

Cardiff & Vale 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 Cardiff and Vale NHS Trust, Cardiff Local Health Board and the Vale of Glamorgan 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.

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

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Note	2013-14 £'000	2012-13 £'000
Expenditure on Primary Healthcare Services	3.1	214,829	208,587
Expenditure on healthcare from other providers	3.2	212,186	234,955
Expenditure on Hospital and Community Health Services	3.3	754,262	735,454
		<u>1,181,277</u>	<u>1,178,996</u>
Less: Miscellaneous Income	4	363,484	356,403
LHB net operating costs before interest and other gains and losses		817,793	822,593
Investment Income	8	0	0
Other (Gains) / Losses	9	(268)	55
Finance costs	10	285	2,619
Net operating costs for the financial year		817,810	825,267

Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2014 is as follows:

	2013-14 £000	2012-13 £000
Net operating costs for the financial year	817,810	825,267
Less Non-discretionary expenditure	20,750	20,014
Less Revenue consequences of Bringing PFI schemes onto SoFP	1,028	1,028
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	796,032	804,225
Revenue Resource Limit	776,855	804,291
Under / (over) spend against Revenue Resource Limit	(19,177)	66

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

The UHB'S three year financial plan anticipates that the UHB will be in a position to report an in year surplus by 2015/16, with the 2013/14 deficit being recovered by the end of 2016/17.

Under the terms of a brokerage agreement entered into in 2011/12, the UHB's revenue resource limit was reduced by £6m in both 2012-13 and 2013-14.

Other Comprehensive Net Expenditure

	2013-14 £'000	2012-13 £'000
Net gain / (loss) on revaluation of property, plant and equipment	6,287	(37,849)
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	38
(Gain) / loss on other reserves	0	0
Impairment and reversals	0	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0
Other comprehensive net expenditure for the year	<u>6,287</u>	<u>(37,811)</u>
Total comprehensive net expenditure for the year	<u><u>811,523</u></u>	<u><u>863,078</u></u>

Statement of Financial Position as at 31 March 2014

		31 March	31 March
		2014	2013
	Notes	£'000	£'000
Non-current assets			
Property, plant and equipment	11	533,211	518,332
Intangible assets	12	1,127	1,050
Trade and other receivables	15	15,201	11,682
Other financial assets	19	0	0
Other assets	20	0	0
Total non-current assets		549,539	531,064
Current assets			
Inventories	14	14,832	13,814
Trade and other receivables	15	91,028	83,314
Other financial assets	19	0	0
Other assets	20	0	0
Cash and cash equivalents	18	762	961
		106,622	98,089
Non-current assets classified as "Held for Sale"	11	397	486
Total current assets		107,019	98,575
Total assets		656,558	629,639
Current liabilities			
Trade and other payables	16	103,248	116,580
Other financial liabilities	22	0	0
Provisions	17	71,049	65,088
Other liabilities	21	1,393	1,472
Total current liabilities		175,690	183,140
Net current assets/ (liabilities)		(68,671)	(84,565)
Non-current liabilities			
Trade and other payables	16	11,749	10,301
Other financial liabilities	22	0	0
Provisions	17	16,384	13,103
Other liabilities	21	894	1,186
Total non-current liabilities		29,027	24,590
Total assets employed		451,841	421,909
Financed by :			
Taxpayers' equity			
General Fund		337,917	308,198
Revaluation reserve		113,924	113,711
Total taxpayers' equity		451,841	421,909

The financial statements on pages 2 to 60 were approved by the Board on June 5th 2014 and signed on its behalf by:

Chief Executive.....
Adam Cairns

Date
5th June 2014

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

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

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2013-14			
Balance at 1 April 2013	308,198	113,711	421,909
Net operating cost for the year	(817,810)	0	(817,810)
Net gain/(loss) on revaluation of property, plant and equipment	(68)	6,355	6,287
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	6,142	(6,142)	0
Release of reserves to SoCNE	0	0	0
(Transfers to)/from LHBs	(227)	0	(227)
Total recognised income and expense for 2013-14	(811,963)	213	(811,750)
Net Welsh Government funding	841,682		841,682
Balance at 31 March 2014	337,917	113,924	451,841

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

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

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2012-13			
Balance at 1 April 2012	289,689	152,922	442,611
Net operating cost for the year	(825,267)		(825,267)
Net gain/(loss) on revaluation of property, plant and equipment	0	(37,849)	(37,849)
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	38	38
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	1,400	(1,400)	0
Release of reserves to SoCNE	0	0	0
Transfers to/from LHBs	0	0	0
Total recognised income and expense for 2012-13	(823,867)	(39,211)	(863,078)
Net Welsh Government funding	842,376		842,376
Balance at 31 March 2013	308,198	113,711	421,909

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

Statement of Cash flows for year ended 31 March 2014

	2013-14 £'000	2012-13 £'000
Cash Flows from operating activities		
Net operating cost for the financial year	(817,810)	(825,267)
Movements in Working Capital	34 (20,523)	(30,612)
Other cash flow adjustments	35 72,724	77,314
Provisions utilised	17 (13,117)	(12,330)
Net cash outflow from operating activities	(778,726)	(790,895)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(69,248)	(52,506)
Proceeds from disposal of property, plant and equipment	7,008	1,624
Purchase of intangible assets	(551)	(506)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
Net cash inflow/(outflow) from investing activities	(62,791)	(51,388)
Net cash inflow/(outflow) before financing	(841,517)	(842,283)
Cash flows from financing activities		
Welsh Government funding (including capital)	841,682	842,376
Capital receipts surrendered	0	0
Capital grants received	0	0
Capital element of payments in respect of finance leases and on-SoFP	(364)	(614)
Cash transferred (to)/ from other NHS bodies	0	0
Net financing	841,318	841,762
Net increase/(decrease) in cash and cash equivalents	(199)	(521)
Cash and cash equivalents (and bank overdrafts) at 1 April 2013	961	1,482
Cash and cash equivalents (and bank overdrafts) at 31 March 2014	762	961

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

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2013-14 Local Health Board Manual for Accounts and 2013-14 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income and funding

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

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

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

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

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs
NHS Pension Scheme

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.

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.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

1.5 Other expenses

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

1.6 Property, plant and equipment**Recognition**

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

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

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

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

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

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. In addition IAS16 requires that where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated, NHS bodies are required to get all All Wales Capital Schemes that are completed in a financial year revalued during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses. Cardiff and Vale has followed this protocol in 2013/14.

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 Depreciation, amortisation and impairments

Freehold land and assets under construction and properties held for sales are not depreciated.

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

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

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

1.9 Research and Development

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

1.10 Donated assets

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

1.11 Government grants

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

1.12 Non-current assets held for sale

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

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

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

1.13 Leases

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

1.13.1 The Local Health Board as lessee

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

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

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

1.13.2 The Local Health Board as lessor

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

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

1.14 Inventories

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

1.15 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 expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.17 Clinical negligence costs

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool 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 de-recognition.

1.18.5 Loans and receivables

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

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

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

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

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

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

1.19 Financial liabilities

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

1.19.1 Financial liabilities are initially recognised at fair value.

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

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

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

1.19.3 Other financial liabilities

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

1.20 Value Added Tax

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

1.21 Foreign currencies

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

1.22 Third party assets

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

1.23 Losses and Special Payments

Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the 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 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 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 Health Board has entered into a pooled budget arrangement with Cardiff and Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients who are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

Details of the accounting arrangements in place and the accounting policies adopted can be found in Note 31 to these accounts on page 54.

1.25 Critical Accounting Judgements and key sources of estimation uncertainty

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

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

1.26 Key sources of estimation uncertainty

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

A) 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 £2.115m re non NHS organisations and a credit note provision of £0.095m in respect of NHS debts. While this provision is considered prudent and accurate as 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.

1.26 Key sources of estimation uncertainty (continued)

B) The LHB has provided for some £80.502m within note 17 in respect of potential clinical negligence, personal injury, permanent injury claims and associated defence costs. These provisions have been arrived at on the advice of Welsh Health Legal Services and the LHB's own legal advisors Morgan Cole. 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.

C) In line with IAS19 the LHB has reviewed the level of annual leave taken by its staff to March 31st 2014. Based on a sample the LHB has accrued £0.497m re untaken annual leave. This is based on a sample of the leave records of 60% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2014/2015 under exceptional circumstances.

D) The LHB has estimated a liability of £4.927m in respect of retrospective claims for continuing healthcare funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing healthcare and the actual costs incurred by individuals in care homes. The provision is based on information made available to the LHB at the time of these accounts and could be subject to significant change as outcomes are determined.

E) During 2009/10 the LHB counted inventory (excluding drugs which were already being counted) held on wards for the first time as part of its year end inventory figure. From a practical perspective it would be extremely difficult for the LHB to physically count all such areas immediately prior to March 31st, hence an extrapolation method was agreed. As a result, on a three yearly rolling basis the stock in 27 different wards has now been counted. This represents 726 beds out of a possible 2,211 across the LHB. In this way a figure of £0.848m has been calculated for ward stock and has been included within the inventory balance shown in note 14 of the accounts. As the number of wards counted increases a picture has emerged of a strata of wards which have a relatively low level of stockholding and one for those which have higher than average levels. This intelligence is now being built in to the calculation of the balance involved.

F) As in other years due to the relatively short timescale available to prepare the annual accounts, the primary care expenditure disclosed contains a number of significant estimates where the value of actual liabilities was not available prior to the date of the accounts submission. The most material areas being:

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

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.

1.28 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

1.29 Carbon Reduction Commitment Scheme

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

1.30 Absorption accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. 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.

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year:

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

1.32 Accounting standards issued that have been adopted early

All Accounting standards have been followed in line with the recommendations of the 2013/14 Local Health Board Manual of Accounts issued by the Welsh Government.

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 (Cardiff & Vale Health Charity), it is considered for accounting standards compliance to have control of Cardiff & Vale Health Charity as a subsidiary and therefore is required to consolidate the results of Cardiff & Vale Health 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 Cardiff & Vale Health 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 [consolidate/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. Achievement of Operational Financial Balance

2.1 Revenue Resource Limit

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

2.2 Capital Resource Limit

2013-14	2012-13
£000	£000

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

Gross capital expenditure	66,662	52,398
Add: Losses on disposal of donated assets	0	1
Less NBV of property, plant and equipment and intangible assets disposed	(6,740)	(1,679)
Less capital grants received	0	0
Less donations received	(190)	(3,558)
Charge against Capital Resource Limit	59,732	47,162
Capital Resource Limit	59,821	47,228
(Over) / Underspend against Capital Resource Limit	89	66

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2013-14 Total £'000	2012-13 £'000
General Medical Services	63,495		63,495	62,053
Pharmaceutical Services	21,171	15,853	37,024	36,049
General Dental Services	29,624		29,624	29,072
General Ophthalmic Services	0	4,897	4,897	4,723
Other Primary Health Care expenditure	6,295		6,295	4,863
Prescribed drugs and appliances	73,494		73,494	71,827
Total	194,079	20,750	214,829	208,587

The Total expenditure above includes £6.759m in respect of staff costs (£5.296m 2012-13)

3.2 Expenditure on healthcare from other providers

	2013-14 £'000	2012-13 £'000
Goods and services from other NHS Wales Health Boards	26,711	47,720
Goods and services from other NHS Wales Trusts	21,001	21,712
Goods and services from other non Welsh NHS bodies	1,050	1,250
Goods and services from WHSSC	104,984	103,953
Local Authorities	458	459
Voluntary organisations	6,066	4,899
NHS Funded Nursing Care	5,967	5,509
Continuing Care	40,030	43,816
Private providers	5,919	5,637
Specific projects funded by the Welsh Government	0	0
Other	0	0
Total	212,186	234,955

3.3 Expenditure on Hospital and Community Health Services

	2013-14	2012-13
	£'000	£'000
Directors' costs	2,221	2,190
Staff costs	510,709	507,975
Supplies and services - clinical	139,667	131,976
Supplies and services - general	6,894	6,913
Consultancy Services	1,533	1,504
Establishment	9,670	9,656
Transport	1,391	1,319
Premises	23,195	22,449
External Contractors	0	0
Depreciation	21,804	21,366
Amortisation	387	339
Fixed asset impairments and reversals (Property, plant & equipment)	28,850	26,154
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	74	0
Audit fees	421	450
Other auditors' remuneration	0	6
Losses, special payments and irrecoverable debts	7,472	1,934
Research and Development	0	0
Other operating expenses	(26)	1,223
Total	754,262	735,454

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

	2013-14	2012-13
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence	18,779	25,581
Personal injury	650	1,925
All other losses and special payments	3,114	571
Defence legal fees and other administrative costs	989	141
Gross increase/(decrease) in provision for future payments	23,532	28,218
Premium for other insurance arrangements	0	0
Irrecoverable debts	532	183
Less: income received/ due from Welsh Risk Pool	(16,592)	(26,467)
Total	7,472	1,934

Personal injury includes £316k (2012-13 £809k) in respect of permanent injury benefits.

Clinical Negligence includes £223k (2012-13 £125k) in respect of the Welsh Government "Putting Things Right" Redress scheme. In addition Defence fees includes £28k (2012-13 £6k) in respect of Redress.

4. Miscellaneous Income

	2013-14 £'000	2012-13 £'000
Local Health Boards	67,877	67,053
WHSSC	178,931	174,530
NHS trusts	3,254	3,249
Strategic health authorities and primary care trusts	4,726	4,634
Foundation Trusts	0	0
Local authorities	7,271	4,758
Welsh Government	13,289	12,075
Non NHS:		
Prescription charge income	1,520	1,172
Dental fee income	4,612	4,320
Private patient income	1,754	1,188
Overseas patients (non-reciprocal)	190	114
Injury Costs Recovery (ICR) Scheme	3,568	3,313
Other income from activities	1,860	2,622
Patient transport services	0	0
Education, training and research	51,001	50,826
Charitable and other contributions to expenditure	1,775	1,396
Receipt of donated assets	190	3,558
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	783	811
NWSSP, Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	5,226	5,278
Accommodation and catering charges	2,057	2,057
Mortuary fees	368	258
Staff payments for use of cars	0	0
Business Unit	0	0
Other	13,232	13,191
Total	363,484	356,403

ICR Income is subject to a provision for impairment of 15.8% to reflect expected rates of collection.

