

Caerphilly Local Health Board

FOREWORD

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

Statutory background

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

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

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 Operating Cost Statement, which shows the net operating cost incurred by the LHB which is funded by the Assembly. This funding is allocated on receipt directly to the General Fund in the Balance Sheet.

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 13. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	Total £000	2005-06 Total £000
Expenditure	4.1,4.2,4.3, 4.4	229,513	206,451
Miscellaneous income	3.1	3,411	2,062
Net operating costs		<u>226,102</u>	<u>204,389</u>

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2007**

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	10	0
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	<u>10</u>	<u>0</u>

BALANCE SHEET AS AT 31 MARCH 2007

	Note	£000	31 March 2006 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	205	197
CURRENT ASSETS			
Debtors	6.1	1,635	3,849
Cash at bank and in hand		4,604	1,364
Total Current Assets		6,239	5,213
Creditors: amounts falling due within one year	6.2	18,066	16,750
Net current assets / (liabilities)		(11,827)	(11,537)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	219	230
TOTAL NET ASSETS		(11,841)	(11,570)
FINANCED BY:			
General fund	6.5	(11,851)	(11,570)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	10	0
TOTAL		(11,841)	(11,570)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	£000	2005-06 £000
Net operating costs	(226,102)	(204,389)
Adjust for non-cash transactions	(505)	(308)
Adjust for movements in working capital other than cash	3,530	789
Utilisation of provisions	0	0
	<hr/>	<hr/>
Net cash outflow from operating activities	(223,077)	(203,908)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	(190)
Receipts from the sale of fixed assets	0	130
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	(60)
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(223,077)	(203,968)
FINANCING:		
Net Assembly funding (including capital)	226,317	203,580
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	226,317	203,580
	<hr/>	<hr/>
Increase / (decrease) in cash	3,240	(388)

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2005-06 £000
Depreciation and other write-offs	2	3
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	(11)	121
Capital charge interest	(496)	(432)
	<u>(505)</u>	<u>(308)</u>

Adjust for movements in working capital other than cash

	£000	2005-06 £000
(Increase)/decrease in debtors	2,214	9
Increase/(decrease) in creditors	1,316	780
	<u>3,530</u>	<u>789</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	3,240
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>3,240</u>
Non cash changes in debt	0
Net debt at 1 April 2006	<u>1,364</u>
Net debt at 31 March 2007	<u>4,604</u>

Analysis of changes in net debt

	As at 1 April 2006	Cash flows	Other changes	As at 31 March 2007
	£000	£000	£000	£000
Cash at bank and in hand	1,364	3,240	0	4,604
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	<u>1,364</u>	<u>3,240</u>	<u>0</u>	<u>4,604</u>
Total	<u>1,364</u>	<u>3,240</u>	<u>0</u>	<u>4,604</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2007 was £4,694,846

Analysis of capital expenditure, financial investments and associated receipts

	Capital		Loans		Net Total
	Additions £'000	Disposals £'000	Issues £'000	Repayments £'000	£'000
Total cash payment and receipts	0	0	0	0	0

Reconciliation of loan issues and repayments to cash movements

	Issues £'000	2006-07	Net Movement £'000
		Repayments £'000	
Total issues and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
Total financial investment and associated receipts	0	0	0

Reconciliation of fixed assets and disposals

	Additions £'000	2006-07	Net Movement £'000
		Disposals £'000	
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
Total cash movement on asset additions and disposals	0	0	0

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHB'S. The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

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

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

Acquisitions and Discontinued Operations

Activities are considered to be "acquired" and disclosed as such, only if they are acquired from outside the public sector. Activities are considered to be "discontinued" and disclosed as such, only if they cease entirely or are transferred outside the public sector.

1.2 Income and funding

The main source of funding for the LHB is resource allocations from the Assembly within an approved cash limit, which is credited to the general fund when the associated cash is received. Income disclosed in the Operating Cost Statement reflects only the amounts other than Assembly Funding.

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, (or any other material types of income if this disclosure would not be sufficient).

It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

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

1.3 Taxation

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

a. Capitalisation

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

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

b. Valuation

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

Land and Buildings

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

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

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

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

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

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

1.6 Donated assets

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

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

1.7 Research and development

Research and development expenditure is charged to the Operating Cost Statement in the year in which it is incurred, except insofar as it is separately identifiable development expenditure relating to a clearly defined project and benefits therefrom can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State in England and Wales. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999.

Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from the Stationary Office.

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay

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

Early payments of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice the final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump for those who die after retirement is, payable.

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

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

1.9 Foreign currency

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

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2006/07 financial year was 3.5%.

1.11 Provisions

The LHB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. Provisions are only recognised where the amount of economic benefit is probable, and the amount of the transfer can reasonably be estimated.

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

- a possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the LHB's control;

- a present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or

- a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the LHB's control. Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable.

1.15 Deferred Income

Deferred income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent.

1.16 Expenditure

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and finance leases and is recognised on the accruals basis. Interest payable is not shown separately on the face of the Operating Cost Statement, but is included within expenditure.

Certain expenditure relating to reimbursement of General Practitioners for the provision of Family Health Services is defined by the National Assembly as "non-discretionary" and is deducted from net operating costs for the purposes of assessing outturn against revenue resource limit in note 2.1.

Programme expenditure is defined as costs relating directly to the provision of healthcare, social care and other services relating to the LHB's functions provided directly to the public.

All other expenditure is classified as administration expenditure.

1.17 New Dental Contract

On 1 April 2006 a new dental contract was introduced in England and Wales. LHB's are now responsible for commissioning dental services and organising payment through the Dental Practice Division of the Business Services Authority.

Contractors who have underperformed against their contracted level of Units of Dental Activity, (UDA's) by a margin of 5% or less, are contractually allowed to retain their payments for the year and deliver the underperformance of UDA's within the new financial year 2007-08.

The valuation in the annual accounts is based on an estimate provided by the Dental Practice Division in May 2007. The final outturn will not be available until after the publication of the annual accounts, and any variance will be recognised in the accounts for 2007-08.

The LHB's superannuation liability is contingent upon :
the actual UDA performance against the annual contracted target to arrive at a final gross earnings for the year;
the declared split of the gross final earnings over the performers registered on each individual contract.

To calculate the LHB's liability in respect of year end under or over performance, the baseline financial value of any under or over achievement against contracted activity is multiplied by a factor of 0.439, (the standard superannuation assumption for the profit element of gross earnings within the dental sector) and 0.14. (the superannuation employee contribution rate.)

2.1 Achievement of Operational Financial Balance

	2005-06	
	£000	
Net operating costs for the financial year	226,102	204,389
Non-discretionary expenditure	1,545	2,313
Operating costs less non-discretionary expenditure	224,557	202,076
Revenue Resource Limit	224,189	202,097
Under / (over) spend against Revenue Resource Limit	(368)	21
Unplanned resource brokerage received	0	0
Operational Financial Balance	(368)	21

Financial Standing

Since the inception of Caerphilly LHB, all LHB financial targets have been met including the achievement of operational financial balance. However, for the financial year 2006-07 the LHB has breached its statutory financial duty, with a deficit of £0.368m.

In accordance with Welsh Assembly Government requirements, the LHB has completed a Strategic Change Efficiency Plan (SCEP) that clearly identifies how financial balance will be achieved and any deficits repaid. The SCEP contains details of twelve SCEP areas that the LHB believes outlines a change in investment, either through efficiencies or a change in commissioning impetus. The SCEP areas are illustrated to cover the overview of the issue; quantification of impact; and associated risks.

These programme areas encompass the following themes:

- Use of non-recurring under-spends on existing budgets
- Cost Improvement Programme to ensure efficient use of resources
- Efficient and effective use of resources in Secondary Care
- Efficient and effective use of resources in Primary Care
- Various commissioning strategies
- Performance management of service providers

In addition, the LHB has completed its Annual Operating Framework and Financial Plan for 2007-08 that aims to achieve financial balance in 2007-08.

3.1 Miscellaneous income

	£000	2005-06 £000
Fees & Charges	0	0
Prescription charge income	2,840	1,740
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	571	322
Total	3,411	2,062
Other		

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2005-06 Total
	£000	£000	£000	£000
General Medical services	22,663	0	22,663	22,039
Pharmaceutical services	6,276	31	6,307	6,685
General Dental services	7,809	0	7,809	166
General Ophthalmic services	0	1,514	1,514	1,499
Other Primary health care expenditure	3,207	0	3,207	2,335
Prescribed drugs and appliances	31,285	0	31,285	29,958
Total	71,240	1,545	72,785	62,682

