

# Ceredigion 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 [Ceredigion](#)
- 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**

	<b>Note</b>	<b>Total £000</b>	<b>2005-06 Total £000</b>
Expenditure	4.1,4.2,4.3, 4.4	<b>106,418</b>	96,515
Miscellaneous income	3.1	<b>1,879</b>	1,653
<b>Net operating costs</b>		<b><u>104,539</u></b>	<b><u>94,862</u></b>

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

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

**BALANCE SHEET AS AT 31 MARCH 2007**

	Note	£000	31 March 2006 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
<b>CURRENT ASSETS</b>			
Debtors	6.1	742	704
Cash at bank and in hand		37	233
<b>Total Current Assets</b>		<b>779</b>	<b>937</b>
Creditors: amounts falling due within one year	6.2	6,376	6,037
<b>Net current assets / (liabilities)</b>		<b>(5,597)</b>	<b>(5,100)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	0	0
<b>TOTAL NET ASSETS</b>		<b>(5,597)</b>	<b>(5,100)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(5,597)	(5,100)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
<b>TOTAL</b>		<b>(5,597)</b>	<b>(5,100)</b>

Signed for and on behalf of the Board

Director of Finance ..... Chief Executive .....

Date : 27th June 2007

Date : 27th June 2007

Adopted by the Board on 27th June 2007

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

	£000	2005-06 £000
<b>Net operating costs</b>	<b>(104,539)</b>	<b>(94,862)</b>
Adjust for non-cash transactions	(187)	(151)
Adjust for movements in working capital other than cash	301	(591)
Utilisation of provisions	0	(42)
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<b>Net cash outflow from operating activities</b>	<b>(104,425)</b>	<b>(95,646)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) before financing</b>	<b>(104,425)</b>	<b>(95,646)</b>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	104,229	95,860
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
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<b>Net cash inflow / (outflow) from financing</b>	<b>104,229</b>	<b>95,860</b>
	<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>	<b>(196)</b>	<b>214</b>

**Notes to the cash flow statement****Adjust for non-cash transactions**

	£000	2005-06 £000
Depreciation and other write-offs	0	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	0	42
Capital charge interest	(187)	(193)
	<u>(187)</u>	<u>(151)</u>

**Adjust for movements in working capital other than cash**

	£000	2005-06 £000
(Increase)/decrease in debtors	(38)	(133)
Increase/(decrease) in creditors	339	(458)
	<u>301</u>	<u>(591)</u>

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

	£000
Increase/(decrease) in cash in the period	(196)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>(196)</u>
Non cash changes in debt	0
<b>Net debt at 1 April 2006</b>	<u>233</u>
<b>Net debt at 31 March 2007</b>	<u>37</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	233	(196)	0	37
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>233</u>	<u>(196)</u>	<u>0</u>	<u>37</u>
<b>Total</b>	<u>233</u>	<u>(196)</u>	<u>0</u>	<u>37</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2007 was £37k

**Analysis of capital expenditure, financial investments and associated receipts**

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

**Reconciliation of loan issues and repayments to cash movements**

	<b>Issues</b> £'000	<b>2005-06 Repayments</b> £'000	<b>Net Movement</b> £'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
<b>Total financial investment and associated receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation of fixed assets and disposals**

	<b>Additions</b> £'000	<b>2005-06 Disposals</b> £'000	<b>Net Movement</b> £'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
<b>Total cash movement on asset additions and disposals</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Account

### 1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FRM) 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 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](http://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, 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.

### **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.

### **1.15 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

All other expenditure is classified as administration expenditure.

### **1.16 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 2006. 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**

	£000	2005-06 £000
Net operating costs for the financial year	104,539	94,861
Non-discretionary expenditure	(2,035)	(1,486)
Operating costs less non-discretionary expenditure	106,574	96,347
Revenue Resource Limit	105,988	95,749
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>(586)</b>	<b>(598)</b>
Unplanned resource brokerage received	0	0
<b>Operational Financial Balance</b>	<b>(586)</b>	<b>(598)</b>

**Footnote to Note 2.1**

1) Ceredigion Local Health Board has not achieved operational financial balance and therefore failed its statutory duty to break-even during 2006/07.