Other Income includes:		
Non Staff SLA's with Cardiff University	4,194	3,896
Creche Fees	584	488
Site User Facilities SLA's & Pass through costs	577	646
Pharmacy sales	1,145	873
Equipment Evaluation Income	728	744
NHS Non Patient Care Income	1,436	1,606
Total	8,664	8,253

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2012-13
	£000	£000	£000	£000	£000
Salaries and wages	425,107	531	11,840	437,478	433,919
Social security costs	32,116	0	0	32,116	32,257
Employer contributions to NHS Pension Scheme	50,712	0	0	50,712	49,827
Other pension costs	9	0	0	9	0
Other employment benefits	0	0	0	0	0
Termination benefits	3,123	0	0	3,123	992
Total	511,067	531	11,840	523,438	516,995
Charged to capital				986	891
Charged to revenue				522,452	516,104
				523,438	516,995

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2012-13
	Number	Number	Number	Number	Number
Medical and dental	1,249	3	55	1,307	1,315
Ambulance staff	0	0	0	0	0
Administrative and estates	2,059	1	15	2,075	2,139
Healthcare assistants and other support staff	1,001	0	0	1,001	978
Nursing, midwifery and health visiting staff	5,072	1	30	5,103	5,219
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	2,676	3	2	2,681	2,643
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	12,057	8	102	12,167	12,294

5.3. Retirements due to ill-health

During 2013-14 there were 14 early retirements from the LHB agreed on the grounds of ill-health (2012-13 24).

The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,061,853 (2012-13 £1,309,328)

5.4 Employee benefits

The LHB does not have an employee benefits scheme

5.5 Reporting of other compensation schemes - exit packages

Exit package cost band	Total number of exit packages by cost band Number 2013-14	Total number of exit packages by cost band Number 2012-13
<£10,000	14	2
£10,000 to £25,000	57	6
£25,000 to £50,000	38	5
£50,000 to £100,000	11	4
£100,000 to £150,000	0	0
£150,000 to £200,000	0	0
£200,000+	0	1
Total number of exit packages by type	120	18
Total resource cost £	3,122,500	1,022,484

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 2013-14 was £200,000 - £205,000 (2012-13, £200,000 - £205,000). This was 7.22 times (2012-13, 7.33) the median remuneration of the workforce, which was £28,030 (2012-13, £27,625). In both years the highest paid director was the Medical Director.

In 2013-14, 2 (2012-13, 6) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £200,000 to £235,000 (2012-13 £205,000 to £245,000). All these employees are Medical Consultants, remuneration for the highest paid staff includes payments for additional sessions worked, and varies from month to month.

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. The guidance also suggests that this information should include benefits-in-kind, the LHB does not have the relevant information available to comply with this requirement. In addition, please note that overtime payments are included where applicable in the calculation of both elements of the relationship.

From 1st April 2013, a 1% inflationary pay increase was paid for staff covered by the Agenda for Change Agreement and for Medical Staff. In 2012/2013 no pay increase was paid to staff other than £250 for Agenda for Change Staff earning a fulltime equivalent of £21,000 or less.

5.7 Pension costs

NHS Pension scheme

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. 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.

5.7 Pension costs (continued)

Other Pensions Disclosure - National Employment Savings Trust (NEST)

NEST is a not-for-profit workplace pension scheme established by law to support the introduction of automatic enrolment providing defined contribution pension schemes. NEST was established 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.

Currently, the legal minimum contribution level 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 elect to do so. By 2018 the minimum contribution will rise to 8 per cent of qualifying earnings, of which the employer must pay at least 3 per cent.

The National Employment Savings Trust has an annual contribution limit. It is reviewed annually and adjusted in line with average earnings. The annual contribution limit is currently up to £4,500 for the 2013/14 tax year.

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

The UHB currently has 15 operating lease agreements in place for the lease of premises, 9 arrangements in respect of equipment and 28 in respect of vehicles. The periods in which these are due to expire are shown below.

Payments recognised as an expense	2013-14	2012-13
	£000	£000
Minimum lease payments	770	730
Contingent rents	0	0
Sub-lease payments	0	0
Total	770	730

Total future minimum lease payments

Payable	£000	£000
Not later than one year	917	821
Between one and five years	2,604	2,430
After 5 years	3,394	2,553
Total	6,915	5,804

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	3	10	3	16
Between one and five years	3	18	6	27
After 5 years	9	0	0	9
Total	15	28	9	52

Charged to the income statement (£'000)	448	132	147	727
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There are no future sublease payments expected to be received.

LHB as lessor

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

Total future minimum lease payments

Receivable	£000	£000
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
Total	0	0

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

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

	2013-14 Number	2013-14 £000	2012-13 Number	2012-13 £000
NHS				
Total bills paid	7,329	173,024	5,367	191,415
Total bills paid within target	5,576	160,784	5,082	188,941
Percentage of bills paid within target	76.1%	92.9%	94.7%	98.7%
Non-NHS				
Total bills paid	263,272	550,817	249,281	522,530
Total bills paid within target	226,333	511,836	237,265	510,375
Percentage of bills paid within target	86.0%	92.9%	95.2%	97.7%
Total				
Total bills paid	270,601	723,841	254,648	713,945
Total bills paid within target	231,909	672,620	242,347	699,316
Percentage of bills paid within target	85.7%	92.9%	95.2%	98.0%

During 2013/14 the UHB suffered some cash flow difficulties which impacted on our ability to pay invoices within the target referred to above. Towards the end of the financial year Welsh Government provided the UHB with additional cash assistance of £38.1m. While this assistance was received too late in the year to enable us to hit the 95% target, it did allow the UHB to extinguish a significant backlog of creditors. As a result it is hoped that the UHB will therefore be able to meet the target in future years.

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

	2013-14 £	2012-13 £
Amounts included within finance costs (note 10) from claims made under this legislation	35	1350
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	35	1350

8. Investment Income

	2013-14 £000	2012-13 £000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	0

9. Other gains and losses

	2013-14 £000	2012-13 £000
Gain/(loss) on disposal of property, plant and equipment	(9)	(56)
Gain/(loss) on disposal of intangible assets	(87)	(2)
Gain/(loss) on disposal of assets held for sale	364	3
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	268	(55)

10. Finance costs

	2013-14 £000	2012-13 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	13	23
Interest on obligations under PFI contracts		
main finance cost	1,338	1,433
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	1
Total interest expense	1,351	1,457
Provisions unwinding of discount	(1,066)	1,162
Other finance costs	0	0
Total	285	2,619

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2013	126,452	301,630	5,131	69,662	91,657	2,092	14,938	207	611,769
Indexation	0	5,904	101	0	0	0	0	0	6,005
Additions - purchased	0	6,919	0	51,319	6,211	0	1,472	0	65,921
Additions - donated	0	0	0	0	92	0	98	0	190
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	(481)	0	(49)	0	(530)
Reclassifications	0	60,298	0	(60,298)	(160)	0	160	0	0
Revaluations	0	512	0	0	0	0	0	0	512
Reversal of impairments	0	2,645	0	0	0	0	0	0	2,645
Impairments	(105)	(32,284)	0	0	(5)	0	(4)	0	(32,398)
Reclassified as held for sale	(460)	(306)	(229)	0	0	0	0	0	(995)
Disposals	(5,497)	(283)	0	0	(6,411)	(22)	(152)	0	(12,365)
At 31 March 2014	120,390	345,035	5,003	60,683	90,903	2,070	16,463	207	640,754
Depreciation at 1 April 2013	0	11,896	213	87	68,360	1,643	11,035	203	93,437
Indexation	0	227	3	0	0	0	0	0	230
Transfer from/into other NHS bodies	0	0	0	0	(291)	0	(12)	0	(303)
Reclassifications	0	87	0	(87)	(52)	0	52	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	7	0	0	0	0	0	0	7
Impairments	0	(910)	0	0	0	0	0	0	(910)
Reclassified as held for sale	0	(31)	(85)	0	0	0	0	0	(116)
Disposals	0	(30)	0	0	(6,402)	(22)	(152)	0	(6,606)
Provided during the year	0	13,823	156	0	6,215	160	1,446	4	21,804
At 31 March 2014	0	25,069	287	0	67,830	1,781	12,369	207	107,543
Net book value at 1 April 2013	126,452	289,734	4,918	69,575	23,297	449	3,903	4	518,332
Net book value at 31 March 2014	120,390	319,966	4,716	60,683	23,073	289	4,094	0	533,211
Net book value at 31 March 2014 comprises :									
Purchased	120,390	309,608	4,716	60,683	21,938	265	3,923	0	521,523
Donated	0	10,358	0	0	1,135	24	171	0	11,688
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2014	120,390	319,966	4,716	60,683	23,073	289	4,094	0	533,211
Asset financing :									
Owned	111,570	287,261	3,773	60,683	22,324	289	4,094	0	489,994
Held on finance lease	0	2,479	0	0	749	0	0	0	3,228
On-SoFP PFI contracts	8,820	30,226	943	0	0	0	0	0	39,989
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2014	120,390	319,966	4,716	60,683	23,073	289	4,094	0	533,211

The net book value of land, buildings and dwellings at 31 March 2014 comprises :

	£000
Freehold	402,604
Long Leasehold	16,711
Short Leasehold	25,757
	445,072

Of the totals at 31st March 2014, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value. Figures for freehold land and buildings are given gross with separate accumulated depreciation.

The LHB had to charge accelerated depreciation on the following: (1) Whitchurch Hospital which has been earmarked for disposal, the additional depreciation charged in the period in relation to this amounted to £1.394m. (2) Part of a Paediatrics block at UHW hospital which is scheduled to be demolished in 2015 as part of the development for phase 2 of the Childrens Hospital for Wales, the additional depreciation charged in the period in relation to this amounted to £0.166m. (3) Rookwood Hospital which has been earmarked for closure, £0.564m. (4) Non specialised assets reclassified as Non-current assets Held for Sale £0.008m.

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2012	129,865	338,014	5,745	90,134	93,217	2,352	14,443	241	674,011
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	6,346	0	38,719	2,124	0	1,145	0	48,334
Additions - donated	0	3,260	0	0	242	0	56	0	3,558
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	59,122	0	(59,122)	0	0	0	0	0
Revaluations	(2,607)	(77,330)	301	0	0	0	0	0	(79,636)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	(123)	(27,576)	(519)	(69)	(55)	0	(4)	0	(28,346)
Reclassified as held for sale	(683)	(206)	(396)	0	0	0	0	0	(1,285)
Disposals	0	0	0	0	(3,871)	(260)	(702)	(34)	(4,867)
At 31 March 2013	126,452	301,630	5,131	69,662	91,657	2,092	14,938	207	611,769
Depreciation at 1 April 2012	0	43,116	520	96	64,942	1,687	10,230	233	120,824
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(41,787)	0	0	0	0	0	0	(41,787)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	(1,658)	(519)	(9)	(6)	0	0	0	(2,192)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(3,813)	(258)	(669)	(34)	(4,774)
Provided during the year	0	12,225	212	0	7,237	214	1,474	4	21,366
At 31 March 2013	0	11,896	213	87	68,360	1,643	11,035	203	93,437
Net book value at 1 April 2012	129,865	294,898	5,225	90,038	28,275	665	4,213	8	553,187
Net book value at 31 March 2013	126,452	289,734	4,918	69,575	23,297	449	3,903	4	518,332
Net book value at 31 March 2013 comprises :									
Purchased	126,452	279,050	4,918	69,575	21,886	400	3,807	4	506,092
Donated	0	10,684	0	0	1,411	49	96	0	12,240
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2013	126,452	289,734	4,918	69,575	23,297	449	3,903	4	518,332
Asset financing :									
Owned	117,632	257,988	3,968	69,575	23,068	449	3,903	4	476,587
Held on finance lease	0	971	0	0	229	0	0	0	1,200
On-SoFP PFI contracts	8,820	30,775	950	0	0	0	0	0	40,545
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2013	126,452	289,734	4,918	69,575	23,297	449	3,903	4	518,332

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

	£000
Freehold	379,588
Long Leasehold	20,035
Short Leasehold	21,481
	<u>421,104</u>

Of the totals at 31st March 2013, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value. Figures for freehold land and buildings are given gross with separate accumulated depreciation.

The LHB had to charge accelerated depreciation on the following: (1) Whitchurch Hospital which has been earmarked for disposal, the additional depreciation charged in the period in relation to this amounted to £1.928m. (2) Part of a Paediatrics block at UHW hospital which is scheduled to be demolished in 2015 as part of the development for phase 2 of the Childrens Hospital for Wales, the additional depreciation charged in the period in relation to this amounted to £0.143m. (3) Non specialised properties reclassified as Non-current assets Held for Sale £0.057m.

The LHB has adjusted the figures above for 2012/2013 to move (£47.052m) of downward revaluations in respect of the District Valuers Valuation of the estate as at 1st of April 2012 from the Impairments line to the Revaluations line as a result of revised guidance published in 2013/2014.

Additional disclosures re Property, Plant and Equipment

i) The LHB's Charitable Fund contributed £0.175m towards the purchase of capital equipment during the year. Two items of capital equipment worth £0.015m were funded by other donors.

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

Professional valuations are carried out by the District Valuer Service (which as the commercial arm of the Valuation Office Agency, is part of HMRC). The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury.

The LHB will periodically instruct the District Valuer to Carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 7 such revaluations the total effect of which was:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£31.191m).

The significant schemes brought into use were:

CRI Redevelopment (Valuation Date: 15/03/2014) (£17.588m) was written off the carrying value via the SoCNE.

UHL Multi-Storey Car park (Valuation Date: 10/11/2013) (£6.484m) was written off the carrying value via the SoCNE.

UHL Stroke Unit (Valuation Date: 30/09/2013) (£6.233m) was written off the carrying value via the SoCNE.

iii) The useful economic life of LHB buildings has been determined on an asset by asset basis by the District Valuer. These lives are reviewed by the LHB on an annual basis to ascertain their appropriateness and are reviewed every five years by the District Valuer. Major new construction projects are allocated useful economic lives by the District Valuer when they are first brought into use, smaller alterations to existing structures are initially allocated a useful life of 30 years and alterations to mechanical and engineering assets are allocated 15 year lives. Equipment assets are allocated lives on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. Again the appropriateness of these lives is reviewed on an annual basis.

iv) During the year the LHB has received £28.924m Non Cash Allocation from the Welsh Government for assets impaired during the period and this Allocation is included in our Revenue Resource Limit.

v) In addition to the items disclosed in paragraph (ii) above the LHB revalued one of its assets in 2013/2014 and an upward revaluation of £0.261m was set against reserves. The LHB impaired a further 2 assets in 2013/2014, the total value of this write down was (£0.009m). As per Welsh Government guidance the LHB has applied an Indexation factor of 2% to its buildings for 2013/2014, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £0.173m has been charged to the SoCNE.

vi) During 2010/2011 the LHB impaired the NHS owned buildings on the Rookwood Hospital site as it was originally envisaged that the LHB would have moved services off-site within six months of the revaluation date. However, this service transfer has taken longer than planned and it is now estimated that the LHB will not leave the site until Autumn 2016. Therefore during 2013/2014 the LHB has reinstated the appropriate values for the Rookwood site and is applying accelerated depreciation to these values to reflect the planned closure date of the site. A reversal of Impairment previously charged to the value of £2.464m has been actioned via the SoCNE and an upward revaluation of £0.251m has been set against reserves in respect of this site.

vii) Transfers of Property / Equipment within NHS Wales. On the 1st of April 2013 the LHB transferred the IVF Wales Service to Abertawe Bro Morgannwg University Health Board (ABMU). As a result the LHB transferred equipment with a net value of £0.227m to ABMU and this is shown on the lines 'Transfers to/from other NHS Bodies'. As both bodies are within the whole of government boundary no cash transfer was actioned in respect of the transfer, instead the assets are recognised/derecognised by both bodies at book value and a corresponding adjustment is made against their general fund. In addition the LHB also transferred a plot of land and a building on Whitchurch Hospital site to Velindre NHS Trust. As Velindre is outside the whole of government boundary this transaction is shown within the disposals line on the note, reflecting the fact that Velindre purchased the property at book value. The total value of property transferred to Velindre was £5.750m.

viii) During the year the Board approved the sale of 4 properties, these have been revalued accordingly by the District Valuer and an impairment of (£0.287m) has been charged to the SoCNE. One non specialised property had a valuation fall as a result of the change to Open Market Value and £0.008m accelerated depreciation on this property was charged to the SoCNE. Two of these properties had been sold by March 31st 2014, see Note 11.2 for further detail. During the year one of the properties already Held for Sale was impaired and this impairment of (£0.074m) is included in Note 11.2.

ix) All fully depreciated assets still in use are being carried at nil net book value.

