

# Blaenau Gwent LHB

## 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 [Blaenau Gwent](#) ;
- 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 As a result the Income and Expenditure Account has been replaced by an Operating Cost Statement as the primary statement of in-year expenditure.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**

	<b>Note</b>	<b>Total £000</b>	<b>2003-04 Total £000</b>
Expenditure	4.1,4.2,4.3, 4.4	<b>93,130</b>	82,919
Miscellaneous income	3.1	<b>2,859</b>	1,622
<b>Net operating costs</b>		<b><u>90,271</u></b>	<b><u>81,297</u></b>

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

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

Adjustments have been made to the comparative figures in respect of Assembly financing in the form of a prior period adjustment. This is not required to be disclosed in the Statement of Recognised Gains and Losses but is detailed in Note 7.2 Prior Period Adjustment.

**BALANCE SHEET AS AT 31 MARCH 2005**

	Note	£000	Restated 31 March 2004 £000
<b>TOTAL FIXED ASSETS</b>			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
<b>CURRENT ASSETS</b>			
Debtors	6.1	1,314	4,614
Cash at bank and in hand		671	3
<b>Total Current Assets</b>		<b>1,985</b>	<b>4,617</b>
Creditors: amounts falling due within one year	6.2	6,663	9,855
<b>Net current assets / (liabilities)</b>		<b>(4,678)</b>	<b>(5,238)</b>
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	18	23
<b>TOTAL NET ASSETS</b>		<b>(4,696)</b>	<b>(5,261)</b>
<b>FINANCED BY:</b>			
General fund	6.5	(4,696)	(5,261)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
<b>TOTAL</b>		<b>(4,696)</b>	<b>(5,261)</b>

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	2003-04 £000
<b>Net operating costs</b>	<b>(90,271)</b>	<b>(81,297)</b>
Adjust for non-cash transactions	<b>(193)</b>	<b>23</b>
Adjust for movements in working capital other than cash	<b>108</b>	<b>(2,925)</b>
Utilisation of provisions	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(90,356)</b>	<b>(84,199)</b>
	<hr/>	<hr/>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:</b>		
Payments to acquire fixed assets	<b>0</b>	<b>0</b>
Receipts from the sale of fixed assets	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) from investing activities</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow / (outflow) before financing</b>	<b>(90,356)</b>	<b>(84,199)</b>
	<hr/>	<hr/>
<b>FINANCING:</b>		
Net Assembly funding (including capital)	<b>91,024</b>	<b>81,641</b>
Surrender of income from sale of fixed assets	<b>0</b>	<b>0</b>
Donations	<b>0</b>	<b>0</b>
Capital element of finance lease rental payments	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Net cash inflow</b>	<b>91,024</b>	<b>81,641</b>
	<hr/>	<hr/>
<b>Increase / (decrease) in cash</b>	<b>668</b>	<b>(2,558)</b>
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**Notes to the cash flow statement**

<b>Adjust for movements in working capital other than cash</b>	<b>£000</b>	<b>2003-04 £000</b>
(Increase)/decrease in debtors	3,300	(3,861)
Increase/(decrease) in creditors	(3,192)	936
	<u>108</u>	<u>(2,925)</u>

**Adjustment for non-cash transactions**

	<b>£000</b>	<b>2003-04 £000</b>
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	(5)	23
Capital charge interest	(188)	0
	<u>(193)</u>	<u>23</u>

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

	<b>£000</b>
Increase/(decrease) in cash in the period	668
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>668</u>
Non cash changes in debt	0
<b>Net debt at 1 April 2004</b>	<u>3</u>
<b>Net debt at 31 March 2005</b>	<u>671</u>

**Analysis of changes in net debt**

	<b>As at 1 April 2004</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>As at 31 March 2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	3	668	0	671
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
<b>TOTAL</b>	<u>3</u>	<u>668</u>	<u>0</u>	<u>671</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 (the Assembly) has directed as being appropriate to LHB's, this is a change in accounting policy from 2003/04 as set out in Note 7.2 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 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.

Miscellaneous 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.

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

#### 1.3 Taxation

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

#### 1.4 Intangible fixed assets

Intangible fixed assets 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, are capitalised in the LHB Balance Sheet.

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.

#### 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 cost (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 : £207,825 , (2003-04 £75,346)

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.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from the Stationary Office.