2) The outturn position at the end of March shows an overspend of £586k. This takes into account, providing for funding of £375k which was the LHB's contribution to the Community Strategic Change and Efficiency Plan (SCEP)

During 2006/07 the LHB experienced significant cost pressures on principally three areas;

Prescribing  
Continuing NHS Healthcare  
High Cost Placements under Individual Patient Commissioning

3) The LHB is still in discussion with the Mid & West Regional Office (RO) regarding the formal approval of the Health Community SCEP between the LHB and Ceredigion & Mid Wales NHS Trust. A five year financial plan has been submitted to the Turnaround Director at Welsh Assembly Government and RO to support the approval of the SCEP. The five year financial plan identified turnaround plans for the LHB, to bring it back into achieving a year on year break-even position and therefore operational financial balance. At the time of completing these accounts, formal approval for these plans have not been received from the Welsh Assembly Government

### 3.1 Miscellaneous income

	£000	2005-06 £000
Fees & Charges	94	85
Prescription charge income	698	546
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	<u>1,087</u>	<u>1,022</u>
<b>Total</b>	<b><u>1,879</u></b>	<b><u>1,653</u></b>

Footnote to Note 3.1

Analysis of Other Income;	£000	£000
GP Registrar Income	431	318
Joint Stores	0	450
Plas Bridell	131	77
Capacity Grant	43	46
Primary Care Estates Strategy	0	20
Other Sundry Income	218	111
Continuing Care Recharges	<u>264</u>	<u>0</u>
	<b><u>1,087</u></b>	<b><u>1,022</u></b>

**Expenditure:****4.1 Primary health care**

	Cash limited	Non cash limited	Total	2005-06 Total
	£000	£000	£000	£000
General Medical services	13,791	0	13,791	13,822
Pharmaceutical services	2,648	(2,606)	42	445
General Dental services	3,511	0	3,511	2
General Ophthalmic services	0	571	571	554
Other Primary health care expenditure	695	0	695	1,067
Prescribed drugs and appliances	16,633	0	16,633	15,698
<b>Total</b>	<b>37,278</b>	<b>(2,035)</b>	<b>35,243</b>	<b>31,588</b>

**4.2 Secondary and Community health care**

	Total £000	2005-06 Total £000
<b>NHS Trusts:</b>		
Provider 1 - Ceredigion & Mid Wales NHS Trust	37,072	35,698
Provider 2 - Carmarthen NHS Trust	10,862	9,910
Provider 3 - Pembrokeshire & Derwen NHS Trust	8,978	8,303
Provider 4 - Swansea NHS Trust	1,210	1,108
Provider 5 - Robert Jones & Agnes Hunt NHS Trust	726	689
Provider 6 - Cardiff & The Vale NHS Trust	685	615
Provider 7 - Powys Healthcare NHS Trust	147	189
Provider 8 - Velindre NHS Trust	75	65
Provider 9 - Shrewsbury & Telford Hospitals NHS Trust	75	72
Provider 10 - Gwent Healthcare NHS Trust	48	45
Other Welsh NHS trusts	107	99
Other non Welsh NHS trusts	105	89
Local Authorities	710	799
Voluntary Organisations	250	319
NHS Funded Nursing Care	546	593
Continuing Care	5,604	3,890
Private providers	1,165	391
Specific projects funded by Welsh Assembly Government	0	0
Other	0	0
<b>Total</b>	<b>68,365</b>	<b>62,874</b>

Expenditure with Local Authorities is as follows:

Ceredigion County Council - Joint Finance	441	482
Emergency Pressures	120	153
Wanless	149	159
Other		5

**4.3 Other programme expenditure**

	£000	2005-06 £000
Salaries and wages	725	208
National Public Health Service	461	426
Losses, special payments and irrecoverable debts	0	3
Research and development	0	0
Other	181	20
	<hr/>	<hr/>
<b>Total</b>	<b>1,367</b>	<b>657</b>

**4.4 Administration expenditure**

	£000	2005-06 £000
Non-officer members' remuneration	75	76
Other salaries and wages	741	710
Establishment expenses	118	130
Transport and moveable plant	33	14
Premises and fixed plant	86	64
External contractors	0	12
Auditors' remuneration - audit fee	65	64
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	505	518
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	0	0
Amortisation	0	0
Capital charge interest	(187)	(193)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	7	1
	<hr/>	<hr/>
<b>Total</b>	<b>1,443</b>	<b>1,396</b>



#### 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	0	3
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	3
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>3</b>
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