11. Property, plant and equipment (continued)

11.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2013	153	333	0	0	0	486
Plus assets classified as held for sale in the year	460	419	0	0	0	879
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(289)	(605)	0	0	0	(894)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	(24)	(50)	0	0	0	(74)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2014	300	97	0	0	0	397
Balance brought forward 1 April 2012	335	412	0	0	0	747
Plus assets classified as held for sale in the year	683	602	0	0	0	1,285
Revaluation	5	33	0	0	0	38
Less assets sold in the year	(870)	(714)	0	0	0	(1,584)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2013	153	333	0	0	0	486

Assets sold in the period

During 2013/2014 the LHB sold 2 of its residential properties and 2 other properties - a profit of £0.364m was made on the sales.

Assets classified as held for sale during the year

As mentioned on page 32 the LHB has decided to sell 4 of its properties, 1 residential and 3 other properties. The residential property and one of the other properties were sold during 2013/2014 and the LHB expects the others to sell in 2014/2015. At the time the properties were classified as Held for Sale they were revalued appropriately and any adjustments for these properties has been included in Note 11.1.

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Developmen t expenditure- internally	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2013	2,781	0	0	0	0	87	2,868
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	551	0	0	0	0	0	551
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	(14)	0	0	0	0	(87)	(101)
Gross cost at 31 March 2014	3,318	0	0	0	0	0	3,318
Amortisation at 1 April 2013	1,818	0	0	0	0	0	1,818
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	387	0	0	0	0	0	387
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(14)	0	0	0	0	0	(14)
Amortisation at 31 March 2014	2,191	0	0	0	0	0	2,191
Net book value at 1 April 2013	963	0	0	0	0	87	1,050
Net book value at 31 March 2014	1,127	0	0	0	0	0	1,127
At 31 March 2014							
Purchased	1,127	0	0	0	0	0	1,127
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
Total at 31 March 2014	1,127	0	0	0	0	0	1,127

12. Intangible non-current assets (continued)

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2012	2,548	0	0	0	0	0	2,548
Revaluation	0	0	0	0	0	21	21
Reclassifications	0	0	0	0	0	47	47
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	487	0	0	0	0	19	506
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	(254)	0	0	0	0	0	(254)
Gross cost at 31 March 2013	2,781	0	0	0	0	87	2,868
Amortisation at 1 April 2012	1,731	0	0	0	0	0	1,731
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	339	0	0	0	0	0	339
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(252)	0	0	0	0	0	(252)
Amortisation at 31 March 2013	1,818	0	0	0	0	0	1,818
Net book value at 1 April 2012	817	0	0	0	0	0	817
Net book value at 31 March 2013	963	0	0	0	0	87	1,050
At 31 March 2013							
Purchased	963	0	0	0	0	87	1,050
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
Total at 31 March 2013	963	0	0	0	0	87	1,050

Additional disclosures re Intangible Assets

i) On initial recognition Intangible non-current assets are measured at cost. 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 asset basis), indexed for relevant price increases, as a proxy for fair value.

ii) The useful economic life of Intangible non-current assets are assigned on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. The appropriateness of these lives is reviewed on an annual basis.

iii) All fully depreciated assets still in use are being carried at nil net book value.

13 . Impairments

	2013-14		2012-13	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	(2,376)	0	172	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	49,004	0
Others (specify)	31,300	0	24,030	0
Total of all impairments	28,924	0	73,206	0

Analysis of impairments charged to reserves in year :

Charged to the Statement of Comprehensive Net Expenditure	28,924	0	26,154	0
Charged to Revaluation Reserve	0	0	47,052	0
	28,924	0	73,206	0

The LHB will periodically instruct the District Valuer to Carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 7 such revaluations the total effect of which was:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£31.191m).

The significant schemes brought into use were:

CRI Redevelopment (Valuation Date: 15/03/2014) (£17.588m) was written off the carrying value via the SoCNE.

UHL Multi-Storey Car park (Valuation Date: 10/11/2013) (£6.484m) was written off the carrying value via the SoCNE.

UHL Stroke Unit (Valuation Date: 30/09/2013) (£6.233m) was written off the carrying value via the SoCNE.

The LHB impaired a further 2 assets in 2013/2014, the total value of this write down was (£0.009m). As per Welsh Government guidance the LHB has applied an Indexation factor of 2% to its buildings for 2013/2014, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £0.173m has been charged to the SoCNE.

During 2010/2011 the LHB impaired the NHS owned buildings on the Rookwood Hospital site as it was originally envisaged that the LHB would have moved services off-site within six months of the revaluation date. However, this service transfer has taken longer than planned and it is now estimated that the LHB will not leave the site until Autumn 2016. Therefore during 2013/2014 the LHB has reinstated the appropriate values for the Rookwood site and is applying accelerated depreciation to these values to reflect the planned closure date of the site. A reversal of Impairment previously charged to the value of £2.464m has been actioned via the SoCNE and an upward revaluation of £0.251m has been set against reserves in respect of this site.

During the year the Board approved the sale of 4 properties, these have been revalued accordingly by the District Valuer and an impairment of (£0.287m) has been charged to the SoCNE. During the year one of the properties already Held for Sale was impaired and this impairment of (£0.074m) is included in Note 11.2.

During the year the LHB has received £28.924m Non Cash Allocation from the Welsh Government for assets impaired during the period and this Allocation is included in our Revenue Resource Limit.

14.1 Inventories

	31 March	31 March
	2014	2013
	£000	£000
Drugs	3,823	3,822
Consumables	10,922	9,898
Energy	87	94
Work in progress	0	0
Other	0	0
Total	14,832	13,814
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March	31 March
	2014	2013
	£000	£000
Inventories recognised as an expense in the period	141,127	134,063
Write-down of inventories (including losses)	219	242
Reversal of write-downs that reduced the expense	0	0
Total	141,346	134,305

15. Trade and other Receivables

Current	31 March	31 March
	2014	2013
	£000	£000
Welsh Government	454	1,356
WHSSC	3,582	2,358
Welsh Health Boards	5,823	6,512
Welsh NHS Trusts	613	1,002
Non - Welsh Trusts	1,778	1,473
Other NHS	8	3
Welsh Risk Pool	65,002	56,780
Local Authorities	1,535	1,164
Capital debtors	0	0
Other debtors	11,386	11,795
Provision for irrecoverable debts	(1,461)	(1,352)
Pension Prepayments	0	0
Other prepayments and accrued income	2,308	2,223
Sub total	91,028	83,314
Non-current		
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	11,715	8,349
Local Authorities	0	0
Capital debtors	0	0
Other debtors	4,140	3,814
Provision for irrecoverable debts	(654)	(481)
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	15,201	11,682
Total	106,229	94,996
Receivables past their due date but not impaired		
By up to three months	5,143	4,120
By three to six months	1,213	937
By more than six months	6,412	5,684
	12,768	10,741

Of the debtors past due (but not impaired) which are greater than six months old £5.854m relates to RTA and personal injury income which is generally considered collectable (2012-13 £5.316m)

Provision for impairment of receivables

		Restated
Balance at 1 April	(1,833)	(1,732)
Transfer to other NHS Wales body	0	0
Amount written off during the year	199	108
Amount recovered during the year	(5)	(26)
(Increase) / decrease in receivables impaired	(476)	(183)
Bad debts recovered during year	0	0
Balance at 31 March	(2,115)	(1,833)

Provisions for impairment are recognised on receivables which are past their due date based on historic collectability rates, together with the need exceptionally for other invoices based on documented evidence of disputes existing with the debtors in question.

Receivables VAT

Trade receivables	0	0
Other	585	1,921
Total	585	1,921

16. Trade and other payables

Current	31 March	31 March
	2014	2013
	£000	£000
		Restated
Welsh Government	16	5
WHSSC	1,922	545
Welsh Health Boards	3,949	5,035
Welsh NHS Trusts	3,844	4,715
Other NHS	11,041	11,616
Taxation and social security payable / refunds	5,212	5,513
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	4,958	5,045
Non-NHS creditors	14,317	22,359
Local Authorities	4,293	4,175
Capital Creditors	4,742	10,127
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	585	302
Imputed finance lease element of on SoFP PFI contracts	33	70
Pensions: staff	0	0
Accruals	45,867	42,571
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	2,469	4,502
Total	103,248	116,580
Non-current		
Welsh Government	0	0
WHSSC	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	2,365	891
Imputed finance lease element of on SoFP PFI contracts	9,384	9,410
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
Total	11,749	10,301

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

Amounts falling due after more than one year are expected to be settled with the following profile:

Amounts falling due:	31 March	31 March
	2014	2013
	£000	£000
Between one and two years	538	332
Between two and five years	1,689	871
In five years or more	9,522	9,098
Sub-total	11,749	10,301

17. Provisions

	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
Current									
Clinical negligence	54,969	0	0	7,027	26,680	(5,634)	(18,623)	(1,113)	63,306
Personal injury	1,806	0	(23)	(215)	1,969	(1,339)	(1,280)	47	965
All other losses and special payments	0	0	(17)	0	3,114	(3,097)	0	0	0
Defence legal fees and other administration	1,050	0	0	144	1,185	(452)	(486)		1,441
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	219			98	73	(221)	0	45	214
Restructuring	0			0	0	0	0	0	0
Other	7,044		(342)	0	1,547	(1,743)	(1,383)		5,123
Total	65,088	0	(382)	7,054	34,568	(12,486)	(21,772)	(1,021)	71,049
Non Current									
Clinical negligence	8,316	0	0	(7,027)	10,846	(574)	(124)	(23)	11,414
Personal injury	2,901	0	0	215	0	0	0	0	3,116
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	194	0	0	(144)	294	(57)	(27)		260
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,692			(98)	0	0	0	0	1,594
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
Total	13,103	0	0	(7,054)	11,140	(631)	(151)	(23)	16,384
TOTAL									
Clinical negligence	63,285	0	0	0	37,526	(6,208)	(18,747)	(1,136)	74,720
Personal injury	4,707	0	(23)	0	1,969	(1,339)	(1,280)	47	4,081
All other losses and special payments	0	0	(17)	0	3,114	(3,097)	0	0	0
Defence legal fees and other administration	1,244	0	0	0	1,479	(509)	(513)		1,701
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,911			0	73	(221)	0	45	1,808
Restructuring	0			0	0	0	0	0	0
Other	7,044		(342)	0	1,547	(1,743)	(1,383)		5,123
Total	78,191	0	(382)	0	45,708	(13,117)	(21,923)	(1,044)	87,433

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015 and 31 March 2020	Between 1 April 2020 and 31 March 2025	Thereafter	Total
					£000
Clinical negligence	63,307	11,413	0	0	74,720
Personal injury	965	908	745	1,463	4,081
All other losses and special payments	0	0	0	0	0
Defence legal fees and other administration	1,370	331	0	0	1,701
Pensions relating to former directors	0	0	0	0	0
Pensions relating to other staff	216	1,022	570	0	1,808
Restructuring	0	0	0	0	0
Other	5,123	0	0	0	5,123
Total	70,981	13,674	1,315	1,463	87,433

The Clinical Negligence provision includes £0.177m in respect of 26 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 31 claims were settled during the year under this scheme to the value of £0.175m.

Note 17. 2013/2014 (continued)

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £76.717m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £4.927m

Potential Payments to staff in respect of time off in lieu £0.199m

As per above, the University Health Board has estimated a liability of £4.927m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2013/2014 has been reviewed in light of more up to date information obtained during the year. Hence, the University Health Board (UHB) has utilised actual assessments to determine the percentage likelihood of whether an individual claimant provision would be established or not and also the percentage of the claimed for care period that is likely to attract payment. In addition given the highly speculative nature of some cases received in 2013/14, additional evidence regarding whether these claims have legal and financial support has been considered when deciding to provide or not.

Uncertainties about the amount and timing of transfer of economic benefits

The provision for outstanding Continuing Healthcare claims has been based on information made available to the LHB at the time of these accounts, and where the outcome and amount of the claims have yet to be determined.

Uncertainties affecting outcome

In January 2006 the High Court concluded that if, following a health assessment, a person's health needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care (Grogan V Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested. Where specific cases, justifying provision, have been identified through patient claims, then these costs have been provided in the accounts. However, the LHB considers there may be cases that have yet to be brought to its attention or that are under investigation, and therefore a reliable estimate of the financial impact of these cases cannot be made at this time. No provision in respect of these cases has been made in these accounts.

17. Provisions (continued)

	At 1 April 2012	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	19,254	0	0	20,810	40,001	(8,231)	(17,745)	880	54,969
Personal injury	1,354	0	0	(608)	2,660	(999)	(696)	95	1,806
All other losses and special payments	0	0	(58)	0	592	(513)	(21)	0	0
Defence legal fees and other administration	829	0	0	488	892	(389)	(770)		1,050
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	211			68	107	(222)	0	55	219
Restructuring	0			0	0	0	0	0	0
Other	5,164		0	0	3,872	(1,926)	(66)		7,044
Total	26,812	0	(58)	20,758	48,124	(12,280)	(19,298)	1,030	65,088
Non Current									
Clinical negligence	25,701	0	0	(20,810)	3,325	(8)	0	108	8,316
Personal injury	2,293	0	0	608	0	0	0	0	2,901
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	684	0	0	(488)	85	(42)	(45)		194
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,760			(68)	0	0	0	0	1,692
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
Total	30,438	0	0	(20,758)	3,410	(50)	(45)	108	13,103
TOTAL									
Clinical negligence	44,955	0	0	0	43,326	(8,239)	(17,745)	988	63,285
Personal injury	3,647	0	0	0	2,660	(999)	(696)	95	4,707
All other losses and special payments	0	0	(58)	0	592	(513)	(21)	0	0
Defence legal fees and other administration	1,513	0	0	0	977	(431)	(815)		1,244
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,971			0	107	(222)	0	55	1,911
Restructuring	0			0	0	0	0	0	0
Other	5,164		0	0	3,872	(1,926)	(66)		7,044
Total	57,250	0	(58)	0	51,534	(12,330)	(19,343)	1,138	78,191

The Clinical Negligence provision includes £0.129m in respect of 17 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 13 claims were settled during the year under this scheme to the value of £0.049m.