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 has remained at 7%. From 2004-05 this funding will be devolved in full to NHS Pension Scheme employers and the employers' contribution rate has risen 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, 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.

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 Office of Paymaster General (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.

Provisions are only recognised where the transfer of economic benefit is probable, and the amount of the transfer of economic benefit 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 Operating Cost Statement (OCS) on a straight line basis.

### **1.14 Contingencies**

Contingent liabilities are recognised where the LHB has:

- 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 previously received by Health Authorities from the National Assembly has been carried forward into the accounts of the LHB where relevant to the functions of the LHB and has been released to match expenditure on the areas to which this income originally related.

**2.1 Achievement of Operational Financial Balance**

	£000	2003-04 £000
Net operating costs for the financial year	90,271	81,297
Non-discretionary expenditure	2,228	6,403
Operating costs less non-discretionary expenditure	88,043	74,894
Revenue Resource Limit	88,071	75,019
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>28</b>	<b>125</b>
Unplanned resource brokerage received	0	0
<b>Operational Financial Balance</b>	<b>28</b>	<b>125</b>

The LHB has met the operational financial balance target.

The LHB has achieved an underspend of £28,000 for the year, and has therefore remained within its Revenue Resource Limit.

On inception of the LHB in April 2003 the LHB recognised an underlying deficit of £1.6m, as part of the Gwent healthcare community.

In 2004/05 the LHB managed the financial risk through non-recurrent savings and also an agreed reduction to the Gwent Healthcare NHS Trust contract.

In 2005/06 the LHB plans to reduce the Gwent Healthcare NHS Trust contract to agreed levels, which should bring the baseline position to recurrent balance.

However, the implementation of new Welsh Assembly Government policy, requiring patients to be seen or treated within 12 months has put additional financial pressure on the LHB. As a result the LHB is forecasting a deficit of £700,000. It should be noted that the LHB is proactively taking steps to achieve financial balance by the end of the 2005/06 financial year.

### 3.1 Miscellaneous income

	£000	2003-04 £000
Fees & Charges	0	0
Prescription charge income	742	670
Income for trust impairments	0	0
Deferred Income released to revenue	1,909	674
Other	208	278
<b>Total</b>	<b>2,859</b>	<b>1,622</b>

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

	Cash limited	Non cash limited	Total	2003-04 Total
	£000	£000	£000	£000
General Medical services	9,084	(68)	9,016	7,022
Pharmaceutical services		1,535	1,535	944
General Dental services	0	23	23	16
General Ophthalmic services	0	738	738	701
Other Primary health care expenditure	503	0	503	598
Prescribed drugs and appliances	13,157		13,157	13,065
<b>TOTAL</b>	<b>22,744</b>	<b>2,228</b>	<b>24,972</b>	<b>22,346</b>

**4.2 Secondary and Community health care**

	Total £000	2003-04 Total £000
<b>NHS Trusts:</b>		
Provider 1 - Gwent Healthcare NHS Trust	59,465	54,313
Provider 2 - Cardiff & Vale NHS Trust	1,110	1,144
Provider 3 - Velindre NHS Trust	973	770
Provider 4 - North Glamorgan NHS Trust	502	427
Provider 5 - Swansea NHS Trust	71	58
Provider 6 - Pontypridd & Rhondda NHS Trust	48	41
Provider 7 - Powys NHS Trust	42	35
Provider 8 - RNHRD Bath	42	29
Provider 9 - Carmarthenshire NHS Trust	35	20
Provider 10 - Bro Morgannwg NHS Trust	17	10
Other Welsh NHS trusts	11	1
Other non Welsh NHS trusts	69	94
Local Authorities	769	692
Voluntary Organisations	454	162
NHS Funded Nursing Care	1,855	211
Continuing Care	(5)	23
Private providers	97	104
Specific projects funded by Welsh Assembly Government	320	166
Other	105	92
<b>TOTAL</b>	<b>65,980</b>	<b>58,392</b>

All Local Authority expenditure is with Blaenau Gwent County Borough Council on the following schemes

Section 28a agreement Learning Disabilities	423
Playbus scheme	168
Intermediate Care	99
Other Section 28a schemes	79

Total	<u>769</u>
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Continuing Care costs are included within the main Long term Agreement with Gwent Healthcare NHS Trust  
The figure of -£5k relates to Continuing Care Ombudsman cases which the LHB manages separately  
The LHB has made a provision of £17k for an Ombudsman case in 2004/05, and there is a release of a provision for a case in 2003/04 of £22k which did not result in any payment

