

**RHONDDA CYNON TAFF
LOCAL HEALTH BOARD**

**ANNUAL ACCOUNTS
2004/05**

Rhondda Cynon Taff 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 has, with the approval of the Treasury, directed.

Statutory background

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

- Agreeing the action which is necessary to improve the health and health care of the population of Rhondda Cynon Taff Local Health Board.
- 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

From inception Local Health Boards in Wales must comply fully with the Treasury's Resource Accounting Manual. As a result the Income and Expenditure Account has been replaced by an Operating Cost Statement as the primary statement of in-year expenditure. Assembly 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 11. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year.

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

| | Note | 2005 £000 | 2004 £000 |
|----------------------------|--------------------|----------------------|----------------------|
| Expenditure | 4.1, 4.2, 4.3, 4.4 | 293,318 | 255,989 |
| Miscellaneous Income | 3.1 | 10,624 | 2,975 |
| Net operating costs | | 282,694 | 253,014 |

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

| | 2005 £000 | 2004 £000 |
|---|----------------------|----------------------|
| Unrealised surplus on revaluation/indexations of fixed assets | 0 | 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 | 0 | 0 |

Adjustments have been made to the comparative figures in respect of Assembly funding in both the Balance Sheet and General Fund in the form of a prior period adjustment. No prior period adjustment has been made in respect of the operating cost statement, cashflow statement or Statement of Recognised Gains and Losses.

Full details of the adjustments made are set out in Note 8 Prior Period Adjustment.

BALANCE SHEET AS AT 31 MARCH 2005

| | Note | 2005 £000 | Restated 2004 £000 |
|---|-------------|----------------------|-----------------------------------|
| CURRENT ASSETS | | | |
| Debtors | 5.1 | 8,467 | 1,269 |
| Cash at bank and in hand | | 161 | 0 |
| Total Current Assets | | 8,628 | 1,269 |
| Creditors: amounts falling due within one year | 5.2 | 25,377 | 17,196 |
| Net current assets / (liabilities) | | (16,749) | (15,927) |
| Creditors: amounts falling due after more than one year | 5.3 | 0 | 1,577 |
| Provisions for liabilities and charges | 5.4 | 875 | 300 |
| TOTAL NET ASSETS / (LIABILITIES) | | (17,624) | (17,804) |
| FINANCED BY: | | | |
| General fund | 5.5 | (17,624) | (17,804) |

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 2005

| | 2005 £000 | Restated 2004 £000 |
|--|----------------------------|---|
| Net operating costs | (282,694) | (253,014) |
| Adjust for non-cash transactions | (48) | 181 |
| Adjust for movements in working capital other than cash | (594) | 1,691 |
| Utilisation of provisions | 0 | 0 |
| Net cash outflow from operating activities | (283,336) | (251,142) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT: | | |
| Payments to acquire tangible fixed assets | 0 | 0 |
| Receipts from the sale of tangible fixed assets | 0 | 0 |
| Net cash inflow/(outflow) from investing activities | 0 | 0 |
| Net cash inflow/(outflow) before financing | (283,336) | (251,142) |
| FINANCING: | | |
| Net Assembly funding (including capital) | 283,497 | 250,839 |
| Net cash inflow/(outflow) from financing | 283,497 | 250,839 |
| Increase/(decrease) in cash | 161 | (303) |

Notes to the cash flow statement

| | 2005 | Restated |
|--|--------------|-----------------|
| Adjust for movements in working capital other than cash | £000 | 2004 |
| | | £000 |
| (Increase)/decrease in debtors | (7,198) | (713) |
| Increase/(decrease) in creditors | 6,604 | 2,404 |
| | <u>(594)</u> | <u>1,691</u> |

| | 2005 | Restated |
|---|-------------|-----------------|
| Adjustment for non-cash transactions | £000 | 2004 |
| | | £000 |
| Non-cash provisions | 575 | 300 |
| Capital charge interest | (623) | (119) |
| | <u>(48)</u> | <u>181</u> |

| Reconciliation of net cash flow to movement in net debt | £000 |
|--|-------------|
| Increase/(decrease) in cash in the period | 161 |
| Cash inflow from new debt | 0 |
| Cash outflow from debt repaid and finance lease capital payments | 0 |
| Change in net debt resulting from cash flows | <u>161</u> |
| Non cash changes in debt | 0 |
| Net debt at 1 April 2004 | <u>0</u> |
| Net debt at 31 March 2005 | <u>161</u> |