Note 17. 2012/2013 (continued)

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £65.129m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £6.752m
Potential Payments to staff in respect of time off in lieu £0.208m
Potential liability in respect of EU Carbon Emissions Scheme £0.087m

As per above, the University Health Board has estimated a liability of £6.752m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2012/2013 has been reviewed in light of more up to date information obtained during the year. Hence, the University Health Board (UHB) has utilised actual assessments to determine the percentage likelihood of whether an individual claimant provision would be established or not and also the percentage of the claimed for care period that is likely to attract payment. In addition given the highly speculative nature of some cases received in 2012/13, additional evidence regarding whether these claims have legal and financial support has been considered when deciding to provide or not.

Uncertainties about the amount and timing of transfer of economic benefits

The provision for outstanding Continuing Healthcare claims has been based on information made available to the LHB at the time of these accounts, and where the outcome and amount of the claims have yet to be determined.

Uncertainties affecting outcome

In January 2006 the High Court concluded that if, following a health assessment, a person's health needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care (Grogan V Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested. Where specific cases, justifying provision, have been identified through patient claims, then these costs have been provided in the accounts. However, the LHB considers there may be cases that have yet to be brought to its attention or that are under investigation, and therefore a reliable estimate of the financial impact of these cases cannot be made at this time. No provision in respect of these cases has been made in these accounts.

18. Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	961	1,482
Net change in cash and cash equivalent balances	(199)	(521)
Balance at 31 March	762	961
Made up of:		
Cash held at GBS	525	754
Commercial banks and cash in hand	237	207
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	762	961
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	762	961

19. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	£000	£000	£000	£000
Financial assets				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through SoCNE	0	0	0	0
Held to maturity investments carried at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
	0	0	0	0

20. Other assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	£000	£000	£000	£000
Carbon Reduction Commitment Scheme	0	0	0	0
Other assets	0	0	0	0
	0	0	0	0

21. Other liabilities

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	£000	£000	£000	£000
Lease incentives	0	0	0	0
PFI asset -deferred credit	292	292	894	1,186
Other [specify]	1,101	1,180	0	0
	1,393	1,472	894	1,186
Other Comprises:				
Payments on Account	160	481		
Deferred Income	941	699		
	1,101	1,180		

The £0.941m deferred income is wholly in respect of research and development projects.

22. Other financial liabilities

Financial liabilities	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	£000	£000	£000	£000
Financial assets carried at fair value through SoCNE	0	0	0	0
	0	0	0	0

23. Related Party Transactions

The Welsh Government is regarded as a related party. During the accounting period the Cardiff and Vale University Local Health Board has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body:

	Debtor @ 31/3/14 £'000s	Creditor @ 31/3/14 £'000s	Income £'000s	Expenditure £'000s
Welsh Government	454	16	894,860	37
Abertawe Bro Morgannwg University LHB	873	1,966	10,860	17,985
Aneurin Bevan Local Health Board	848	842	30,486	3,509
Betsi Cadwaladr LHB	85	282	496	885
Cwm Taf LHB	3,424	784	23,756	8,699
Hywel Dda LHB	227	72	5,467	756
Powys LHB	365	2	2,260	38
Velindre NHS Trust	422	2,810	7,496	19,020
Public Health Wales NHS Trust	161	943	3,178	5,208
Welsh Ambulance Trust	29	91	100	4,957
Welsh Health Specialist Service Commission	3,582	1,922	178,932	105,020
Total £'000s	10,470	9,730	1,157,891	166,114

During the period, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.

Mrs Maria Battle is Chair of Cardiff and Vale University Health Board. She is also a Council Member of Cardiff University.

Mr Adam Cairns is the Chief Executive of Cardiff and Vale University Health Board. During the year he participated in a joint visit to Beijing which was along with and funded by Cardiff University.

Dr Sharon Hopkins is the Executive Director of Public Health. During the year her husband has undertaken a private cardiology practice at Spire in Cardiff.

Mr Kevin Orford was Interim Director of Finance until June 4th 2013. During this time he was also a lay member of the Audit and Governing Body of Southern Derbyshire Clinical Commissioning Board.

Mrs Eileen Brandreth is an Independent Member of Cardiff and Vale University Health Board. She is also Director of Information Technology at Cardiff University.

Mrs Sian Walker is an Associate Member of Cardiff and Vale University Health Board. She is also employed as Director of Health & Social Care by Cardiff Council.

Mr Christopher Elmore is an Independent Member of Cardiff and Vale University Health Board. He is also a County Councillor and Cabinet Member of Vale of Glamorgan Council and a Governor of Cardiff and Vale College.

Professor Marcus Longley is Vice Chair of Cardiff and Vale University Health Board. He is also Director of the Welsh Institute for Health and Social Care at the University of South Wales.

Mrs Margaret McLaughlin is an Independent Member of Cardiff and Vale University Local Health Board. She is also a trustee of Diverse Cymru and Safer Wales.

During 2013 she carried out consultancy work for Hywel Dda LHB to produce a Third Sector Commissioning Code of Practice. Her husband is Professor of Human Molecular Genetics at Cardiff University and he has been sponsored in the past by Pfizer and has a research partnership with the Bio Informatics company Biobase GmbH.

Mrs Elizabeth Treasure is an Independent Member of Cardiff and Vale University Local Health Board. She is also Deputy Vice Chancellor of Cardiff University.

Mr John Harrison is an Associate Member of Cardiff and Vale University Local Health Board. He is also Environment Manager West for Natural Resources Wales.

Mr Stuart Egan is an Independent Member of Cardiff and Vale University Local Health Board. He is a County Councillor for Vale of Glamorgan Council.

Mrs Alison Gerrard is the Board Secretary. During 2013/14 her husband was employed by Aneurin Bevan Local Health Board.

Mr Ivar Grey is an Independent Member of Cardiff and Vale University Local Health Board. During this period he was also a Non Executive Director of Finance Wales plc, Finance Wales plc is a 100% subsidiary of Welsh Government.

The material transactions involving the related parties were as follows unless shown in the table re NHS Bodies above:

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Biobase GmbH	1			
Cardiff University	7,730	8,308	6,258	1,486
Diverse Cymru	4			
Pfizer Ltd		73		10
Safer Wales	20			0
Southern Derbyshire Clinical Commissioning Board		37		2
Spire Healthcare	12	131	1	63
University of South Wales	66	1	24	(1)
Natural Resources Wales	8	0	0	0
Cardiff City Council	10,240	6,590	5,712	1,113
Vale of Glamorgan Council	3,897	1,237	1,078	386

The LHB has close links with Cardiff University which includes the sharing of staff as well as sharing accommodation on the University Hospital of Wales site. The University is therefore treated as a related party and their transactions are shown above.

The LHB is a member of the Welsh Risk Pool for Clinical Negligence and Personal Injury claims. The LHB has received settlement payments of £5.788m in respect of claims made. In addition as at March 31st the LHB had a debtor balance of £76.717m in respect of amounts due from the risk pool.

The corporate body is a registered charity and as a Corporate Trustee the LHB Board were responsible for the management of charitable expenditure of £1.7m in the period connected with the University Hospital of Wales, Llandough, Whitchurch and Community Services.

The LHB has reviewed the Welsh Government's Fourth Assembly Register (2011-2016) and has not identified any direct relationships between Assembly Members or their families and Cardiff and Vale University Local Health Board.

24. Third Party assets

The UHB held £235,629 cash at bank and in hand on March 31st 2014 (31 March 2013 £195,421) which relates to monies held by the LHB on behalf of patients. This has been excluded from cash and cash equivalents as reported in the accounts. In addition the LHB had located on its premises a significant quantity of consignment stock. This stock remains the property of the supplier until it is used. The value of consignment stock at March 2014 was £8,702,950 (£5,048,485 31st March 2013).

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2013-14 :				
Welsh Government	454	0	16	0
Welsh Local Health Boards	5,823	0	3,949	0
Welsh NHS Trusts	613	0	3,844	0
Welsh Health Special Services Committee	3,582	0	1,922	0
All English Health Bodies	1,821	0	9,241	0
All N. Ireland Health Bodies	23	0	1	0
All Scottish Health Bodies	28	0	34	0
Miscellaneous	65,010	11,715	1,765	0
Credit note provision	(94)	0	0	0
Sub total	77,260	11,715	20,772	0
Other Central Government Bodies				
Other Government Departments	4,863	4,140	38	0
Revenue & Customs	585	0	10,173	0
Local Authorities	1,535	0	6,877	0
Balances with Public Corporations and trading funds	16	0	39	0
Balances with bodies external to Government	6,769	(654)	65,349	11,749
TOTAL	91,028	15,201	103,248	11,749
2012-13 :				
Welsh Government	1,356	0	5	0
Welsh Local Health Boards	6,512	0	5,035	0
Welsh NHS Trusts	1,002	0	4,715	0
Welsh Health Special Services Committee	2,358	0	545	0
All English Health Bodies	1,460	0	11,471	0
All N. Ireland Health Bodies	19	0	2	0
All Scottish Health Bodies	35	0	119	0
Miscellaneous	56,783	8,349	24	0
Credit note provision	(41)	0	0	0
Sub total	69,484	8,349	21,916	0
Other Central Government Bodies				
Other Government Departments	4,582	3,814	177	0
Revenue & Customs	1,921	0	10,566	0
Local Authorities	1,164	0	4,175	0
Balances with Public Corporations and trading funds	24	0	321	0
Balances with bodies external to Government	6,139	(481)	79,425	10,301
TOTAL	83,314	11,682	116,580	10,301

26. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2014		Approved to write-off to 31 March 2014	
	Number	£	Number	£
Clinical negligence	105	6,208,234	46	3,846,676
Personal injury	107	1,339,469	57	1,051,040
All other losses and special payments	475	3,490,582	475	3,490,582
Total	687	11,038,285	578	8,388,298

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

	Case Ref	Case Type	Amounts	Cumulative	Approved to
			paid out in year £	amount £	write-off in year £
Cases exceeding £300,000			0	0	0
	08RWMMN0038	Clinical negligence	129,649	1,147,649	0
	10RWMMN0013	Clinical negligence	0	1,116,250	0
	09RWMMN0026	Clinical negligence	675,000	710,000	0
	12RWMMN0056	Clinical negligence	591,000	609,000	0
	07RWMMN0024	Clinical negligence	290,000	541,597	0
	11RWMMN0079	Clinical negligence	501,405	501,405	0
	09RWMMN0035	Clinical negligence	196,107	431,607	0
	03RWMMN0044	Clinical negligence	0	375,000	0
	11RWMMN0050	Clinical negligence	325,000	325,000	0
	11RWMMN0037	Clinical negligence	305,000	310,000	0
	08RWMMN0042	Clinical negligence	110,000	1,159,800	1,159,800
	11RWMMN0044	Clinical negligence	12,500	762,500	762,500
	06RWMMN0051	Clinical negligence	38,000	443,000	443,000
			0	0	0
Sub-total			3,173,661	8,432,808	2,365,300
All other cases			7,864,624	10,632,323	6,022,998
Total cases			11,038,285	19,065,131	8,388,298

27. Contingencies

27.1 Contingent liabilities

	2013-14 £'000	2012-13 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	49,558	38,605
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	1,009	838
Continuing Health Care costs	9,875	11,207
Other	0	0
Total value of disputed claims	<u>60,442</u>	<u>50,650</u>
Amounts recovered in the event of claims being successful	48,173	37,619
Net contingent liability	<u>12,269</u>	<u>13,031</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. 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 amounts disclosed as contingent liabilities in relation to potential clinical negligence or personal injury claims against the LHB arise where legal opinion as to the possibility of the claims success has deemed this to be possible, rather than remote, and no provision has already been made for such items within note 17. The LHB is assuming that all such costs would be reimbursed by the Welsh Risk Pool (subject to a £25k excess per claim). The net contingent liability contains £1.612m re clinical negligence, £0.013m re: Welsh Government Redress scheme and £0.769m re personal injury.

Continuing Healthcare Cost Uncertainties

Liabilities for continuing care costs continue to be a significant financial issue for the LHB. The December 2009 deadline for reclaiming pre-1/4/2003 care costs resulted in a large increase in the number of claims registered, regarding both pre and post 1/4/2003 costs.

Cardiff and Vale LHB is responsible for post 1/4/2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note 17 sets out the £4.927m provision made for probable continuing care costs relating to claims received which have been assessed as likely to succeed by specialist CHC nursing teams.

Note 27.1 sets out a £9.875m contingent liability relating to the element of claims received; where an assessment has deemed their probability of success to be possible rather than probable.

The estimation method used to calculate the provision for 2013/2014 has been reviewed in light of more up to date information obtained during the year. Hence, the University Health Board (UHB) has utilised actual assessments to determine the percentage likelihood of whether an individual claimant provision would be established or not and also the percentage of the claimed for care period that is likely to attract payment. In addition given the highly speculative nature of some of the cases received, additional evidence regarding whether these claims have legal and financial support has been considered when deciding to provide or not.

Any continuing healthcare claims, or period thereof, which relate to pre-1/4/2003 are included in the Welsh Government Resource Accounts.

Further to the publication by Welsh Government on 1st May 2014 of new cut-off dates for the assessment of eligibility of Continuing NHS Healthcare cases during the period 1 April 2003 to 31 July 2013, further contingent liabilities in addition to those disclosed above as 'CHC' may arise. It is not possible at the time of the preparation of these accounts to quantify the potential further contingent liabilities which may arise.

27.2 Contingent assets

	2013-14 £'000	2012-13 £'000
	0	0
	0	0
	0	0
	<u>0</u>	<u>0</u>

28. Capital commitments

Contracted capital commitments at 31 March

	2013-14 £'000	2012-13 £'000
Property, plant and equipment	73,597	10,249
Intangible assets	0	0
	<u>73,597</u>	<u>10,249</u>

The in year increase in commitments disclosed is largely due to the signing of a new contract for £63.8m in respect of the construction of a new Adult Acute Mental Health Unit at Llandough Hospital. £54.7m of this contract was neither paid nor accrued for at March 31st 2014.