4.2 Secondary and Community health care

	Total	2005-06 Total
	£000	£000
NHS Trusts:		
Provider 1 - .. Gwent Healthcare	106,084	97,196
Provider 2 - .. North Glamorgan	16,827	15,675
Provider 3 - .. Cardiff & Vale	17,337	15,341
Provider 4 - .. Velindre	2,923	2,508
Provider 5 - .. Pontypridd & Rhondda	1,167	1,039
Provider 6 - .. Bro Morgannwg	397	190
Provider 7 - .. Swansea Trust	103	90
Provider 8 - .. Pembroke & Derwen	71	69
Provider 9 - .. Carmarthenshire	70	64
Provider 10 - Royal National Hospital for Rheumatic Diseases	48	56
Other Welsh NHS trusts	14	18
Other non Welsh NHS trusts	519	109
Local Authorities	2,980	2,849
Voluntary Organisations	1,165	1,157
NHS Funded Nursing Care	1,585	1,626
Continuing Care	9	83
Private providers	256	568
Specific projects funded by Welsh Assembly Government	1,448	1,501
Other	0	0
Total	153,003	140,139

Note : Of the local authority expenditure above, £2,968,592 was with Caerphilly CBC

4.3 Other programme expenditure

	£000	2005-06 £000
Salaries and wages	221	154
National Public Health Service	983	942
Losses, special payments and irrecoverable debts	122	7
Research and development	0	0
Other	121	146
Total	1,447	1,249

4.4 Administration expenditure

	£000	2005-06 £000
Non-officer members' remuneration	74	90
Other salaries and wages	1,154	1,181
Establishment expenses	226	176
Transport and moveable plant	0	29
Premises and fixed plant	120	112
External contractors	45	35
Auditors' remuneration - audit fee (including VAT)	79	72
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	1,074	1,103
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	2	3
Amortisation	0	0
Capital charge interest	(496)	(432)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	0	12
Total	2,278	2,381

Included in the Business Services Centre recharge is an amount of £17,851 (including VAT) for the external audit of the Business Services Centre attributable to Caerphilly LHB.

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

	Total	2005-06 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	122	1
Defence legal fees and other administrative costs	0	0
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Gross increase / decrease in provision for future payments	122	1
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	6
Less: income received/due from Welsh Risk Pool	0	0
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Total	122	7
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2005-06 £000
Hire of plant and machinery	0	1
Other operating leases	171	82
Total	171	83

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2005-06 Land and Buildings £000	2005-06 Other Leases £000
Operating leases which expire:				
Within 1 year	14	0	43	0
Between 1 and 5 years	0	0	14	0
After 5 years	271	0	191	0

4.7 Executive Directors and staff costs

	Total £000	2005-06 Total £000
Salaries and wages	3,254	2,876
Social security costs	266	230
Employer contributions to NHSPA	436	383
Other pension costs	0	0
Agency / seconded staff	90	84
Total	4,046	3,573

Salaries & Wages Costs are charged as follows:

Note 4.1	2,523
Note 4.2	151
Note 4.3	221
Note 4.4 (£1,154K less non officer NI)	1,151
Total	4,046

4.8 Board Directors' remuneration

	£000	2005-06 £000
Non-officer members' remuneration	74	92
Executive Directors' remuneration:		
basic salaries	302	240
benefits	2	2
performance related bonuses	5	0
pension contributions	43	34
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	426	368

	Chairman £000	Chief Executive £000
Basic Salary	37	81
Benefits	0	2
Compensation for loss of office	0	0
Performance related bonuses	0	5
Pension contributions	0	12
Total	37	100

Remuneration waived by directors and allowances paid in lieu:

	Number	£000
Directors' remuneration waived	0	0
Allowances paid in lieu of remuneration	0	0

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

The Chief Executives Performance Related Pay is based on 6% of the basic salary. This was agreed by the Remuneration & Terms of Service Committee on the 8th March 2006 and ratified by the LHB Board in April 2006.

