revaluation Reserve	6.8	108,468	102,577
<b>TOTAL</b>		<b>149,407</b>	<b>151,510</b>

Signed for and on behalf of the Board :

Director of Finance .....

Chief Executive.....

Date .....

Date.....

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

	£000	£000	2003-04 £000
<b>Reconciliation of operating costs to net cash flow from operating activities :</b>			
<b>Net operating cost</b>	<b>(158,361)</b>		<b>(146,069)</b>
Adjust for non-cash transactions	28,219		16,707
Adjust for movements in working capital other than cash	(4,181)		6,034
Utilisation of provisions	<u>(8,447)</u>		<u>(10,351)</u>
<b>Net cash flow from operating costs</b>		<b>(142,770)</b>	<b>(133,679)</b>
<b>Servicing of Finance :</b>			
Interest received	154		171
Interest paid	0		0
Interest element of finance leases	<u>0</u>		<u>0</u>
<b>Net cash inflow / (outflow) from servicing of finance</b>		<b>154</b>	<b>171</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>			
Payments to acquire intangible fixed assets	(24)		0
Receipts from the sale of intangible fixed assets	0		0
Payments to acquire tangible fixed assets	(2,829)		(1,777)
Receipts from the sale of tangible fixed assets	<u>3,125</u>		<u>57</u>
<b>Net cash inflow / (outflow) from capital expenditure</b>		<b>272</b>	<b>(1,720)</b>
<b>Net cash inflow / (outflow) before financing</b>		<b>(142,344)</b>	<b>(135,228)</b>
<b>FINANCING:</b>			
Assembly funding (including capital)	146,093		132,516
Other capital receipts surrendered	(3,137)		0
Capital grants received / Charitable Donations	485		588
Capital element of finance lease rental payments	<u>0</u>		<u>0</u>
<b>Net cash inflow / (outflow) from financing</b>		<b>143,441</b>	<b>133,104</b>
<b>Increase / (decrease) in cash</b>		<b>1,097</b>	<b>(2,124)</b>

**Addendum to cash flow statement****Adjust for movements in working capital other than cash**

	£000	£000
(Increase)/decrease in stock and work-in-progress	(289)	(1)
(Increase)/decrease in debtors	894	(1,115)
Increase/(decrease) in creditors	(4,786)	7,150
	<u>(4,181)</u>	<u>6,034</u>

**Adjustment for non-cash transactions**

	£000	£000
Depreciation and other write-offs	5,328	15,329
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	(17)	(4,883)
Cost of Capital	5,160	5,823
Non-cash provisions	17,748	438
	<u>28,219</u>	<u>16,707</u>

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

	£000
Increase/(decrease) in cash in the period	1,097
Cash inflow from new debt	0
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>1,097</u>
Non cash changes in debt	0
<b>Net debt at 1 April 2004</b>	<b>(295)</b>
<b>Net debt at 31 March 2005</b>	<b><u>802</u></b>

**Analysis of changes in net debt**

	As at 1 April 2004	Cash flows	Other changes	As at 31 March 2005
	£000	£000	£000	£000
Cash at bank and in hand	537	1,097	0	1,634
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	(832)	0	0	(832)
	<u>(832)</u>	<u>1,097</u>	<u>0</u>	<u>802</u>
<b>TOTAL</b>	<b>(295)</b>	<b>1,097</b>	<b>0</b>	<b>802</b>

	£000
The amount of cash held in Office of HM Paymaster General bank accounts at 31 March 2005 by by the Business Services Centre on behalf of Local Health Boards is	10,609
The amount of cash held in Office of HM Paymaster General bank accounts at 31 March 2005 by Powys LHB is	4,326

## Notes to the Account

### 1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Resource Accounting Manual (RAM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHB'S with specific guidance to Powys LHB in respect of the provider functions, residual functions and as the host body for the Community Health Councils, the Extended Employment Scheme and the Business Services Centre. Under Resource Accounting the treatment of debtors and creditors for Assembly funding was incorrectly applied for transactions made in 2003-04 and for inherited LHB balances. This has been addressed for 2004-05, and the impact of this change in accounting policy has been corrected as set out in Note 8 Prior Period Adjustment. The particular accounting policies adopted are described below. They have been applied in dealing with items considered material in relation to the accounts.

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

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

#### 1.2 Income and Funding

The main source of funding for the LHB is funding allocated by the National Assembly (Parliamentary funding) within an approved cash limit, which is credited to the general fund when the associated cash is received. Income disclosed in the Operating Cash statement reflects only the amounts other than Assembly Funding.

Operating income is income which relates directly to the operating activities of the LHB. It principally comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

The LHB receives direct funding from the Assembly and ring fenced income from all Welsh Local Health Boards for the Business Services Centre. In respect of the Residual functions the Assembly provides resource coverage for costs incurred in year.

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

#### 1.3 Taxation

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

#### 1.4 Intangible fixed assets

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

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

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

## 1.5 Tangible fixed assets

### a. Capitalisation

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

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

### b. Valuation

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

### Land and Buildings

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

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

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

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

All adjustments arising from indexation and five - yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for Depreciated Replacement Cost valuations.

### Equipment

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



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

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

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

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

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

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

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

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

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

### **1.6 Donated assets**

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

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

### **1.7 Research and development**

Research and development expenditure is charged to the Operating Cost Statement in the year in which it is incurred, except insofar as it relates to a clearly defined project and benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

### **1.8 Pension Costs**

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2004-05 was : **£6.113m** 2003-04 was: **£5.660m**

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003.

The Scheme is subject to a full valuation every four years. The last valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published every October. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from the Stationary Office.

NHS bodies are directed by the National Assembly to charge employers pension costs contributions to operating expense: as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation employer contribution rates for 2003/04 were set at 14% (7% for 2002/03) of pensionable pay. Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full.

For 2004-05 the additional funding has been retained as a Central Budget by the Assembly and has been paid direct to the NHS Pensions Agency and the employers' contribution has remained at 7%. From 2004-05 this funding will be devolved in full to NHS Pension Scheme employers and the employers' contribution rate will rise to 14%. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

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

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

FRS17 had been fully adopted from 2003/04.

Up to 31 March 2002, the additional liabilities arising from early retirements not funded by the scheme, which took place prior to 6 March 1995, were recharged to the Health Authority and included within operating expenses as they arose. For post 5 March 1995 early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the LHB commits itself to the retirement, regardless of the method of payment.

## **1.9 Foreign currency**

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

### **1.10 Cost of Capital**

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2004/05 financial year was 3.5%

### **1.11 Provisions**

The LHB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms.