29. Finance leases**29.1 Finance leases obligations (as lessee)**

As at 31st March 2014 the LHB currently has 3 finance lease agreements in place for the lease of buildings. One of the lease agreements is due to expire in 2017/18, one in 2018/19 and one in 2020/21. The LHB also has 3 finance lease agreements in respect of equipment. One of the equipment leases expires in more than five years and two expire in 2014/15. The present value of the minimum lease payments have been arrived at by applying a discount rate which is the higher of the treasury discount rate (3.5%) or the rate implicit in the leases themselves.

Amounts payable under finance leases:

Land	31 March 2014 £000	31 March 2013 £000
Minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

29.1 Finance leases obligations (as lessee) continued**Amounts payable under finance leases:**

Buildings	31 March 2014	31 March 2013
	£000	£000
Minimum lease payments		
Within one year	405	194
Between one and five years	1,448	793
After five years	420	11
Less finance charges allocated to future periods	(73)	(36)
Minimum lease payments	2,200	962
Included in:		
Current borrowings	384	183
Non-current borrowings	1,816	779
	2,200	962

Present value of minimum lease payments

Within one year	365	172
Between one and five years	1,196	598
After five years	332	6
Present value of minimum lease payments	1,893	776
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

Other

	31 March 2014	31 March 2013
	£000	£000
Minimum lease payments		
Within one year	208	120
Between one and five years	376	114
After five years	188	0
Less finance charges allocated to future periods	(23)	(3)
Minimum lease payments	749	231
Included in:		
Current borrowings	202	118
Non-current borrowings	547	113
	749	231

Present value of minimum lease payments

Within one year	192	111
Between one and five years	321	99
After five years	149	0
Present value of minimum lease payments	662	210
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

29.2 Finance leases obligations (as lessor) continued**Amounts receivable under finance leases:**

	31 March	31 March
	2014	2013
	£000	£000
Minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
 Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

30. Private Finance Initiative contracts

30.1 PFI schemes off-Statement of Financial Position

The LHB has no PFI schemes which are deemed to be off-statement of financial position

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2014 £000	31 March 2013 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	0	0
Total estimated capital value of off-SoFP PFI contracts	0	0

30.2 PFI schemes on-Statement of Financial Position

On 31st March 2000, a 31 year Private Finance Initiative (PFI) Contract was signed between the former Cardiff & Vale Trust and IMC (Impregilo/Macob consortium) for the provision of a new hospital to be built on the former St. David's site. The hospital, which opened on 1st March 2002 provides a range of services but primarily services linked to the care for older people.

The estimated capital value of the scheme at the time of construction was £13.847m and the annual payments to be made for the provision of the site and for a range of facilities management services is £3.730m.

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

	On SoFP PFI Capital element 31 March 2014 £000	On SoFP PFI Imputed interest 31 March 2014 £000	On SoFP PFI Service charges 31 March 2014 £000
Total payments due within one year	33	1,333	2,540
Total payments due between 1 and 5 years	463	5,229	9,932
Total payments due thereafter	8,921	10,157	27,794
Total future payments in relation to PFI contracts	9,417	16,719	40,266

	On SoFP PFI Capital element 31 March 2013 £000	On SoFP PFI Imputed interest 31 March 2013 £000	On SoFP PFI Service charges 31 March 2013 £000
Total payments due within one year	9	1,335	2,497
Total payments due between 1 and 5 years	321	5,280	9,763
Total payments due thereafter	9,096	11,439	29,398
Total future payments in relation to PFI contracts	9,426	18,054	41,658

Total present value of obligations for on-SoFP PFI contracts 24.676 m

Capital value of scheme included in Property, Plant and Equipment Note 11 13.586 m

30.3 Charges to expenditure

	2013-14 £000	2012-13 £000
Service charges for On Balance sheet PFI contracts (excl interest costs)	2,386	2,389
Total expense for Off Balance sheet PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	<u>2,386</u>	<u>2,389</u>

The LHB is committed to the following annual charges

	31 March 2014	31 March 2013
PFI scheme expiry date:	£000	£000
Not later than one year	2,540	2,497
Later than one year, not later than five years	9,932	9,763
Later than five years	27,794	29,398
Total	<u>40,266</u>	<u>41,658</u>

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

30.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	1	0
Number of PFI contracts which individually have a total commitment > £500m	0	0

Please list:

PFI Contract	statement of financial position
St David's Hospital	On

30.5 The LHB had 4 Public Private Partnerships during the year

In addition to the St David's PFI Scheme set out previously in Note 30.2, the LHB has four other Public Private Partnerships (PPP) Schemes as set out below:

UHW Car Park

In 1996/7 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust with the exclusive rights for the Private Partner (Impregilo UK Ltd) to collect all car park income, (at rates set out in the contract), in exchange for the building of a multi storey car park and infrastructure works with a capital cost of £6.7m. Impregilo UK Ltd later sold their interests to VINCI Park Ltd in 2001.

At the end of 20 years, the LHB will receive the residual interest in the multi storey car parks and the reversionary interest in the land for nil consideration. The scheme has been assessed as being "on-statement of financial position" under IFRIC 12. These assets are therefore included in the LHB's statement of financial position (note 11) with current values of £12.568m for the buildings and £7.745m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £3.745m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that has been credited to operating expenses in 2013/14 was £0.187m.

30.4 The LHB had 4 Public Private Partnerships (continued)

Concourse

In 1998/99 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust, together with the rights for a Private Partner (Gentian Ltd) to collect rent from shop outlets, in exchange for the building of a Concourse entrance to the hospital, with a capital cost of £1.982m.

At the end of the 20 years the LHB will receive the residual interest in the Concourse building and the reversionary interest in the land for nil consideration. The scheme has been assessed as being "on- statement of financial position" under IFRIC 12. These assets are therefore included in the LHB's statement of financial position (note 11) with current values of £3.319m for the buildings and £0.575m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £1.730m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that has been credited to operating expenses in 2013/14 was £0.087m.

Llandough Hospital Staff Accommodation

On 28th October 1999, the former University Hospital and Llandough NHS Trust entered into an agreement with Charter Housing for the design, construction, fit out and the subsequent operation of its staff accommodation at Llandough Hospital. The contract period is 25 years; however Charter Housing have since undergone a restructure which has seen a transfer of its interest in the contract to Fairlake Properties Limited. This transfer was completed during 2007/8.

In return for the provision of the new serviced accommodation, the Trust transferred a parcel of surplus land to Charter on which seven of its existing properties resided. These properties were subsequently demolished and the land sold off by Charter. The accommodation is located on the remaining land, which had previously housed three additional properties. This is granted to Charter under a 99 year head lease for a peppercorn rent. Charter then leases the properties back to the LHB in return for an annual unitary payment of £0.044m. The LHB then leases the property back to Charter under a 27 year sub-underlease. The value of the property transferred to Charter in 1999/2000 was £0.763m.

The scheme has been assessed as being "on-statement of financial position" under IFRIC 12 and therefore the building is currently valued at £0.943m and the land at £0.5m on the LHB's statement of financial position (note 11).

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £0.454m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 25 year life of the contract. The amount that has been credited to operating expenses in 2013/14 was £0.018m.

30.4 The LHB had 4 Public Private Partnerships (continued)

Llandough Operating Theatre

On 27th November 1998, the former University Hospital and Llandough NHS Trust entered into an agreement with Dalkia Utilities Services for the design, construction, fit out and the subsequent maintenance of an ultraclean operating theatre at Llandough Hospital. The contract period is 15 years.

The fair value of the capital cost incurred by Dalkia was £0.732m and the availability of these assets is being secured by 15 unitary payments of £0.078m.

The scheme has been assessed as being "on-statement of financial position" under IFRIC 12 albeit that the asset was already being recorded on the LHB's statement of financial position as it had been included within past valuations of the hospital by the District Valuer. The asset had a carrying value of £0.753m on the LHB's statement of financial position as at March 31st 2014.

On initial recognition of the asset a PFI "finance lease" creditor balance was recognised in the LHB's statement of financial position to the value of £0.732m. This has been extinguished by the payment of the operating element within the contractors annual charge, over the life of the contract. The original agreement expired on March 31st 2014; but it is being extended for an initial twelve month period with the option for it to be extended for a further twelve months.

31. Pooled budgets

The Health Board has entered into a pooled budget arrangement with Cardiff and Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients who are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

The pool is hosted by Cardiff Council, who are the lead body and act as principal for this scheme. The financial operation of the pool is governed by a pooled budget agreement between Cardiff Council, Vale of Glamorgan Council and the Health Board. Currently the Health Board will make payments to Cardiff Council on receipt of an invoice in line with the agreed contributions to the pooled budget as set out in the agreement. Expenditure incurred will be subject to regular review by the partners to the agreement. Any expenditure incurred by Cardiff Council above the agreed contributions in respect of NHS equipment and consumables will be invoiced separately. As the funding for the UHB's contribution to the pooled budget has not yet been topsliced and is being provided via invoicing, then no adjustment in respect of the income and expenditure arising from the activities of the pooled budget is required in these accounts. In addition as the UHB's proportion of the assets and liabilities held by the pool are not material in relation to the UHB, they have therefore not been consolidated within these financial statements.

The JES service had an agreed budget for the 2013-14 financial year split by the respective partners:

Cardiff County Council £330,812
Vale of Glamorgan County Council £159,000
Cardiff and Vale Local Health Board £1,134,740

These contributions were subject to review and could be flexed based on agreed usage levels. Such additional activity in 2013/14 amounted to £54,366.

Hence the contribution by Cardiff and Vale to this Pooled Budget arrangement, covering the twelve month period from 1st April 2013 to 31st March 2014 was £1,189,106

32. Financial Instruments

Financial assets	At "fair value"	Loans and	Available	Total
	through SoCNE	receivables	for sale	
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	11,715	77,260	0	88,975
Cash at bank and in hand	0	762	0	762
Other financial assets	0	7,684	0	7,684
Total at 31 March 2014	11,715	85,706	0	97,421

Financial liabilities	At "fair value"	Other	Total
	through SoCNE		
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	3,951	618	4,569
Other financial liabilities	0	97,583	97,583
Total at 31 March 2014	3,951	98,201	102,152

Financial assets	At "fair value"	Loans and	Available	Total
	through SoCNE	receivables	for sale	
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	8,349	69,484	0	77,833
Cash at bank and in hand	0	961	0	961
Other financial assets	0	8,065	0	8,065
Total at 31 March 2013	8,349	78,510	0	86,859

Financial liabilities	At "fair value"	Other	Total
	through SoCNE		
	£000	£000	£000
Embedded derivatives	0	0	0
PFI and finance lease obligations	2,439	372	2,811
Other financial liabilities	0	112,694	112,694
Total at 31 March 2013	2,439	113,066	115,505

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

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

33. Financial risk management

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

Currency risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Maturity of financial liabilities

	31-Mar	31-Mar
	2014	2013
	£'000	£'000
In one year	98,201	113,066
In more than one year but not more than two years	482	287
In more than two years but not more than five years	1,314	600
In more than five years	2,155	1,552
Total	<u>102,152</u>	<u>115,505</u>

34. Movements in working capital

	2013-14	2012-13
	£000	£000
(Increase)/decrease in inventories	(1,018)	(2,469)
(Increase)/decrease in trade and other receivables - non - current	(3,519)	17,489
(Increase)/decrease in trade and other receivables - current	(7,714)	(31,197)
(Increase)/decrease in other current assets	0	47
Increase/(decrease) in trade and other payables - non - current	1,448	(379)
Increase/(decrease) in trade and other payables - current	(13,332)	(16,828)
Increase/(decrease) in other current liabilities	(79)	(2,014)
Total	(24,214)	(35,351)
Adjustment for accrual movements in fixed assets -creditors	5,385	4,172
Adjustment for accrual movements in fixed assets -debtors	0	0
Other adjustments	(1,694)	567
	(20,523)	(30,612)

35. Other cash flow adjustments

	2013-14	2012-13
	£000	£000
Depreciation	21,804	21,366
Amortisation	387	339
(Gains)/Loss on Disposal	(268)	55
Impairments and reversals	28,924	26,154
Release of PFI deferred credits	(292)	(313)
Donated assets received credited to revenue but non-cash	(190)	(3,558)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	22,359	33,271
Total	72,724	77,314

36. Cash flow relating to exceptional items

There were no exceptional items in 2013/14.

37. Events after the Reporting Period

The LHB has not experienced any events having a material effect on the accounts, between the date of the statement of financial position and the date on which these accounts were approved by its Board.

38. Operating segments

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

The LHB has formed the view that the activities of its divisions are sufficiently similar for the results of their operations not to have to be disclosed separately. In reaching this decision we are satisfied that the following criteria are met:

- (1) Aggregation still allows users to evaluate the business and its operating environment.
- (2) Divisions have similar economic characteristics.
- (3) The Divisions are similar re all of the following:
 - (1) The nature of the services provided.
 - (2) The Divisions operate fundamentally similar processes.
 - (3) The end customers to the processes (the patients) fall into broadly similar categories.
 - (4) They share a common regulatory environment.

The LHB did not operate as a home to any hosted or managed services during the period.

39. Other Information

1) Cardiff Medicentre

On its formation on 1st October 2009 the UHB inherited an interest in a joint venture which had been entered into by one of its predecessor organisations (South Glamorgan Health Authority) in 1992.

Our partners in this venture are Cardiff Council, Cardiff University and the Welsh Government. The purpose of the venture was to provide dedicated business incubation facilities for start-up and spin-out companies operating in the medical healthcare and life sciences.

The UHB does not make any direct financial contribution into the venture and does not directly benefit financially from its operations. Neither the annual income and expenditure, nor the assets or liabilities of the venture are material in respect of UHB's reported results and so no adjustment has been made to these accounts to reflect the UHB's share of the joint venture. For illustrative purposes, had the UHB fully applied IAS31 "Financial reporting of Interests in Joint Ventures", then based on the last available published accounts of the Medicentre and applying the proportionate consolidation method to the UHB's 11% share would give increases of £0.044m in its reported income and £0.036m in its reported expenditure figures. In addition its reported net assets figure would increase by £0.300m.

2) Transfer of IVF Service to Abertawe Bro Morgannwg University LHB

On 1st April 2013 the responsibility for the provision of the All Wales IVF service was transferred to Abertawe Bro Morgannwg University LHB (ABMU). As a result UHB income and expenditure have reduced on a recurrent basis by £1.401m. In addition as referenced on page 32 of these accounts £0.227m of equipment was transferred to ABMU as a consequence of the above. No other assets or liabilities were transferred as a result of the service change. The transfer has been accounted for under absorption accounting.

**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.....2014 Chief Executive

5th June 2014 Adam Cairns

**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:	Dated:2014
Maria Battle	5th June 2014
Chief Executive:	Dated:2014
Adam Cairns	5th June 2014
Director of Finance:	Dated:2014
Charlotte Moar	5th June 2014



ANNUAL GOVERNANCE STATEMENT 2013-14

SCOPE OF RESPONSIBILITY

Cardiff and Vale University Health Board was established in October 2009 and is one of the largest NHS organisations in the UK. We have a responsibility for the health of around 472,400 people living in Cardiff and the Vale of Glamorgan, the provision of local primary care services (GP practices, dentists, optometrists and community pharmacists) and the running of hospitals, health centres and community health teams. Together, these provide a full range of health services for our local residents and those from further afield who use our specialist services.