#### 4.6 Hire and operating lease rentals

	2005-06 £000	2005-06 £000
Hire of plant and machinery	0	0
Other operating leases	27	24
<b>Total</b>	<b>27</b>	<b>24</b>

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

	Land and Buildings £000	Other Leases £000	2005-06 Land and Buildings £000	2005-06 Other Leases £000
<b>Operating leases which expire:</b>				
Within 1 year	0	20	0	0
Between 1 and 5 years	0	7	0	24
After 5 years	0	0	0	0

#### 4.7 Executive Directors and staff costs

	Total £000	2005-06 Total £000
Salaries and wages	1,140	961
Social security costs	93	82
Employer contributions to NHSPA	153	136
Other pension costs	0	0
Agency / seconded staff	76	19
<b>Total</b>	<b>1,462</b>	<b>1,198</b>

#### Reconciliation of Note 4.7

	£000
Note 4.1 - Primary Health Care	307
Note 4.3 - Other Programme Expenditure	725
Note 4.4 - Administration	737
<b>Total</b>	<b>1,462</b>

**4.8 Board Directors' remuneration**

	£000	2005-06 £000
Non-officer members' remuneration	78	80
Executive Directors' remuneration:		
basic salaries	276	255
benefits	5	8
performance related bonuses	0	0
pension contributions	34	30
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>Total</b>	<b>393</b>	<b>373</b>

	Chief Chairman	Chief Executive
	£000	£000
Basic Salary	28	71
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	2	10
<b>Total</b>	<b>30</b>	<b>81</b>

**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:**

No bonus payments were made

## 4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff Number	Agency, temporary and cont- ract staff Number	Staff on inward second- ment Number	Total Number	2005-06 Number
Executive Board Members	3	0	0	3	4
Other Local Health Board Staff	38	3	0	41	37
Recharged staff	(1)	0	0	(1)	0
<b>Total</b>	<b>40</b>	<b>3</b>	<b>0</b>	<b>43</b>	<b>41</b>

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

## Expenditure on staff benefits

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

#### 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 £0

#### 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
<b>Non- NHS</b>			
Total bills paid 2006-2007	3,553	10,494	7,242
Total bills paid within target	3,522	10,470	7,198
Percentage of bills paid within target	99.1%	99.8%	99.4%

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
<b>NHS</b>			
Total bills paid 2006-2007	527	63,904	58,949
Total bills paid within target	503	63,884	58,937
Percentage of bills paid within target	95.4%	100.0%	100.0%

	Number	£000	2005-06 £000
<b>Total</b>			
Total bills paid 2006-2007	4,080	74,398	66,191
Total bills paid within target	4,025	74,354	66,135
Percentage of bills paid within target	98.7%	99.9%	99.9%

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

	2005-06 £	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
<b>Gross cost at 1 April 2006</b>	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross replacement cost at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Accumulated amortisation at 1 April 2006</b>	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
<b>Accumulated amortisation at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2006</b>	0	0	0	0	0
<b>Net book value at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				construction and payments on account £000					
At 1 April 2006	0	0	0	0	0	0	0	0	0
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
<b>At 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation</b>									
At 1 April 2006	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0
<b>At 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 1 April 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Value of assets held at open market value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Tangible Fixed Assets (continued)**

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

	£000	2005-06 £000
Freehold	0	0
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>
	<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	0
The gross proceeds from the sale(s) were	0	0
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, met of,	0	0
	0	0



**6.1 Debtors**

<b>Amounts falling due within one year:</b>	<b>£000</b>	<b>2005-06 £000</b>
National Assembly for Wales	77	5
Health Commission Wales	0	0
Local Health Boards	51	60
Primary Care Trusts	0	0
NHS Trusts	100	168
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	478	239
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Other prepayments and accrued income	36	232
	<hr/>	<hr/>
<b>Sub total</b>	<b>742</b>	<b>704</b>
	<hr/>	<hr/>
<b>Amounts falling due after more than one year:</b>	<b>£000</b>	<b>£000</b>
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	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
	<hr/>	<hr/>
<b>Sub total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Total</b>	<b>742</b>	<b>704</b>

## 6.2 Creditors

Amounts falling due within one year:	2005-06	
	£000	£000
National Assembly for Wales	14	0
Health Commission Wales	0	0
Local Health Boards	181	17
NHS Trusts	593	605
Primary Care Trusts	0	0
Income tax and social security	0	33
Non-NHS creditors	707	771
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	4,881	4,612
Deferred Income	0	0
Other creditors	0	0
<b>Total</b>	<b>6,376</b>	<b>6,037</b>