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2005-06
	Number	Number	Number	Number	Number
Executive Board Members	4	0	1	5	3
Other Local Health Board Staff	97	1	1	99	90
Recharged staff	1	0	0	1	2
Total	102	1	2	105	95

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

Expenditure on staff benefits

	£	£
Nature of expenditure:		
a. Leased cars	2,730	2,730
b.	0	0
c.	0	0
d.	0	0
Total	2,730	2,730

4.10 Retirements due to ill-health

During 2006-07 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £nil

4.11 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2005-06 £000
Non- NHS			
Total bills paid 2006-2007	2,746	10,265	9,644
Total bills paid within target	2,681	10,118	9,576
Percentage of bills paid within target	97.6%	98.6%	99.3%

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

	Number	£000	2005-06 £000
NHS			
Total bills paid 2006-2007	775	149,364	139,819
Total bills paid within target	751	148,991	139,234
Percentage of bills paid within target	96.9%	99.8%	99.6%

	Number	£000	2005-06 £000
Total			
Total bills paid 2006-2007	3,521	159,629	149,463
Total bills paid within target	3,432	159,109	148,810
Percentage of bills paid within target	97.5%	99.7%	99.6%

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

	£	2005-06 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2007	0	0	0	0	0
Accumulated amortisation at 1 April 2006	0	0	0	0	0
Provided during the year	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2007	0	0	0	0	0
Net book value at 1 April 2006	0	0	0	0	0
Net book value at 31 March 2007	0	0	0	0	0

Tangible fixed assets**5.2 Tangible assets at the balance sheet date:**

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2006	190	0	0	0	10	0	0	0	200
Indexation	10	0	0	0	0	0	0	0	10
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2007	200	0	0	0	10	0	0	0	210
Depreciation									
At 1 April 2006	0	0	0	0	3	0	0	0	3
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the year	0	0	0	0	2	0	0	0	2
At 31 March 2007	0	0	0	0	5	0	0	0	5
Net book value									
at 1 April 2006	190	0	0	0	7	0	0	0	197
Net book value									
at 31 March 2007	200	0	0	0	5	0	0	0	205
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2007 comprises:

	£000	2005-06 £000
Freehold	200	190
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
Total	200	190
	<hr/>	<hr/>

Net profit/(loss) on disposal of fixed assets

	£000	2005-06 £000
During the year the LHB disposed of fixed assets with the net book value of,	0	130
The gross proceeds from the sale(s) were	0	130
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the National Assembly for Wales the net proceeds from disposal of and retained the costs of disposal, net of,	0	0
	0	0

6.1 Debtors

	£000	2005-06 £000
Amounts falling due within one year:		
National Assembly for Wales	202	11
Health Commission Wales	0	0
Local Health Boards	108	131
Primary Care Trusts	0	0
NHS Trusts	321	488
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	464	2,967
Provision for irrecoverable debts	(254)	(171)
Pension Prepayments:	0	0
Other prepayments and accrued income	794	423
Sub total	1,635	3,849
Amounts falling due after more than one year:		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	0	0
Total	1,635	3,849

6.2 Creditors

Amounts falling due within one year:	2005-06	
	£000	£000
National Assembly for Wales	778	847
Health Commission Wales	0	0
Local Health Boards	116	375
NHS Trusts	6,749	2,335
Primary Care Trusts	0	4
Income tax and social security	0	2
Non-NHS creditors	9,603	10,391
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	1
Pensions: staff	0	0
Accruals	820	2,795
Deferred Income	0	0
Other creditors	0	0
Total	18,066	16,750

6.3 Creditors

Amounts falling due after more than one year:	2005-06	
	Total £000	Total £000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
Total	0	0

6.4 Provisions for liabilities and charges

	At 1 April 2006	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2007
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	165	0	(67)	72	(38)	0	0	132
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0
Sub-total	165	0	(67)	72	(38)	0	0	132
Pensions	0			0	0	0	0	0
Other	65			22	0	0		87
Total	230	0	(67)	94	(38)	0	0	219

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	132	0	0	132
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	87	0	0	87
Total	219	0	0	219

The LHB estimates that in 2007-08 it will receive £'000 , and in 2008-09 and beyond £'000 from the Welsh Risk Pool in respect of losses and special payments.

In February 2003 an Ombudsman report on NHS Funding for long term care found that Government guidance on who should receive financial support for continuing health care had been misinterpreted. The LHB has provided £132,000 within the accounts but not all potential claims are yet known. At present 6 claims are awaiting assessment. Others may arise in the future. As these are uncertain and beyond quantification, no further amounts have been included.

In January 2006 the High Court concluded that if, following a health care assessment, a person's health care 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. No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement. The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of the judgement.