**4.3 Other programme expenditure**

	£000	2003-04 £000
Salaries and wages	103	0
National Public Health Service	415	381
Losses, special payments and irrecoverable debts	0	252
Research and development	0	0
Other	0	0
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<b>TOTAL</b>	<b>518</b>	<b>633</b>

**4.4 Administration expenditure**

	£000	2003-04 £000
Non-officer members' remuneration	94	82
Other salaries and wages	766	670
Establishment expenses	110	71
Transport and moveable plant	3	11
Premises and fixed plant	182	98
External contractors	28	34
Auditors' remuneration - audit fee	80	80
Auditors' remuneration - other fees	0	0
Business Services Centre recharge	526	506
Interest payable- unwinding of discount	0	0
Interest payable -other	0	0
Capital - depreciation and amortisation	0	0
Capital charge interest	(188)	(101)
Impairment	0	0
(Profit) / loss on disposal of fixed assets	0	0
Costs of disposal of fixed assets	0	0
Other	59	97
	<hr/>	<hr/>
<b>TOTAL</b>	<b>1,660</b>	<b>1,548</b>

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

	<b>Total</b>	<b>2003-04 Total</b>
	<b>£000</b>	<b>£000</b>
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	252
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
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<b>Total charge</b>	<b>0</b>	<b>252</b>
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Personal injury includes £nil in respect of permanent injury benefits

#### 4.6 Hire and operating lease rentals

	£000	2003-04 £000
Hire of plant and machinery	4	4
Other operating leases	126	108
<b>TOTAL</b>	<b>130</b>	<b>112</b>

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

	Land and Buildings £000	Other Leases £000
<b>Operating leases which expire:</b>		
Within 1 year	71	0
Between 1 and 5 years	21	4
After 5 years	34	0
<b>TOTAL</b>	<b>126</b>	<b>4</b>

#### 4.7 Executive Directors and staff costs

	Total £000	2003-04 Total £000
Salaries and wages	1,357	1,083
Social security costs	128	84
Employer contributions to NHSPA	206	75
Other pension costs	0	0
Agency / seconded staff	18	14
<b>TOTAL</b>	<b>1,709</b>	<b>1,256</b>

Note - Salaries and Wages include £840k in relation to 6 GP Practices Directly Managed by the LHB during 2004/05. These costs are not shown in Note 4.3 and 4.4, but are included within Note 4.1 in GMS costs.



#### 4.8 Board Directors' remuneration

	£000	2003-04 £000
Non-officer members' remuneration	88	82
Executive Directors' remuneration:		
basic salaries	202	194
benefits	0	0
performance related bonuses	0	0
pension contributions	28	14
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
<b>TOTAL</b>	<b>318</b>	<b>290</b>

	£000	Chief Executive £000
Basic Salary	25	62
Benefits	0	0
Compensation for loss of office	0	0
Performance related bonuses	0	0
Pension contributions	0	9
<b>TOTAL</b>	<b>25</b>	<b>71</b>

#### Remuneration waived by directors and allowances paid in lieu:

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

The LHB does not operate a performance related bonus scheme.

## 4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and cont- ract staff	Staff on inward second- ment	Total	2003-04
	Number	Number	Number	Number	Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	41	1	0	42	37
Recharged staff	0	0	1	1	2
<b>TOTAL</b>	<b>45</b>	<b>1</b>	<b>1</b>	<b>47</b>	<b>43</b>

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

## Expenditure on staff benefits

	2003-04	
	£	£
<b>Nature of expenditure:</b>		
a.	0	0
b.	0	0
c.	0	0
d.	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