## 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
<b>Total</b>	<b>0</b>	<b>0</b>

**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	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pensions	0			0	0	0	0	0
Other	0			0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

## 6.5 General fund

The movement on the General fund in the year comprised:

	£000
<b>At 1 April 2006</b>	<b>(5,100)</b>
Net operating cost for the financial year	<b>(104,539)</b>
Net Assembly funding (including capital)	<b>104,229</b>
Capital charge interest	<b>(187)</b>
Transfers to NHS bodies	<b>0</b>
Transfer to general fund of realised elements of the revaluation reserve	<b>0</b>
	<hr/>
<b>Balance at 31 March 2007</b>	<b><u>(5,597)</u></b>

## 6.6 Donated asset reserve

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

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

## 6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

**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	100	180
<b>Total</b>	<b>100</b>	<b>180</b>

**Uncertainties affecting outcome:**

Contingent Liabilities above refer to Ombudsman Review Cases for Continuing Care

Refer to Footnote 7.3 for implications of Grogan Judgement

**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	77	0	14	0
Balances with local authorities	374	0	313	0
Balances with NHS trusts and Foundation trusts	100	0	593	0
Balances with Local Health Boards	51	0	181	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	140	0	5,275	0
<b>Total at 31 March 2007</b>	<b>742</b>	<b>0</b>	<b>6,376</b>	<b>0</b>
Balances with other central government bodies	10	0	33	0
Balances with local authorities	272	0	303	0
Balances with NHS trusts and Foundation trusts	168	0	610	0
Balances with Local Health Boards	60	0	12	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	194	0	5,079	0
<b>Total at 31 March 2006</b>	<b>704</b>	<b>0</b>	<b>6,037</b>	<b>0</b>

## 6.10 Post balance sheet events

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

1.	.....	0
	.....	
2.	.....	0
	.....	
<b>Total</b>		<b><u>0</u></b>

## 6.11 Capital commitments

The Local Health Board has the following capital commitments:

	2005-06	
Contracted	0	0
Authorised but not contracted	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>

## 6.12 Related Party transactions

£000

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

0

Ceredigion 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 Ceredigion 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,

Welsh NHS Trusts with whom the Local Health Board contracts for the purchase of healthcare, and in particular those scheduled in note 4.2.

Carmarthenshire, Pembrokeshire and Powys Local Health Boards, and in particular Powys LHB with whom the Local Health Board contracts for the provision of services provided by the Business Services Centre.

Velindre NHS Trust with whom the Local Health Board contracts for the provision of Public Health and Health Promotion Services provided by the National Public Health Service.

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 Ceredigion County Council in respect of joint enterprises. In addition to this the Local Health Board has material transactions with a number of English NHS Trusts the most significant of which are identified in Note 4.2 of the accounts.

The Local Health Board has also had transactions with other Local Health Boards and NHS Trusts in the normal course of its business where the transactions would not be considered material.

During the year, with the exception of the board members listed over leaf, none of the Board Members, Members of the key management staff or other related parties have undertaken any material transactions with Ceredigion LHB.

## 6.12 Related Party transactions

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

<b>Name</b>	<b>Details</b>	<b>Interests</b>
Mr. A.L. Jones	Non-Executive Director }	
Mrs. M. Morris	Non-Executive Director }	Members of Ceredigion County Council
Mr H. Harries	Non-Executive Director }	
Mr. P Davies	Non-Executive Director	Officer of Ceredigion County Council
Dr. D. Williams	Non-Executive Director }	Are in General Medical Practices within Ceredigion and receive remuneration from the LHB in accordance with the Statement of Fees and Allowances under the terms of the GMS Contract
Dr. C. Langley	Non-Executive Director }	
Mrs. K Giles	Non-Executive Director	Therapist Representative, employed by Ceredigion & Mid Wales NHS Trust
Mrs. Ll. James	Non-Executive Director	Nurse Representative, employed by Ceredigion & Mid Wales NHS Trust
Mrs. A. Walker	Non-Executive Director	Trustee of a Voluntary Sector Body that receive a grant from the LHB
Mr. I. Griffiths	Non-Executive Director	Dental Practice representative
Mr. T. Morgan	Non-Executive Director	Trustee of a Voluntary Sector Body
Mr. A. Kenwright	Non-Executive Director	Community Lay member
Mrs. J. Regan	Non-Executive Director	Trustee of a Voluntary Sector Body that receive a grant from the LHB
Mr. R. Hughes-Jones	Non-Executive Director	Locum Pharmacist in Ceredigion
Mrs. A. Williams	Associate Member	Employee of Ceredigion & Mid Wales NHS Trust
Mr. L. Lloyd	Associate Member	Member of the Community Health Council
Mrs. M. Jones	Associate Member	Representative of the TUC
Dr. D.A.T. Roberts	Co-opted Member	Practitioner in a General Medical Practice in Ceredigion
Mr. D. Pick	Co-opted Member	Employee of Pembrokeshire & Derwen NHS Trust