Agenda for Change - From the 1st of October 2004 a new NHS pay system was due to be introduced. The implementation of the new pay system, known as Agenda for Change, is underway and the LHB has provided £87,000 in the accounts but all the potential costs are not yet known.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2006	(11,570)
Net operating cost for the financial year	(226,102)
Net Assembly funding (including capital)	226,317
Capital charge interest	(496)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2007	<u>(11,851)</u>

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2006	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2007	<u>0</u>

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2006	0
Revaluation	0
Indexation	10
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2007	<u>10</u>

6.8 Contingent liabilities -

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

Nature:	2005-06	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	0	0
Total	0	0

Uncertainties affecting outcome:

6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	217	0	778	0
Balances with local authorities	338	0	385	0
Balances with NHS trusts and Foundation trusts	321	0	6,749	0
Balances with Local Health Boards	108	0	116	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	651	0	10,038	0
Total at 31 March 2007	1,635	0	18,066	0
Balances with other central government bodies	37	0	849	0
Balances with local authorities	219	0	271	0
Balances with NHS trusts and Foundation trusts	488	0	2,339	0
Balances with Local Health Boards	131	0	375	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	2,974	0	12,916	0
Total at 31 March 2006	3,849	0	16,750	0

6.10 Post balance sheet events

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

1.	0
	
2.	0
	
Total		0

6.11 Capital commitments

The Local Health Board has the following capital commitments:

	2005-06	
Contracted	0	0
Authorised but not contracted	0	0
Total	0	0

6.12 Related Party transactions**£000**

Total value of transactions with Board members and key senior staff in 2006-2007

0

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

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

Blaenau Gwent Local Health Board	North Glamorgan NHS Trust
Bro Morgannwg NHS Trust	Pembrokeshire Derwen NHS Trust
Cardiff & Vale NHS Trust	Pontypridd Rhondda NHS Trust
Cardiff & Vale NHS Trust	Powys LHB
Cardiff & Vale NHS Trust	Swansea NHS Trust
Monmouth Local Health Board	Torfaen Local Health Board
Newport Local Health Board	Velindre NHS Trust
Rhondda Cynon Taff LHB	

In addition, the Local Health Board has a significant number of material transactions with other Government Departments and other central and local government bodies. Most of these transactions have been with :

Caerphilly County Borough Council

During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Caerphilly LHB

During 2006/07, the following individuals served as non-executive directors with Caerphilly Local Health Board (LHB). Several of these non-executive directors also held positions of influence with other organisations and businesses which had material transactions with Caerphilly LHB. Details are as follows

	Member	Related Organisation	Supplier No.	Role During 2006/07	Value of Expenditure with Related Organisation During 2006/07	Value of Expenditure with Related Organisation During 2005/06
					£000	£000
1	David Bailey	Ty Bryn Surgery		General Practitioner		
2	John Bevan	Caerphilly CBC Abertysswg Community Centre	C001 A023	Councillor Secretary	2,969 2	2,849 5
3	Wendy Bourton	Care and Repair Caerphilly	C228	Chief Executive	20	19
4	Alan Brown	Caerphilly CBC	C001	Environmental Health Manager	2,969	2,849
5	Allan Davies	Gwent Healthcare Trust	G005	Manager	106,084	97,061
6	David Greville	Oakfield Street Surgery		General Practitioner		
7	Richard Griffiths	Mayberry Pharmacy		Pharmacist		
8	Joe Howsam	Caerphilly CBC	C001	Director of Social Services	2,969	2,849
9	Dermot Hughes	Gwent Healthcare Trust	G005	Consultant	106,084	97,061
10	Gwyn Jones	North View Dental Practise		Dentist		
11	Colin Mann	Caerphilly CBC Gwent Police Authority	C001 G076	Councillor Member	2,969 2	2,849 -
12	Robert Mitchard	Care and Repair Caerphilly	C228	Board Member	20	19
13	Judith Pritchard	Caerphilly CBC Centre for Help and Advice to the Disabled	C001 C070	Councillor Honorary President	2,969 2	2,849 2
14	Alison	Gwent Healthcare Trust	G005	Chief Dietician	106,084	97,061
15	Sheena Thomas	Rhymney Health Centre		General Practitioner		
16	Allen Williams	Caerphilly CBC Gwent Association of Voluntary Organisations Crossroad (Carers Markham Community House	C001 G048 C062 M003	Councillor Vice Chair / Exec Member Trustee Trustee	2,969 158 3 -	2,849 153 - -
17	Robin Woodyatt	Caerphilly CBC	C001	Councillor	2,969	2,849

6.13 Losses and special payments

Losses and special payments are transactions that the National Assembly for Wales would not have contemplated when it allocated and distributed funding for the National Health Service. By their nature they items that should not arise. They are therefore subject to special control procedures compared with the generality of payments and special notation in the accounts to draw them to the attention of the National Assembly for Wales. They are divided into different categories, which govern the way each individual case is handled. These payments are charged to the Operating Cost Statement in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore, this note is compiled on a cash basis.