Analysis of changes in net debt

| | As at | | Other | As at |
|--------------------------|----------------|-------------------|----------------|-----------------|
| | 1 April | Cash flows | changes | 31 March |
| | 2004 | £000 | £000 | 2005 |
| | £000 | | | £000 |
| Cash at bank and in hand | 0 | 161 | 0 | 161 |
| Bank overdraft | 0 | 0 | 0 | 0 |
| Debt due within one year | 0 | 0 | 0 | 0 |
| Debt due after one year | 0 | 0 | 0 | 0 |
| Total | <u>0</u> | <u>161</u> | <u>0</u> | <u>161</u> |

Notes to the Accounts

1. Accounting Policies

- 1.1 The financial statements have been prepared in accordance with the Resource Accounting Manual (RAM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHB's. Under Resource Accounting the treatment of debtors and creditors for Assembly funding was incorrectly applied for transactions made in 2003/04 and for inherited LHB balances. This has been addressed for 2004/05, and the impact of this change in accounting policy has been corrected as set out in Note 8 Prior Period Adjustment. The particular accounting policies adopted 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 surpluses and deficits.

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.

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

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 fixed assets are capitalised if they can be valued, are capable of being used 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.

Rhondda Cynon Taff LHB did not hold any intangible fixed assets during 2004/05.

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.

B. Valuation

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

Rhondda Cynon Taff LHB did not hold any tangible fixed assets during 2004/05.

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.

Rhondda Cynon Taff LHB did not hold any donated assets during 2004/05.

1.7 Research and development

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

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2004-05 was: £297,832, and in 2003-04 was £72,287.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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 three 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 member's 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, is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchases 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 relates directly to the value of the investments made.

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

FRS17 had been fully adopted from 2003/04.

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

1.9 Foreign currency

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

1.10 Cost of Capital

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

1.11 Provisions

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

1.12 Liquid resources

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

1.13 Leases

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

leases are regarded as operating leases and the rentals are charged to the OCS on a straight line basis.

1.14 Deferred Income

Income received from the National Assembly for Wales has been carried forward from health authorities into LHB's in accordance with WHC 2003 (115). No deferred allocations are allowed in year unless the funds have been received from non-governmental bodies.

2.1 Achievement of Operational Financial Balance

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| Net operating costs for the financial year | 282,694 | 253,014 |
| Non-discretionary expenditure | 8,814 | 21,605 |
| Operating costs less non-discretionary expenditure | 273,880 | 231,409 |
| Revenue Resource Limit | 273,929 | 231,442 |
| Under/(over) spend against Revenue Resource Limit | 49 | 33 |
| Unplanned resource brokerage received | 0 | 0 |
| Operational Financial Balance | 49 | 33 |

3.1 Miscellaneous income

| | 2005 | 2004 |
|----------------------------|-------------|-------------|
| | £000 | £000 |
| Prescription charge income | 1,701 | 1,801 |
| Other | 8,923 | 1,174 |
| Total | 10,624 | 2,975 |

4.1 Primary health care

| | Cash | Non cash | 2005 | 2004 |
|---------------------------------------|----------------|-----------------|--------------|--------------|
| | Limited | limited | Total | Total |
| | £000 | £000 | £000 | £000 |
| General Medical services | 28,818 | 0 | 28,818 | 21,827 |
| Pharmaceutical services | 0 | 6,530 | 6,530 | 4,350 |
| General Dental services | 117 | 109 | 226 | 347 |
| General Ophthalmic services | 75 | 1,915 | 1,990 | 1,872 |
| Other Primary health care expenditure | 891 | 0 | 891 | 1,228 |
| Prescribed drugs and appliances | 42,017 | 0 | 42,017 | 39,612 |
| Total | 71,918 | 8,554 | 80,472 | 69,236 |

4.2 Secondary and community health care

| | 2005 | 2004 |
|---|----------------|----------------|
| | £000 | £000 |
| Cardiff & Vale NHS Trust | 9,450 | 8,599 |
| North Glamorgan NHS Trust | 43,353 | 40,157 |
| Pontypridd & Rhondda NHS Trust | 128,565 | 117,043 |
| Velindre NHS Trust | 3,190 | 2,784 |
| Gwent Healthcare NHS Trust | 511 | 455 |
| Swansea NHS Trust | 314 | 349 |
| Bro Morgannwg NHS Trust | 4,053 | 3,783 |
| Carmarthenshire NHS Trust | 119 | 105 |
| Pembroke & Derwen NHS Trust | 62 | 60 |
| Ceredigion NHS Trust | 29 | 28 |
| Other Welsh NHS Trusts | 26 | 31 |
| Other non Welsh NHS Trusts | 244 | 236 |
| Local Authorities | 78 | 139 |
| Voluntary Organisations | 1,114 | 983 |
| NHS Funded Nursing Care | 2,724 | 528 |
| Continuing Care | 6,195 | 5,066 |
| Private providers | 135 | 181 |
| Specific projects funded by Welsh Assembly Government | 6,916 | 37 |
| Other | 108 | 345 |
| Total | 207,186 | 180,909 |

Included within "NHS Funded Nursing Care" expenditure is £2.565m paid to Local Authorities.