### **1.12 Liquid resources**

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

### **1.13 Leases**

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

### **1.14 Contingent liabilities**

At 31 March 2005 litigation claims with an assessed value of [£89.354m](#) had been made against the LHB. These claims are disputed and until they are resolved, it is not possible to determine the LHB's liability, if any. As the residual body for NHS Wales following dissolution of the Health Authorities (HA's) the LHB is also responsible for litigation claims relating to the former HA's. It is not possible to determine any liability, if any for these. Although a specific claim in respect of Bridgend Local Health Board has been identified.

### **1.15 Deferred Income**

Income received from the National Assembly from Wales has been carried forward from health authorities into LHB's in accordance with WHC 2003 (115). In accordance with this guidance the only deferred allocations which are allowed in year are the funds which have been received from non-governmental bodies or for which specific Assembly approval has been received.

### **1.16 Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

## 2.1 Achievement of Operational Financial Balance

	£000	2003-04 £000
Net operating costs for the financial year	158,714	146,160
Non-discretionary expenditure	3,250	14,411
Operating costs less non-discretionary expenditure	155,464	131,749
Revenue Resource Limit	155,442	131,754
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>(22)</b>	5
Unplanned resource brokerage received	0	0
<b>Operational Financial Balance<sup>1</sup></b>	<b>(22)</b>	<b>5</b>

<sup>1</sup>In accordance with the parameters set out by the Welsh Assembly Government Powys LHB achieved operational financial balance in year.

On 20<sup>th</sup> May 2004 the Welsh Assembly Government confirmed the resource available and to be repaid over the life of the Strategic Change and Efficiency Plan. The details are set out below:

	Loan / Assistance	Surplus required to repay
2002/03	£832,000	-
2003/04	£503,000	-
2004/05	-	
2005/06	-	£189,000
2006/07	-	£570,000
2007/08		£577,000

## 2.2 Capital Resource Limit<sup>1</sup>

	£000	2003-04 £000
Gross capital expenditure	2,627	1,841
Add: Loss in respect of disposals of donated assets	0	0
Less NBV of assets disposed of	0	(34)
Less capital grants	0	0
Less donations	(485)	(588)
Charge against CRL	2,142	1,219
Capital Resource Limit	2,150	1,280
<b>(Over) / Underspend against CRL</b>	<b>8</b>	<b>61</b>

<sup>1</sup>The above capital resource limit calculation only refers to the core function of Powys Local Health Board and the Business Services Centre and does not include any element of the residual estate.

**3.1 Miscellaneous income**

	£000	2003-04 £000
Administration income: Fees & Charges	18,301	17,600
Other miscellaneous income	417	9,303
<b>Total administration income</b>	<b>18,718</b>	<b>26,903</b>
Programme income: Fees & Charges	7,423	3,542
Prescription charge income	1,070	1,134
Income for trust impairments	0	0
Deferred Income brought forward	2,197	665
Income from NHS Bodies	991	896
Local Authorities	497	277
Patient Transport Services	0	0
Education, Training and Research	210	188
Non-NHS private patients	17	7
Road Traffic Act	61	54
Other Non-NHS patient care services	0	0
Charitable and other contributions to expenditure	119	110
Transfers from the Donated Asset Reserve	185	165
Transfers from Government Grant Reserve	0	0
Other	367	480
<b>Total programme income</b>	<b>13,137</b>	<b>7,518</b>
<b>TOTAL</b>	<b>31,855</b>	<b>34,421</b>

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

	£000	£000
Gross commissioning income	2,413	2,245
Gross providing income <sup>1</sup>	29,442	32,176
	<b>31,855</b>	<b>34,421</b>
<sup>1</sup> Included in the above providing income figure is the following segmental income :-	£000	£000
Business Services Centre	19,407	19,590

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

	Cash limited	Non cash limited	Total	2003-04 Total
	£000	£000	£000	£000
General Medical services	26,583	0	26,583	13,302
Pharmaceutical services		2,615	2,615	4,615
General Dental services	0	11	11	7
General Ophthalmic services	1	624	625	592
Other Primary health care expenditure	428	0	428	448
Prescribed drugs and appliances	13,893		13,893	20,307
<b>TOTAL</b>	<b>40,905</b>	<b>3,250</b>	<b>44,155</b>	<b>39,271</b>

**4.2 Secondary and Community health care**

	Total	2003-04 Total
	£000	£000
<b>NHS Trusts:</b>		
Provider 1 - Royal Shrewsbury Hospital Trust	9,649	8,693
Provider 2 - Gwent NHS Trust	6,670	5,949
Provider 3 - Hereford Hospital NHS Trust	5,565	5,234
Provider 4 - Ceredigion NHS Trust	3,950	3,571
Provider 5 - Swansea NHS Trust	3,948	3,886
Provider 6 - Robert Jones & Agnes Hunt NHS Trust	2,931	2,729
Provider 7 - Bro Morgannwg NHS Trust	1,431	1,259
Provider 8 - Shropshire County Primary Care NHS Trust	1,055	983
Provider 9 - Cardiff & Vale NHS Trust	709	639
Provider 10 - .....	0	0
Other Welsh NHS trusts	1,984	1,738
Other non Welsh NHS trusts	1,102	1,516
Local Authorities <sup>1</sup>	2,422	1,706
Voluntary Organisations	721	695
NHS Funded Nursing Care <sup>3</sup>	1,676	59
Continuing Care	4,672	578
Private providers	1,089	5,296
Specific projects funded by Welsh Assembly Government	104	467
Other	508	44
<b>TOTAL<sup>2</sup></b>	<b>50,186</b>	<b>45,042</b>

**<sup>1</sup>Expenditure with Local Authorities is as follows :**

	£000
Cost per case agreements	3
Section 28A	1,885
Winter pressures	464
Voluntary organisations	70
<b>Total</b>	<b>2,422</b>

<sup>2</sup> Not included in the above Secondary Care Costs to Powys LHB is £49.125m of Secondary Care provided internally within Powys.

<sup>3</sup>Continuing Care and NHS Funded Nursing Care were disclosed as Private Providers in 2003-04.

**4.3 Other programme expenditure**

	£000	2003-04 £000
Salaries and wages	103	149
National Public Health Service	733	608
Losses, special payments and irrecoverable debts	2,038	(759)
Research and development	0	0
Miscellaneous	23	18
	<hr/>	<hr/>
<b>TOTAL</b>	<b>2,897</b>	<b>16</b>

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

	£000	2003-04 £000
Non-officer remuneration	74	62
Other salaries and wages	761	639
Establishment expenses	90	65
Transport and moveable plant	0	0
Premises	2	0
External contractors	10	0
Auditors' remuneration - audit fee	76	52
Auditors' remuneration - other fees	0	0
Buisness Services Centre recharge	0	0
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	13	0
Capital charge interest	(210)	0
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Costs of disposal	0	0
Miscellaneous	49	105
	<hr/>	<hr/>
<b>TOTAL</b>	<b>865</b>	<b>923</b>

**4.5 Providing : operating expenses**

	£000	2003-04 £000
Goods and services from other NHS bodies	3,618	2,604
Staff costs	58,790	56,688
Supplies and services -clinical	3,527	3,848
Supplies and services -general	1,642	1,516
Establishment expenses	4,594	4,730
Transport and moveable plant	356	361
Premises	6,699	6,130
Auditors remuneration	381	503
Capital - depreciation and amortisation	5,315	15,329
Capital charge interest	5,370	5,823
Impairment	0	0
(Profit) / loss on disposal of fixed assets	(17)	(4,883)
Costs of disposal	0	0
Other operating expenses	1,838	2,589
<b>TOTAL</b>	<b>92,113</b>	<b>95,238</b>

<sup>1</sup>Included in the above are the secondary care services provided by Powys LHB of £59.082m, operating expenses of the Business Services Centre of £23.775m, and £6.605m in respect of the residual estate.

