

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

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Operating Cost Statement, which shows the net operating cost incurred by the LHB which is funded by the Assembly. This funding is allocated on receipt directly to the General Fund in the Balance Sheet.

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

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

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	Total £000	2005-06 Total £000
Expenditure	4.1,4.2,4.3, 4.4	151,232	137,324
Miscellaneous income	3.1	1,986	772
Net operating costs		<u>149,246</u>	<u>136,552</u>

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

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	1	0
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	<u>1</u>	<u>0</u>

BALANCE SHEET AS AT 31 MARCH 2007

	Note	£000	31 March 2006 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	7	10
CURRENT ASSETS			
Debtors	6.1	1,904	292
Cash at bank and in hand		133	50
Total Current Assets		2,037	342
Creditors: amounts falling due within one year	6.2	9,766	7,982
Net current assets / (liabilities)		(7,729)	(7,640)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	849	399
TOTAL NET ASSETS		(8,571)	(8,029)
FINANCED BY:			
General fund	6.5	(8,572)	(8,029)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	1	0
TOTAL		(8,571)	(8,029)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	£000	2005-06 £000
Net operating costs	(149,246)	(136,552)
Adjust for non-cash transactions	409	9
Adjust for movements in working capital other than cash	172	696
Utilisation of provisions	(268)	(259)
	<hr/>	<hr/>
Net cash outflow from operating activities	(148,933)	(136,106)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(148,933)	(136,106)
FINANCING:		
Net Assembly funding (including capital)	149,016	135,517
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	149,016	135,517
	<hr/>	<hr/>
Increase / (decrease) in cash	83	(589)

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

	£000	2005-06 £000
Depreciation and other write-offs	4	3
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	718	277
Capital charge interest	(313)	(271)
	<u>409</u>	<u>9</u>

Adjust for movements in working capital other than cash

	£000	2005-06 £000
(Increase)/decrease in debtors	(1,612)	182
Increase/(decrease) in creditors	1,784	514
	<u>172</u>	<u>696</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	83
Cash outflow from debt repaid and finance lease capital payments	<u>0</u>
Change in net debt resulting from cash flows	83
Non cash changes in debt	0
Net debt at 1 April 2006	<u>50</u>
Net debt at 31 March 2007	<u>133</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	50	83	0	133
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>50</u>	<u>83</u>	<u>0</u>	<u>133</u>
Total	<u>50</u>	<u>83</u>	<u>0</u>	<u>133</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2007 was £133,465.01

Analysis of capital expenditure, financial investments and associated receipts

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

Reconciliation of loan issues and repayments to cash movements

	Issues	2005-06 Repayments	Net Movement
	£'000	£'000	£'000
Total issues and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
Total financial investment and associated receipts	0	0	0

Reconciliation of fixed assets and disposals

	Additions	2005-06 Disposals	Net Movement
	£'000	£'000	£'000
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
Total cash movement on asset additions and disposals	0	0	0

Notes to the Account

1. Accounting Policies

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

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

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

Acquisitions and Discontinued Operations

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

1.2 Income and funding

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

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, (or any other 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 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.)

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 Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for Depreciated Replacement Cost valuations.

Equipment

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

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

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

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

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

Leaseholds are depreciated over the primary lease term.

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

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

1.6 Donated assets

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

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

1.7 Research and development

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

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

1.8 Pension Costs

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

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

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

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

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

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

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

Additional pension liabilities arising from early retirements are not funded by the scheme, 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.

1.16 Expenditure

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

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

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

All other expenditure is classified as administration expenditure.

1.17 New Dental Contract

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

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

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

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

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

2.1 Achievement of Operational Financial Balance

	£000	2005-06 £000
Net operating costs for the financial year	149,246	136,552
Non-discretionary expenditure	1,666	1,378
Operating costs less non-discretionary expenditure	147,580	135,174
Revenue Resource Limit	147,583	135,179
Under / (over) spend against Revenue Resource Limit	3	5
Unplanned resource brokerage received	0	0
Operational Financial Balance	3	5

Forecast Financial Position 2007-2008

Local Health Boards are required to achieve a breakeven financial position each and every year except where a Service Change and Efficiency Plan (SCEP) has been approved by the Welsh Assembly Government in accordance with WHC (2007) 49, statutory Financial Duties of NHS Trusts and Local Health Boards. Where an approved SCEP is in place achievement of the breakeven duty will be measured over the life of the plan.