## 4.10 Salary and pension entitlements of senior managers

### Remuneration

Name and title	2004-05			2003-04		
	Salary £5k bands £000	Other Remuneration £5k bands £000	Benefits in Kind Rounded to nearest £100 £00	Salary £000	Other Remuneration £000	Benefits in Kind £000
<b>Executive directors and senior employees</b>						
Joanne Absalom - Chief Executive	60 - 65	0	0	60 - 65	0	0
Robert Holcombe - Finance Director	50 - 55	0	0	50 - 55	0	0
Bobby Bolt - Nurse Director	45 - 50	0	0	45 - 50	0	0
Chris Beech - Medical Director	40 - 45	0	0	35 - 40	0	0
Richard Bevan - Senior Manager	40 - 45	0	11	40 - 45	0	1
Trevor Neatherway - Senior Manager	45 - 50	0	0	30 - 35	0	0
Kevin Arundel - Senior Manager	40 - 45	0	0	40 - 45	0	0
<b>Non officer members</b>						
Marilyn Pitman - Chairman	25 - 30	0	0	20 - 25	0	0
Jane Layzell - Dir of Public Health	0	0	0	0	0	0
Les Clark - Voluntary Sector Member	5 - 10	0	0	5 - 10	0	0
Chris Godwin - GP Member	5 - 10	0	0	5 - 10	0	0
Alokmyo Sinha - GP Member	*	*	*	*	*	*
Krishan Syal - GP Member	**1	**1	**1	**1	**1	**1
Anjan Dass - Dental Member	5 - 10	0	0	5 - 10	0	0
Andrew Baker - Pharmacist Member	5 - 10	0	0	0 - 5	0	0
Robert Ball - Optometrist Member	5 - 10	0	0	0 - 5	0	0
Susan Hool - Nurse Member	5 - 10	0	0	5 - 10	0	0
Mollie Matthews - Carer Member	5 - 10	0	0	5 - 10	0	0
Roger Leadbeter - Community Mmber	5 - 10	0	0	5 - 10	0	0
3 Howard Williams - Voluntary Sector Member	5 - 10	0	0	0	0	0
1 Philip Hodgson - Director of Social Services	0	0	0	0	0	0
Pradeep Khanna - Trust Consultant, Associate Member	0	0	0	0	0	0
Hedley McCarthy - Local Authority Member	0	0	0	0	0	0
John Hopkins - Local Authority Member	0	0	0	0	0	0
2 Karen Williams - Local Authority Member	0	0	0	0	0	0
Julie Fall - Therapist member	0	0	0	0	0	0
Tracy Myhil - Trust Associate Member	0	0	0	0	0	0
Vernon Caldwell - CHC Associate Member	0	0	0	0	0	0
1 Robin Morrison - Local Authority CEO	**1	**1	**1	**1	**1	**1
2 Jim Mcllwee - Local Authority Member	**1	**1	**1	**1	**1	**1

\* Denotes consent to disclosure withheld in accordance with the Data Protection Act 1998.

\*\*1 Denotes consent to disclosure not received, and therefore withheld in accordance with the Data Protection Act 1998.

The Executive Directors are all full time appointments, except the Medical Director who is a 1/2 time appointment.

The following changes to the Board took place during the year:

- 1 Robin Morrison joined the Board temporarily in June 2004 and was replaced by Philip Hodgson in February 2005..
- 2 Karen Williams resigned from the Board in June 2004 and was replaced by Jim Mcllwee in June 2004.
- 3 Howard Williams joined the Board in May 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

Joanne Absalom - Chief Executive	2.5 - 5	60 - 65	159	140	15
Robert Holcombe - Finance Director	2.5 - 5	20 - 25	57	47	9
Bobby Bolt - Nurse Director	2.5 - 5	55 - 60	228	206	17
Chris Beech - Medical Director	**2	**2	**2	**2	**2
Richard Bevan - Senior Manager	0 - 2.5	35 - 40	108	95	10
Trevor Neatherway - Senior Manager	2.5 - 5	45 - 50	163	145	13
Kevin Arundel - Senior Manager	2.5 - 5	30 - 35	86	72	12

\*\*2 Denotes Information not available from Pensions agency at time of production of accounts.

As Non officer members do not receive pensionable remuneration, there are 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 £0.

#### 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
<b>NON-NHS</b>			
Total bills paid 2004-2005	2,717	7,474	2,313
Total bills paid within target	2,608	7,381	2,172
Percentage of bills paid within target	96.0%	98.8%	93.9%

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
<b>NHS</b>			
Total bills paid 2004-2005	478	66,717	65,408
Total bills paid within target	470	66,671	65,217
Percentage of bills paid within target	98.3%	99.9%	99.7%

#### **TOTAL**

Total bills paid 2004-2005	3,195	74,191	67,721
Total bills paid within target	3,078	74,052	67,389
Percentage of bills paid within target	96.3%	99.8%	99.5%