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

	£000	2003-04 £000
Gross administration costs	865	923
Gross programme costs	189,351	179,567
	<b>190,216</b>	<b>180,490</b>



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

	<b>Total</b>	<b>2003-04 Total</b>
	<b>£000</b>	<b>£000</b>
Clinical negligence	<b>15,608</b>	(2,860)
Personal injury	<b>42</b>	38
All other losses and special payments	<b>0</b>	84
Defence legal fees and other administrative costs	<b>(508)</b>	1,570
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	<b>15,142</b>	<b>(1,168)</b>
	<hr/>	<hr/>
Contributions to Welsh Risk Pool/insurance premiums	<b>0</b>	801
Irrecoverable debts	<b>16</b>	(22)
Less: income received/due from Welsh Risk Pool	<b>(13,120)</b>	(370)
	<hr/>	<hr/>
<b>Total charge</b>	<b>2,038</b>	<b>(759)</b>
	<hr/>	<hr/>

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

	£000	2003-04 £000
Hire of plant and machinery	123	16
Other operating leases	1,344	1,145
<b>TOTAL</b>	<b>1,467</b>	<b>1,161</b>

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

	Land and Buildings £000	Other Leases £000
<b>Operating leases which expire:</b>		
Within 1 year	467	10
Between 1 and 5 years	292	70
After 5 years	315	138

#### 4.9 Executive Directors and staff costs

	£000	2003-04 Total £000
Wages and salaries	47,267	46,829
Social security costs	3,403	3,346
Employer contributions to NHSPA	6,113	5,666
Other pension costs	798	623
Agency / Seconded in staff	2,073	1,012
<b>TOTAL</b>	<b>59,654</b>	<b>57,476</b>

#### 4.10 Board Members' remuneration

	£000	2003-04 £000
Non officer members' remuneration	74	62
Officer members' remuneration:		
basic salaries	599	559
benefits	18	11
performance related bonuses	0	0
pension contributions	84	39
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>TOTAL</b>	<b>775</b>	<b>671</b>

	Chairman £000	Chief Executive £000	Highest paid officer * £000
Basic Salary	35	102	0
Benefits	0	3	0
Compensation for loss of office	0	0	0
Performance related bonuses	0	0	0
Pension contributions	0	14	0
<b>TOTAL</b>	<b>35</b>	<b>119</b>	<b>0</b>

Remuneration waived by members and allowances paid in lieu:	Number	£000
Members' remuneration waived	0	0
Allowances paid in lieu of remuneration	0	0

\* where Chief Executive is not the highest paid officer

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

.....

.....

#### 4.11 Average number of employees

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

	Permanent staff Number	Agency, temporary and con- tract staff Number	Staff on inward second- ment Number	Total Number	2003-04 Number
Executive Board Members	4	0	0	4	4
Medical and dental	90	0	0	90	77
Ambulance staff	0	0	0	0	0
Administrative and estates	827	47	0	874	846
Healthcare assistants and other support staff	124	0	0	124	126
Nursing, midwifery and health visiting staff	795	0	0	795	801
Nursing, midwifery and health visiting learners	0	0	0	0	168
Scientific, therapeutic and technical staff	166	0	0	166	0
Other local health board staff	9	0	0	9	13
Recharged staff	0	0	0	0	8
<b>TOTAL</b>	<b>2,015</b>	<b>47</b>	<b>0</b>	<b>2,062</b>	<b>2,043</b>

<sup>1</sup>The average number of employees is calculated as the total number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year.

#### Expenditure on staff benefits

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

**4.12 Salary and pension entitlements of senior managers**

**Remuneration**

Name and title	2004-05			2003-04		
	Salary £5k bands	Other Remuneration £5k bands	Benefits in Kind Rounded to nearest £100	Salary	Other Remuneration	Benefits in Kind
	£000	£000	£00	£000	£000	£000
<b>Executive directors</b>						
Andrew Williams - Chief Executive	100k - 105k	0	30	100k - 105k	0	0
Gill Todd - Director of Medical Services	100k - 105k	0	56	95k - 100k	0	0
Huw George - Director of Finance	75k - 80k	0	0	75k - 80k	0	0
Jackie Roberts - Director of Nursing	*0	0	0	*0	0	0
* consent to disclosure withheld.						
Suzanne Penny - Associate Director	*0	0	0	*0	0	0
* consent to disclosure withheld.						
David Adams - Associate Director	45k - 50k	0	0	45k - 50k	0	0
Steve Lloyd - Associate Director	70 k - 75k	0	0	70k - 75k	0	0
*consent to disclose other remuneration & benefits in kind withheld.						
David Birch - Associate Director	55k - 60k	0	0	0k - 5k	0	0
.....	0	0	0	0	0	0
.....	0	0	0	0	0	0
.....	0	0	0	0	0	0
<b>Non officer members</b>						
Chris Mann - Chairman	30k - 35k	0	0	30k-35k	0	0
Alan Screen - Pharmacist Representative	5k - 10k	0	0	5k-10k	0	0
Margaret Morris - Local Authority Representative	0	0	0	*0	0	0
Finished January 05 * Consent to dislose other remuneration and benefits in kind withheld						
Rosemarie Harris - Local Authority Representative	0	0	0	0	0	0
Declan Ryan - GP Representative	0	0	0	*0	0	0
* Consent to dislose salary, other remuneration and Pension withheld						
Kathleen Richards - Carer Representative	5k - 10k	0	0	5k - 10k	0	0
* Consent to dislose benefits in kind withheld						
Jackie Charlton - Community Representative	5k - 10k	0	0	5k - 10k	0	0
Jo Mussen - Voluntary Sector Representative	5k - 10k	0	0	5k - 10k	0	0
Paul Walker - National Public Health Service Representative	0	0	0	0	0	0
* Consent to dislose other remuneration withheld						
Phil Robson - Local Authority Representative	0	0	0	*0	0	0
* consent to disclosure withheld.						
Janis Short - Allied Health Professional Representative	*0	0	0	*0	0	0
* Consent to dislose salary, other remuneration, benefits in kind and Pension withheld						
Jennifer Griffiths - Nurse Representative	0	0	0	0	0	0
Kath Roberts Jones - Local Authority Representative	0	0	0	0	0	0
Gloria Jones Powell - Voluntary Sector Representative	5k - 10k	0	0	5k - 10k	0	0
Stephen James - GP Representative	0	0	0	0	0	0
Gary Banks - Local Authority Representative	0	0	0	0	0	0
commenced January 05						

