

# Cardiff and Vale University Local Health Board

## FOREWORD

These accounts have been prepared by the Local Health Board under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

### Statutory background

The Local Health Board was established on 1 October 2009 following the merger of Cardiff and Vale NHS Trust, Cardiff Local Health Board and the Vale of Glamorgan Local Health Board.

### Performance Management and Financial Results

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

The statutory duty for Local Health Boards is enacted in the National Health Service (Wales) Act 2006. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is the Achievement of Operational Financial Balance on page 2. This note compares net operating costs expended against Resource Limits allocated by the Welsh Government and measures whether operational financial balance has been achieved in year.

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Note	2011-12 £'000	2010-11 £'000 Restated
Expenditure on Primary Healthcare Services	3.1	208,007	202,779
Expenditure on healthcare from other providers	3.2	227,510	230,556
Expenditure on Hospital and Community Health Services	3.3	711,411	700,534
		<b>1,146,928</b>	1,133,869
Less: Miscellaneous Income	4	370,924	365,561
<b>LHB net operating costs before interest and other gains and losses</b>		<b>776,004</b>	768,308
Investment Income	8	0	0
Other (Gains) / Losses	9	12	57
Finance costs	10	2,875	2,735
<b>Net operating costs for the financial year</b>		<b>778,891</b>	771,100

The net operating costs for 2010-11 have been amended on the instruction of the Welsh Government to reflect prior period adjustments in respect of the abolition of the donation and government grant reserves. As a result the net operating costs are £0.293m higher than reported in 2010/11.

## Achievement of Operational Financial Balance

The LHBs performance for the year ended 31 March 2012 is as follows:

	2011-12 £000
Net operating costs for the financial year	778,891
Less Non-discretionary expenditure	18,779
Less Revenue consequences of Bringing PFI schemes onto SoFP	1,028
<b>Net operating costs less non-discretionary expenditure and revenue consequences of PFI</b>	<b>759,084</b>
Revenue Resource Limit	759,135
<b>Under / (over) spend against Revenue Resource Limit</b>	<b>51</b>

The notes on pages 8 to 61(a) form part of these accounts

The Revenue Resource Limit shown above includes £12m brokerage received in November 2011. Under the terms of the brokerage agreement the UHB's Revenue Resource Limit will be reduced by £6m in both 2012-13 and 2013-14.

## Other Comprehensive Net Expenditure

	2011-12 £'000	2010-11 £'000
Net gain / (loss) on revaluation of property, plant and equipment	12,150	3,113
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
(Gain) / loss on other reserves	0	0
Impairment and reversals	0	26
Transfers (to) / from other bodies within the Resource Accounting Boundary	0	0
Other comprehensive net expenditure for the year	<b>12,150</b>	<b>3,139</b>
<b>Total comprehensive net expenditure for the year</b>	<b>766,741</b>	<b>767,961</b>

**Statement of Financial Position as at 31 March 2012**

		<b>31 March 2012 £'000</b>	31 March 2011 £'000 Restated
	<b>Notes</b>		
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>553,187</b>	514,764
Intangible assets	12	<b>817</b>	904
Trade and other receivables	15	<b>29,171</b>	32,856
Other financial assets	19	<b>0</b>	0
Other assets	20	<b>0</b>	0
<b>Total non-current assets</b>		<b>583,175</b>	548,524
<b>Current assets</b>			
Inventories	14	<b>11,345</b>	11,225
Trade and other receivables	15	<b>52,117</b>	50,554
Other financial assets	19	<b>0</b>	0
Other current assets	20	<b>47</b>	150
Cash and cash equivalents	18	<b>1,482</b>	802
		<b>64,991</b>	62,731
Non-current assets classified as "Held for Sale"	11	<b>747</b>	150
<b>Total current assets</b>		<b>65,738</b>	62,881
<b>Total assets</b>		<b>648,913</b>	611,405
<b>Current liabilities</b>			
Trade and other payables	16	<b>133,408</b>	114,420
Other financial liabilities	22	<b>0</b>	0
Provisions	17	<b>26,812</b>	36,097
Other liabilities	21	<b>3,486</b>	3,493
<b>Total current liabilities</b>		<b>163,706</b>	154,010
<b>Net current assets/ (liabilities)</b>		<b>(97,968)</b>	(91,129)
<b>Non-current liabilities</b>			
Trade and other payables	16	<b>10,680</b>	11,160
Other financial liabilities	22	<b>0</b>	0
Provisions	17	<b>30,438</b>	34,465
Other liabilities	21	<b>1,478</b>	1,770
<b>Total non-current liabilities</b>		<b>42,596</b>	47,395
<b>Total assets employed</b>		<b>442,611</b>	410,000
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		<b>289,689</b>	264,440
Revaluation reserve		<b>152,922</b>	145,560
<b>Total taxpayers' equity</b>		<b>442,611</b>	410,000