### 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	9	300
<b>Total losses and special payments</b>	<b>9</b>	<b>300</b>

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

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

## 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/>
<b>Subtotal</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>0</b>	<b>0</b>

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**

Ceredigion LHB has no Pooled Budget arrangements in place during 2006/07

## **7. Additional Information**

### **7.1 Continuing Care Provision Note - Additional Disclosure for continuing care cases that have been accounted for elsewhere**

All costs for which a provision has been established relating to periods pre 1st April 2003, will be accounted for elsewhere in the Wales health economy (in accordance with National Assembly requirements) as although they relate to residents in the Ceredigion LHB area, they were incurred before Ceredigion LHB was established.

All costs since 1st April 2003 are the responsibility of each LHB. The costs and number of appeals is difficult to quantify in full. The LHB has estimated a contingent Liability of £100,000

### **7.2 Dental Services Contract**

On the 1st April 2006 the Dental Service Contract came into existence. As a result of this change payments in relation to the provision of community dental services which were treated as Non-Cash Limited expenditure in 2005/06 in the LHBs accounts, became Cash Limited as a charge against the LHBs resource limit in the 2006/07 accounts.

### **7.3 Additional Continuing Care Costs arising from Grogan Case:**

A recent court judgement in the case of Grogan v Bexley NHS Care Trust ruled that LHBs should apply the *primary health need* approach when assessing care requirements. Where an individual's care is of a *primary health need* then all care costs should be met by the LHB. This may have an impact on the level of LHB continuing care costs in cases where the LHB has not previously assessed eligibility for care using the *primary health need* approach. An all Wales review is currently underway to try and assess the effect of applying such an approach on the NHS in Wales.

To date no claims have been received by the LHB for retrospective care costs which they believe should have been funded by the LHB on the basis of a *primary health need*. However the court ruling has not yet been tested by any case re-assessment and in the LHB's view is unlikely to result in any additional costs in respect of past years.

As a result, no provision has been made for any potential costs which might arise.

**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: 27th June 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 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: 27th June 2007

Chief Executive: ..... Dated: 27th June 2007

Director of Finance: ..... Dated: 27th June 2007

## STATEMENT ON INTERNAL CONTROL

### 1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Acting 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.

Overall accountability and responsibility for risk management, including controls assurance, lies with the Board and Chief Executive. Under the LHB's Standing Orders specific responsibilities have been devolved to the Audit Committee, from which the Board receives regular reports. It is by this mechanism that the work of the Governance & Risk Sub Committee is received by the Board on a regular basis. In addition, the Clinical Governance Sub-Committee reports both directly to the Board and in retrospect to the Audit Committee, in order for the Audit Committee to fulfil its overall role of scrutiny on behalf of the Board. The responsibilities and accountabilities of each committee / sub-committee are specified within the risk management strategy, which was revised and approved by the Board during the year, in order to adapt to the changing regulatory environment which included the introduction of Healthcare Standards. To further assure the Chief Executive that risk is being actively identified, managed and reported within Ceredigion LHB, a Risk Working Group, reporting to the Management Team and Governance & Risk Sub Committee, meets monthly as a working forum. The group has the remit of providing advice and support to the directorates on their individual elements of the Risk Register and associated action plans together with ensuring implementation of the action plans arising from the Welsh Risk Pool standards assessments.

The Welsh Assembly Government is kept fully informed on the risk management processes in place within the organization through the Service and Financial Framework where significant risk areas are noted and also through the Balanced Scorecard quarterly monitoring of targets. In addition risk issues are highlighted within the monthly financial monitoring returns submitted to the Welsh Assembly Government and at regular review meetings.