**4.12 Salary and pension entitlements of senior managers cont'd****Pension Benefits**

Name and title	Real increase in pension & related lump sum at age 60	Total accrued pension & related lump sum at age 60 at 31 Mar 2005	Cash Equivalent transfer value at 31 Mar 2005	Cash Equivalent transfer value at 31 Mar 2004	Real increase in Cash equivalent transfer value at
	£2.5k bands £000	£5k bands £000	£000	£000	£000
<b>Executive directors</b>					
Andrew Williams - Chief Executive	47.5k - 50k	145k - 147.5k	422	263	152
Gill Todd - Director of Medical Services	100k - 102.5k	180k - 182.5k	0	0	0
Huw George - Director of Finance	25k - 27.5k	65k - 67.5k	188	107	78
Jackie Roberts - Director of Nursing	*0	*0	*0	*0	*0
* consent to disclosure withheld.					
Suzanne Penny - Associate Director	*0	*0	*0	*0	*0
* consent to disclosure withheld.					
David Adams - Associate Director	2.5k - 5k	77.5k - 80k	285	260	17
Steve Lloyd - Associate Director	*0	*0	*0	*0	*0
* consent to disclosure withheld.					
David Birch - Associate Director	2.5k - 5k	30k - 32.5k	126	104	19
.....	0	0	0	0	0
.....	0	0	0	0	0
.....	0	0	0	0	0

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

#### 4.13 Retirements due to ill-health

During 2004-05 there were 8 early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £259,356.61

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

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

	Number	£000	2003-04 £000
<b>NON-NHS</b>			
Total bills paid 2004-2005	43,300	44,854	61,535
Total bills paid within target	41,504	43,738	53,908
Percentage of bills paid within target	95.9%	97.5%	87.6%

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

	Number	£000	2003-04 <sup>1</sup> £000
<b>NHS</b>			
Total bills paid 2004-2005	5,550	120,591	528,539
Total bills paid within target	5,053	120,278	521,491
Percentage of bills paid within target	91.0%	99.7%	98.7%
<b>TOTAL</b>			
Total bills paid 2004-2005	48,850	165,445	590,074
Total bills paid within target	46,557	164,016	575,399
Percentage of bills paid within target	95.3%	99.1%	97.5%

<sup>1</sup>The comparative figures for 2003-04 are inflated due to the difficulties encountered in disaggregating BSC invoices paid in their own right and those paid on behalf of other LHB's at one of the BSC sites.

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

	£	2003-04 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 2.8).	0	0

#### 4.16 Interest Payable

	£000	£000
Finance leases	0	0
Unwinding of provision discounts	507	265
Other (eg late payment of commercial debt)	0	0
	<u>507</u>	<u>265</u>

## 5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
<b>Gross cost at 1 April 2004</b>	303	0	0	0	303
Additions	24	0	0	0	24
Indexation	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross cost at 31 March 2005</b>	<b>327</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>327</b>
<b>Accumulated amortisation at 1 April 2004</b>	218	0	0	0	218
Provided during the year	40	0	0	0	40
Additions	0	0	0	0	0
Indexation	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated amortisation at 31 March 2005</b>	<b>258</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>258</b>
<b>Net book value at 1 April 2004</b>	85	0	0	0	85
<b>Net book value at 31 March 2005</b>	<b>69</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69</b>



**Tangible fixed assets<sup>1</sup>****5.2 Tangible assets at the balance sheet date:**

Cost or valuation	Buildings, excluding Land		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000					
At 31 March 2004	58,305	133,757	469	3,778	4,831	151	4,170	294	205,755
Indexation	4,082	10,561	37	299	105	3	5	6	15,098
Additions - purchased	171	213	0	27	779	0	1,099	0	2,289
Additions - donated government granted	0	33	0	0	452	0	0	0	485
Transfers <sup>2</sup>	0	(9,600)	0	(4,077)	0	0	0	0	(13,677)
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	(6,945)	(5,641)	0	0	(49)	(59)	0	0	(12,694)
<b>At 31 March 2005</b>	<b>55,613</b>	<b>129,323</b>	<b>506</b>	<b>27</b>	<b>6,118</b>	<b>95</b>	<b>5,274</b>	<b>300</b>	<b>197,256</b>

**Depreciation**

At 31 March 2004	0	26,873	18	0	2,959	151	3,171	67	33,239
Indexation	0	2,109	1	0	64	3	3	0	2,180
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	(13,677)	0	0	0	0	0	0	(13,677)
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	(2,811)	0	0	(47)	(59)	0	0	(2,917)
Provided during the year	0	4,756	14	0	251	0	227	40	5,288
<b>At 31 March 2005</b>	<b>0</b>	<b>17,250</b>	<b>33</b>	<b>0</b>	<b>3,227</b>	<b>95</b>	<b>3,401</b>	<b>107</b>	<b>24,113</b>
<b>Net book value at 1 April 2004</b>	<b>58,305</b>	<b>106,884</b>	<b>451</b>	<b>3,778</b>	<b>1,872</b>	<b>0</b>	<b>999</b>	<b>227</b>	<b>172,516</b>
<b>Net book value at 31 March 2005</b>	<b>55,613</b>	<b>112,073</b>	<b>473</b>	<b>27</b>	<b>2,891</b>	<b>0</b>	<b>1,873</b>	<b>193</b>	<b>173,143</b>

**Net book value of assets held under finance leases and hire purchase contracts**

<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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**The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:**

<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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<sup>1</sup>Included in the figures above are those which relate to the residual assets of the former Health Authorities which have not passed to Health Boards.

The details of these are set out below :-

	<b>Total</b>
	<b>£000</b>
Cost or valuation:	
At 31 March 2004	136,930
Indexation	10,358
Additions	171
Transfers	(13,677)
Disposals	(12,586)
At 31 March 2005	<u>121,196</u>
Depreciation	
At 31 March 2004	24,256
Indexation	1,918
Transfers	(13,677)
Disposals	(2,811)
Provided during the year	2,851
At 31 March 2005	<u>12,537</u>
Net book value at 1 April 2004	<u>112,674</u>
Net book value at 31 March 2005	<u>108,659</u>

<sup>2</sup>Transfers\* includes the amount of 13,677 for both Cost & Depreciation to reflect the Cost and Accumulated Depreciation details of the asset registers received from the former Health Authorities. This has no effect on Net book value.

## Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2005 comprises:

	£000
Freehold	145,266
Long leasehold	22,893
Short leasehold	0
	<hr/>
<b>TOTAL</b>	<b>168,159</b>

### Net profit/(loss) on disposal of fixed assets<sup>1</sup>

	£000
During the year the LHB disposed of fixed assets with the net book value of,	4,733
The gross proceeds from the sale(s) were	4,750
giving a net profit/(loss) on disposal of	<hr/> 17
The LHB paid over to the National Assembly for Wales the net proceeds from disposal of and retained the costs of disposal, met of,	3,137
	28

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

	£000
Profit on disposal of land and buildings	1,921
Loss on disposal of land and buildings	(1,904)
Profit on disposal of plant and equipment	0
Loss on disposal of plant and equipment	0
	<hr/>
	<b>17</b>

<sup>1</sup> The above figures relate entirely to the residual estate.

**6.1 Stocks and Work in Progress<sup>1</sup>**

	£000	2003-04 £000
Raw materials and consumables	381	92
Work-in-Progress	0	0
Finished goods	0	0
	<b>381</b>	<b>92</b>

<sup>1</sup>Increase in stock due to the Local Health Board performing a physical stock take and including items not previously classified as stock.

**6.2 Debtors**

	Total £000	Re-stated <sup>1</sup> Total £000
<b>Amounts falling due within one year:</b>	<b>£000</b>	<b>£000</b>
National Assembly for Wales	737	5,710
Health Commission Wales	145	0
Local Health Boards	730	280
Primary Care Trusts	7	4
NHS Trusts	629	1,552
Welsh Risk Pool	28,298	20,415
Capital debtors	1,027	117
Other debtors	2,187	2,442
Provision for irrecoverable debts	(92)	(118)
Pension Prepayments:		
in respect of former directors	0	0
in respect of other staff	0	0
Prepayments and accrued income	827	960
<b>Sub total</b>	<b>34,495</b>	<b>31,362</b>
<b>Amounts falling due after more than one year:</b>	<b>£000</b>	<b>£000</b>
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	2	0
NHS Trusts	0	0
Welsh Risk Pool	21,908	25,126
Capital debtors	875	0
Other debtors	99	0
Provision for irrecoverable debts	0	0
Pension Prepayments:		
in respect of former directors	0	0
in respect of other staff	0	0
Prepayments and accrued income	0	0
<b>Sub total</b>	<b>22,884</b>	<b>25,126</b>
<b>TOTAL</b>	<b>57,379</b>	<b>56,488</b>

<sup>1</sup>Opening Debtors have been re-stated due to the requirement for an FRS3 prior year adjustment

**6.3 Creditors**

	Re-stated <sup>1</sup>	
	Total	2003-04 Total
<b>Amounts falling due within one year:</b>	<b>£000</b>	<b>£000</b>
National Assembly for Wales	20	429
Health Commission Wales	8	0
Local Health Boards	351	16
NHS Trusts	2,393	2,133
Primary Care Trusts	313	0
Income tax and social security	1,162	926
Non-NHS creditors	3,066	3,588
Capital Creditors	442	509
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and contracts	0	0
GPFH savings	81	86
Pensions:		
in respect of former directors	0	450
relating to other staff	757	1,132
Accruals	9,211	9,641
Deferred Income	0	3,219
Non-NHS creditors-losses and special payments	0	0
Other creditors	317	844
<b>TOTAL</b>	<b>18,121</b>	<b>22,973</b>

**6.4 Creditors**

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

<sup>1</sup>Opening Creditors have been re-stated due to the requirement for an FRS3 prior year adjustment

6.5 Provisions for liabilities and charges<sup>1</sup>

	At 1 April 2004	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2005
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	40,588	0	82	22,347	(6,739)	(7,154)	189	49,313
Personal injury	60	0	0	80	(38)	(16)	0	86
All other losses and special special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	3,120	0	0	431	(939)	(114)		2,498
<b>Sub-total</b>	<b>43,768</b>	<b>0</b>	<b>82</b>	<b>22,858</b>	<b>(7,716)</b>	<b>(7,284)</b>	<b>189</b>	<b>51,897</b>
Pensions - former directors	3	0	0	0	0	(3)	0	0
Pensions - other staff	10,407	0	0	639	(62)	(1,160)	318	10,142
<b>Sub-total</b>	<b>10,410</b>	<b>0</b>	<b>0</b>	<b>639</b>	<b>(62)</b>	<b>(1,163)</b>	<b>318</b>	<b>10,142</b>
Restructurings	0			1,687	0	0	0	1,687
Other	225		295	0	0	0		520
<b>Total</b>	<b>54,403</b>	<b>0</b>	<b>377</b>	<b>25,184</b>	<b>(7,778)</b>	<b>(8,447)</b>	<b>507</b>	<b>64,246</b>

## Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000
Clinical negligence	28,036	21,277	0
Personal injury	86	0	0
All other losses and special payments	0	0	0
Defence legal fees and other administration	1,187	1,311	0
Pensions - former directors	0	0	0
Pensions - other staff	6,277	2,384	1,481
Restructuring	1,687	0	0
Other	0	225	295
<b>Total</b>	<b>37,273</b>	<b>25,197</b>	<b>1,776</b>

The LHB estimates that in 2006-07 it will receive £29.774m, and in 2007-08 and beyond £21.912m from the Welsh Risk Pool in respect of the losses and special payments.

These provisions relate to the possible liabilities of Powys Local Health Board in respect of Medical Negligence and Personal Injury claims. Contingent liabilities in note 6.9 are directly and solely linked to these claims.

<sup>1</sup>Included in the figures above are those which related to the cases against the former Health Authorities.

Details of these are as follows :-

	At 1 April 2004	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2005
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	40,344	0	82	22,239	(6,563)	(7,154)	189	49,137
Personal injury	37	0	0	58	(38)	(14)	0	43
All other losses and special special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	2,848	0	0	387	(939)	(90)		2,206
<b>Sub-total</b>	<b>43,229</b>	<b>0</b>	<b>82</b>	<b>22,684</b>	<b>(7,539)</b>	<b>(7,258)</b>	<b>189</b>	<b>51,386</b>
Pensions - former directors	0	0	0	0	0	0	0	0
Pensions - other staff	0	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Restructurings	0			0	0	0	0	0
Other	0			0	0	0		0
<b>Total</b>	<b>43,229</b>	<b>0</b>	<b>82</b>	<b>22,684</b>	<b>(7,539)</b>	<b>(7,258)</b>	<b>189</b>	<b>51,386</b>

## 6.6 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2004</b>	<b>50,678</b>
Prior period adjustment	<b>(5,994)</b>
<b>At 1 April 2004 as restated</b>	<b>44,684</b>
Net operating cost for the financial year	<b>(158,714)</b>
Net Assembly funding (including capital)	<b>146,093</b>
Capital charge interest	<b>5,160</b>
Transfers to NHS bodies	<b>(7,861)</b>
Transfer to general fund of realised elements of the revaluation reserve	<b>6,728</b>
	<hr/>
<b>Balance at 31 March 2005</b>	<b>36,090</b>