The comparatives have been amended on the instruction of The Welsh Government to reflect prior period adjustments in respect of the abolition of the donation and government grant reserves. More detail is given in note 39.

The financial statements on pages 2 to 61(a) were approved by the Board on June 6th 2012 and signed on its behalf by:

Chief Executive.....

Date .....

The notes on pages 8 to 61(a) form part of these accounts

## Statement of Changes in Taxpayers' Equity

### For the year ended 31 March 2012

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2011-12</b>			
<b>Restated Balance at 1 April 2011</b>	264,440	145,560	<b>410,000</b>
Net operating cost for the year	(778,891)		<b>(778,891)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	12,150	<b>12,150</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Movements in other reserves	0	0	<b>0</b>
Transfers between reserves	4,788	(4,788)	<b>0</b>
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0	<b>0</b>
<b>Total recognised income and expense for 2011-12</b>	<b>(774,103)</b>	<b>7,362</b>	<b>(766,741)</b>
Net Welsh Government funding	<b>799,352</b>		<b>799,352</b>
<b>Balance at 31 March 2012</b>	<b>289,689</b>	<b>152,922</b>	<b>442,611</b>

The notes on pages 8 to 61(a) form part of these accounts

## Statement of Changes in Taxpayers' Equity

### For the year ended 31 March 2011

	General Fund £000s	Revaluation Reserve £000s	Donated asset reserve £000s	Government grant reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2010-11</b>					
<b>Balance at 31 March 2010</b>	232,874	143,431	9,288	145	385,738
Adjustment for accounting policy changes (donations and grants)	8,802	486	(9,288)	(145)	(145)
Other adjustments	0	0	0	0	0
<b>Restated Balance at 1 April 2010</b>	241,676	143,917	0	0	385,593
Net operating cost for the year	(771,100)				(771,100)
Net gain/(loss) on revaluation of property, plant and equipment	0	3,113			3,113
Net gain/(loss) on revaluation of intangible assets	0	0			0
Net gain/(loss) on revaluation of financial assets	0	0			0
Net gain/(loss) on revaluation of assets held for sale	0	0			0
Impairments and reversals	0	26			26
Movements in other reserves	0	0			0
Transfers between reserves	1,496	(1,496)			0
Transfers to/(from) other bodies within the Resource Accounting boundary	0	0			0
<b>Total recognised income and expense for 2010-11</b>	(769,604)	1,643			(767,961)
Net Welsh Government funding	792,368				792,368
<b>Restated Balance at 31 March 2011</b>	264,440	145,560			410,000

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**Statement of Cash flows for year ended 31 March 2012**