Included within "Continuing Care" expenditure is £339,026 paid to Pontypridd & Rhondda NHS Trust, and £855,474 paid to Local Authorities.

Expenditure with the Local Authority does not include payments under s28a of the NHS Act 1977 or s31 of the 1999 Health Act.

Included within Specific projects funded by WAG are the healthcare related costs of the Second Offer Commissioning Team – see Note 7 for detailed analysis.

4.3 Other programme expenditure

| | 2005 | 2004 |
|--|--------------|--------------|
| | £000 | £000 |
| Salaries and wages | 899 | 383 |
| National Public Health Service | 1,359 | 1,203 |
| Losses, special payments and irrecoverable debts | 260 | 1,075 |
| Research and development | 0 | 0 |
| Other | 445 | 363 |
| Total | 2,963 | 3,024 |

4.4 Administration expenditure

| | 2005 | 2004 |
|-------------------------------------|--------------|--------------|
| | £000 | £000 |
| Non-officer members' remuneration | 104 | 87 |
| Other salaries and wages | 870 | 810 |
| Establishment expenses | 147 | 171 |
| Premises and fixed plant | 412 | 154 |
| External contractors | 13 | 12 |
| Auditors' remuneration – audit fee | 83 | 103 |
| Auditors' remuneration – other fees | 0 | 0 |
| Business Services Centre recharge | 1,667 | 1,597 |
| Capital charge interest | (623) | (119) |
| Other | 24 | 5 |
| Total | 2,697 | 2,820 |

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

| | 2005 | 2004 |
|--|-------------|--------------|
| | £000 | £000 |
| Clinical negligence | 0 | 0 |
| Personal injury | 0 | 0 |
| All other losses and special payments (Note 6.4) | 260 | 274 |
| Defence legal fees and other administrative costs | 0 | 0 |
| Gross increase/decrease in provision for future payments | 260 | 274 |
| Contributions to Welsh Risk Pool/insurance premiums | 0 | 801 |
| Irrecoverable debts | 0 | 0 |
| Total charge | 260 | 1,075 |

Personal injury includes £nil in respect of permanent injury benefits.

4.6 Hire and operating lease rentals

| | 2005 | 2004 |
|-----------------------------|-------------|-------------|
| | £000 | £000 |
| Hire of plant and machinery | 0 | 0 |
| Other operating leases | 93 | 87 |
| Total | 93 | 87 |

Commitments under non-cancellable operating leases:

| | Land and Buildings £000 | Other Leases £000 |
|---------------------------------------|--|----------------------------------|
| Operating leases which expire: | | |
| Within 1 year | 27 | 0 |
| Between 1 and 5 years | 121 | 0 |
| After 5 years | 0 | 0 |

4.7 Executive Directors and staff costs

| | 2005 | 2004 |
|---------------------------------|-------------|-------------|
| | £000 | £000 |
| Salaries and wages | 2,248 | 1,063 |
| Social security costs | 181 | 87 |
| Employer contributions to NHSPA | 298 | 71 |
| Other pension costs | 0 | 0 |
| Agency/seconded staff | 68 | 59 |
| Total | 2,795 | 1,280 |

In addition to the wages and salaries costs disclosed in Notes 4.3 and Note 4.4, £1.026m relating to the wages and salaries of LHB primary care employees is included within Note 4.1.

4.8 Board Directors' remuneration

| | 2005 | 2004 |
|--|-------------|-------------|
| | £000 | £000 |
| Non-officer members' remuneration | 100 | 79 |
| Executive and Associate Directors' remuneration: | | |
| Basic salaries | 366 | 232 |
| Benefits | 0 | 0 |
| Performance related bonuses | 0 | 0 |
| Pension contributions | 51 | 16 |
| Compensation for loss of office | 0 | 0 |
| Pensions to former directors (early retirees) | 0 | 0 |
| Total | 517 | 327 |

| | Chairman | Chief Executive |
|---------------------------------|-----------------|------------------------|
| | £000 | £000 |
| Basic salary | 30 | 79 |
| Benefits | 0 | 0 |
| Compensation for loss of office | 0 | 0 |
| Performance related bonuses | 0 | 0 |
| Pension contributions | 4 | 11 |
| Total | 34 | 90 |

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:

There were no performance related bonuses paid during the year.