We are also a teaching Health Board with close links to Cardiff University, which boasts a high profile teaching, research and development role within the UK and abroad; and enjoy strengthened links with the University of South Wales. Together, we are training the next generation of clinical professionals.

The Health Board has responsibility for every part of the local health system and has defined its mission as:

“Caring for people, keeping people well”

GOVERNANCE FRAMEWORK

The Board has been constituted to comply with the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009. It comprises of the Chair, Vice Chair, Chief Executive, nine Independent Members and eight Executive Directors. There are also three Associate Members.

The Board functions as a corporate decision-making body with Executive Directors and Independent Members being equal members sharing corporate responsibility by the Board. The Board is supported by the Board Secretary who provides advice on corporate governance within the Health Board.

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

- Setting the overall strategic direction of the Health Board within Welsh Government policies and priorities
- Establishing and maintaining high levels of corporate governance and accountability including risk management and internal control
- Ensuring delivery of the Health Board's aims and objectives through effective challenge and scrutiny of performance across all areas of responsibility
- Enacting effective financial stewardship by ensuring the Health Board is administered prudently and economically with resources applied appropriately and efficiently
- Instigating effective communication between the Health Board and its community to ensure its services are planned and responsive to identified need
- Appointing, appraising and remunerating Executives.

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

The Board has approved Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the LHB (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice and together with the adoption of a scheme of matters reserved for 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".

Standing Orders and Standing Financial Instructions were updated and approved by the Board in May 2013. Further amendments were approved by the Board in March 2014 reflecting the establishment of the all-Wales Emergency Ambulance Services Committee.

These documents are supported by a suite of corporate policies and the Values and Standards of Behaviour framework make up the Health Board's Governance Framework.

The Board and its Committees

The Board provides leadership and direction to the organisation and has a key role in ensuring the organisation has sound governance arrangements in place. The Board has an open culture with its meetings held in public – meeting papers are available on the Health Board's website. Together, Board Members share corporate responsibility for all decisions and play a key role in monitoring performance against objectives and plans.

In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of Champion roles where they act as ambassadors for these matters. These are summarised in Appendix 1.

The Board is supported in its role by a number of committees, each chaired by an Independent Member to reflect independence and objectivity. All Committees are constituted to comply with the Welsh Government Good Practice Guide – Effective Board Committees. Following a review of Committee structures last year, new strengthened arrangements were introduced in April 2013. The Committees, which meet in public, provide regular reports to the Board that contribute to its assessment of assurance and provide scrutiny against the delivery of objectives.

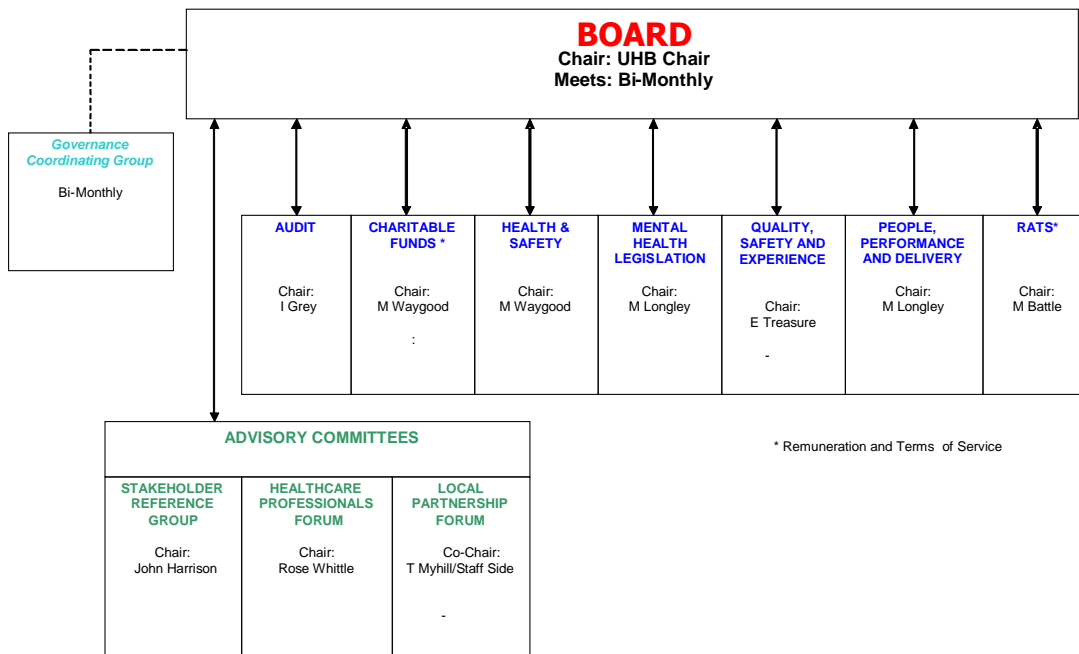
A summary of Committee responsibilities, terms of reference, agendas, papers and minutes are all available publicly on our website.

[http://www.cardiffandvaleuhb.wales.nhs.uk/board-committees-and-advisory-groups and Advisory Groups](http://www.cardiffandvaleuhb.wales.nhs.uk/board-committees-and-advisory-groups-and-advisory-groups)

Critical to this assurance is the work of the Audit Committee - its Annual Report provides a summary of matters considered during the year and is available in full on the following link: <http://www.cardiffandvaleuhb.wales.nhs.uk/audit-committee-5-june-2014>

The Annual Quality Statement and Annual Report that are due to be published in September 2014 include a summary of the work undertaken during the year by the other Board Committees.

Committees also work together on behalf of the Board to ensure that work is planned cohesively and focussed on matters of greatest risk that would prevent us from meeting our mission and objectives.



*The Charitable Funds Committee reports to the Board in its capacity as Corporate Trustee.

The following table sets out the dates of Board and Committee meetings held during 2013/14

BOARD/ COMMITTEE	Dates of Meeting in 2013-14								
Board	14.05.13	22.05.13	04.06.13	02.07.13	03.09.13	05.11.13	21.01.14	13.02.14	25.03.14
Audit	21.05.13	04.06.13	09.07.13	22.10.13	17.12.13	25.02.13			
Charitable Funds	11.06.13	17.10.13	17.12.13	18.03.13					
Health and Safety	23.4.13	23.07.13	22.10.13	28.01.14					
Mental Health Act Monitoring	28.05.13	13.08.13	19.11.13	11.02.14					
Quality, Safety and Experience	09.04.13	04.06.13	14.06.13	04.09.13	15.10.13	10.12.13	18.02.14		
Remuneration and Terms of Service	26.04.13	22.05.13	29.05.13	26.06.13	01.08.13	17.09.13	24.10.13	12.11.13	13.03.14
People, Performance and Delivery	25.06.13	20.08.13	29.10.13	28.01.13	04.03.13				

All meetings were quorate except for the Health and Safety Committee held on 28th January 2014. All decisions at that meeting were formally ratified at the Committee meeting held on 29th April 2014.

The three advisory groups have all met regularly during the year and minutes are available on the Health Board’s website. They have provided a valuable sounding Board in developing our Integrated Medium Term Plan (this is described further in the section on “Control Framework”) and service change proposals across South Wales.

Appendix 1 sets out the membership of the Board and Committees and attendance during 2013/14.

Organisational Management

As Chief Executive and Accountable Officer, I have personal responsibility for the overall organisation, management and staffing of the UHB. I am required to assure myself, and therefore the Board, that the UHB executive level management arrangements are fit for purpose to provide effective leadership and to have accountability for professional standards.

During the year, the following changes were made to the Executive Directors.

Executive Position	Change
Paul Hollard – Director of Planning	Left on 4 August 2013
Abigail Harris – Director of Planning	Started on 24 June 2013
Kevin Orford – Interim Director of Finance	Left on 4 June 2013
Charlotte Moar – Director of Finance	Started on 3 June 2013

Supporting the Chief Operating Officer, new Clinical Boards were established in June 2013.

The purpose of creating the Clinical Boards is to:

- Liberate the people whose roles are to care for and keep well those we serve.
- Create a mechanism for integrating what we do around those we serve.
- Fuel staff engagement.
- Power up clinical leadership and engagement.
- Drive more localised decision making.
- Create manageable sized chunks of our organisation.
- Provide the basis of good accountability.
- Ensure we have strong and effective leadership and management.
- Drive better use of resources, and greater collaboration to make this happen.
- Drive pathway improvement and collaborative working.

To ensure the Statutory Board is confident that the Clinical Boards are able to make robust decisions about the way that services are managed, there is a process of “authorisation” which assesses them from Levels 0-3 (3 being the highest) with increased decision and delegation rights as they progress and mature. Recognising these

arrangements are in the first year, as at March 2014, seven Clinical Boards are at level 1 with the Primary, Community and Intermediate care Clinical Board being at level 2.

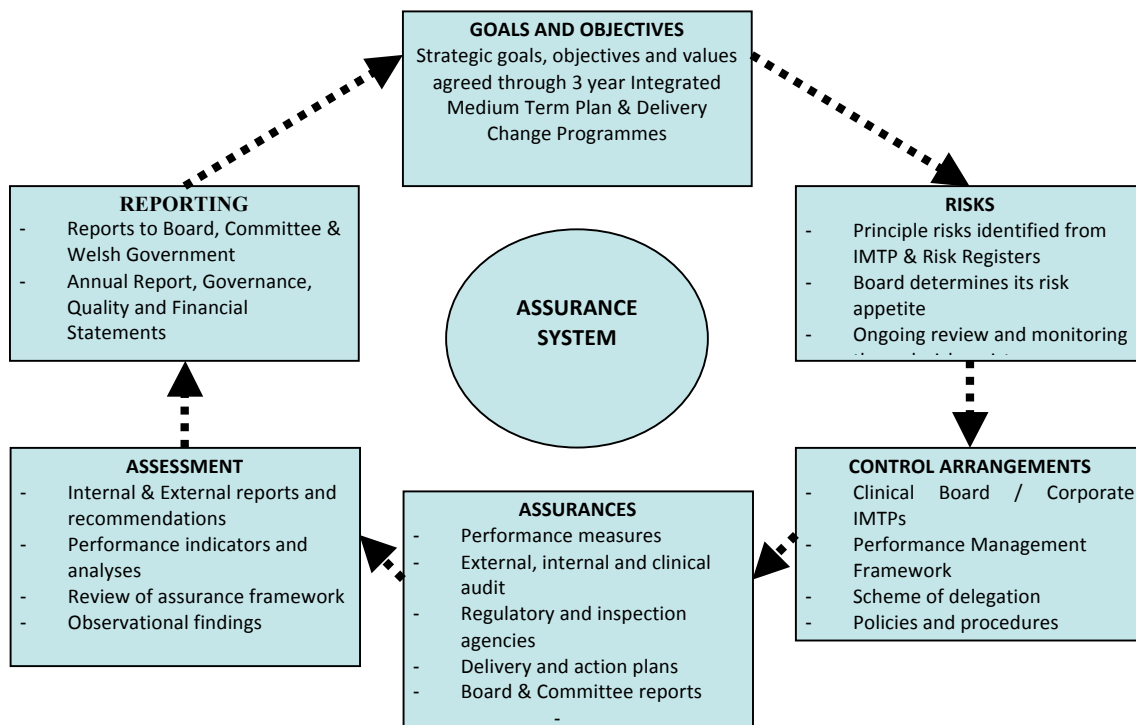
PURPOSE OF SYSTEM OF INTERNAL CONTROL

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our 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 2014 and up to the date of approval of the annual report and accounts.

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

CAPACITY TO HANDLE RISK

During the year, a strengthened Corporate Risk Assurance Framework has been developed. In developing this framework, there has been a thorough review of the principal risks that threaten the achievement of goals, the systems and controls in place to ensure those risks are managed and how the Board knows whether it is successful or not. This enables the Board to develop action plans to address any matters of concern.



The Board's appetite for risk is reflected in the Integrated Medium Term Plan which sets out the Board's priorities and focus for the next 3 years.

The Board has a Risk Management Policy and supporting risk assessment procedure that provides guidance to staff on the Health Board's approach to risk management. Each Clinical Board and Corporate Department has responsibility for maintaining a comprehensive risk register with the lead Executive Director highlighting and assessing the most significant risks for inclusion in the Corporate Risk and Assurance Framework. Risk assessments are undertaken based on a 5 x 5 scoring matrix, i.e. the impact of the risk multiplied by the likelihood of it happening.

More information on the Corporate Risk Assurance Framework including an assessment of strategic risks and how these are being managed can be found on the following link <http://www.cardiffandvaleuhb.wales.nhs.uk/opendoc/239639>.

The following table is an extract from that Framework of the highest strategic risks (scoring 16 or more) facing the UHB at April 2014:

PATIENT CARE - Deliver safe, effective and efficient care	16
WAITING TIMES AND TARGETS - Achieve Waiting Times and other Welsh Government targets	16
CONCERNS, CLINICAL FAILURES AND INCIDENTS - Recognise, address and learn from patient concerns, clinical failures and serious incidents	16
STAFFING - Appropriate complement of well trained, skilled and competent staff	20
POPULATION DEMOGRAPHICS - Develop services and longer term models of care to met the needs of an increasing and aging population	16
PUBLIC HEALTH - Meet Public Health Targets	20
EVIDENCE BASED SERVICES - Embed a commissioning approach to ensure services are based on evidence and population need	20
SPECIALIST SERVICES - Agree and align Welsh Health Specialist Services Commissioner (WHSSC) commissioner with provider responsibilities (including clinical networks)	16
SOUTH WALES PROGRAMME - Implement service changes emanating from the South Wales Programme	16
EXTERNAL SERVICE PROVIDERS - Have robust governance / SLA arrangements in place (including quality standards) with all external service providers	20
AMBULANCE AND TRANSPORT - Commission effective, safe and efficient emergency, non-emergency and health courier transport	16
PUBLIC ENGAGEMENT AND COMMUNICATION - Engage and consult meaningfully with the public	20
ESTATE - Plan, resource and implement safe and adequate estate	25
EQUIPMENT - Plan, fund and deliver safe and up to date equipment requirements.	25
FINANCE - Deliver financial balance and savings programmes	25
IM&T - Plan, fund and maintain effective & resilient IM&T systems	20

PATIENT INFORMATION - Patient results, records, clinical coding, DATIX and other core patient information systems being accessible, complete, and up to date and compliant with information governance requirements	20
GOVERNANCE - Robust and effective governance framework including system of risk management and assurance	16

Underpinning the high level strategic risks, are more specific operational risks where additional focus is required. The Board assurance arrangements approved at the May 2014 Board meeting now require the highest strategic and operational risks to be reported and discussed at every Committee meeting to drive agenda planning.