#### 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
<b>Gross replacement cost at 1 April 2004</b>	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross replacement cost at 31 March 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Accumulated amortisation at 1 April 2004</b>	0	0	0	0	0
Provided during the year	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated amortisation at 31 March 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 1 April 2004</b>	0	0	0	0	0
<b>Net book value at 31 March 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Tangible fixed assets

### 5.2 Tangible assets at the balance sheet date:

Cost or valuation	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
<b>At 31 March 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation</b>									
At 1 April 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
<b>At 31 March 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 1 April 2004</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>									
<b>at 31 March 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

### 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/> <b>0</b>
 The LHB paid over to the National Assembly for Wales the net proceeds from disposal of	 0
The LHB retained the costs of disposal, met of	0



**6.1 Debtors**

	£000	Restated 2003-04 £000
<b>Amounts falling due within one year:</b>		
National Assembly for Wales	4	166
Health Commission Wales	0	0
Local Health Boards	612	95
Primary Care Trusts	0	0
NHS Trusts	288	2,867
Welsh Risk Pool	0	9
Capital debtors	0	0
Other debtors	462	1,484
Provision for irrecoverable debts	(52)	(7)
Pension Prepayments:	0	0
Prepayments and accrued income	0	0
	<hr/>	<hr/>
<b>Sub total</b>	<b>1,314</b>	<b>4,614</b>
	<hr/>	<hr/>
<b>Amounts falling due after more than one year:</b>		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Prepayments and accrued income	0	0
	<hr/>	<hr/>
<b>Sub total</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>TOTAL</b>	<b>1,314</b>	<b>4,614</b>

**6.2 Creditors**

	£000	Restated 2003-04 £000
<b>Amounts falling due within one year:</b>		
National Assembly for Wales	0	0
Health Commission Wales	0	0
Local Health Boards	204	69
NHS Trusts	1,645	1,166
Primary Care Trusts	5	6
Income tax and social security	0	0
Non-NHS creditors	724	216
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and Hire Purchase (HP) contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	4,085	6,489
Deferred Income	0	1,909
	<hr/>	<hr/>
<b>TOTAL</b>	<b>6,663</b>	<b>9,855</b>

**6.3 Creditors**

	Total	2003-04 Total
<b>Amounts falling due after more than one year:</b>	£000	£000
Obligations under finance leases and Hire Purchase (HP) contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
	<hr/>	<hr/>
<b>TOTAL</b>	<b>0</b>	<b>0</b>

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	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pensions	0			0	0	0	0	0
Other	23			18	(23)	0		18
<b>Total</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>(23)</b>	<b>0</b>	<b>0</b>	<b>18</b>

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	18	0	0	18
<b>Total</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>18</b>

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 £18,000 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 Ombudsman 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
<b>At 1 April 2004</b>	<b>(2,763)</b>
Prior period adjustment	(2,498)
<b>At 1 April 2004 as restated</b>	<b>(5,261)</b>
Net operating cost for the financial year	(90,271)
Net Assembly funding (including capital)	91,024
Capital charge interest	(188)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
<b>Balance at 31 March 2005</b>	<b>(4,696)</b>

## 6.6 Donated asset reserve

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

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

## 6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

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

## 6.8 Contingent liabilities -

The following contingent losses have not been included in the accounts:

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

Note 1 - 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.

Note 2 - The LHB is awaiting the implementation of changes to staff pay due to Agenda for Change, which will be effective retrospectively from 1st October 2004. No estimate has been included in the accounts as it is unclear what the impact will be, until staff post grades are fully assessed.

Note 3 - The costs of Post Graduate Education Allowance were effectively included within the new GMS contract. A court judgement in England has found in favour of a GP who claimed it is not included within the contract. The LHB awaits further cases and guidance from WAG with respect to the GMS contract in Wales.

## 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	4	0	0	0
Balances with local authorities	191	0	279	0
Balances with NHS trusts and Foundation trusts	288	0	1650	0
Balances with Local Health Boards	612	0	204	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	219	0	4530	0
<b>Total at 31 March 2005</b>	<b>1314</b>	<b>0</b>	<b>6663</b>	<b>0</b>

## 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 having a material effect on the accounts 0

TOTAL	<u>0</u>
-------	----------

## 6.11 Capital commitments

The Local Health Board has no capital commitments:

Contracted	0
Authorised but not contracted	0

TOTAL	<u>0</u>
-------	----------

## 6.12 Related Party transactions

Blaenau Gwent LHB is a body corporate established by order of the National Assembly.