4.9 Average number of employees

The average number of employees during the year was:

| | Permanent Staff Number | Agency, temporary and contract staff Number | Staff on inward secondment Number | Total 2005 Number | Total 2004 Number |
|--|----------------------------------|---|--|-----------------------------|-----------------------------|
| Executive and Associate Board Directors | 6 | 0 | 0 | 6 | 5 |
| Other Local Health Board staff | 61 | 0 | 0 | 61 | 29 |
| Recharged staff | 0 | 0 | 2 | 2 | 3 |
| Total | 67 | 0 | 2 | 69 | 37 |

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: | £000 |
|------------------------|----------|
| a. | 0 |
| b. | 0 |
| c. | 0 |
| d. | 0 |
| Total | 0 |

4.10 Salary and pension entitlements of senior managers

| Name & Title | 2004/05 Salary £5k bands £000 | 2004/05 Other Remuneration £5k bands £000 | 2004/05 Benefits in kind £000 | 2003/04 Salary £5k bands £000 | 2003/04 other remuneration £5k bands £000 | 2003/04 Benefits in kind £000 |
|---|--|---|--|--|---|--|
| Executive and Associate Directors: | | | | | | |
| Mr Mel Evans (note 1) Chief Executive | 75>80 | 0 | 0 | 60>65 | 0 | 0 |
| Mr Mark Thomas Director of Finance | 60>65 | 0 | 0 | 60>65 | 0 | 0 |
| Dr Anne Evans (note 3) Medical Director | 50>55 | 0 | 0 | 30>35 | 0 | 0 |
| Mrs Lynda Williams (note 2) Nurse Director | 20>25 | 0 | 0 | 20>25 | 0 | 0 |
| Dr Paul Tromans (note 4) Director of Public Health | 0 | 0 | 0 | 0 | 0 | 0 |
| Alison Lagier Deputy Chief Executive | 50>55 | 0 | 0 | 50>55 | 0 | 0 |
| Head of Planning & Partnerships | * | * | * | * | * | * |
| Head of Primary Care | * | * | * | * | * | * |
| Non officer members | | | | | | |
| Dr Christopher DV Jones Chairman | 30>35 | 0 | 0 | 25>30 | 0 | 0 |
| Dr Hasnukh V Shah GP member | 5>10 | 0 | 0 | 5>10 | 0 | 0 |
| GP Member | * | * | * | * | * | * |
| Mr Alan Griffiths Dental Member | 5>10 | 0 | 0 | 5>10 | 0 | 0 |
| Dr Robert Baron GP Member | 5>10 | 0 | 0 | 5>10 | 0 | 0 |
| Mr Selwyn Jones Optometrist Member | 5>10 | 0 | 0 | 5>10 | 0 | 0 |
| Mr Alan Crabbe Pharmacy Member | 5>10 | 0 | 0 | 5>10 | 0 | 0 |
| Ms Anne Higgins Voluntary Sector Member | 5>10 | 0 | 0 | 5>10 | 0 | 0 |
| Ms Sylvia Jones Carer Member | 5>10 | 0 | 0 | 5>10 | 0 | 0 |
| Ms Antonia Forte (note 5) Voluntary Sector Member | 0 | 0 | 0 | 0 | 0 | 0 |
| Ms Lynette Ward Therapy Member | 0 | 0 | 0 | 0 | 0 | 0 |
| Mrs Karen Snelling (note 5) Nurse Member | 0 | 0 | 0 | 0 | 0 | 0 |
| Mrs Jacqueline Murphy Community Lay Member (note 6) | 0 > 5 | 0 | 0 | 0 | 0 | 0 |
| Cllr Jonathan Huish Local Authority Member | 0 | 0 | 0 | 0 | 0 | 0 |
| Cllr Pauline Jarman Local Authority Member | 0 | 0 | 0 | 0 | 0 | 0 |
| Cllr Rebecca Winter (note 7) Local Authority Member | 0 | 0 | 0 | 0 | 0 | 0 |
| Cllr John David (note 8) Local Authority Member | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Authority Member (note 9) | * | * | * | * | * | * |
| Local Authority Member (note 10) | * | * | * | * | * | * |
| Associate members | | | | | | |
| Mr Clive Barnby | 0 | 0 | 0 | 0 | 0 | 0 |
| Mr Robert Williams | 0 | 0 | 0 | 0 | 0 | 0 |
| Mr Paul Gage | 0 | 0 | 0 | 0 | 0 | 0 |
| Dr Shona Sullivan | 0 | 0 | 0 | 0 | 0 | 0 |