	2011-12	2010-11
	£'000	£'000
<b>Cash Flows from operating activities</b>		
Net operating cost for the financial year	(778,891)	(771,100)
Movements in Working Capital	34 21,448	(17,314)
Other cash flow adjustments	35 26,123	63,066
Provisions utilised	17 (9,141)	(9,650)
<b>Net cash outflow from operating activities</b>	<b>(740,461)</b>	<b>(734,998)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(55,797)	(58,556)
Proceeds from disposal of property, plant and equipment	401	1,451
Purchase of intangible assets	(222)	(413)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(55,618)</b>	<b>(57,518)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(796,079)</b>	<b>(792,516)</b>
<b>Cash flows from financing activities</b>		
Welsh Government funding (including capital)	799,352	792,368
Capital receipts surrendered	0	0
Capital grants received	0	289
Capital element of payments in respect of finance leases and on-SoFP	(2,593)	(759)
Cash transferred (to)/ from other NHS bodies	0	0
<b>Net financing</b>	<b>796,759</b>	<b>791,898</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>680</b>	<b>(618)</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2011</b>	<b>802</b>	<b>1,420</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2012</b>	<b>1,482</b>	<b>802</b>

The notes on pages 8 to 61(a) form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2011-12 Local Health Board Manual for Accounts and 2011-12 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector.

Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

#### 1.3 Income and funding

The main source of funding for the Local Health Boards (LHBs) are allocations (Assembly Funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Welsh Government funding is recognised in the financial period in which the cash is received.

Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the general fund.

- Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

#### 1.4 Employee benefits

##### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.



**Retirement benefit costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

**1.5 Other expenses**

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

**1.6 Property, plant and equipment****Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

**Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for the LHBs services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Land and buildings have been indexed with indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value. NHS Wales received advice from Welsh Health Estates in the year that there had been no significant price increases in year in respect of major capital equipment. As a result no indexation has been applied to equipment in 2011/12.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the Revaluation Reserve are reported in the Statement of Net Comprehensive Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the General Fund.

### Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. In addition IAS16 requires that where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses. As highlighted in the previous year the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of The Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated, NHS bodies are required to get all All Wales Capital Schemes that are completed in a financial year revalued during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses. Cardiff and Vale has followed this protocol in 2011/12.

## 1.7 Intangible assets

### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

**Measurement**

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

**1.8 Depreciation, amortisation and impairments**

Freehold land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the LHB checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to the general fund.

**1.9 Research and Development**

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

**1.10 Donated assets**

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and the 2010-11 results have been restated.

**1.11 Government grants**

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the grant preclude immediate recognition of the gain.

**1.12 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

**1.13 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

**1.13.1 The Local Health Board as lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Net Expenditure.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

**1.13.2 The Local Health Board as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB

net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **1.14 Inventories**

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the [first-in first-out/weighted average] cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

#### **1.15 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **1.16 Provisions**

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the LHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

#### **1.17 Clinical negligence costs**

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool is hosted by Betsi Cadwaladr University Local Health Board.

**1.18 Financial assets**

Financial assets are recognised on the Statement of Financial Position when the LHB becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

**1.18.1 Financial assets are initially recognised at fair value.**

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**1.18.2 Financial assets at fair value through SoCNE**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

**1.18.3 Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

**1.18.4 Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the SoCNE on de-recognition.

**1.18.5 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the LHB assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **1.19 Financial liabilities**

Financial liabilities are recognised on the Statement of Financial Position when the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

#### **1.19.1 Financial liabilities are initially recognised at fair value.**

Financial liabilities are classified as either financial liabilities at fair value through the Statement of Comprehensive Net Expenditure or other financial liabilities.

#### **1.19.2 Financial liabilities at fair value through the Statement of Comprehensive Net Expenditure**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

#### **1.19.3 Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

### **1.20 Value Added Tax**

Most of the activities of the LHB are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

**1.21 Foreign currencies**

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

**1.22 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 24 to the accounts.

**1.23 Losses and Special Payments**

Losses and special payments are items that the Welsh Government 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. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

**1.24 Pooled budget**

The Health Board has entered into a pooled budget arrangement with Cardiff and Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients who are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

Details of the accounting arrangements in place and the accounting policies adopted can be found in note 31 to these accounts on page 55.