## 6.7 Donated asset reserve

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

	£000
<b>Balance at 1 April 2004</b>	<b>4,249</b>
Additions	<b>485</b>
Impairments	<b>0</b>
Revaluation and indexation	<b>299</b>
Disposals and write-offs	<b>0</b>
Depreciation	<b>(185)</b>
	<hr/>
<b>Balance at 31 March 2005</b>	<b>4,849</b>

## 6.8 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
<b>Balance at 1 April 2004</b>	<b>102,577</b>
Revaluation	<b>0</b>
Indexation	<b>12,619</b>
Transfer to general fund - realised revaluation	<b>(6,728)</b>
	<hr/>
<b>Balance at 31 March 2005</b>	<b>108,468</b>

## 6.9 Contingent liabilities -

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

Nature:	£000	Uncertainties affecting outcome:
Legal claims for third parties liabilities	89,354	.....
Doubtful debts	0	.....
Other	0	.....
<b>TOTAL</b>	<b>89,354</b>	

These liabilities relate to possible claims against Powys Local Health Board in respect of Medical Negligence and Personal Injury claims. Provisions in note 6.5 are directly and solely linked to these claims.

## 6.10 Intra Government balances

	Debtors:	Debtors:	Creditors:	Creditors:
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	1,252	0	1,942	832
Balances with local authorities	218	0	43	0
Balances with NHS trusts and Foundation trusts	28,934	21,910	2,706	0
Balances with Local Health Boards	730	0	351	0
Balances with public corporations and trading funds	369	0	0	0
Balances with bodies external to government	2,897	974	13,084	0
<b>Total at 31 March 2005</b>	<b>34,400</b>	<b>22,884</b>	<b>18,126</b>	<b>832</b>

## 6.11 Post balance sheet events

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

1.	.....	0
	.....	0
2.	.....	0
	.....	0
<b>TOTAL</b>		<u>0</u>
[For further details see annex]		<u>0</u>

## 6.12 Capital commitments

The LHB has the following capital commitments:

Contracted	0
Authorised but not contracted	0
<b>TOTAL</b>	<u>0</u>



**6.13 Related Party transactions****£'000**  
**0**

Total value of transactions with Board members and key senior staff in 2004/05.

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

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

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

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

- The NHS Wales Residual estates,
- Clinical negligence,
- Community Health Councils,
- Business Services Centres,

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

The provider income source is as below:-	£'000
Powys LHB Commissioner Ledger – income	49,125
Iechyd Morgannwg – Income	1,876
English Trusts/PCTs – Income	684
Dyfed LHBs - Income	515
North Wales LHB – Income	403
Gwent LHB – Income	383
Bro Taf LHB – Income	54

The Local Health Board has a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Powys County Council.

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

### 6.13 Related Party transactions Cont'd

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

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

Philip Robson, Director of Community Services, Powys County Council,  
Gloria Jones Powell, vice Chairman, PAVO & Chairman, Powys Carers,  
Dr. S. P. James, Partner, Part Street, Newtown, Powys & member Shropdoc, OOH care provider,  
Dr. T.D. Ryan, Partner, Welsh Pool practice & member Shropdoc OOH care provider,  
Alan Screen, Director Alan Screen Ltd. (Pharmacy), Powys  
C. Mann, Councillor, Powys County Council  
Kath Roberts Jones, Councillor, Powys County Council  
Rosemarie Harris, Councillor, Powys County Council  
Margaret Morris, Councillor, Powys County Council (part of year)  
Bryn Williams, Officer of Brecknock and Radnor Community Health Council,  
John Howard, Officer of Montgomeryshire Community Health Council  
Gary Banks, Councillor, Powys County Council (part of year)

**6.14 Losses and special payments**

	Number of cases	Value of cases £
Medical Negligence	38	7,153,954
Personal injury	3	15,762
Fraud cases	0	0
All other losses and special payments	0	0
Total losses and special payments	<u>41</u>	<u>7,169,716</u>

**Analysis of cases which exceed £100,000 and all other cases**

	Amounts paid out in year	Cumulative amount	Approved to write-off in year
	£	£	£
<b>Cases exceeding £100,000</b>			
MN/030/0217/ES	4,500,000	4,500,000	0
MN/030/0128/ALF	3,056,668	3,157,500	0
MN/030/0183/ALF	83,554	2,630,169	0
MN/032/0679/ALF	74,226	2,454,389	0
MN/030/0190/ALF	22,728	1,178,444	0
MN/030/0192/ALF	106,238	775,000	0
MN/030/0281/ALF	525,000	525,000	0
L200/1440	33,670	415,778	0
CBM237	369,274	369,274	0
S.A.	-1,973	305,877	0
MN/076/160/MH	275,000	275,000	0
MN/030/0262/JDHE	59,806	100,000	0
	0	0	0
	0	0	0
	0	0	0
<b>Sub-total</b>	<u>9,104,192</u>	<u>16,686,432</u>	<u>0</u>
<b>All other cases</b>	<u>-1,934,475</u>	<u>484,343</u>	<u>0</u>
<b>Total cases</b>	<u>7,169,717</u>	<u>17,170,775</u>	<u>0</u>

Information on brought forward payments to date in some cases needed to be deducted from the information reported from the former Health Authorities. The 'cumulative amounts paid' to date at the end of 2004/05 has been obtained accurately from Welsh Health Legal Services. In some cases this has resulted in a previously deducted 'cumulative amounts paid' being reversed in year, this has resulted in the negative balances shown above. These balances do not represent amounts received back on claims, but necessary accounting adjustments needed to standardise former Health Authorities into one process.

## **6.15 Third Party assets**

The LHB held £102,457.87 cash at bank and in hand at 31 March 2005 which relates to monies held on behalf of patients. This has been excluded from cash at bank and in hand reported in these accounts.

## **6.16 Financial instruments**

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

### **Liquidity Risk**

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

### **Interest-rate Risk**

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

### **Foreign Currency Risk**

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

## 6.17 Finance lease obligations

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

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

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

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

## 6.18 Pooled Budgets

Powys Local Health Board and Powys County Council have entered into a partnership agreement in accordance with section 31 of the Health Act 1999. The health related function which is subject of these arrangements is the provision of care by a registered nurse in care homes, which is a service provided by the NHS Body under section 2 of the National Health Service Act 1977. In accordance with the Social Care Act 2001 section 49 care from a registered nurse is funded by the NHS regardless of the setting in which it is delivered. (Circular 12/2003). The agreement will not effect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Assembly Guidance NHS Funded Nursing Care 2004. The allocation received for 2004/05 for free nursing care placements was £1,791,877. The partnership agreement states that the budget holder is Powys County Council, the host of the partnership agreement.