1. Mr Mel Evans was seconded to Vale of Glamorgan LHB between 22 September 2003 and 5 March 2004 for 2 days a week. The comparative salary cost disclosed above is net of the amount recharged to the Vale of Glamorgan LHB for this period which was £14,910.
2. Mrs Lynda Williams occupied a joint post with Merthyr Tydfil and Rhondda Cynon Taff Local Health Boards (LHBs). Only 50% of her remuneration is borne by Rhondda Cynon Taff LHB.
3. Dr Anne Evans occupied a joint post with Merthyr Tydfil and Rhondda Cynon Taff LHBs up until 5 December 2004. During this period only 50% of her remuneration was borne by Rhondda Cynon Taff LHB. From 6 December 2004 Dr Anne Evans has occupied a full time post within Rhondda Cynon Taff LHB.
4. Dr Paul Tromans held the post of Public Health Director until September 2004. He was employed by the National Public Health Service, part of Velindre NHS Trust. He did not receive any remuneration directly from the LHB.
5. Ms Antonia Forte and Mrs Karen Snelling do not receive honorarium payments. Payments of £5,620 and £1,946 were made to their employers in respect of time spent on Rhondda Cynon Taff LHB duties.
6. Mrs Jacqueline Murphy was appointed as Community lay member to the Board in May 2004.
7. Cllr Rebecca Winter was no longer eligible to remain as a Board member following the Local Authority elections in May 2004 and stood down with immediate effect.
8. Cllr John David was appointed as a board member in July 2004.
9. This Local Authority member stood down as a board member in October 2004.
10. A replacement Local Authority member was appointed as a board member in October 2004.

* Consent to disclose was withheld in accordance with the Data Protection Act 1998 (*).

4.10 Salary and pension entitlements of senior managers continued:

| Pension Benefits | Real increase in pension & related lump sum at age 60 | Total accrued pension & related lump sum at age 60 at 31 Mar 2005 | Cash equivalent transfer value at 31 Mar 2005 | Cash equivalent transfer value at 31 Mar 2004 | Real increase in Cash equivalent transfer value at |
|--|---|---|---|---|--|
| Name & Title | £2.5k bands £000 | £5k bands £000 | £5k bands £000 | £000 | £000 |
| Executive and Associate Directors | | | | | |
| Mr Mel Evans Chief Executive | 2.5 > 5 | 105 > 110 | 398 | 362 | 36 |
| Mr Mark Thomas Director of Finance | 2.5 > 5 | 5 > 10 | 20 | 10 | 10 |
| Dr Anne Evans Medical Director | 5 > 10 | 40 > 45 | 176 | 141 | 31 |
| Mrs Lynda Williams Nurse Director | 0 > 2.5 | 65 > 70 | 205 | 186 | 19 |
| | | | | | |
| Alison Lagier Deputy Chief Executive | 2.5 > 5 | 45 > 50 | 137 | 120 | 16 |
| Head of Planning & Partnerships | * | * | * | * | * |
| Head of Primary Care | * | * | * | * | * |

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

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

4.11 Retirements due to ill-health

During 2004-05 there were no early retirements for LHB employees agreed on the grounds of ill-health.

4.12 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.

| | 2005 Number | 2005 £000 | 2004 £000 |
|--|----------------|--------------|--------------|
| Non-NHS | | | |
| Total bills paid 2004-05 | 2,380 | 11,800 | 6,108 |
| Total bills paid within target | 2,378 | 11,791 | 6,102 |
| Percentage of bills paid within target | 99.9% | 99.9% | 99.9% |

In addition, the National Assembly for Wales requires 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.

| | 2005 Number | 2005 £000 | 2004 £000 |
|--|----------------|--------------|--------------|
| NHS | | | |
| Total bills paid 2004-05 | 827 | 197,481 | 178,938 |
| Total bills paid within target | 823 | 197,464 | 178,456 |
| Percentage of bills paid within target | 99.5% | 100.0% | 99.7% |

| | 2005 Number | 2005 £000 | 2004 £000 |
|--|----------------|--------------|--------------|
| TOTAL | | | |
| Total bills paid 2004-05 | 3,207 | 209,281 | 185,046 |
| Total bills paid within target | 3,201 | 209,255 | 184,558 |
| Percentage of bills paid within target | 99.8% | 100.0% | 99.7% |