### 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 in place a robust system of Internal Control with committee structures in place to support the Board and its activities in ensuring Corporate Governance. The organization's risk management strategy defines the structures for the management and ownership of risk and also includes the delegation of certain responsibilities and accountabilities with regard to risk, to specific committees and individuals, including the Risk Working Group. Senior Managers are also responsible for ensuring that staff understand and apply the LHB policy and strategy in relation to risk management.

In setting the LHB's corporate objectives an assessment of the constraints and potential risks was undertaken and these risks are inherent within directorate and individual staff's objectives. This is further reiterated in the job descriptions of all staff which makes reference to the individual's responsibility in having a proactive role in the management of risk. The induction programme for all new staff includes the individual's responsibility towards risk management, whilst a training programme has been developed in order to provide regular updates on the subject to all staff. Risk is also a set agenda item for all committee, sub-committee and meetings of any other forum.

## STATEMENT ON INTERNAL CONTROL

During the year the desk top procedure for identifying risks and preparing action plans for inclusion on the risk register, has been refined in order to accommodate both amendment to and removal of risks from the register, leaving a clear audit trail for each risk identified. This procedure has been disseminated to every member of staff. These factors combined, have contributed to a risk management based approach to the achievement of the LHB's objectives during the year.

The Board has also been kept informed throughout the year of the contents of the risk register, with particular attention drawn to the Risk Profile of those risks requiring immediate action.

### 4. The risk and control framework

Ceredigion LHB's Policy Statement on Risk Management is driven by the recognition that effective risk management is a key component of corporate and clinical governance and is integral to the delivery of its objectives in service provision. The risk management strategy recognizes that risk is inherent in all the organization's activities and that it is imperative that responsibilities and accountabilities are clearly defined. The strategy outlines responsibilities for managing risk from the Board down to individual staff, and identifies the corporate accountability arrangements within the LHB towards managing risk.

A documented framework exists which prioritizes risks according to their impact and probability and this is supported by an organizational risk register developed by analyzing the LHB's corporate and departmental objectives. All staff have access to the risk register and are actively encouraged to contribute to the risk assessment process.

During 2006/07 the LHB was subject to an external assessment by the Welsh Risk Pool (WRP) of Standards A, B, C, D, G, H, and I. The principle of the standards is that compliance was reviewed for the whole of the financial year for all standards with an overall target of not less than 75%.

The draft report issued by the Welsh Risk Pool has assessed the Standards with having compliance scores detailed as follows:-

Standard No.	Title	WRP Score
A	Risk Management Policy & Strategy	84
B	Risk Assessment and Treatment	84
C	Incident & Hazard Reporting	91
D	Policies & Procedures	94
G	Facilitating safe provision of primary care	79
H	Claims & Complaints	83
I	Records Management	82

This year the LHB achieved an overall 85% compliance with the standards being externally assessed by WRP.

This represents an overall increase of 10% on last year and I am confident that there are now adequate processes and actions in place to ensure continuous improvement with compliance in the future and that the LHB is therefore doing its reasonable best to manage itself against risks of all kinds.

A further 2 Standards were subject to a baseline self-assessment supported by an independent review undertaken by Internal Audit. Compliance was reviewed for the whole of the financial year for Standards E and F with a target of 75%.

Internal Audit has assessed the Standards with the following compliance:-

Standard E - Governance	98%
Standard F - Financial Management	98%



## STATEMENT ON INTERNAL CONTROL

Action Plans in relation to items to be addressed to further improve compliance with the standards have been developed for ratification by the Integrated Governance and Performance Management Committee, which for 2007/08 will scrutinise all matters appertaining to Governance. Progress on implementation will be monitored by the Risk Working Group and reported to the Management Team, the Integrated Governance and Performance Management Committee and in turn through the Audit Committee to the Board.

As Accountable Officer, I am reassured by the positive feedback that all the necessary processes, together with the action plans, are now in place and provide sufficient evidence that the LHB is doing its reasonable best to manage itself against risks of all kinds, and therefore meets all the requirements of acceptable internal control.

### 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's 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) The DPB's Probity Activity Report 2006/07 for Ceredigion LHB confirmed that the following work was undertaken:

#### (i) Benefit Eligibility Checks

The DPD selects regular samples of patients who have claimed help with NHS dental charges, weighted towards the higher value claims, to confirm whether the patient was eligible to the help they claimed. The sample for Ceredigion covered the following categories: HC2, HC3, Tax Credit Exemption Certificate, Income Support, Income-based Jobseeker's Allowance and Pension Credit Guarantee Credit, with the results demonstrated below.