<b>Gross funding</b>	<b>Cash</b>	<b>Staff</b>	<b>Other</b>	<b>Total</b>
<b>Powys County Council</b>	<b>0</b>	<b>0</b>	<b>£1,173,900</b>	<b>£1,173,900</b>
<b>Powys local Health Board</b>	<b>0</b>	<b>0</b>	<b>£617,977</b>	<b>£617,977</b>
<b>Total funding</b>	<b>0</b>	<b>0</b>	<b>£1,791,877</b>	<b>£1,791,877</b>
<b>Expenditure</b>				
<b>Money spent in accordance with Pooled budget arrangement</b>	<b>0</b>	<b>0</b>	<b>£1,670,647</b>	<b>£1,670,647</b>
<b>Total expenditure</b>	<b>0</b>	<b>0</b>	<b>£1,670,647</b>	<b>£1,670,647</b>
<b>Net under/over spend</b>	<b>0</b>	<b>0</b>	<b>£121,230</b>	<b>£121,230</b>

The surplus above is held by Powys County Council in accordance with the Pooled Budget Agreement. The above memorandum accounts are subject to audit.

## 6.19 Prescription Income

A report issued by the Auditor General for Wales in 2000 "Maximising income from Prescription Charges" identified a shortfall in revenue to the NHS in Wales as a result of prescription charge evasion. A Post Payment Verification Unit (PPVU), based in Velindre NHS Trust, is now in place which addresses the issue on an all Wales basis. The unit's remit is to establish the validity of exemptions, and to follow up any cases where no valid exemption can be demonstrated. The auditor of Velindre NHS Trust has reviewed the results of the work undertaken by the PPVU for each Local Health Board and has now been able to make an assessment of the potential loss of income at each. The potential lost income for Powys Local Health Board is **£33,324**.

## 6.20 Continuing Care - Ombudsman Decision

In February 2003, a report by the Ombudsman on NHS funding for long term care concluded that Department of Health guidance and, therefore continuing healthcare policies and eligibility criteria on who should receive financial support for continuing healthcare, had been misinterpreted by Healthcare Trusts in England and Wales. It is important to note that LHB's are only responsible for any Ombudsman claims that relate to the period post 1st April 2003. Any claims that relate to the period pre 1st April 2003 are the responsibility of Powys Local Health Board, who are funded directly by the Welsh Assembly Government. At the present time, it is not possible to make an accurate assessment of the additional potential liability that may arise in respect of claims received in the future that relate to the period post 1st April 2003.

## 7.1 Segmental reporting

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

	Total Powys "Health" £'000	Total BSC £'000	Total Residual Estate £'000	Total Clinical Negligence £'000	CHC £'000	Consolidation Adjustments £'000	Cons. Total £'000
<b>Comissioning</b>							
Gross Operating Costs	146,735	(5)	0	1,935	0	(50,562)	98,103
Miscellaneous Income	(2,513)	0	0	0	0	100	(2,413)
<b>Comissioner Net Operating Costs</b>	<b>144,222</b>	<b>(5)</b>	<b>0</b>	<b>1,935</b>	<b>0</b>	<b>(50,462)</b>	<b>95,690</b>
<b>Providing</b>							
Gross Operating Costs	59,105	22,874	6,749	26	3,428	(69)	92,113
Miscellaneous Income	(58,321)	(20,260)	(380)	0	(459)	49,978	(29,442)
Provider Net Operating Costs	784	2,614	6,369	26	2,969	49,909	62,671
<b>LHB Net Operating Costs before Interest</b>	<b>145,006</b>	<b>2,609</b>	<b>6,369</b>	<b>1,961</b>	<b>2,969</b>	<b>(553)</b>	<b>158,361</b>
Interest Receivable	(154)	0	0	0			(154)
Interest Payable	(9)	327	0	189			507
<b>LHB Net Operating Costs</b>	<b>144,843</b>	<b>2,936</b>	<b>6,369</b>	<b>2,150</b>	<b>2,969</b>	<b>(553)</b>	<b>158,714</b>

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

	Total Powys "Health" £'000	BSC £'000	Residual Estate £'000	Clinical Negligence £'000	CHC £'000	Consolidation Adjustments £'000	Total £'000
<b>Total Fixed Assets</b>							
Intangible Fixed Assets		69					69
Tangible Fixed Assets	62,184	2,299	108,660				173,143
<b>Current Assets</b>							
Stocks and work-in-progress	381						381
Debtors	11,906	4,301	1,625	50,005	93	(10,646)	57,284
Cash at bank and in hand	1,163	427	0	0	44	0	1,634
<b>Total Current Assets</b>	<b>13,450</b>	<b>4,728</b>	<b>1,625</b>	<b>50,005</b>	<b>137</b>	<b>(10,646)</b>	<b>59,299</b>
Creditors: amounts falling due within one year	15,872	4,664	(242)	51	183	(2,407)	18,121
<b>Net current assets / (liabilities)</b>	<b>(2,422)</b>	<b>64</b>	<b>1,867</b>	<b>49,954</b>	<b>(46)</b>	<b>(8,239)</b>	<b>41,178</b>
Creditors: amounts falling due after more than one year	832	0	0	0	0	0	832
Provisions for liabilities and charges	1,775	10,942		51,386	144		64,246
<b>Total Net Assets</b>	<b>57,155</b>	<b>(8,510)</b>	<b>110,527</b>	<b>(1,432)</b>	<b>(190)</b>	<b>(8,239)</b>	<b>149,312</b>
<b>Financed by:</b>							
General Fund	26,285	(9,470)	29,112	(1,432)	(190)	(8,308)	35,995
Donated Assets Reserve	4,576	0	273			0	4,849
Revaluation Reserve	26,294	962	81,141			69	108,468
<b>Total</b>	<b>57,155</b>	<b>(8,510)</b>	<b>110,527</b>	<b>(1,432)</b>	<b>(190)</b>	<b>(8,239)</b>	<b>149,312</b>

## 8.1 Prior Period Adjustment (PPA)

Since their inception on 1st April 2003, LHB's have been within the Assembly's resource accounting boundary and their annual accounts should be compliant with HM Treasury's Resource Accounting Manual.

Under resource accounting, Assembly funding is no longer treated as "income" but as "funding", and, no debtors or creditors relating to Assembly funding should exist at the year end. In 2003-04 this aspect of resource accounting was not applied to LHB accounts for funding transactions made in 2003-04 or in relation to the balances they inherited from the former Health Authorities. Hence the accounts in 2003-04 incorrectly included such balances.

A PPA was therefore required in 2004-05 to write out these balances and reflect the full introduction of resource accounting. The resulting net movement debtor / creditor balances has been taken to the General Fund in the prior period.