**1.25 Critical Accounting Judgements and key sources of estimation uncertainty**

In the application of the LHB's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

**1.26 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

A) The LHB provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this, the LHB is carrying a bad debt provision of £1.732m re non NHS organisations and a credit note provision of £0.056m in respect of NHS debts. While this provision is considered prudent and accurate as at the statement of financial position date, due to the ongoing trading relationships it covers potentially there could be gains and losses re the ultimate recoverability in respect of amounts provided for.



**1.26 Key sources of estimation uncertainty (continued)**

B) The LHB has provided for some £50.1m within note 17 in respect of potential clinical negligence, personal injury and permanent injury claims. These provisions have been arrived at on the advice of Welsh Health Legal Services and the LHB's own legal advisors Morgan Cole. Given the nature of such claims this figure could be subject to significant change in future periods. However, the potential financial effect of such uncertainty is mitigated by the fact that the LHB's ultimate liability in respect of individual cases is capped at £0.025m, with amounts above this excess level being reimbursed by the Welsh Risk Pool.

C) In line with IAS19 the LHB has reviewed the level of annual leave taken by its staff to March 31st 2012. Based on a sample the LHB has accrued £0.626m re untaken annual leave. This is based on a sample of the leave records of 58% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2012/2013 under exceptional circumstances.

D) The LHB has estimated a liability of £4.938m in respect of retrospective claims for continuing healthcare funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing healthcare and the actual costs incurred by individuals in care homes. The provision is based on information made available to the LHB at the time of these accounts and could be subject to significant change as outcomes are determined.

E) During 2009/10 The LHB agreed with the WAO that for the first time it would count inventory (excluding drugs which were already being counted) held on wards as part of its year end inventory figure. From a practical perspective it would be extremely difficult for the LHB to physically count all such areas immediately prior to March 31st, hence an extrapolation method was agreed. As a result over the last three years the stock in 31 different wards has now been counted. This represents 885 beds out of a possible 2,366 across the LHB. In this way a figure of £0.742m has been calculated for ward stock and has been included within the inventory balance shown in note 14 of the accounts. As the number of wards counted increases a picture is emerging of the level of wards which have a typical level of stockholding and those which have higher than average levels. This intelligence is now being built in to the calculation of the balance involved.

F) As in other years due to the relatively short timescale available to prepare the annual accounts, the primary care expenditure disclosed contains a number of significant estimates where the value of actual liabilities was not available prior to the date of the accounts submission. The most material areas being:

- > GMS Enhanced Services
- > GMS Quality and Outcomes Framework
- > Prescribing
- > Dental
- > Pharmacy

**1.27 Private Finance Initiative (PFI) transactions**

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The LHB therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

**Services received**

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

**PFI asset**

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

**PFI liability**

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Net Expenditure.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Net Expenditure.

**Lifecycle replacement**

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the LHBs criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

**Assets contributed by the LHB to the operator for use in the scheme**

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the LHBs Statement of Financial Position.

**Other assets contributed by the LHB to the operator**

Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the LHB through the asset being made available to third party users.

**1.28 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

**1.29 EU Emissions Trading Scheme**

EU Emission Trading Scheme allowances are credited to Miscellaneous Income to offset the UHB's certified carbon emissions incurred during the financial year. Any allowances not surrendered in this way are carried forward as an other current asset (within note 20 of the accounts). This amount is matched with an offsetting entry within note 21 "other current liabilities". Both the asset and liability are revalued to open market value at the date of the statement of financial position.

### **1.30 Accounting standards that have been issued but not yet been adopted.**

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2011-12. The application of the Standards as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IAS 1 Presentation of financial statements (Other Comprehensive Income) - subject to consultation

IAS 12 Income Taxes (amendment) - subject to consultation

IAS 19 Post-employment benefits (pensions) - subject to consultation

IAS 27 Separate Financial Statements - subject to consultation

IAS 28 Investments in Associates and Joint Ventures - subject to consultation

IFRS 7 Financial Instruments: Disclosures (annual improvements) - effective 2012-13

IFRS 9 Financial Instruments - subject to consultation

IFRS 10 Consolidated Financial Statements - subject to consultation

IFRS 11 Joint Arrangements - subject to consultation

IFRS 12 Disclosure of Interests in Other Entities - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation

IPSAS 32 Service Concession Arrangement - subject to consultation

### **1.31 Accounting standards issued that have been adopted early.**

All Accounting standards have been followed in line with the recommendations of the 2011/12 Local Health Board Manual of Accounts issued by the Welsh Government.