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

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4) | 0 | 0 |

5.1 Debtors

| | 2005 | Restated 2004 |
|---|--------------|--------------------------|
| | £000 | £000 |
| Amounts falling due within one year: | | |
| National Assembly for Wales | 6,025 | 53 |
| Local Health Boards | 183 | 287 |
| NHS Trusts | 1,287 | 651 |
| Other debtors | 483 | 227 |
| Prepayments and accrued income | 489 | 51 |
| Total | <u>8,467</u> | <u>1,269</u> |

5.2 Creditors: Amounts falling due within one year

| | 2005 | Restated 2004 |
|-------------------------|---------------|--------------------------|
| | £000 | £000 |
| Assembly loans | 1,577 | 0 |
| Health Commission Wales | 150 | 0 |
| Local Health Boards | 377 | 489 |
| NHS Trusts | 1,821 | 2,542 |
| Non-NHS creditors | 21,168 | 12,844 |
| GPFH savings | 17 | 70 |
| Accruals | 9 | 0 |
| Deferred Income | 258 | 1,251 |
| Total | <u>25,377</u> | <u>17,196</u> |

5.3 Creditors: Amounts falling due after more than one year

| | 2005 | 2004 |
|----------------|-------------|--------------|
| | £000 | £000 |
| Assembly loans | 0 | 1,577 |
| Total | <u>0</u> | <u>1,577</u> |

5.4 Provisions for liabilities and charges

| | At 1 April 2004 | Structured settlement cases transferred to WRP | Transfer of provisions to creditors | Arising during the year | Reversed Unused | Utilised during the year | Unwinding of discount | At 31 March 2005 |
|--------------|-----------------------|--|---|-------------------------------|--------------------|--------------------------------|--------------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Other | 300 | | | 662 | (87) | 0 | | 875 |
| Total | 300 | 0 | 0 | 662 | (87) | 0 | 0 | 875 |

The "other" provision relates to Continuing Care Ombudsman claims received by the LHB since 1 April 2003.

Expected timing of cash flows:

| | Within 1 year | Between 2 and 5 years | After 5 years | Total |
|--------------|------------------|-----------------------------|------------------|------------|
| | £000 | £000 | £000 | £000 |
| Other | 300 | 575 | 0 | 875 |
| Total | 300 | 575 | 0 | 875 |

5.5 General Fund

The movement on the General Fund in the year comprised:

| | £000 |
|--|-----------------|
| At 1 April 2004 | (2,509) |
| Prior period adjustment (Note 8) | (15,295) |
| At 1 April 2004 as restated | (17,804) |
| Net operating cost for the financial year | (282,694) |
| Net Assembly funding (including capital) | 283,497 |
| Capital charge interest | (623) |
| Transfers to NHS bodies | 0 |
| Transfer to general fund of realised elements of the revaluation reserve | 0 |
| Balance at 31 March 2005 | (17,624) |

6.1 Contingent liabilities

In February 2003, a report by the Ombudsman on NHS funding for long term care concluded that Department of Health guidance and therefore continuing healthcare policies and eligibility criteria on who should receive financial support for continuing health care had been misinterpreted by Health Care Trusts in England and Wales.

It is important to note that LHBs are only responsible for any Ombudsman cases that relate to the period post 1 April 2003. Any claims that relate to the period pre 1 April 2003 will be accounted for elsewhere in the Wales health economy (in accordance with National Assembly requirements).

The LHB has received a number of claims that relate to cases arising after 1 April 2003 and a provision of £0.875m has been included within the Operating Costs Statement (note 5.4) in respect of these. At the present time it is not possible to make an accurate assessment of the additional potential liability that may arise in respect of claims received in the future that relate to the period post 1 April 2003.

6.2 Intra Government Balances

| | Debtors: Amounts falling due within 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 | 6,025 | 1,727 | 0 |
| Balances with local authorities | 275 | 96 | 0 |
| Balances with NHS trusts and Foundation trusts | 1,287 | 1,821 | 0 |
| Balances with Local Health Boards | 183 | 377 | 0 |
| Balances with public corporations and trading funds | 0 | 0 | 0 |
| Balances with bodies external to government | 697 | 21,356 | 0 |
| Total at 31 March 2005 | 8,467 | 25,377 | 0 |

6.3 Related Party transactions

| | £000 |
|--|-------------|
| Total value of transactions with Board members and key senior staff in 2004-05 | 0 |

Rhondda Cynon Taff 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 Rhondda Cynon Taff 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:

- Merthyr Tydfil Local Health Board;
- Cardiff Local Health Board;
- Vale of Glamorgan Local Health Board;
- Powys Local Health Board and the Welsh Risk Pool.