The Health Board has more to do on improving public engagement on its principal risks and how intends to mitigate them. Improved arrangements are currently being developed for implementation during 2014.

Action plans are in place to manage all these risks.

There have been a number of high profile clinical matters during 2013/14 which have required significant and focussed attention including:

- Outcome of the Review of the Royal College of Surgeons
- Cardiac Surgery Waiting Times
- Pressures in the Accident and Emergency department
- Review into Liver Surgery outcomes
- High profile complaint by a Member of Parliament relating to dignity and respect issues.

These will be comprehensively detailed in the Annual Quality Statement that will be published in September 2014.

THE CONTROL FRAMEWORK

The National Health Services Finance (Wales) Act became law in Wales in January 2014. This changed the NHS Wales planning framework and placed a duty on all Health Board's to produce an Integrated Medium Term Plan. This plan has been prepared and approved in accordance with this new legislative duty.

A copy of the plan is available on the Health Board's website:
<http://www.cardiffandvaleuhb.wales.nhs.uk/opendoc/237342>

An essential feature of our control framework is ensuring there is a robust system for measuring and reporting on the quality of our services.

This is comprehensively described in the complementary Annual Quality Statement that will be published in September 2014 and will also be linked to our Annual Report for 2013/14.

The Health Board uses the Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to deliver safe, high quality health services. This involves self assessment of performance against the standards across all activities at all levels throughout the organisation. More detail on these Standards can be found on the following link: <http://www.wales.nhs.uk/governance-emanual/standards-for-health-services-in-wales-s>

A summary of performance against each Standard, together with a comparison to 2012/13 is provided below.

	Health Standard	2012/13	2013/14	
1	Governance and Accountability Framework	3	4	↑
2	Equality Diversity and Human Rights	3	3	↔
3	Health Promotion, Protection & Improvement	4	4	↔
4	Civil Contingency & Emergency Preparedness	3	3	↔
5	Citizen Engagement and Feedback	3	3	↔
6	Participating in Quality Improvement Programmes	3	3	↔
7	Safe & Clinically Effective Care	3	3	↔
8	Care Planning & Provision	3	3	↔
9	Patient Information & Consent	3	3	↔
10	Dignity & Respect	3	3	↔
11	Safeguarding Children & Safeguarding Vulnerable Adults	4	4	↔
12	Environment	3	3	↔
13	Infection Prevention & Control and Decontamination	3	3	↔
14	Nutrition	3	3	↔
15	Medicines Management	3	3	↔
16	Medical Devices, Equipment and Diagnostic Systems	3	3	↔
17	Blood Management	3	3	↔
18	Communicating Effectively	3	3	↔
19	Information Management & Communication Technology	2	2	↔
20	Records Management	3	3	↔
21	Research Development & Innovation	4	4	↔
22	Managing Risk and Health & Safety	3	3	↔
23	Dealing with Concerns and Managing Incidents	3	3	↔
24	Workforce Planning	3	4	↑
25	Workforce Recruitment and Employment Practices	3	3	↔
26	Workforce Training and Organisational Development	3	3	↔

1 = Aware, 2 = Responding 3 = Developing 4 = Practising 5= Leading

As well as ongoing scrutiny and expectation of improvement against all Standards, the Board has resolved to focus on required improvements against Standard 19 – Information Management and Communication Technology in 2014/15 with the key actions being:

- Prioritising IT replacement to remove highest priority risks.
- Continued implementation of the National ICT strategy
- Measuring and analysing clinical, system and environmental data and examine correlation and causality with patient outcomes and experience

The self-assessment process has been subject to independent internal assurance by the organisation's Head of Internal Audit.

The narrative and quality of evidence cited within Self- Assessments is indicative of the ongoing work to embed the Standards across the newly established Clinical Boards. All Corporate and Clinical Board Self Assessments were submitted according to the prescribed timescales. The majority of Corporate and Clinical Board Self Assessments were appropriately scored in accordance with Maturity Matrix definitions and supported with evidence of implementation of 2012/13 Improvement Actions and stating those to be undertaken in 2014/15.

The review did however identify a number of issues which require management attention and action. Self Assessments within a small number of Clinical Boards were not fully completed but were signed off by Executive Leads as being the final submissions and several Standards submitted by Medicine Clinical Board were not scored in accordance with Maturity Matrix definitions. Two Corporate Standards did not state Improvement Actions for 2014/15 or any evidence of those implemented in 2013/14.

Overall, we concluded and reported reasonable assurance for this review.

As part of the annual self-assessment process, the Board has completed the Governance and Accountability assessment module and has:

- Openly assessed its performance using the maturity matrix
- Responded to any feedback provided by Healthcare Inspectorate Wales
- Plans in place to achieve the improvement actions as part of our Integrated Medium Term Plan.

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

Governance and Accountability Module	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.	We are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	We are developing plans and processes and can demonstrate progress with some of our key areas for improvement.	We have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation /business.	We can demonstrate sustained good practice and innovation that is shared throughout the organisation/ Business and which others can learn from.
Setting the direction			Δ	✓	
Enabling delivery			Δ ✓		
Delivering results achieving excellence			Δ	✓	
OVERALL MATURITY LEVEL			Δ	✓	

✓ = 2013/14

Δ = 2012/13

This demonstrates an overall improvement in maturity since 2013/14.

Key improvement actions for 2014/15 include:

- Development of a Clinical Services Strategy to ensure sustainability of safe, high quality and affordable services in the longer-term
- Ongoing development of the Clinical Boards to support them take on increased levels of autonomy
- Development and agreement of a comprehensive capital strategy and prioritisation framework
- Improved arrangements for engaging effectively with the public and patients

In April 2014, the Board considered and reflected its own effectiveness; this will inform individual personal development plans as well as the collective Board development programme for 2014/15. The organisation is currently working with the Wales Audit Office to undertake a programme of self-assessments during the spring /summer of 2014 for each Board Committee.

Corporate Governance Code

The Health Board has undertaken an assessment against the main principles of the UK Corporate Governance Code as they relate to an NHS public sector organisation in Wales. The Board is in full compliance with the code with the following non-material exceptions:

- Section 3.10 – 3.11 – Board appointments are typically made for a period of 3-4 years. These are Ministerial appointments which the Board itself is unable to influence apart from the personal encouragement of asking people from diverse backgrounds to apply. The Board currently has a gender ration of 10:13 males to females thereby exceeding Government targets;
- Section 4.1 - The Board does not have a dedicated secretariat function. Secretariat support is however provided from an experienced, skilled officer reporting to the Board Secretary.

Ministerial Directions

The following Ministerial Directions were received in 2013/14 which can be accessed on the following link:

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

Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment) Directions 2013 (2013 No.60) 31/10/13 - These Directions implement the new Dispensing Doctors Feescales from 1st October 2013 and again from 1 April 2014.

National Health Service (Cross-Border Healthcare) (Wales) Directions 2013 (2013 No.26) 29/10/13 -These Directions require Local Health Boards to provide information to and consider applications made by resident patients relating to Cross Border Healthcare and Patient Mobility.

National Health Service (Reimbursement of the Cost of EEA Treatment) (Wales) (Amendment) Directions 2013 (2013 No. 25 No. W.25) 29/10/13 - These Directions require Local Health Boards to implement regulations relating to Cross Border Healthcare and Patient Mobility.

Directions to Local Health Boards as to the General Dental Services Statement of Financial Entitlements (Amendment) Directions 2013 (2013, No.11) 29/07/13 -These Directions uplift NHS dental contract payments for 2013/14.

Directions to Local Health Boards as to the Personal Dental Services Statement of Financial Entitlements (Amendment) Directions 2013 (2013, No.10) 29/07/13 - These Directions uplift NHS dental contract payments for 2013/14.

Directions to Local Health Boards as to the Statement of Financial Entitlements Directions 2013 (2013 No.8) 11/06/13 - These Directions formally implement the changes to the General Medical Services contract for 2013/14.

The Pharmaceutical Services (Fees for Applications) (Wales) Directions (2013 No.9) 10/05/13 -These Directions require LHBs to charge a specified fee for applications for inclusion in or amendment to a pharmaceutical list.

Directions to Local Health Boards 2013 (2013 No.3) 04/04/13 -These Directions set out the maximum charge that patients have to pay for purchasing expensive lenses via the Hospital Eye Service.

The Primary Medical Services (Directed Enhanced Services) (Wales) (Amendment) Directions 2013 (2013 No.4) 04/04/13 - The amendment Directions update the severe mental illness scheme contained within the Primary Medical Services (Directed Enhanced Services) (Wales) Directions 2007.

All Directions have been implemented in practice although the Health Board's policy on access to European Healthcare is still undergoing an Equality Impact Assessment prior to formal adoption.

Other elements of control framework

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. The overarching tracking report is monitored by the Audit Committee.

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

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 into 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.

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

The Health Board actively engages with the 1000 lives Plus Programme, and the Board promotes use of methodologies for improvement, and is aware of improvements made and barriers to extend. The Board received Patient Safety training at its Board Development day in June 2013.

No material weaknesses or matters of non-compliance have been identified for these elements of the Health Board’s control framework.

REVIEW OF EFFECTIVENESS

As Accounting 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 outcome of Board and Committee scrutiny, the internal auditors, the Executive Directors within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.

During the year, I have taken assurance on the effectiveness of internal controls from Corporate Risk and Assurance Framework that includes the following sources.

Internal Sources	External Sources
Performance Management Reports Service change management reports Workforce information & surveys Benchmarking Internal & Clinical Audit reports Board & Committee reports Local counter fraud work Standards for Health assessments Board Member Walkabouts Results of internal investigations Serious Incident reports Concerns and compliments Whistleblowing and Safety Valve Infection control reports Information governance toolkit self-assessment Patient experience surveys and reports Compliance against legislation (eg Mental Health Act / Health & Safety, Data Protection)	Population Health information Wales Audit Office reports Welsh Risk Pool Assessment reports Healthcare Inspectorate Wales reports Community Health Councils visits Feedback from healthcare and third sector partners Royal College visits Deanery visits Regulatory, licensing and inspection bodies External benchmarking and statistics Accreditation schemes National audits Peer reviews Feedback from service users Local networks (eg cancer networks) Investors in People Welsh Government reports and feedback

A particular focus during the year has been to improve the performance information provided to the Board so that the Board can be assured on the accuracy and reliability of the information as well as ensuring it is focusing on the most important matters.

Weaknesses had been identified in the length of time it was taking to code patients and outcomes. This might have caused delay, for example, in identifying areas of unexpected high death rates. This matter has received focussed attention with the Board receiving regular reports. I am now satisfied that the mortality information presented to the Board reflects an accurate position.

Internal Audit

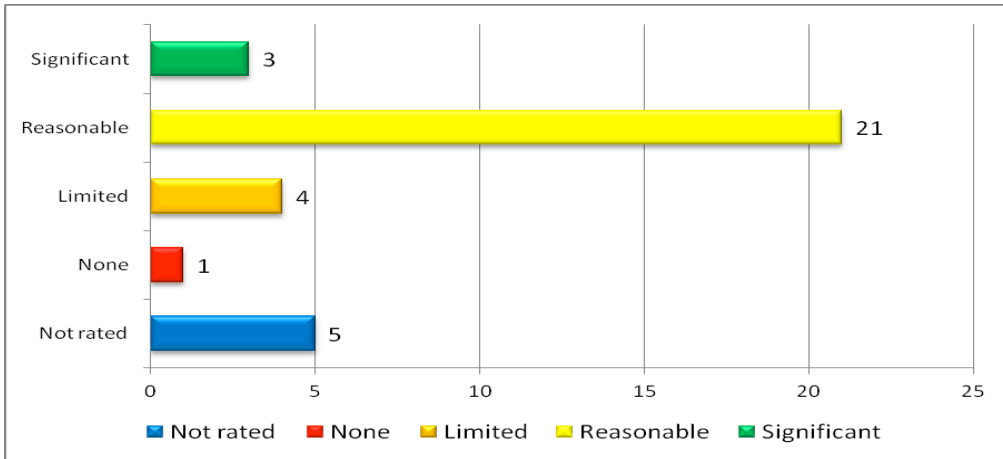
Internal audit provide me and the Board through the Audit Committee with a flow of assurance on the system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership.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

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

The Head of Internal Audit has provided reasonable assurance to the Board that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively in the following assurance domains:

- Governance and Risk Management
- Strategic Planning and Performance
- Information Governances
- Financial Governance
- Quality and Safety
- Operational and Service management
- Capital and Estates
- Workforce and Organisational development

In total thirty four audit reviews were reported during the year with the spread of assurances as follows:



Whilst the Internal Audit work plan continues to focus on matters considered to be of higher risk, there is a marked reduction in the numbers of audits with a limited or no assurance rating since last year.

	Number of Limited Assurance Audits	Number of No Assurance Audits
2012/13	8	3
2013/14	4	1

In summary, the Head of Internal Audit has concluded for 2013/14:

The Board can take **reasonable assurance** 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 **low to moderate impact on residual risk** exposure until resolved.

The scope of this audit opinion is restricted to those areas which were the subject of audit review through the performance of the risk-based internal audit plan. In accordance with auditing standards and with the agreement of senior management and the Board internal audit work is deliberately prioritised according to risk and materiality around eight key assurance domains. Accordingly the internal audit work and reported outcomes will bias towards known weaknesses as a driver to improve governance risk management and control. This context is important in understanding the overall opinion and balancing that across the various assurances which feature in this Annual Governance Statement.

During the year, internal audit issued the following audit reports with a conclusion of limited assurance. A summary of the actions being taken to address these weaknesses is also provided.