The Assembly is regarded as a related party. During the year Blaenau Gwent LHB has had a significant number of material transactions with the Assembly and with other entities for which the Assembly, [together with the Department of Health in England], is regarded as the parent body.

NHS providers with which the LHB has had material transactions are disclosed in note 4.2 to the accounts. Transactions with the All Wales Risk Pool are outlined in note 4.5.

Other related entities with which the LHB has had material transactions include:

	Income £'000	Expenditure £'000
Powys LHB for Business Service Centre	0	526
National Public Health Service	0	415

In addition the LHB has had a significant number of material transactions with other Government Departments and other central and local Government bodies. The most significant of these transactions are as follows:

	Income £'000	Expenditure £'000
Blaenau Gwent County Borough Council	191	769

The following Board Members are Members/Officers of Blaenau Gwent County Borough Council:

Name	Board Position
Hedley McCarthy	Local Authority Member
John Hopkins	Local Authority Member
Jim McIlwee	Local Authority Member, June 04 onwards
Karen Williams	Local Authority Member, April to June 04
Phillip Hodgson	Local Authority Officer, February 05 onwards
Robin Morrison	Local Authority Officer, June 04 to February 05

During the year there were no related party transactions with key management staff.

## 6.12 Related Party transactions

GP, Optometry, Dental and Pharmacy Board Members received payments to their medical, optical, dental or pharmacy practices from the LHB. These transactions were made under normal trading conditions i.e. as arm's length transactions:

Name	Practice Name	Board Position
Dr Chris Godwin	Blaina Medical Practice	GP Member
Mr Alokmoj Sinha	The Surgery	GP Member
Dr Krishan Syal	Glan Yr Afon Surgery	GP Member
Anjan Dass	Blaina Dental Surgery	Dental Member
Andrew Baker	Ebbw Vale Consortium	Pharmacist Member
Robert Ball	Rayners Opticians	Optometrist Member



### 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	1	71,000
<b>Total losses and special payments</b>	<b>1</b>	<b>71,000</b>

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £100,000</b>	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>	<b>71,000</b>	<b>150,000</b>	<b>0</b>
<b>Total cases</b>	<b>71,000</b>	<b>150,000</b>	<b>0</b>

Losses and special payments are transactions that the National Assembly for Wales would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally 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 income and expenditure account in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made.

The special payment included above relates to oxygen concentrator payments paid to Pharmacists. The oxygen concentrator service was introduced on December 1985 under regulation 26D of the NHS regulations 1974. Authority was subsequently obtained for oxygen concentrator services to be provided on an extra statutory basis with effect from 1 April 1992. The Welsh Assembly made it clear that normal delegated limits for extra statutory payments do not apply and that commissioners do not need to seek further authority to continue to make payments to oxygen concentrator suppliers.

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

The LHB has no Pooled Budget arrangements.

## 7 Additional Information

### 7.1 Second Offer Commissioning Team

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

The total healthcare related costs for 2004/05 for S.O.C.T. was £6.892m, which included £117,000 in relation to the treatment of patients from the Blaenau Gwent Local Health Board area.

### 7.2 Prior Period Adjustment (PPA)

Since their inception on 1st April 2003, LHB's 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:

	<u>(£'000)</u>
Reduction in Debtors	2,705
Reduction in Creditors	207
Decrease in General Fund	2,498

The effect of this PPA on the results of the 2003/04 accounts is to reduce the General Fund and reduce net assets by £2,498k.

The Assembly has formally directed that the PPA required to correct prior year capital charges arising from the changes in balances outlined above, should not be made as this has no overall effect on the general fund.

If such a PPA had been actioned, it's effect would have been to decrease net operating costs by £94k.

**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

## **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 was established by creating a comprehensive assurance framework of corporate and clinical governance. Board committees, and policies and procedures were established in the first year of operation of the LHB, to fit the requirements of the Standing Orders and Standing Financial Instructions, including a scheme of delegation. These have been strengthened further in the second year of operation of the LHB. The corporate work programme and Welsh Risk Management standards have been employed as benchmarks of best practice to which the Management Team has been working.

## **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.

The LHB also places reliance on other key control mechanisms, including the work of the Prescribing Services Unit (PSU) and the Post Payment Verification Unit (PPVU).