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	6	42,734
Total losses and special payments	6	42,734

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
Sub-total	0	0	0
All other cases	42,374	42,374	42,374
Total cases	42,374	42,374	42,374

6.14 Financial Instruments

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

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

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

	£000	2005-06 £000
Within 1 year	0	0
Between 1 and 5 years	0	0
After 5 years	0	0
	<hr/>	<hr/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
Total	0	0

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

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

6.16 Pooled Budgets

Where Local Health Boards are part of a project financed by a pooled budget, they should include details in this note. The Local Health Board should disclose its contribution to the pooled budget, a description of the project and the total annual expenditure. A memorandum account of the fund should also be disclosed. The account must be prepared by 31 May 2007 at the latest so that the Auditor General for Wales can complete his audit by 28 June 2007.

Caerphilly LHB did not contribute to any pooled budgets in 2006/07.

Remuneration

Name and title	2006-07			2005-06			
	Salary £5k bands £000	Other Remuneration £5k bands £000	Benefits in Kind Rounded to nearest £00 £00	Salary £000	Other Remuneration £000	Benefits in Kind Rounded to nearest £00 £00	
Executive directors							
Judith Paget	Chief Executive	80-85	0 - 5	17	75 - 80	0-5	17
Mark Ash	Dir Finance & Perf	55-60	0	0	15-20	0	0
Chrissie Hayes	Nurse Director	55-60	0	0	50 - 55	0	0
Karen Gully	Medical Director	50-55	0	0	40-45	0	0
Gill Richardson	Dir of Public Health	0	0	0	0	0	0
Colleen Bright	Assoc Dir of Planning & PC	50 - 55	0	0	50-55	0	0
Claire Jones	Assoc Dir PC to 24/5/05	0	0	0	5-10	0	0
Non officer members							
Bob Mitchard		15-20	0	0	30 - 35	0	0
Colin Palfrey		15-20	0	0	5 - 10	0	0
Hilary Brunt		0-5	0	0	5 - 10	0	0
David Greville		5 - 10	0	0	5 - 10	0	0
David Bailey		5 - 10	0	0	5 - 10	0	0
Sheena Thomas		0-5	0	0	5-10	0	0
Allen Williams		5 - 10	0	0	5 - 10	0	0
Catherine Beman		5 - 10	0	0	5 - 10	0	0
Judith Pritchard		0-5	0	0	0	0	0
Richard Griffiths		0-5	0	0	0	0	0
Gwyn Jones		0-5	0	0	0	0	0
Hugh Phillips		0-5	0	0	0	0	0
Simon Nelson		0	0	0	5 - 10	0	0
Margaret Veater		0	0	0	5 - 10	0	0
Alan Brown		0	0	0	0	0	0
Joe Howsam		0	0	0	0	0	0
Colin Mann		0	0	0	0	0	0
Wendy Bourton		0	0	0	0	0	0
Alison Shakeshaft		0	0	0	0	0	0
Dermot Hughes		0	0	0	0	0	0
John Bevan		0	0	0	0	0	0
Allan Davies		0	0	0	0	0	0
Robin Woodyatt		0	0	0	0	0	0
Pam Baldwin		0	0	0	0	0	0

Other remuneration related to Judith Paget 6% PRP awarded from 1st April 2005.

The benefit in kind received by Judith Paget relates to the net cost to the LHB of a lease car.

Mark Ash is seconded in from Monmouthshire LHB and the disclosure above represents the cost to Caerphilly LHB.

Julian Baker is seconded out to North Glamorgan Healthcare NHS Trust and is therefore not included above.