The Health Economy SCEP has been agreed by the Welsh Assembly Government subject to some conditions outlined in a letter to the Health Economy Chief Executives on 27 March 2007.

Negotiations in respect of the Service and financial Frameworks (Annual Operating Framework) within the health economy are still to be concluded in relation to the financial gap in relation to the Access 2009 targets. Discussions are being held with the regional Office of WAG to agree the presentation of this gap which is currently £305k for the Health Economy.

The Conwy and Denbighshire partnership is currently forecasting recurrent balance at the end of 2007/2008 in line with the agreed SCEP excluding the impact of Access 2009 and "Grogan" Continuing Health Care which is discussed under note 7.

The LHB is currently forecasting breakeven in 2007/2008 (excluding Grogan).

3.1 Miscellaneous income

	£000	2005-06 £000
Fees & Charges	0	0
Prescription charge income	1,853	770
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Other	133	2
Total	1,986	772

Other

Analysis of Other Income

	£000
Velindre NHS Trust (Cancer Network Income)	133

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2005-06 Total
	£000	£000	£000	£000
General Medical services	15,845	0	15,845	15,653
Pharmaceutical services	3,634	808	4,442	3,630
General Dental services	5,812	0	5,812	207
General Ophthalmic services	0	858	858	861
Other Primary health care expenditure	324	0	324	918
Prescribed drugs and appliances	17,134	0	17,134	16,084
Total	42,749	1,666	44,415	37,353

4.2 Secondary and Community health care

	Total £000	2005-06 Total £000
NHS Trusts:		
Provider 1 - .. Conwy and Denbighshire	87,159	82,963
Provider 2 - .. North East Wales	4,560	4,027
Provider 3 - .. North West Wales	202	125
Provider 4 - .. Robert Jones and Agnes Hunt Orthopaedic	904	914
Provider 5 - .. Countess of Chester	210	231
Provider 6 - .. Royal Liverpool and Broadgreen	375	413
Provider 7 - .. Calderstones	159	259
Provider 8 - ..	0	0
Provider 9 - ..	0	0
Provider 10 - ..	0	0
Other Welsh NHS trusts	89	168
Other non Welsh NHS trusts	864	569
Local Authorities	0	33
Voluntary Organisations	818	936
NHS Funded Nursing Care	1,730	1,399
Continuing Care	5,791	4,735
Private providers	318	541
Specific projects funded by Welsh Assembly Government	0	0
Other	16	0
Total	103,195	97,313

4.3 Other programme expenditure

	£000	2005-06 £000
Salaries and wages	644	355
National Public Health Service	653	606
Losses, special payments and irrecoverable debts	0	0
Research and development	0	0
Other	745	19
	<hr/>	<hr/>
Total	2,042	980

4.4 Administration expenditure

	£000	2005-06 £000
Non-officer members' remuneration	98	100
Other salaries and wages	835	856
Establishment expenses	99	90
Transport and moveable plant	3	25
Premises and fixed plant	64	46
External contractors	11	0
Auditors' remuneration - audit fee	35	78
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	715	734
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation	4	3
Amortisation	0	0
Capital charge interest	(313)	(271)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Other	29	17
	<hr/>	<hr/>
Total	1,580	1,678

Included in the Business Services Centre recharge is an amount of £17,500 for the external audit of the Business Service Centre attributable to Denbighshire LHB.

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

	Total	2005-06 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	0	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	0
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/>
Total	0	0
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2005-06 £000
Hire of plant and machinery	3	3
Other operating leases	28	28
Total	31	31

Commitments under non-cancellable operating leases:

	Land and Buildings	Other Leases	2005-06 Land and Buildings	2005-06 Other Leases
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	0	0	0
Between 1 and 5 years	0	0	28	3
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	Total	2005-06 Total
	£000	£000
Salaries and wages	1,231	998
Social security costs	94	83
Employer contributions to NHSPA	154	127
Other pension costs	0	0
Agency / seconded staff	0	3
Total	1,479	1,211

4.8 Board Directors' remuneration

	£000	2005-06 £000
Non-officer members' remuneration	98	100
Executive Directors' remuneration:		
basic salaries	252	258
benefits	14	16
performance related bonuses	0	0
pension contributions	35	36
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	399	410

	Chief Chairman	Chief Executive
	£000	£000
Basic Salary	32	76
Benefits	0	4
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	11
Total	32	91

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

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

The LHB does not have a performance related bonus scheme in operation.

See Note 7 for further information relating to the remuneration of the Chief Executive in 2006-07

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	4	0	0	4	4
Other Local Health Board Staff	34	0	2	36	26
Recharged staff	3	0	0	3	1
Total	41	0	2	43	31

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
Total	0	0

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
Non- NHS			
Total bills paid 2006-2007	2,594	11,259	1,208
Total bills paid within target	2,542	11,157	1,205
Percentage of bills paid within target	98.0%	99.1%	99.8%

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

	Number	£000	2005-06 £000
NHS			
Total bills paid 2006-2007	654	90,560	91,012
Total bills paid within target	651	90,536	91,009
Percentage of bills paid within target	99.5%	100.0%	100.0%

	Number	£000	2005-06 £000
Total			
Total bills paid 2006-2007	3,248	101,819	92,220
Total bills paid within target	3,193	101,693	92,214
Percentage of bills paid within target	98.3%	99.9%	100.0%

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
Gross cost at 1 April 2006	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2007	0	0	0	0	0
Accumulated amortisation at 1 April 2006	0	0	0	0	0
Provided during the year	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2007	0	0	0	0	0
Net book value at 1 April 2006	0	0	0	0	0
Net book value at 31 March 2007	0	0	0	0	0

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

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2006	0	0	0	0	0	0	0	16	16
Indexation	0	0	0	0	0	0	0	1	1
Additions - purchased	0	0	0	0	0	0	0	0	0
Additions - donated government granted	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2007	0	0	0	0	0	0	0	17	17
Depreciation									
At 1 April 2006	0	0	0	0	0	0	0	6	6
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	4	4
At 31 March 2007	0	0	0	0	0	0	0	10	10
Net book value									
at 1 April 2006	0	0	0	0	0	0	0	10	10
Net book value									
at 31 March 2007	0	0	0	0	0	0	0	7	7
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0
Value of assets held at open market value	0	0	0	0	0	0	0	0	0

Tangible Fixed Assets (continued)

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

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

	£000	2005-06 £000
Amounts falling due within one year:		
National Assembly for Wales	31	9
Health Commission Wales	0	0
Local Health Boards	85	137
Primary Care Trusts	0	0
NHS Trusts	1,294	34
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	461	98
Provision for irrecoverable debts	(132)	0
Pension Prepayments:	0	0
Other prepayments and accrued income	165	14
	<hr/>	<hr/>
Sub total	1,904	292
	<hr/>	<hr/>
Amounts falling due after more than one year:		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
Total	1,904	292

6.2 Creditors

		2005-06
Amounts falling due within one year:	£000	£000
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	104	156
NHS Trusts	777	294
Primary Care Trusts	0	5
Income tax and social security	37	34
Non-NHS creditors	6,758	5,537
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	0
Pensions: staff	0	0
Accruals	2,089	1,956
Deferred Income	1	0
Other creditors	0	0
	<hr/>	<hr/>
Total	9,766	7,982
	<hr/>	<hr/>

6.3 Creditors

		2005-06
Amounts falling due after more than one year:	£000	£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
	<hr/>	<hr/>
Total	0	0
	<hr/>	<hr/>

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
Sub-total	0	0	0	0	0	0	0	0
Pensions	0			0	0	0	0	0
Other	399			718	0	(268)		849
Total	399	0	0	718	0	(268)	0	849

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	592	257	0	849
Total	592	257	0	849

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
At 1 April 2006	(8,029)
Net operating cost for the financial year	(149,246)
Net Assembly funding (including capital)	149,016
Capital charge interest	(313)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2007	(8,572)

6.6 Donated asset reserve

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

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

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

6.8 Contingent liabilities -

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

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

Uncertainties affecting outcome:

Note 7 contains further details relating to note 6.8 and the Local Health Board position concerning potential liabilities following the issuing of the Welsh Health Circular WHC (2006) 046 - Further advice to the NHS and Local Authority on Continuing Health Care (October 2006).

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	34	0	59	0
Balances with local authorities	149	0	0	0
Balances with NHS trusts and Foundation trusts	1,294	0	722	0
Balances with Local Health Boards	85	0	104	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	342	0	8,881	0
Total at 31 March 2007	1,904	0	9,766	0
	<hr/>	<hr/>	<hr/>	<hr/>
Balances with other central government bodies	22	0	51	0
Balances with local authorities	33	0	67	0
Balances with NHS trusts and Foundation trusts	33	0	299	0
Balances with Local Health Boards	137	0	156	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	67	0	7,409	0
Total at 31 March 2006	292	0	7,982	0
	<hr/>	<hr/>	<hr/>	<hr/>

6.10 Post balance sheet events

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

1. There are no post Balance Sheet Events	0
2.	0
	<hr/>
Total	0
	<hr/>

6.11 Capital commitments

The Local Health Board has the following capital commitments:

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

6.12 Related Party transactions**£000**

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

0

Denbighshire 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 Denbighshire 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,

Conwy and Denbighshire NHS Trust	87,159
North East Wales NHS Trust	4,560
North West Wales NHS Trust	202

There were also material transactions with entities in England namely:-

Robert Jones and Agnus Hunt	904
Royal Liverpool and Broadgreen	375
Countess of Chester NHS Trust	210
Calderstones	159

All other providers are less than £250k and are therefore not considered material

During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Denbighshire LHB. However, Non Officer Board Members have declared their involvement within organisations as noted below with which the Board has financial commitments:-

- Practicing GPs within the LHB area
- The Ophthalmic and Pharmaceutical members receive reimbursement for the provision of services from the LHB
- Board members and staff of North Wales NHS Trusts
- Officers and Councillors of Denbighshire County Council
- Members with a declared interest in voluntary organisations which receive grant assistance or who supply services to the LHB.

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

Name	Details	Interests
Dr Gwyn Pierce Williams		General Practitioner
Dr Martin O'Donnell		General Practitioner
		Medical Director Morfa Doc
Dr Alicia Gozzard		General Practitioner
Dr James Wainwright		General Practitioner
Mr Tom Hodgson		Optician
		Denbighshire County Council
Mr Ian Howard		Conwy & Denbighshire NHS Trust
Dr David Gozzard		Conwy & Denbighshire NHS Trust
Mrs Pam Mainwaring		Conwy & Denbighshire NHS Trust
Mr Russell Bennett		Dentist
Mrs Miriam Blanchard		Pharmacist
Mrs Mari Wyn Hughes		Nurse
Mr Alan Benbow		Voluntary Sector
Mrs Karen Kilcoyne		Voluntary Sector
Miss Margaret Medley		Chair, Denbighshire Area Committee, Community Health Community Health Council
Mrs Sally Ellis		Denbighshire County Council
Mr Iwan Prys - Jones		Denbighshire County Council
Councillor Pauline Dobb		Councillor Denbighshire County Council
Mr Andrew Jones		Velindre NHS Trust
Mrs Susan Meryl Evans		Gofal Cymru/Welsh Assembly Government /Care Council for Wales

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	131	4,535
Total losses and special payments	131	4,535

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
Sub-total	0	0	0
All other cases	4,535	0	18,069
Total cases	4,535	0	18,069

6.14 Financial Instruments

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

Liquidity Risk

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

Interest-rate Risk

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

Foreign Currency Risk

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

6.15 Finance lease obligations

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

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

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

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

6.16 Pooled Budgets

During 2006/07 the Local Health Board did not operate any pooled budget arrangements.

7 Additional Information

The LHB has begun to assess the potential financial risk to Denbighshire LHB as a result of WHC (2006) 046: Further advice to the NHS and Local Authority on Continuing Health Care (October 2006).

The circular was issued in October 2006 and should be read in conjunction with "NHS Responsibilities for Meeting Continuing NHS Health Care Needs (2004)". The October 2006 guidance attempts to clarify issues relating to the "gap" in funding responsibilities between the Local Health Boards and Local Authorities. It re-iterates that where a patient's primary need is health, **funding should be provided entirely by the NHS.**

Full implementation of the guidance is likely to have significant funding implications to LHBs in a climate where Continuing Health Care costs are already increasing with little or no annual uplift offered within the LHB financial allocations.

In attempting to assess the financial implication, it has been assumed that all existing patients in receipt of Registered Nursing care and all joint packages of care with the Local Authority will be re-assessed as CHC and the LHB will be liable for the total costs of these packages.

A provisional Estimate for 2007/2008 is predicted to be in the region of £7.5 million for Denbighshire LHB with projections of £250 million for Wales.

There are also a large number of community packages which involve high levels of social care and district nursing services. Whilst it is likely that many of these patients will have a primary health need, and it is not possible to quantify this risk at this stage. It is also not possible to quantify the risk posed by the numbers of residents in residential care homes who might also have a primary health need.

The LHB has prepared its financial plan for 2007/2008 on the assumption that the financial risk relating to "Grogan" sits outside of the LHB's plans. This is a national issue and discussions are beginning to commence concerning the treatment of this additional expense to the NHS.

For 2006/2007 accounts, the LHB has not made provision for retrospective claims specifically for Grogan. However, on the basis of the likely publicity surrounding the issue, the LHB considers it prudent to raise a contingent liability for any cases which may come forward either from the public or Local Authority on a retrospective basis.

The LHB has made provision for cases which have been reviewed of clients in receipt of registered nursing care in 2006/07 which were considered border line in relation to their eligibility for CHC funding. The issue of the circular has increased the financial risk to the LHB and it has been considered prudent to provide for those known cases with effect from the date of assessment.

7 Additional Information

The post of Chief Executive was held by two persons in 2006-07. Mr A Lawrie resigned his post with effect from 6 August 2006. Ms S Baxter became Acting Chief Executive on 7 August 2006 and took up post on a substantive basis with effect from 1 October 2006.

The breakdown of note 4.8 in relation to this is as follows:

	A Lawrie 01/04/06 - 6/08/06	S Baxter 07/08/06 - 31/03/07	Total
	£000	£000	£000
Basic Salary	25	52	77
Benefits	1	3	4
Compensation for loss of office	0	0	0
Performance related bonuses	0	0	0
Pension contributions	3	7	10
Total	29	62	91

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

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

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

Date: 2007 Chief Executive

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

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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: 2007

Chief Executive: Dated: 2007

Director of Finance: Dated: 2007

DENBIGHSHIRE LHB

1. Scope of responsibility

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

The system of internal control is based upon an ongoing risk management process designed to identify the principal risks to the organisation's objectives; to evaluate the nature of those risks and to manage them efficiently, effectively and economically.

The organisation's responsibilities for internal control are also considered and assessed in the quarterly accountability reviews with the Regional Office. No adverse issues relating to internal control, risk management or clinical governance have been identified in 2006/2007.

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 Risk Management Policy and Strategy sets out the responsibility and role of the Chief Executive in relation to Risk Management. The Chief Executive has delegated shared chairmanship of the Risk Management Steering Group to the Medical Director and the Director of Finance.

The LHB has developed a robust Risk Management Framework in line with the guidance issued by the Director of Resources, NHS Wales in September 2003 (Supplementary Guidance for NHS Wales Local Health Boards: Statement on Internal Control 2003-04) and as set out in the Welsh Risk Management Standards.

During 2005/2006 the LHB introduced a comprehensive corporate risk register across all areas of the organisation which has assisted with the continuing development of an organisation which is aware of the risks it faces. The risk register is updated on a quarterly basis with input from every directorate within the LHB including the Local Counter Fraud Manager. This detailed risk register enables risk management decision making to occur as near as practicable to the risk source and for those risks that cannot be dealt with locally to be passed upwards to the appropriate level. The Risk Register is reported to the Risk Management Group and the LHB's Board approves a copy of the Risk Register on an annual basis with any significant risks being raised during Board meetings throughout the year. Financial risks are reported as a matter of course via the regular finance report to the Board and through Monitoring Returns to Welsh Assembly Government.

Risk Management, risk assessment and incident reporting is included within core induction for staff. The core induction folder includes a section on risk management and a staff information leaflet is also provided. The training directory also includes risk management and staff will receive update briefings via the monthly staff briefing route.

4. The risk and control framework

The risk management framework is set out in the Risk Management Policy and Strategy which has been subject to revision in 2006/2007. The key elements of the strategy include:

- An executive summary from the Chief Executive that sets out the commitment to risk management.
- Aims and Objectives
- Principles
- Designated responsibilities including Committees and Working Groups
- Risk Management Processes that includes the identification, evaluation, analysis, risk control, review and follow up.
- Training arrangements
- Dissemination to key stakeholders
- Risk Management Objectives
- Principle Committees for managing risks, including summarised Terms of Reference

The system of internal control is underpinned by compliance with the requirements of the Welsh Risk Management Standards. The scores as assessed by the LHB and externally verified by Mersey Internal Audit Agency and the Welsh Risk Pool were as follows:

Standard	Description	Assessed / Audited By	Target	2006/2007 Score	2005/2006 Score
A	Risk Management Policy and Strategy	WRP	75%	84%	81%
B	Risk Assessment and Treatment	WRP	75%	91%	86%
C	Incident and Hazard Reporting	WRP	75%	93%	90%
D	Policies and Procedures	WRP	75%	96%	75%
E	Governance	MIAA	75%	95%	95%
F	Financial Management	MIAA	75%	95%	96%
G	Facilitating Safe Primary Care	WRP	75%	96%	87%
H	Claims and Complaints	WRP	75%	96%	n/a
I	Records Management	WRP	75%	93%	79%

5. Minimum score for core standards

As a minimum, the LHBs needed to achieve a compliance score 75% overall in the core standards being assessed by the WRP:

- A) Risk Management Policy & Strategy
- B) Risk Assessment & Treatment
- C) Incident & Hazard Reporting

In 2006/2007 the LHB achieved 89%, an improvement from 86% in 2005/2006.

The Welsh Risk Pool identified a number of areas of good practice within the LHB, to be shared across Wales, examples of which are:

- Risk management guide for staff
- Risk management training needs analysis questionnaire
- Staff training in relation to Records Management
- Chaperone guidance

The following areas for development were identified as a result of their assessment

- Training needs analysis to be used to inform training needs for next year
- Update guidance on personal development plans
- Annual Risk Management report to the Board
- Review Key Performance Indicators and ensure they are monitored
- System required for the prioritisation of risk based funding
- Optometry reviews need to be put in place for Standards G
- Competency assessment arrangements required for nursing staff

In addition to these points, they also provided the following feedback:

- This year the LHB has worked hard to progress risk management and this is evident in their increased overall score.

6. 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 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 annual audit letter and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Board, the Audit Committee, Risk Management Steering Group and Clinical Governance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The contribution to the review of effectiveness for each of the sources is as follows:

- The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Internal audit provide regular reports to the Audit Committee and to the Director of Finance. The Audit Committee also receives details of actions that remain outstanding following any follow up of previous audit work. The Director of Finance also meets with the Audit Manager.
- The Welsh Risk Pool and their external assessment of the Welsh Risk Pool standards and the scoring of Welsh Risk Management Standards provides me with additional assurances.
- A Health Inspectorate Wales (HIW) Modernisation Assessment was carried out in the year and an action plan has been produced and approved by the LHB Board
- The LHB are holders of the Silver standard for Health at Work this provides me with assurance that progress is being made to promote the health of employees. The Health at Work: The Corporate Standard assessment team praised the communication systems within the organisation, in particular the well developed staff forum. The LHB will be assessed again in the Autumn of 2007 and the LHB is aiming for Gold Standard.

- Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance through review of performance against objectives.
- The Assurance Framework / Risk Register themselves provide me with further evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed and that an action plan has been drawn up as a result of this review.
- The Board's role is to provide active leadership of the LHB within a framework of prudent and effective controls that enable risk to be assessed and managed
- The Audit Committee, as part of an integrated committee structure provides a pivotal role in advising the Board on the effectiveness of the system of internal control.
- The Risk Management Steering Group and Clinical Governance Committee are key components by which I am able to assess the effectiveness and assure the Board of risk management generally and clinical risk.
- There is a nominated Local Counter Fraud Specialist with a remit on building a strong anti-fraud culture throughout the organisation.
- As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with
- There have been a number of new challenges for the LHB in 2006/07 for which systems were developed and will continue to be improved during 2007/08, the largest change being the implementation of the new Dental Contract which 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:

Benefit Eligibility Checks

These constitute one of the largest numerical checks carried out by the DPD. The DPD are considering how checks relating to patients of contractors based in Wales may be collated and reported at an LHB level. This checking has a secondary function in that for those patients who have claimed exemption the DPD is able to verify that they actually exist as well as their eligibility for benefit.

Management Reports

LHBs have been receiving a suite of standard reports from the DPD during 2006-07 and we will need to assure ourselves that this information is integrated within our own (risk) management systems for the Dental sector. The Dental Contract Manager carries out some analytical work to highlight contract performance issues or outliers, for example, treatment band analysis. Issues are discussed with practices as appropriate.

Exception Reports

In addition to the standard management reports, the DPD has issued quarterly 'Exception Reports' on an LHB by LHB basis. These reports rely on the statistical analysis carried out by the DPD to alert LHBs to outliers on key trends. These reports are discussed between the Dental Project Manager and the LCFS to assess for any suspicion of fraud. The DPB has recently carried out some training on how to interpret the information.

Patient Questionnaires

The DPD has completed a pilot programme across England and Wales during 2006-07 totalling 5,000 questionnaires of which there has been a 50% return which is being assessed by the DPD. Complaints with a probity implication are discussed with the Dental Reference Officer.

Patient Record Card Checks

Each practice in an LHB area will be visited by the Dental Reference Service once every three years. The main purpose of these visits is directed more towards clinical governance issues rather than PPV/Systems Assurance. However one side benefit of this is that patient record cards are inspected to ensure that treatments comply with claims etc Reports are due to be issued.

Dental Probity Report

This has recently been received and analysed by the LCFS and recommendations to request additional information from the DPD have been followed up by the Director of Finance from the DPD.

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 received **significant assurance** in its internal audit report on the LHB's implementation of the new dental contract.

- The LHB and the Health Economy faced significant financial pressures in year and these were identified and managed effectively within year through the agreed Service Change and Efficiency Plan. The Economy faced a deficit at the end of the year significantly lower than that agreed by Welsh Assembly Government. This is representative of the significant amount of work and management which was input in to managing the financial position. The main areas of cost pressures for the LHB continue to relate to prescribing and continuing healthcare.

Any significant internal control issues would be reported to the Board via the Audit Committee.
There have been no significant internal controls issues identified during 2006/2007.

Signed _____

Chief Executive

Date _____

(On behalf of the board)

Denbighshire Local Health Board

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 2 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 pages 37 and 38 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

I review whether the statement on pages 39 to 43 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

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.

Without qualifying my opinion, I draw 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 Denbighshire Local Health Board as at 31 March 2007 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers; and
- 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 Denbighshire 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
02 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 (FRM), 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 : Jeff Buggle

Dated :

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.