Health Solutions Wales (HSW) is responsible for the administration of both the PSU and PPVU. Prescriptions are submitted to the PSU for pricing and payment schedules are then produced to enable LHBs to pay the dispensing contractors. Within the PSU there is a Business Support Team whose main function is to test check the pricing officers work.

The PPVU's remit is to establish the validity of exemptions and to follow up cases where no valid exemption can be demonstrated, with the aim of recovering the lost income.

## **3. Capacity to handle risk**

Blaenau Gwent LHB has developed a robust Risk Management Strategy including the establishment of a Risk Management Committee. The Chief Executive has overall responsibility for the management of risk for the Board. The corporate lead for risk management is the Head of Corporate Support and Planning, the Finance Director leads on financial risk management and the Nurse and Medical Directors lead on clinical governance risk management.

The Board has endorsed the Risk Management Policy and Board Members and staff have been made aware of the policy through communications and briefings. The intention is to integrate risk assessment into everyday decision-making, as such this role is included in all job descriptions for LHB staff.

### 3. Capacity to handle risk (continued)

The Board has worked closely with the Assembly and Welsh Risk Pool to develop effective risk based processes and has been cited by the WRP as having developed an exemplar risk management strategy.

The Board has focussed on developing policies, procedures and processes which integrate risk identification, assessment and management into everyday working for all LHB personnel.

### 4. The risk and control framework

The Risk Management Strategy provides a framework for the organisation to manage risk through effective processes that include:

- Development of risk awareness throughout the organisation
- Identification and analysis of potential risks to the organisation
- Assessment of risks – financial, clinical and organisational
- Elimination or mitigation of risks where possible
- Development of policies, procedures and controls to minimise risks
- Recording and monitoring of risks

The processes embed risk management into the daily activity of the organisation. All matters requiring a Board decision identify a risk and financial impact assessment to promote transparency and awareness to Board members.

The Local Health Board was established on the 1st April 2003, as such the system of internal control was developed during the first year of existence, and further developed during 2004/05, to meet the requirements of the Welsh Assembly Government and Welsh Risk Management Standards.

The Boards Internal Auditors have provided objective assessments of the Boards compliance with Welsh Risk Management Standards and the following performance levels have been achieved:

Standard reference & WRP Standard 2004/05    LHB % compliance achieved

Core Standards:

Standard A	Risk Management Policy and Strategy	86%
Standard B	Risk Assessment and Treatment	80%
Standard C	Incident and Hazard Reporting	79%
Standard E	Governance	98%
Standard F	Financial Management	92%

Non Core Standards:

Standard D	Policies and Procedures	91%
Standard G	Primary Care	66%
Standard I	Records Management	78%

In terms of performance, LHBs are expected to demonstrate a minimum of 75% compliance with standards A-F for 2004/05. Compliance with the new standards G and I is expected to be at least at a minimum level of 50%. The figures show that the LHB has surpassed expected minimum compliance levels.



**4. The risk and control framework (continued)**

It is noted that a separate review of Standard C, Incident and Hazard Reporting, by the Welsh Risk Pool, scored the LHB at 63%, which is lower than the target and lower than the Internal Audit assessment. The LHB are satisfied that the 79% score more accurately reflects current practice.

Internal Audit have commended the LHB on its commitment to risk management and the standard of self-assessment against WRMS.

**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 results of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board is advised of the effectiveness of internal controls through reports received from the Audit Committee and Clinical Governance committee and through the Risk Management Committee. In addition the reports submitted to the Board by executives identify risk issues for consideration.

The Audit Committee monitors the effectiveness of the system of internal control through receipt and review of internal and external audit reports and the associated management action taken. These reports are based on a risk assessment review of LHB processes, this allows the effectiveness of controls to be assessed and supports continuous improvement. The Board is notified of issues as appropriate through the Audit Committee reports.

The Clinical Governance committee monitors clinical risks and where appropriate reports to the Board.

Signed.....

Date.....

Chief Executive  
(on behalf of Board)

## **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.

## **Blaenau Gwent Local Health Board**

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

I certify that I have audited the financial statements on pages 2 to 36 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. 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 review whether the statement on pages 39 to 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 included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 Blaenau Gwent Local Health Board as at 31 March 2005 and of its net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the National Assembly for Wales; and
- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Jeremy Colman  
Auditor General for Wales  
3 August 2005

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