NHS providers with which the Local Health Board has material transactions are disclosed in note 4.2 and 4.3 of these accounts.

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 Rhondda Cynon Taff County Borough Council.

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

| Name | Details | Interests |
|----------------------|---------------------------------|--|
| Dr C D V Jones | LHB Chair | GP Practice – Duffryn Road |
| Dr Robert Baron | GP representative | GP Practice – St Andrews Surgery |
| Dr K I Burkhardt | GP representative | GP Practice – Parc Canol Surgery |
| Dr H V Shah | GP representative | GP Practice – Tyntyla Road |
| Ms Antonia Forte | Voluntary Sector representative | Pontypridd & District Housing Association |
| Ms Anne Higgins | Voluntary Sector representative | Age Concern |
| Mr Alan Griffiths | Dental representative | Dental Practice – Cardiff & Vale NHS Trust |
| Mr Selwyn Jones | Optometrist representative | Gwynns Ophthalmic Practice |
| Cllr Jonathan Huish | Local Authority representative | Rhondda Cynon Taff County Borough Council |
| Cllr Pauline Jarman | Local Authority representative | Rhondda Cynon Taff County Borough Council |
| Cllr Rebecca Winter | Local Authority representative | Rhondda Cynon Taff County Borough Council |
| Mr John Wrangham | Local Authority representative | Rhondda Cynon Taff County Borough Council |
| Ms Lynette Ward | Therapist representative | Pontypridd & Rhondda NHS Trust |
| Dr S Sullivan | Associate Member | Pontypridd & Rhondda NHS Trust |
| Mr Robert Williams | Associate Member | North Glamorgan NHS Trust |
| Mr Wynne Vaughan | Local Authority representative | Rhondda Cynon Taff County Borough Council |
| Cllr John David | Local Authority representative | Rhondda Cynon Taff County Borough Council |
| Ms Jacqueline Murphy | Community Lay representative | Tros Gynnal – advocacy services |
| Mr Clive Barnby | Associate member | Pontypridd & Rhondda Community Health Council Glas Cymru -member |

6.4 Losses and special payments

| | Number of cases | Value of cases £ |
|--|-----------------|---------------------|
| Personal injury | 0 | 0 |
| Fraud cases | 0 | 0 |
| All other losses and special payments | 1 | 260,252 |
| Total losses and special payments | 1 | 260,252 |

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

| | Amounts paid out in year £ | Cumulative amount £ | Approved to write-off in year £ |
|--------------------------|-------------------------------|------------------------|------------------------------------|
| Oxygen cylinder payments | 260,252 | 260,252 | 260,252 |
| Total cases | 260,252 | 260,252 | 260,252 |

6.5 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.

7. Second Offer Commissioning Team

During 2004/05 Rhondda Cynon Taff LHB acted as host to the Second Offer Commissioning Team (S.O.C.T.) Rhondda Cynon Taff LHB received funding from the Assembly to cover the running costs to the S.O.C.T. and also the healthcare related costs for patients accessing treatments under the Second Offer scheme.

The total healthcare related costs for 2004/05 were £6.892m. This expenditure is included within Note 4.2 Secondary and Community Healthcare. An analysis of this expenditure by local health boards is provided below:

| Local Health Board | Cost £000 |
|------------------------------|----------------------|
| Anglesey | 5 |
| Blaenau Gwent | 117 |
| Bridgend | 72 |
| Caerphilly | 723 |
| Cardiff | 1,953 |
| Carmarthenshire | 247 |
| Ceredigion | 73 |
| Conwy | 19 |
| Denbighshire | 59 |
| Flintshire | 315 |
| Gwynedd | 17 |
| Merthyr Tydfil | 37 |
| Monmouthshire | 209 |
| Neath Port Talbot | 90 |
| Newport | 407 |
| Pembrokeshire | 50 |
| Powys | 63 |
| Rhondda Cynon Taff | 428 |
| Swansea | 417 |
| Torfaen | 223 |
| Vale of Glamorgan | 735 |
| Wrexham | 610 |
| English Primary Care Trusts | 23 |
| Total as per Note 4.2 | 6,892 |

8. Prior Year Adjustment

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

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

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

Details of the PPA are set out below:

| | £000 |
|--------------------------|--------|
| Reduction in debtors | 15,537 |
| Reduction in creditors | 243 |
| Decrease in General Fund | 15,294 |

The effect of this PPA on the results of the 2003/04 accounts is to reduce the General Fund and reduce net assets by £15.294m.