Results of initial checks with Agencies completed during period

Confirmed	Not confirmed	Unresolved	Total	
Ceredigion LHB (6A4)	1,470	295	265	2,030

Follow up checks are carried out and penalty charges issued and debt recovered where appropriate.

#### (ii) Patient Questionnaires

The questionnaires are used to assess how closely the patients' recollection of events match the information supplied on the FP17s (the FP17 being the claim form detailing treatment) together with a few questions about patient satisfaction. Results from questionnaires are analysed both nationally and at LHB level with respect to particular risk areas. As the system was only implemented in January, the analysis for 2006/07 is therefore limited to the period January to March 2007, with a total of 147 questionnaires being issued for Ceredigion. For a number of reasons it is not possible to use the results of patient questionnaires as evidence of wrongdoing, but they can be useful for providing a base assessment of risk within a LHB.

#### (iii) Record Card Checks

A sample of 10 randomly selected patient record cards (counting as one check) selected from each of 10 contracts in every LHB will be examined annually. LHBs receive a summary report advising them of the results of the checks and appropriate indicators of potential problems. One check for Ceredigion LHB was undertaken during 2006/07.

b) Work undertaken by the LHB

During 2006/07 the LHB performed periodical reconciliations between the Contract Payment Report and the Dental Contract Authorisation Schedule which forms the basis for the payments on line system (pol). The initial reconciliation confirmed that the 3% uplift for 2006/07 had been correctly applied to pol,

### STATEMENT ON INTERNAL CONTROL

and that payments made were in accordance with the agreed monthly allocation for the contracts. Subsequent reconciliations confirmed that correct payments were being made in respect of Vocational Dental Payments and updated authorisation schedules, whilst the detailed analysis of additions and deductions was also reconciled to individual contracts. This work did not extend to monitoring the activity against the contracts.

#### c) Work done by Internal Audit

The Internal Audit Agency met with both Dental Practice Division (DPD) personnel and the Internal Auditors of the DPD as there was evidence in the early months of the contract that the system was not working properly. Whilst not meeting all the concerns, the discussions went some way to allaying some of them. The internal audit plan for 2006/07 included the dental contract, which is still at work in progress 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 LHB, in conjunction with both Internal Audit and the LCFS will agree a programme of work, assisted by the DPD who will provide further assessment of the concerns in question, analyses of FP17 data and routine monitoring checks.

#### 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 Committee and the Governance & Risk Sub-Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Risk Management Strategy has been revised during the year to reflect the changing regulatory framework within which the LHB is expected to operate, and approved by the Board. Clinical Governance principles, processes and systems are implemented through a rolling three year development plan which was reviewed during the year to monitor progress against targets. This was further supported by the Clinical Governance Annual Report which informed the Board & the Welsh Assembly Government of completion and progress against the targets and identified any actions required to achieve longer term targets. These documents are subject to periodic review by the Audit Committee, Governance & Risk Sub-Committee and Clinical Governance Sub-Committee and any subsequent revisions presented to the Board for approval.

The LHB employs a Clinical Governance Officer whose remit encompasses all clinical risks facing the organization, whilst the Finance Manager is the designated Risk Co-ordinator.

The LHB receives Internal Audit Services via a Service Level Agreement with the Internal Audit Agency managed by Carmarthenshire NHS Trust and during the year the agency has reviewed a number of the LHB's activities. The final audit reports issued all achieved either a medium or high rating and any recommendations made by the Internal Audit Agency are being addressed, with relevant action plans in place which are monitored routinely by the Audit Committee.

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

Date: 27th June 2007

## **AUDITORS' REPORT**

### **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 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 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 there under, 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 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 39 to 42 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 LHB has breached its resource limit by spending £586,000 over the amount that it was authorised to spend in the year. This constitutes irregular expenditure.

Without qualifying my opinion, I draw to your attention to note 2.1, which sets out the financial position of the LHB 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 Ceredigion 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 there under 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 there under by Welsh Ministers ; and
- except for the irregular expenditure of £586,000 in the year, noted 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 Ceredigion 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  
9th July 2007

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

## **ACCOUNT OF - 2006-2007**

### **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 2006 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 2006 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 2006 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 : 27th July 2007

## **ACCOUNT OF - 2006-2007**

### **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.