Details of the PPA are set out below: -	(£'000)
Reduction in Debtors	8,852
Reduction in Creditors	2,858
Decrease in General Fund	5,994

The effect of this PPA on the results of the 2003-04 accounts is to reduce the General Fund and reduce net assets by £5,994k.



## **ACCOUNT OF - 2004-2005**

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

#### **LOCAL HEALTH BOARDS**

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2005 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

#### **BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

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

#### **FORM AND CONTENT**

3. The account of the LHB for the year ended 31 March 2005 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2005 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

**ACCOUNT OF - 2004-2005**

**SCHEDULE 1**

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

**Companies Act**

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

**Accounting Standards**

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

**SCHEDULE 2**

**ADDITIONAL REQUIREMENTS**

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

**MISCELLANEOUS**

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

## **STATEMENT OF INTERNAL CONTROL**

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

The Board is accountable for internal control. As Accountable Officer and Chief Executive for this Board, I have the responsibility for maintaining a sound system of internal control that supports achievement of the organisation's policies, aims and objectives, whilst safeguarding. In addition to the functions relating to the health and well being of the population of Powys, the Local Health Board is also accountable for the NHS Wales Business Services Centre which inherited the systems of internal control from the five former District Health Authorities. As Chief Executive I have delegated responsibility for Risk Management within the Local Health Board. Responsibility for Risk Management has been delegated to the Director of Support Services who is supported by the Deputy Director of Support Services and the Corporate Risk Manager. The Risk Management process is also a key component of Clinical Governance which is led by the Medical Director. The Local Health Board produces an Annual Report for the Board.

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

The system of internal control is designed to minimise risk rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31st March 2005, and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

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

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

There is a process for reporting incidents and risks that are incorporated in Directorate and Corporate registers. The Local Health Board also has established Corporate Risk and Workplace Health Audits that provide integrated risk assessments for each hospital site. There is a process to support continuous improvement and learning as a result of risk assessments and incidents.

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

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

It is essential to reinforce that risk management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. The success of risk management is monitored through many assurance frameworks. However, the main reporting process is the Welsh Risk Pool's annual audit that undertakes assessments against a number of the Welsh Risk Management Standards. In addition to this the Local Health Board has to report to the Welsh Assembly Government the self assessment scores for the remaining standards.

## 4.1 Local Health Board

The Welsh Risk Pool audited the LHB in May 2005, looking at 24 standards. The LHB needed to achieve a compliance score of 75% overall and not less than 60% in 22 out of the 24 standards.

The outcome was that the LHB complied with the 60% in 23 of the standards, but only achieved an overall score of 68%. However, this was an improvement from the previous year's score of 63%. In fact, the improvements in the standards themselves were significantly better but due to a change in the weighting between the audits and interviews the overall score did not reflect that improvement. Furthermore, Standard 28: Human Resources was externally assessed for the first time.

The LHB have also been assessed against Standard G: Facilitating Safe Provision of Primary Care, the score of which will not be added to the overall score. The LHB scored 71% against this standard. This compared favourably with the scores attained by other LHBs where the average is 70%.

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

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

Standard No	Risk Standard Title	WRP Score 2004/2005	Internal Audit
1	Risk Management Policy and Strategy	87%	N/A
2	Risk Profile	77%	N/A
3	Incident and Hazard Reporting	95%	N/A
37	Governance	N/A	88%
38	Financial Controls	N/A	85%

Internal Audit and Welsh Risk Pool have assessed the LHB as complying with all the Core Standards.

### Principal Standards (minimum 60% score required)

Principal Standards are the mandatory targets set by the Welsh Risk Pool and they require a minimum of 60% in the following:

Standard No	Risk Standard Title	Score 2004/2005
1	Risk Management Policy and Strategy	87%
2	Risk Profile	77%
3	Incident and Hazard Reporting	95%
7	Records Management	61%
8	Communications	67%
9	Consent to Treatment	76%
11	Supervision of Clinical Staff	73%
12	Assessing Competence	66%
G	Facilitating Safe Provision of Primary Care	71%

As can be seen from the previous table the LHB met all the principle standards requirements. However, the LHB did not achieve an overall score of 75%. The LHB will have to focus on improving risk management awareness and training if it is to benefit from the improving performance against the standards. In addition, key performance indicators will have to be further developed.

A number of examples of good practice were highlighted following the audits:

Corporate Induction "Wellcome to Powys" personal portfolio  
 Clinical Guidelines on the Prevention and Management of Postnatal Depression and Mental Illness and Service Improvement Workbook  
 Policy on Violence (MIU)

#### 4.2 Business Services Centre (BSC)

For this second year of the LHB it was agreed with the Welsh Risk Pool that the BSC be separately assessed in order to provide additional management information.

The BSC has improved its compliance score from 43% in 2003/04 to 49% in 2004/05. In fact, some standards have shown considerable improvements but a number have shown only marginal increases and some have dropped. The Welsh Risk Pool highlighted in the report that the overall result was disappointing.

There have been improvements in particular with the single evidence files for each standard compared to the separate files for each office that were presented last year. There is, however, room for improving the consistency across the offices to ensure a single system is maintained.

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

Core Standards are the mandatory targets required by the Welsh Risk Pool and they require a minimum of 75% in the following:

Standard No	Risk Standard Title	WRP Score 2004/2005	Internal Audit
1	Risk Management Policy and Strategy	52%	95%
2	Risk Profile	25%	83%
3	Incident and Hazard Reporting	90%	94%
37	Governance	N/A	84%
38	Financial Controls	N/A	85%

The overall compliance score assessed by WRP was 49%.

Internal Audit assessed the BSC as compliant on standards 1 and 2 and this variance is being discussed with WRP.

There are still individual office procedures even when Powys LHB procedures exist. The corporate risk register did not demonstrate an overall risk management process for the whole of the organisation. There also needs to be an improved process for ensuring BSC risks are dealt with corporately in Powys LHB and more integration of documents. It is essential all the offices adopt standard procedures for developing risk registers and action plans.

**4. Review of Effectiveness**

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

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

The Clinical Governance and Risk Management Committee and the Local Health Board receive annual reports on the compliance with Welsh Risk Management Standards.

The Local Health Board has produced an Assurance Framework for the Local Health Board which identifies the principal risks and controls for each of the key objectives for the LHB.

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

Date: .....

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

I certify that I have audited the financial statements on pages 1 to 39 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 to 10.

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

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

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



### **Basis of audit opinion**

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

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

### **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Powys Local Health Board as at 31 March 2005 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the National Assembly for Wales; and
- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Jeremy Colman  
Auditor General for Wales  
4th August 2005

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

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

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

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

Date: ..... 2005 ..... Chief Executive

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

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

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

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

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

**By Order of the Board**

**Signed:**

Chairman: ..... Dated: ..... 2005

Chief Executive: ..... Dated: ..... 2005

Director of Finance: ..... Dated: ..... 2005