Remuneration Note

Pension Benefits

	Real increase in pension at age 60	Lump sum at age 60 related to real increase in pension	Total accrued pension at age 60 at 31/3/07	Lump sum at age 60 related to accrued pension at 31/3/2007	Cash equivalent transfer value at 31/3/07	Cash equivalent transfer value at 31/3/06	Real increase in cash equivalent transfer value at 31/3/07	Employer's contribution to stakeholder pension
	£2.5k bands	£2.5k bands	£5k bands	£5k bands	£000	£000	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000
Judith Paget - Chief Executive	0 - 2.5	2.5 - 5	25 - 30	85 - 90	375	340	18	0
Karen Gully - Medical Director	5 - 7.5	17.5 - 20	15 - 20	45 - 50	208	112	65	0
Chrissie Hayes - Nurse Director	0 - 2.5	0 - 2.5	10 - 15	40 - 45	235	221	6	0
Colleen Bright - Director of Planning & PC	0 - 2.5	2.5 - 5	15 - 20	55 - 60	280	249	17	0
Mark Ash - Director of Finance & Performance	0 - 2.5	5 - 7.5	10 - 15	40 - 45	166	137	18	0
Gill Richardson - Dir of Public Health								

An employee of Velindre NHS Trust

Mark Ash is seconded in from Monmouthshire LHB

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

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

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

Date: 2007

..... Chief Executive

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

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

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

Date: 2007

..... Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman:

Dated: 2007

Chief Executive:

Dated: 2007

Director of Finance:

Dated: 2007

Statement of Internal Control

1. Scope of responsibility

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

The LHB's internal control framework is underpinned by Standing Orders and Standing Financial Instructions, which were formally adopted by the Board in April 2003, and have been reviewed during 2006/07. The Standing Orders include a scheme of delegation and the LHB has also adopted a detailed authorisation matrix. Membership and Terms of Reference of the Audit & Risk Management Committee, Clinical Governance Committee and Remuneration & Terms of Service Committee are agreed. The LHB has undertaken self-assessments against the Welsh Risk Management Standards and agreed Action Plans for improvement. The Welsh Risk Pool have also conducted an assessment on 7 Standards.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Board has agreed to discharge its responsibilities for corporate risk management through the Audit & Risk Management Committee and for clinical governance through the Clinical Governance Committee. There is a clear link established between these two committees in relation to risk management.

Risk Matters is a standard agenda item for the Audit & Risk Management Committee.

The overall accountability for the management of risk rests with the Chief Executive. The Director of Finance has been delegated with responsibility for risk management and the Medical Director is charged with responsibility for clinical governance.

The Risk Management Working Group continues to take forward risk management within the organisation. Each directorate is represented on the group, who's responsibilities include monitoring action against the risk management action plan, maintaining risk registers, reviewing new Welsh Risk Management Standards and conducting self assessments against the standards. The Risk Management Working Group report to the Management Team and Audit & Risk Management Committee.

All staff receive the Risk Management Strategy as part of their induction. Staff receive a precis of the Risk Management Strategy following revision on an annual basis and are able to access the Strategy on the shared drive. Risk Management is a standard item on the annual Refresher Days for all staff.

4. The risk and control framework

The LHB has reviewed its Risk Management Strategy which addresses clinical, organisational and financial risk through encouraging a culture of risk ownership, its assessment and associated remedial or limitation action, by the Board and all staff within the Local Health Board. Risk Registers are maintained by all Directorates. Risks with a risk rating of 12 or more are reported to the LHBs Management Team on a 4 weekly basis. Risks with a rating of 20 or more are reported to the LHB Board as part of a quarterly report on progress against risk management Key Performance Indicators.

During the 2006/07 financial year the LHB has been required to undertake self-assessments against 9 Welsh Risk Management Standards and were expected to achieve 75% compliance. An improvement against the previous years scores is expected. There was one new standard in place for 2006/07 - Claims and Complaints. The scores for 2006/07 are provided below (with comparative scores for 2005/06 provided in brackets). The LHB's performance against the 5 core Standards is summarised below: -

A Risk Management Policy & Strategy 88% (85%)
B Risk Assessment & Treatment 83% (77%)
C Incident and Hazard Reporting 91% (86%)
E Governance 88% (82%)
F Financial Management 91% (82%)

The LHB's performance against the remaining Standards is summarised below: -

D Policies and Procedures 84% (81%)
G Facilitating Safe Provision in Primary Care 80% (83%)
H Claims and Complaints 77% (N/A)
I Records Management 79% (75%)

The self-assessments against all of the Standards have been reviewed by the LHB's Internal Auditors and agreement has been reached on scores. As part of the process Action Plans have also been agreed for each of the Standards to address key areas identified for improvement. Implementation and review of performance against the Action Plans will be undertaken by the Risk Management Working Group and reported to the Management Team and Audit & Risk Management Committee and Board. The Welsh Risk Pool have also conducted an assessment of performance against 7 Standards and the draft results of this assessment are as follows (2005/06 scores in brackets):

A Risk Management Policy and Strategy -80% (79%)
B Risk Assessment and Treatment - 87% (76%)
C Incident and Hazard Reporting -91% (84%)
D Policies and Procedures -98% (79%)
G Facilitating Safe Provision in Primary Care -80% (70%)
H Claims and Complaints - 72% (N/A)
I Records Management - 78%(74%)

The LHB achieved 83% compliance overall, an increase of 5% from 2005/06.

A draft report has been received from the Welsh Risk Pool and circulated for comment. The final report is expected in July 2007

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Probity of Dental Expenditure:

A new Dental Contract was implemented from 1st April 2006, with payments being made on LHBs' behalf by the Business Services Authority Dental Practice Division (DPD) in England. In addition to the checks required to obtain assurance on

the adequacy of the payment systems - undertaken by both the DPD's and the LHB internal auditors - there should also be checks to ensure the probity of dental expenditure. In 2006/07 the following work was undertaken on the probity of dental expenditure:

- a) Clinical Assurance Monitoring – 10% coverage with 3 provider contracts monitored and 7 performers monitored
- b) Benefit Eligibility Checks – 4,572 checks undertaken
- c) Patient questionnaires – commenced on 8th January 2007 and 504 questionnaires were issued. Average response rate for the LHB is 30% (compared to Welsh average of 33%)
- d) Analytical review undertaken by the LHB covers three main areas:
 - 1. Monthly information reports are reviewed where outliers are identified. The monthly information confirms that the LHB does not have any persistent outliers. In addition, the DPD has confirmed to the LHB that it is not an outlier when compared to Welsh LHBs.
 - 2. All contracts were subject to mid-year review that concentrated on contract activity levels. A detailed action plan is agreed that either reduces the contract level or revised profiles to deliver the contracted levels.
 - 3. All contracts are subject to an Annual Review which will commence in July. There is a financial adjustment based on national contract agreement, where all contracts that have delivered below 95% of their contracted activity are adjusted to actual performance levels. In addition, the review will look at various contract matters i.e. Patient Charge Revenue achievement, contract implementation, NICE, treatment plans, etc. The LHB will utilise the year reports provided by the DPD. The LHB deals with all exception investigations as part of the annual review process.
- e) The LHBs Internal Audit team have undertaken a review of the Dental Payments system that is managed by the Business Service Centre. There are no matters to report with the payments system.
- f) The LHBs LCFS is not involved in any review of the exceptions at this stage.

Although this work does not indicate that any material irregular dental expenditure occurred during 2006/07, it is not sufficient to provide the LHB with assurance that the risk of irregular payments to dentists are minimised. The LHB plans to increase the work undertaken in future years to identify and minimise any risk of irregular payments to dentists.

The Board is advised of the effectiveness of internal controls through reports received from the Audit & Risk Management Committee and Clinical Governance Committee. Each of these committees plays an important role in reviewing the effectiveness of the system of internal control.

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.

The Audit and Risk Management Committee have monitored the effectiveness of the system of internal control through the receipt and review of internal and external audit reports and consideration of the associated management action taken. These reports are based on a systematic review of LHB processes. During 2006/07 these reports have not highlighted any significant internal control problems and, where appropriate, LHB management has responded positively to recommendations made. Detailed Action Plans have been agreed with the LHB's Internal Auditors to address areas where improvements can be made.

Signed.....
Chief Executive
(on behalf of the Board)

Date:.....

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 on pages 1 to 36 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 7 to 12.

I certify that I have audited that part of the remuneration report to be audited.

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on page 38 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

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.

I review whether the statement on pages 39 to 41 reflects the Board's compliance with the Treasury and Welsh Ministers' guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes

an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

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

The Board has breached its resource limit by spending £0.368 million over the amount that it was authorised to spend in the year. This spend constitutes irregular expenditure.

Without qualifying my opinion, I draw your attention to note 2.1, which sets out the financial position of the TLHB and the actions being taken to achieve financial balance.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Caerphilly Teaching Local Health Board as at 31 March 2007 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers; and
- except for the irregular expenditure of £0.368 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.

I have no observations to make on these financial statements.

My conclusion on Caerphilly Teaching Local Health Board's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
28 June 2007

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

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

LOCAL HEALTH BOARDS

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2007 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2007 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2007 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

SCHEDULE 1

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

Companies Act

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

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

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