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

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

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

Date.....2005 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman: Dated:2005

Chief Executive: Dated:2005

Director of Finance: Dated:2005

Statement on 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.

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 2005 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

All LHB personnel have some responsibility for risk management and internal control in order to achieve their individual objectives and the LHB's overall aims and objectives. In order to be effective the LHB continues to work to integrate risk management into the day-to-day management and planning of the LHB's activities.

The LHB has an established clinical governance operational group and non-clinical risk group to identify risks and manage the risk assessment process. Both groups report to the Board via the Clinical Governance Committee and Audit Committee respectively.

Risk management awareness sessions have been arranged during the year for all staff to familiarise everyone with the principles of risk management and the LHB Risk Management Strategy.

4. The risk and control framework

The LHB has formally adopted a Risk Management Strategy and developed a "Corporate Risk Register" as a basis for controlling and monitoring the risk management activities of the organisation. This is formally updated and presented to the Board on an annual basis. The Board and Audit Committee review the effectiveness of the risk management processes and internal controls throughout the financial year and approve the forward risk profile, action plans and internal audit programme.

The LHB's performance against the Welsh Risk Management Standards was as follows:

Core Standards

| | | | 2004/05 Score | 2004/05 Target | 2003/04 Score |
|----------|---------------------------------------|------|------------------|-------------------|------------------|
| WRMS A * | Risk Management & Strategy | Core | 75% | 75% | 39% |
| WRMS B * | Risk Assessment & Treatment | Core | 79% | 75% | 53% |
| WRMS C * | Adverse Incident and Hazard Reporting | Core | 85% | 75% | 53% |
| WRMS E | Governance | Core | 76% | 75% | 60% |
| WRMS F | Financial Management | Core | 91% | 75% | 69% |

*Assessed by the Welsh Risk Pool

Non Core Standards

| | | | 2004/05 Score | 2004/05 Target | 2003/04 Score |
|----------|---|----------|------------------|-------------------|------------------|
| WRMS D | Policies and Procedures | Non Core | 66% | 75% | 50% |
| WRMS G * | Facilitating Safe Provision of Primary Care | Non Core | 73% | 50% | N/a |
| WRMS I | Records Management | Non Core | 54% | 50% | N/a |

*Assessed by the Welsh Risk Pool

During the year the LHB underwent an external assessment by the Welsh Risk Pool (WRP). The LHB achieved the 70% minimum overall compliance level and not less than 75% in the core standards assessed by the Welsh Risk Pool.

The LHB has in place agreed action plans to improve the score of the all Welsh Risk Management Standards. The LHB management is aware of the work required to improve the compliance scores and regular updates will be reported to the Audit Committee via the non-clinical risk group.

A robust internal control framework was in place during the year, which includes:

- the adoption by the Board of the Standing Orders and Standing Financial Instructions;
- an Audit Committee, a Remuneration Committee and various subgroups;
- the appointment of internal auditors; and
- an approved financial plan and regular reporting of financial and performance information.

There is a budgetary control system in place, which safeguards the acquisition, use, disposal and security of goods and services. There are controls in place concerning the security of financial systems and data. These systems produce reliable financial information that informs budget holders and the financial reporting to the Board.

The LHB's financial systems have been subject to review by Internal Audit. The Audit Committee reviews all internal audit reports and monitors the implementation of agreed control improvements.

Internal Audit have confirmed that, based on the work undertaken during the year, the Risk Management, Control and Governance Processes within the areas covered by their reviews are adequate and effective and sufficient to enable the Board and the Accountable Officer to rely on the internal control system.

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 any implications arising from the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

Date.....2005

..... Chief Executive
(On behalf of the Board)

Rhondda Cynon Taff Local Health Board

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

I certify that I have audited the financial statements on pages 1 to 30 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 to 10.

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on pages 26 and 27 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made there under and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword/other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

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

I review whether the statement on pages 28 to 30 reflects the Board's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury and the Assembly or if the statement is misleading or inconsistent with other information I am 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of

whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity 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.

Opinion

In my opinion:

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

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales

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

4 August 2005

SCHEDULE 1

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

Companies Act

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

Accounting Standards

5. 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.

ACCOUNT OF – 2004-2005

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

LOCAL HEALTH BOARDS

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

BASIS OF PREPARATION

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

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2005 and subsequent years shall comprise an operating cost statement, a balance sheet, a cashflow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.
4. For the financial year ended 31 March 2005 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.
5. The balance sheet shall be signed by the chief executive and the director of finance of the LHB and dated.

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: