

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

Performance Management and Financial Results

From inception Local Health Boards in Wales must comply fully with the Treasury's Resource Accounting Manual. As a result the Income and Expenditure Account has been replaced by an Operating Cost Statement as the primary statement of in-year expenditure. Assembly funding is allocated on receipt directly to the General Fund in the Balance Sheet.

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

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 11. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

		Total	2003-04 Total
	Note	£000	£000
Expenditure	4.1,4.2,4.3, 4.4	115,906	101,291
Miscellaneous income	3.1	2,323	1,188
Net operating costs		<u>113,583</u>	<u>100,103</u>

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

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

Adjustments have been made to the comparative figures in respect of Assembly funding in both the Balance Sheet and General Fund in the form of a prior period adjustment. No prior period adjustment has been made in respect of the operating cost statement, cash flow statement or SRGL. Full details of the adjustments made are set out in Note 7.1 "Prior Period Adjustment".

BALANCE SHEET AS AT 31 MARCH 2005

	Note	£000	Restated 31 March 2004 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
CURRENT ASSETS			
Debtors	6.1	1,577	1,971
Cash at bank and in hand		516	2
Total Current Assets		2,093	1,973
Creditors: amounts falling due within one year	6.2	7,898	7,875
Net current assets / (liabilities)		(5,805)	(5,902)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	28	0
TOTAL NET ASSETS		(5,833)	(5,902)
FINANCED BY:			
General fund	6.5	(5,833)	(5,902)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
TOTAL		(5,833)	(5,902)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	£000	restated 2003-04 £000
Net operating costs	(113,583)	(100,103)
Adjust for non-cash transactions	(171)	(76)
Adjust for movements in working capital other than cash	417	(39)
Utilisation of provisions	(8)	0
	<hr/>	<hr/>
Net cash outflow from operating activities	(113,345)	(100,218)
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
Net cash inflow / (outflow) before financing	(113,345)	(100,218)
FINANCING:		
Net Assembly funding (including capital)	113,859	99,808
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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Net cash inflow / (outflow) from financing	113,859	99,808
Increase / (decrease) in cash	514	(410)

Notes to the cash flow statement

	£000	restated 2003-04 £000
Adjust for movements in working capital other than cash		
(Increase)/decrease in debtors	394	(1,082)
Increase/(decrease) in creditors	23	1,043
	<u>417</u>	<u>(39)</u>

Adjustment for non-cash transactions

	£000	restated 2003-04 £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	36	0
Capital charge interest	(207)	(76)
	<u>(171)</u>	<u>(76)</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	514
Cash inflow from new debt	0
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>514</u>
Non cash changes in debt	0
Net debt at 1 April 2004	<u>2</u>
Net debt at 31 March 2005	<u>516</u>

Analysis of changes in net debt

	As at 1 April 2004	Cash flows	Other changes	As at 31 March 2005
	£000	£000	£000	£000
Cash at bank and in hand	2	514	0	516
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
TOTAL	<u>2</u>	<u>514</u>	<u>0</u>	<u>516</u>

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Resource Accounting Manual (RAM) issued by HM Treasury to the extent that the National Assembly for Wales has directed as being appropriate to LHB'S. Under Resource Accounting the treatment of debtors and creditors for Assembly funding was incorrectly applied for transactions made in 2003/04 and for inherited LHB balances. This has been addressed for 2004/05, and the impact of this change in accounting policy has been corrected as set out in Note 7.1 "Prior Period Adjustment". The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

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

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

1.2 Income and funding

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

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

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

1.3 Taxation

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

1.4 Intangible fixed assets

Intangible 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.

b. Valuation

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

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.

Vehicles are depreciated over 7 years.

Intangible assets are amortised over the estimated lives of the assets.

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 relates to a clearly defined project and benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State. As a consequence it is not possible for the LHB to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2004-05 was : £143,849, (2003-04 £53,758)

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

The Scheme is subject to a full valuation every four years. The last valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual

NHS Pension Scheme (England and Wales) Resource Account, published every October. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from the Stationary Office.

NHS bodies are directed by the National Assembly to charge employers pension costs contributions to operating expense as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation employer contribution rates from 2003-04 were set at 14% (7% for 2002-03) of pensionable pay. Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full.

For 2003-04 the additional funding was retained as a Central Budget by the Department of Health and was paid direct to the NHS Pensions Agency and the employers' contribution remained at 7%. From 2004-05 this funding was devolved in full to NHS Pension Scheme employers and the employers' contribution rate rose to 14%. 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, 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.

FRS17 had been fully adopted from 2003/04.

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

1.9 Foreign currency

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

1.10 Cost of Capital

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

1.11 Provisions

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

1.12 Liquid resources

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

1.13 Leases

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

1.14 Contingent liabilities

At 31 March 2005 litigation claims with an assessed value of £40,000 had been made against the LHB. These claims are disputed and until they are resolved, it is not possible to determine the LHB's liability, if any.

1.15 Deferred Income

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

2.1 Achievement of Operational Financial Balance

	£000	2003-04 £000
Net operating costs for the financial year	113,583	100,103
Non-discretionary expenditure	2,788	8,636
Operating costs less non-discretionary expenditure	110,795	91,467
Revenue Resource Limit	110,793	91,486
Under / (over) spend against Revenue Resource Limit	(2)	19
Unplanned resource brokerage received	0	0
Operational Financial Balance	(2)	19

3.1 Miscellaneous income

	£000	Restated 2003-04 £000
Fees & Charges	0	0
Prescription charge income	1,112	1,013
Income for trust impairments	0	0
Deferred Income brought forward	1,086	78
Other	125	97
Total	2,323	1,188

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2003-04 Total
	£000	£000	£000	£000
General Medical services	10,656	(91)	10,565	7,875
Pharmaceutical services		2,050	2,050	2,020
General Dental services	0	10	10	22
General Ophthalmic services	0	819	819	810
Other Primary health care expenditure	498	0	498	345
Prescribed drugs and appliances	16,137		16,137	15,850
TOTAL	27,291	2,788	30,079	26,922

4.2 Secondary and Community health care

	Total £000	2003-04 Total £000
NHS Trusts:		
Provider 1 - Gwent Healthcare	73,275	66,220
Provider 2 - Velindre	1,735	1,676
Provider 3 - Cardiff & Vale	1,429	1,342
Provider 4 - Bro Morgannwg	156	130
Provider 5 - Swansea	50	67
Provider 6 - Royal National Hospital Rheumatic Diseases	44	26
Provider 7 - North Bristol	38	31
Provider 8 - United Bristol Healthcare	37	0
Provider 9 - Hereford Hospitals	32	18
Provider 10 - North Glamorgan	29	24
Other Welsh NHS trusts	39	40
Other non Welsh NHS trusts	49	45
Local Authorities	3,788	1,555
Voluntary Organisations	383	216
NHS Funded Nursing Care	1,660	243
Continuing Care	31	0
Private providers	120	107
Specific projects funded by Welsh Assembly Government	0	0
Other	162	13
TOTAL	83,057	71,753

Expenditure with Local Authorities is as follows :

Torfaen County Borough Council:

S28a Learning Difficulties £2.260m
 S28a Elderly £0.115m
 S28a Mental Health £0.012m
 Delayed Transfers of Care £0.031m
 Community Care £1.370m
 Total £3.788m

4.3 Other programme expenditure

	£000	2003-04 £000
Salaries and wages	461	251
National Public Health Service	437	417
Losses, special payments and irrecoverable debts	77	280
Research and development	0	0
Other	275	200
	<hr/>	<hr/>
TOTAL	1,250	1,148

4.4 Administration expenditure

	£000	2003-04 £000
Non-officer members' remuneration	83	79
Other salaries and wages	792	695
Establishment expenses	67	4
Transport and moveable plant	0	17
Premises and fixed plant	106	63
External contractors	49	51
Auditors' remuneration - audit fee	35	75
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	575	553
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	0	0
Capital charge interest	(207)	(76)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Costs of disposal of fixed assets	0	0
Other	20	7
	<hr/>	<hr/>
TOTAL	1,520	1,468

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

	Total	2003-04 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	8	0
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	8	0
Contributions to Welsh Risk Pool/insurance premiums	0	280
Irrecoverable debts	69	6
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
Total charge	77	286
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Personal injury includes £'000 in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2003-04 £000
Hire of plant and machinery	0	0
Other operating leases	26	26
	<hr/>	<hr/>
TOTAL	26	26

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000
Operating leases which expire:		
Within 1 year	26	0
Between 1 and 5 years	0	0
After 5 years	0	0

4.7 Executive Directors and staff costs

	Total £000	2003-04 Total £000
Salaries and wages	1,019	788
Social security costs	85	60
Employer contributions to NHSPA	144	53
Other pension costs	0	0
Agency / seconded staff	14	30
	<hr/>	<hr/>
TOTAL	1,262	931

The total salaries and wages costs in notes 4.3 and 4.4 is £1,253k. This differs to the costs reported in Note 4.7 above as costs of £9k relating to Emergency Dentists and a practice nurse employed by the LHB are charged to Note 4.1.

4.8 Board Directors' remuneration

	£000	2003-04 £000
Non-officer members' remuneration	80	81
Executive Directors' remuneration:		
basic salaries	279	258
benefits	0	0
performance related bonuses	0	0
pension contributions	40	18
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
TOTAL	399	357

	£000	Chief Executive £000
Basic Salary	25	72
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	10
TOTAL	25	82

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:

[not applicable to Torfaen LHB](#)

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	2003-04 Number
Executive Board Members	5	0	0	5	4
Other Local Health Board Staff	34	1	0	35	25
Recharged staff	0	0	0	0	1
TOTAL	39	1	0	40	30

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
b.	0
c.	0
d.	0
TOTAL	0

4.10 Salary and pension entitlements of senior managers

Remuneration

Name and title	Salary	2004-05	Benefits in	Salary	2003-04	Benefits in
	£5k bands	Other Remuneration £5k bands	Kind Rounded to nearest £100	Remuneration	Other Remuneration	Kind
	£000	£000	£000	£000	£000	£000
Executive directors						
Mr John Skinner - Chief Executive	70 - 75	0	0	65 - 70	0	0
Mrs Sue Evans - Planning & Com Dir	55 - 60	0	0	55 - 60	0	0
Mr Nigel Stephens - Finance Director	55 - 60	0	0	50 - 55	0	0
Ms Vicky Warner - Nursing Director	45 - 50	0	0	40 - 45	0	0
1 Dr Kay Richmond - Medical Director	15 - 20	0	0	35 - 40	0	0
2 Dr Marysia Hamilton-Kirkwood - Medical Director	35 - 40	0	0	0	0	0
Non officer members						
Dr Doug Dare - Chairman	25 - 30	0	0	25 - 30	0	0
Mrs Margaret Price - Voluntary Sector Member	5 - 10	0	0	5 - 10	0	0
Mr Roy Lurvey - Voluntary Sector Member	5 - 10	0	0	5 - 10	0	0
Mrs Julie Robinson - Community Member	5 - 10	0	0	5 - 10	0	0
Mrs Lynn Perryman - Community Member	5 - 10	0	0	5 - 10	0	0
Mr Mervyn Hansford - Optometrist Member	5 - 10	0	0	5 - 10	0	0
Mr Allan Gilbert - Pharmacist Member	5 - 10	0	0	5 - 10	0	0
Dr Lucy Allen - GP Member	5 - 10	0	0	5 - 10	0	0
Dr Andrew Lohfink - GP Member	5 - 10	0	0	5 - 10	0	0
Dr Sion James - GP Member	5 - 10	0	0	0 - 5	0	0

1 Position held until 8th July 2004.

2 Position held from 1st October 2004.

4.10 Salary and pension entitlements of senior managers cont'd**Pension Benefits**

Name and title	Real increase in pension & related lump sum at age 60	Total accrued pension & related lump sum at age 60 at 31 Mar 2005	Cash Equivalent transfer value at 31 Mar 2005	Cash Equivalent transfer value at 31 Mar 2004	Real increase in Cash equivalent transfer value at
	£2.5k bands £000	£5k bands £000	£000	£000	£000

Executive directors

Mr John Skinner - Chief Executive	2.5 - 5.0	105 - 110	431	393	27
Mrs Sue Evans - Planning & Commissioning Director	0 - 2.5	25 - 30	101	88	10
Mr Nigel Stephens - Finance Director	2.5 - 5.0	40 - 45	116	101	11
Ms Vicky Warner - Nursing Director	0 - 2.5	35 - 40	120	106	11
Dr Kay Richmond - Medical Director	0 - 2.5	0 - 5	23	19	4
Dr Marysia Hamilton - Kirkwood - Medical Director	5.0 - 7.5	70 - 75	253	224	22

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

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

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

4.11 Retirements due to ill-health

During 2004-05 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be nil.

4.12 Public Sector Payment Policy - Measure of Compliance

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

	Number	£000	2003-04 £000
NON-NHS			
Total bills paid 2004-2005	1,051	7,120	3,626
Total bills paid within target	1,011	7,074	3,543
Percentage of bills paid within target	96.2%	99.4%	97.7%

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	2003-04 £000
NHS			
Total bills paid 2004-2005	527	80,115	72,373
Total bills paid within target	515	80,066	72,332
Percentage of bills paid within target	97.7%	99.9%	99.9%

TOTAL

Total bills paid 2004-2005	1,578	87,235	75,999
Total bills paid within target	1,526	87,140	75,875
Percentage of bills paid within target	96.7%	99.9%	99.8%

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

	£	2003-04 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross replacement cost at 1 April 2004	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2005	0	0	0	0	0
Accumulated amortisation at 1 April 2004	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 2005	0	0	0	0	0
Net book value at 1 April 2004	0	0	0	0	0
Net book value at 31 March 2005	0	0	0	0	0

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

Cost or valuation	Buildings, excluding		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	dwelling	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2004	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
At 31 March 2005	0	0	0	0	0	0	0	0	0
Depreciation									
At 1 April 2004	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
At 31 March 2005	0	0	0	0	0	0	0	0	0
Net book value									
at 1 April 2004	0	0	0	0	0	0	0	0	0
Net book value									
at 31 March 2005	0	0	0	0	0	0	0	0	0
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

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2005 comprises:

	£000
Freehold	0
Long leasehold	0
Short leasehold	0
	<hr/>
	0

TOTAL

Net profit/(loss) on disposal of fixed assets

	£000
During the year the LHB disposed of fixed assets with the net book value of,	0
The gross proceeds from the sale(s) were	0
giving a net profit/(loss) on disposal of	<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

6.1 Debtors

	£000	Restated 2003-04 £000
Amounts falling due within one year:		
National Assembly for Wales	1	178
Health Commission Wales	0	0
Local Health Boards	120	61
Primary Care Trusts	0	0
NHS Trusts	153	82
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	1,360	1,650
Provision for irrecoverable debts	(69)	(6)
Pension Prepayments:	0	0
Prepayments and accrued income	12	6
	<hr/>	<hr/>
Sub total	1,577	1,971
	<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
Prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
TOTAL	1,577	1,971

6.2 Creditors

	£000	Restated 2003-04 £000
Amounts falling due within one year:		
National Assembly for Wales	0	4
Health Commission Wales	0	0
Local Health Boards	332	124
NHS Trusts	1,008	686
Primary Care Trusts	0	15
Income tax and social security	0	0
Non-NHS creditors	550	251
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and contracts	0	0
GPFH savings	34	37
Pensions: staff	0	0
Accruals	5,974	5,672
Deferred Income	0	1,086
	<hr/>	<hr/>
TOTAL	7,898	7,875

6.3 Creditors

	Total	2003-04 Total
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

6.4 Provisions for liabilities and charges

	At 1 April 2004	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 2005
	£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	8	0	(8)		0
Sub-total	0	0	0	8	0	(8)	0	0
Pensions	0			0	0	0	0	0
Other	0			28	0	0		28
Total	0	0	0	36	0	(8)	0	28

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	28	0	0	28
Total	28	0	0	28

The LHB estimates that in 2005-06 it will receive £nil, and in 2006-07 and beyond £nil from the Welsh Risk Pool in respect of the losses and special payments.

The provision for continuing care of £28k relates only to those costs for continuing care occurring after 1 April 2003 that are subject to review by the NHS Ombudsman. All costs subject to Ombudsmen review for which a provision has been established relating to periods prior to 1 April 2003 are accounted for in Powys Local Health Board's accounts, as required by the Welsh Assembly Government.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2004	(2,149)
Prior period adjustment	(3,753)
At 1 April 2004 as restated	(5,902)
Net operating cost for the financial year	(113,583)
Net Assembly funding (including capital)	113,859
Capital charge interest	(207)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2005	(5,833)

6.6 Donated asset reserve

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

	£000
Balance at 1 April 2004	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2005	0

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2004	0
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2005	0

6.8 Contingent liabilities -

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

Nature:	£000	Uncertainties affecting outcome:
Legal claims for third parties liabilities	0	
Doubtful debts	0	
Other	40	
	<hr/>	
TOTAL	40	

In March 2005 the Welsh Assembly Government published adverts in national and local papers inviting cases to be submitted for review by the NHS Ombudsman to determine whether they fall to be treated as continuing care cases and consequently to be funded by the LHB. Although further cases have been submitted to the Welsh Assembly Government and there may be further cases yet to be submitted to the Ombudsman, the LHB has no knowledge of the validity, value or extent of the claims at this time and no provision has been made for these additional claims.

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	8	0	6	0
Balances with local authorities	2	0	78	0
Balances with NHS trusts and Foundation trusts	153	0	1008	0
Balances with Local Health Boards	120	0	332	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	1294	0	6474	0
Total at 31 March 2005	1577	0	7898	0

6.10 Post balance sheet events

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

1.	0
	0
2.	0
	0
TOTAL		<u>0</u>

6.11 Capital commitments

The Local Health Board has the following capital commitments:

Contracted	0
Authorised but not contracted	0
TOTAL	<u>0</u>

6.12 Related Party transactions

£000

Total value of transactions with Board members and key senior staff in 2004-2005 **0**

Torfaen 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 Torfaen Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely,

Blaenau Gwent LHB - £46,466

Caerphilly LHB - £91,011

Monmouthshire LHB - £103,156

Newport LHB - £97,781

Powys LHB - £707,058

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 Torfaen Local Authority (total £3,979,794) in respect of joint enterprises.

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 Torfaen LHB

Member involvements in related parties are as follows:

Dr Doug Dare (Chairman of LHB Board) - Partner in Abersychan Surgery GP Practice

Dr Roy Lurvey (Non Officer Member of LHB Board) - St Davids Foundation Hospice Care

Mr Mervyn Hansford (Non Officer Member of LHB Board) - Director of Phillips Opticians Ltd

Mr Allan Gilbert (Non Officer Member of LHB Board) - shareholder in AJ Gilbert (Chemist) Ltd

Dr Lucy Allen (Non Officer Member of LHB Board) - Partner in Cwmbran Village Surgery GP Practice

Dr Andrew Lohfink (Non Officer Member of LHB Board) - Partner in Greenmeadow Surgery GP Practice

Dr Sion James (Non Officer Member of LHB Board) - Partner in The Mount Surgery GP Practice and employed (on a self employed basis) by Gwent Out of Hours Service. The Gwent Out of Hours Service provides out of hours services for Torfaen LHB residents, and is managed by the Gwent Healthcare NHS Trust.

6.12 Related Party transactions

Member involvements in related parties continued:

Ms Helen Ward (Non Officer Member of LHB Board) - employed as Clinical Director of Dietetics by Gwent Healthcare Trust.

Cllr Collette Thomas (Non Officer Member of LHB Board) - Elected Member of Torfaen CBC

Cllr Rosemarie Ann Seabourne (Non Officer Member of LHB Board) - Elected Member of Torfaen CBC

Mr Gary Birch (Non Officer Member of LHB Board) - Director of Social Services, Torfaen CBC

Mr Stewart Greenwell (Non Officer Member of LHB Board) - Deputy Director of Social Services, Torfaen CBC

Mr John Skinner (Chief Executive) - wife employed by North Bristol NHS Trust

Dr Kay Richmond (retired Medical Director) - member of British Red Cross Society

6.13 Losses and special payments

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	2	87,313
Total losses and special payments	2	87,313

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £100,000	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	0	0	0
Total cases	0	0	0

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
Within 1 year	0
Between 1 and 5 years	0
After 5 years	0
	<hr/>
Subtotal	0
	<hr/>
Less finance charges allocated to future periods	0
	<hr/>
TOTAL	0
	<hr/>

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

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

6.16 Pooled Budgets

Where Local Health Boards are part of a project financed by a pooled budget, they should include details in this note. The Local Health Board should disclose its contribution to the pooled budget, a description of the project and the total annual expenditure. A memorandum account of the fund should also be disclosed. The account must be prepared by 31 May 2005 at the latest so that auditors appointed by the Public Audit Wales can complete their audit by 30 June 2005.

7 Additional Information

7.1 Prior Period Adjustment (PPA)

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

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

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

Details of the PPA are set out below:

	£'000
Reduction in Debtors	(3,753)
Reduction in Creditors	-
Decrease in General Fund	(3,753)

The effect of this PPA on the results of the 2003/04 accounts is to reduce the General Fund and reduce net assets by £3,753k.

7.2 Post Payment Verification Enhanced Services

The Post Payment Verification (PPV) exercise for Enhanced Services did not commence during the financial year under the new GMS contract. The PPV service will be established during 2005/06 to provide assurance of the appropriateness of payments.

7.3 Post Payment Verification Ophthalmic Services

The Post Payment Verification (PPV) for Ophthalmic services was undertaken in December 2004. The process will be further developed during 2005/06 as part of the PPV service mentioned above.

7 Additional Information Cont'd

7.4 Post Payment Verification GMS Quality Outcomes Framework

All GP practices were subject to a Quality Outcomes Framework (QOF) visit during 2004/05, which confirmed the number of QOF points achieved. The PPV service will further develop this process during 2005/06.

7.5 Second Offer Commissioning Team

During 2004/05, Rhondda Cynon Taff LHB acted as host to the Second Offer Commissioning Team (SOCT). Rhondda Cynon Taff LHB received funding from the Welsh Assembly to cover the running costs of the SOCT and also the healthcare related costs for patients accessing treatments under the Second Offer Scheme.

The total healthcare related costs for 2004/05 was £6.892m, which included £0.223m in relation to the treatment of patients from the Torfaen LHB area.

**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: 2005 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Chairman: Dated: 2005

Chief Executive: Dated: 2005

Director of Finance: Dated: 2005

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

Mechanisms have been developed to enable the identification, assessment, management and reporting of risk in line with guidance issued by the Welsh Assembly Government.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Local Health Board (LHB) is corporately responsible for pursuing the aims and objectives of risk management. The responsibility for managing risk is part of the role of all staff. However, specific responsibility is assigned as follows:

- Clinical Governance: Medical Director
- Financial Governance: Director of Finance & Performance

The LHB has also established a Clinical Governance Committee and a Non Clinical Risk Groups, which report to the Board, to identify risks and manage the risk assessment process.

Directors are expected to be continually aware of risk management issues and training sessions for LHB staff specific to Risk Management have been completed and forms part of an ongoing development programme.

Staff are aware of the Risk Management Strategy and are familiar with LHB policies and procedures.

4. The risk and control framework

The LHB has formally adopted a Risk Management Strategy and has also developed a 'Corporate Risk Register' as a basis for controlling and monitoring the risk management activities of the organisation. This is formally updated and presented to the Management Team on an annual basis.

Risks are identified by both individuals and directorates and formally reported through the Risk Management Working Group where these risks are identified, assessed and recorded.

The LHB performance against the Welsh Risk Management Standards has been assessed and the following table shows the outcome of this process:

Table: Welsh Risk Management Standards Scores 2004/05

Standard No	Title	2004/05	
		Score	Requirement
Standard A	Risk Management Policy and Strategy	77%	75%
Standard B	Risk Assessment and Treatment	87%	75%
Standard C	Incident and Hazard Reporting	79%	75%
Standard D	Policies and Procedures	81%	75%
Standard E	Governance	83%	75%
Standard F	Financial Management	92%	75%
Standard G	Facilitation of Safe Primary Care	82%	50%
Standard I	Records Management	61%	50%

The LHB's internal auditors have reviewed the self-assessed scores, and have concluded that they are reasonably based on the evidence available and also that the systems in place at the year-end were satisfactory. The LHB management is aware of the work required to improve the compliance scores and regular updates will be reported to the Audit Committee via the Non Clinical Risk Group.

A robust internal control framework has been put in place during the year, which includes:

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

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

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

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

5. Review of effectiveness

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

Internal Controls have been assessed and reviewed during the financial year and I can confirm that there

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

**THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF
THE NATIONAL ASSEMBLY FOR WALES**

I certify that I have audited the financial statements on pages 1 to 37 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 to 10.

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on 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 National Assembly for Wales 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/other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

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

I review whether the statement on pages 40 and 41 reflects the Board's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury and the Assembly or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions in

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Torfaen Local Health Board as at 31 March 2005 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the National Assembly for Wales; and

- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Signature:

Name: Jeremy Colman

Date: 4th August 2005

Address:

Deri House
2-4 Park Grove
Cardiiff
CF10 3PA

ACCOUNT OF - 2004-2005

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

LOCAL HEALTH BOARDS

1. The National Assembly for Wales (NAW) directs that an account shall be prepared for the financial year ended 31 March 2005 and subsequent financial years in respect of the Local Health 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 Resource Accounting Manual, as detailed in the LHB Manual for Accounts, but specifically excluding schedules 1 and 5;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2005 and subsequent years shall comprise an operating cost statement, a balance sheet, a 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 2005 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

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

Signed by the authority of the National Assembly of Wales

Signed : Christine Daws

Dated :

ACCOUNT OF - 2004-2005

SCHEDULE 1

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

Companies Act

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