Review Title	Objective
Infection Prevention and Control department	<p>The review sought to verify that the Infection, Prevention and Control Department has appropriate structures, plans, monitoring and reporting arrangements in place to support the Health Board and its constituent clinical boards in their efforts to minimise the risk of infection and that the spread of infection is effectively controlled and all relevant guidelines and legislation are complied with.</p> <p>Action</p> <ul style="list-style-type: none"> • Additional resources have been agreed to: establish the post of Director of Infection, Prevention and Control; doctor time available; and an additional nurse to the team • A new Framework has been developed to refocus actions and deployment of staff.
Operational Plan Assessments	<p>To evaluate and determine the adequacy of the systems and controls in place to ensure appropriate operational planning and assessment of developed operational plans against risk, equality and public health</p> <p>Action</p> <ul style="list-style-type: none"> • New structured arrangements put in place for development of the 2014/15 Integrated Medium Terms Plans. • Each Clinical Board undertook a health needs assessment to support the development of their Plan • Training and further support and guidance was provided to enable Clinical Boards to undertake EQIAs.
Public Health Improvement Targets	<p>The objective of the audit was to evaluate and determine the adequacy of the systems and controls in place to ensure that the UHB meets key Public Health Targets (Smoking Cessation and Immunisation / Vaccination).</p> <p>Action</p>

Review Title	Objective
	<ul style="list-style-type: none"> • Increased emphasis placed upon Public Health Improvement Targets within the Clinical Boards. This has been re-enforced via the Integrated Medium Term Plans which are required to incorporate the findings of the health needs assessment. • Smoking Cessation has been identified as a priority for 2014/15 and performance against this and other Public Health targets will be monitored via the monthly executive performance reviews.
Information Governance	<p>The objective of the audit is to evaluate and determine the adequacy of the systems and controls in place for the management of key aspects of Information Governance (Caldicott and the Break Glass process)</p> <p>Action</p> <ul style="list-style-type: none"> • Information Governance Framework has been developed for implementation in 2014/15 • Additional posters and patient information leaflets provided to increase visibility of how patients data is used • Breakglass procedure has been updated and strengthened monitoring arrangements put in place • Strengthened Information Governance training including learning programme to be implemented in 2014 • Corporate library of Information Sharing Protocols to be put in place • Integrated checking service for network and clinical portal authorised users to be established.

The following audit reviews, concluded no assurance on the effectiveness of control arrangements.

Review Title	Objective
Mental Health Section 117 Governance	The purpose of the review was to provide assurance that the UHB has adequate procedures in place to ensure all relevant patients are appropriately assessed to establish their eligibility for free aftercare services and all eligible

Review Title	Objective
	<p>patients receive appropriate services.</p> <p>Action</p> <ul style="list-style-type: none"> • Introduce strengthened arrangements for MHA Office to cross-check with PARIS system whether patients are eligible for S117 aftercare, discharged from hospital without aftercare plan, length of time between aftercare reviews and case closures • Protocol for following up patients that have fallen out of contact with service to be completed and implemented • Care & Treatment Plan (CTP) training to be devolved to clinical teams • Monthly CTP Audits to be undertaken and reviewed by Clinical Board • Clinical supervision and MDT reviews to be consistently implemented • Procedure to be jointly drawn up with LA that standardises implementation of S117

Plans to address these weaknesses and ensure continuous improvement are in place for all matters and the Audit Committee or another appropriate Board Committee continues to scrutinise that agreed actions are being delivered on behalf of the Board.

Wales Audit Office

The Audit Committee agreed the Wales Audit Office (WAO) Annual Plan for 2013/14 which set out specific areas to be covered in relation to both the audit of the financial statements and performance management audit assignments. The Committee reviewed the progress on both national and local work at each meeting. The following performance reports were presented to the relevant Board Committee who agreed the Health Board's plan to address any issues raised.

Date issued	Title of Review	Assurance Committee
1 st July 2013	Operating Theatres and Day Case Surgery (2010)	People, Performance and Delivery
1 st July 2013	Chronic Conditions, Unscheduled Care and Clinical Engagement – Structured assessment 2011	People, Performance and Delivery
1 st July 2013	Follow Up Review of Hospital Catering	Quality, Safety and Experience
1 st Aug 2013	Consultant Contract Follow-Up Report	People, Performance and Delivery
1 st Aug 2013	Review of Medical Equipment	People, Performance and Delivery
1 st Dec 2013	Primary care prescribing	People, Performance and Delivery

The actions are recorded in a tracking report and the Audit Committee monitors progress in addressing them

A summary of the WAO Structured Assessment of the Health Board's governance arrangements is included within the Annual Audit Report published in November 2013. This concluded:

Overall governance arrangements have continued to evolve and mature, with a strong commitment to listening to both patients and staff, although some aspects of these arrangements can be further improved and capacity to respond to demands, such as the increasing level of complaints, presents some risks

My review of the UHB's governance arrangements found that:

- the organisational structure has been further strengthened following new appointments and the establishment of the Clinical Boards, although capacity in some areas remains an issue;
- a fundamental review of the operation of the Board and its committees, along with improved risk management arrangements, has further strengthened the UHB's assurance framework although there is scope to make greater use of clinical audit;
- performance arrangements have continued to be strengthened, although there is still more to do to ensure that data is of good quality and is owned and understood by the service;
- there is scope to make further affordable improvements in backup and restore arrangements which would significantly enhance protection of the UHB's key clinical systems;
- the UHB is strongly committed to listening to patients and staff and is leading the way on patient experience however the ability to respond to concerns and complaints in a timely manner is problematic and there is more to do to ensure lessons are learnt;
- the UHB has demonstrated its commitment to strengthening quality and safety assurance arrangements, although some aspects of arrangements need to be further improved; and
- the UHB is making effective use of the National Fraud Initiative to detect fraud.

A delivery plan has been developed to respond to the detailed recommendations set out in the Annual Audit Report which is monitored through the Management Executive and Audit Committee.

Lapses in Data Security

The Health Board reported two incidents to the Information Commissioner's Office (ICO) in 2013/14.

The first incident relates to the access of historic medical records. This has been remedied by the tightening of the processes for accessing and merging very old notes. The Health Board implemented an electronic record several years ago reducing a number of risks and the use of paper records will become markedly reduced.

The second incident relates to the theft of a very large and secure metal container that was placed within the car park outside Health Board offices. The container held medical records ready for disposal.

The ICO continues to investigate both these cases.

The Health Board did not receive any financial penalties during the year.

CONCLUSION

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

My review confirms that the UHB has a sound system of internal control but there are some areas of weakness as described within this report, that are subject to focussed and urgent management attention to address the identified shortcomings.

Signed by:

Adam Cairns
Chief Executive
5 June 2014

Appendix 1

NAME & POSITION	AREA OF EXPERTISE REPRESENTATION ROLE	BOARD COMMITTEE MEMBERSHIP – 1 APRIL 2013- 31 MARCH 2014	NUMBER OF MEETINGS ATTENDED DURING TENURE	CHAMPION ROLES
Maria Battle Chair		(Chair) Board (Chair) Remuneration and Terms of Service Committee	9 / 9 9 / 9	Public and Patient Involvement Concerns
Marcus Longley Vice Chair	Primary, Community and Mental Health Services	(Vice Chair) Board (Chair) Mental Health and Capacity Legislation Committee (Chair) People Performance and Delivery Remuneration and Terms of Service Committee	9 / 9 4 / 4 5 / 5 5 / 6	Mental Health Primary and Community
Stuart Egan Independent Member	Trade Union	Board Charitable Funds Committee Health and Safety Committee Remuneration and Terms of Service Committee Audit People, Performance and Delivery	8 / 9 3 / 4 3 / 4 9 / 9 6 / 6 5 / 5	Armed Forces and Veterans
Christopher Elmore Independent Member	Local Authority	Board Mental Health and Capacity Legislation Committee Health and Safety Committee	7 / 9 1 / 4 0/3	Children and Young People
Brendan Sadka Independent Member	Capital and Estates	Board People, Performance and Delivery Audit	8 / 9 5 / 5 6 / 6	Older People
Ivar Grey Independent Member	Finance	Board (Chair) Audit Committee Quality, Safety and Experience Committee Remuneration and Terms of Service Committee People, Performance and Delivery Committee	8 / 9 6 / 6 7 / 7 8 / 9 5 / 5	N/A
Eileen Brandreth Independent Member	Information Communication Technology	Board People, Performance and Delivery	7 / 9 2 / 5	Caldicott/Data Protection (IM Contact)
Margaret McLaughlin Independent Member	Third Sector	Board Mental Health and Capacity Legislation Committee Quality, Safety and Experience Committee Charitable Funds Committee	9 / 9 4 / 4 7 / 7 4 / 4	Carers Welsh Language Equality and Human Rights
Elizabeth Treasure Independent Member	University	Board (Chair) Quality, Safety and Experience Committee Audit Committee	6 / 9 7 / 7 5 / 6	Patient Safety (Cleaning, Hygiene and Infection Management)

NAME & POSITION	AREA OF EXPERTISE REPRESENTATION ROLE	BOARD COMMITTEE MEMBERSHIP – 1 APRIL 2013- 31 MARCH 2014	NUMBER OF MEETINGS ATTENDED DURING TENURE	CHAMPION ROLES
Martyn Waygood Independent Member	Legal	Board (Chair) Health and Safety Committee (Chair) Charitable Funds Committee Mental Health and Capacity Legislation Committee Quality, Safety and Experience Committee Remuneration and Terms of Service Committee	7 / 9 4 / 4 4 / 4 4 / 4 6 / 7 5 / 9	Violence and Aggression Health and Safety
Saleem Kidwai Independent Member	Community	Board Quality, Safety and Experience Committee Mental Health and Capacity Legislation Committee	8 / 9 4 / 6 4 / 4	
Adam Cairns Chief Executive		Board	9 / 9	N/A
Paul Hollard Director of Planning		Board	4 / 4	N/A
Abigail Harris Director of Planning		Board	5 / 5	N/A
Kevin Orford Director of Finance		Board Charitable Funds Committee	3 / 3 0 / 0	N/A
Charlotte Moar Director of Finance		Board Charitable Funds Committee	7 / 7 4 / 4	N/A
Graham Shortland Medical Director		Board	7 / 9	N/A
Ruth Walker Director of Nursing		Board	8 / 9	N/A
Sharon Hopkins Director of Public Health		Board	5 / 9	N/A
Fiona Jenkins Director of Therapies and Health Sciences		Board Charitable Funds Committee	8 / 9 1 / 4	N/A
Tracy Myhill Director of Workforce and Organisational Development		Board	9 / 9	N/A
Alice Casey Chief Operating Officer		Board	8 / 9	N/A
Liane James Associate Member (until 17.06.13)	Stakeholder Reference Group	Board	0 / 3	N/A
John Harrison Associate Member (from 11.2.14)	Stakeholder Reference Group	Board	3 / 5	N/A
Rosemarie Whittle Associate Member	Healthcare Professionals Forum	Board	6 / 9	N/A
Sian Walker Associate Member (from 25.03.14)	Local Authority	Board	1 / 1	N/A

* Note – Executive Directors are not Members of Committees (apart from Charitable Funds) - they are “In attendance”. Directors’ attendance is not shown as they are often invited to attend Committee on an ad-hoc basis depending on agenda items. It should also be noted that some extraordinary meetings were arranged during the year which has impacted on some Members attendance.

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 Cardiff and Vale University Local Health Board for the year ended 31 March 2014 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 61 and 62], the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Cardiff and Vale 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. 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 Cardiff and Vale University Local Health Board as at 31 March 2014 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.

Basis for Qualified Opinion on Regularity

The LHB has breached its resource limit by spending £19.177 million over the amount that it was authorised to spend in the year. This spend constitutes irregular expenditure.

Qualified Opinion on Regularity

- In my opinion except for the irregular expenditure of £19.177 million in the year, explained in the paragraph above, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

Report

- Please see my Report on pages 87 to 88.

Huw Vaughan Thomas
Auditor General for Wales
24 June 2014

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

Introduction

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

My audit certificate on pages 85 to 86 contains my opinion that the financial statements give a “*true and fair view*” in accordance with the National Health Service (Wales) Act 2006 and directions made there under by the Welsh Ministers.

It also includes my opinion on whether the expenditure and income shown in the financial statements have been applied to the purposes intended by the National Assembly for Wales and whether the financial transactions conform with the authorities that govern them. This is known as my “*regularity*” opinion. This year I have qualified my regularity opinion on the basis that the Health Board has breached its resource limit. I explain this below.

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

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

For the 2013-14 financial year, the Health Board incurred net expenditure of £796.032 million. Its final resource limit was £776.855 million.

This meant that the Health Board has exceeded its resource limit by £19.177 million.

So whilst my ‘true and fair view’ opinion was unqualified, I have qualified my ‘regularity’ opinion on the financial statements of the Board for the year ended 31 March 2014.

I have decided to issue this narrative report alongside my audit certificate to explain the basis of this qualification of my audit opinion and to provide further details about the financial position and the planning arrangements of the Health Board.

Financial pressures and additional funding received in year

Current financial pressures across the NHS are well known. The total funding for Welsh Health services in 2013-14 showed only a very small real terms increase of 0.06% from the previous year.

Based on an anticipated resource allocation of £723 million, the Health Board estimated its 2013-14 funding gap to be £90 million.

The Health Board put plans in place at the start of the 2013-14 financial year to reduce this gap by £56.7 million leaving an estimated shortfall of £33.3 million. The Health Board prepared a draft three year financial plan running from 2013-14 to 2015-16 to address this deficit in future years. Throughout the year, both the Health Board and Welsh Government paid close attention to the monthly reported outturn and to the forecast year end position. Forecasts were regularly updated and as is usual, various adjustments to the Health Board’s resource limit were made by the Welsh Government to reflect specific agreed activities undertaken and their costs. The net effect of these adjustments after the first six months of the year was a revised anticipated resource limit of £766.546 million, and a forecast year end deficit of £32.5 million.

In October 2013, the Minister for Health and Social Services announced additional resource funding of £150 million to ‘meet new demands and pressures in the current financial year’. The Health Board’s share of this was £22.15 million, with £16.180 million contributing to a decrease in its forecast year end deficit at month seven to £16.320 million, and £5.97 million contributing towards other costs.

However this, combined with the savings made from cost improvement and avoidance plans, was not sufficient to prevent it from failing its resource limit at year end by an overspend of £19.177 million.

As detailed above, the Health Board failed to meet its resource limit and as a result I have qualified my regularity opinion.

Financial Planning and Implications for 2014-15

The new *NHS Finance (Wales) Act 2014* which takes effect from 1st April 2014, amends the NHS (Wales) Act 2006 and gives additional resource flexibility to LHBs (subject to formal approval of their plans by the Welsh Ministers), by allowing them to balance their income with their expenditure over a three-year rolling period (instead of a one year period) starting with the 2014-15 financial year (as year 1 of the new arrangements). The 2014 Act also brings three year medium term planning onto a more formal footing by making it a statutory duty.

The statutory duty to compile a rolling three year integrated medium term plan, starting from 2014-15, approved annually by the Welsh Government is an essential foundation to the delivery of sustainable quality health services. The Health Board's three year plan running from 2014-15 to 2016-17 was approved by the Minister for Health and Social Services on 7 May 2014.

The Health Board's approved three year plan has identified a gap of £15.5 million between its annual resource limit and its planned net expenditure for 2014-15. This excludes repayment of the excess spend incurred of £19.177 million in 2013-14. The plan indicates that these deficits will be recovered by surpluses of £13.2 million and £21.6 million in 2015-16 and 2016-17 respectively.

I intend to publish a report on the performance of and outlook for the NHS later this year, which will consider these issues in more detail across the entirety of NHS Wales. In addition I will be monitoring the Health Board's financial performance as the 2014-15 year progresses.

Huw Vaughan Thomas
Auditor General for Wales
Date 24th June 2014

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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