## 2. Achievement of Operational Financial Balance

### 2.1 Revenue Resource Limit

The results reporting whether the LHB has achieved Operational Financial Balance are shown on the face of the Statement of Comprehensive Net Expenditure.

### 2.2 Capital Resource Limit

<b>2011-12</b>	2010-11
<b>£000</b>	£000

The LHB is required to keep within its Capital Resource Limit :

<b>Gross capital expenditure</b>	<b>58,251</b>	<b>65,510</b>
Add: Losses on disposal of donated assets	(7)	0
Less NBV of property, plant and equipment and intangible assets disposed	(452)	(1,509)
Less capital grants received	0	0
Less donations received	(442)	(289)
<b>Charge against Capital Resource Limit</b>	<b>57,350</b>	<b>63,712</b>
Capital Resource Limit	<b>57,404</b>	<b>63,774</b>
<b>(Over) / Underspend against Capital Resource Limit</b>	<b>54</b>	<b>62</b>

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2011-12 Total £'000	2010-11 £'000
General Medical Services	60,834		60,834	58,313
Pharmaceutical Services	20,794	14,102	34,896	31,975
General Dental Services	28,510		28,510	28,357
General Ophthalmic Services	0	4,678	4,678	4,553
Other Primary Health Care expenditure	4,791		4,791	3,923
Prescribed drugs and appliances	74,298		74,298	75,658
<b>Total</b>	<b>189,227</b>	<b>18,780</b>	<b>208,007</b>	<b>202,779</b>

The Total expenditure above includes £3.616m in respect of staff costs (£1.434m 2010/11)

#### 3.2 Expenditure on healthcare from other providers

	2011-12 £'000	2010-11 £'000
Goods and services from other NHS Wales Health Boards	49,385	49,666
Goods and services from other NHS Wales Trusts	16,816	17,383
Goods and services from other non Welsh NHS bodies	1,105	1,942
Goods and services from WHSSC	102,903	101,858
Local Authorities	269	104
Voluntary organisations	4,560	3,791
NHS Funded Nursing Care	5,533	5,260
Continuing Care	36,080	38,575
Private providers	6,519	6,253
Specific projects funded by the Welsh Government	3	63
Public Health Wales	4,337	4,195
NWSSP, Business Services Centre / Business Services Partnership	0	1,419
Other	0	47
<b>Total</b>	<b>227,510</b>	<b>230,556</b>

**3.3 Expenditure on Hospital and Community Health Services**

	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000
Directors' costs	2,252	2,387
Staff costs	502,612	491,149
Supplies and services - clinical	131,263	124,535
Supplies and services - general	6,820	7,096
Consultancy Services	919	736
Establishment	9,416	11,197
Transport	1,361	1,240
Premises	20,961	21,153
External Contractors	0	0
Depreciation	24,091	22,376
Amortisation	309	246
Fixed asset impairments and reversals (Property, plant & equipment)	6,616	14,977
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	105
Audit fees	485	528
Other auditors' remuneration	0	4
Losses, special payments and irrecoverable debts	2,893	2,049
Research and Development	0	0
Other operating expenses	1,413	756
<b>Total</b>	<b>711,411</b>	<b>700,534</b>

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

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	(2,477)	21,154
Personal injury	980	775
All other losses and special payments	2,251	1,147
Defence legal fees and other administrative costs	591	608
Gross increase/(decrease) in provision for future payments	1,345	23,684
Premium for other insurance arrangements	0	0
Irrecoverable debts	224	2
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>1,324</b>	<b>(21,637)</b>
<b>Total</b>	<b>2,893</b>	<b>2,049</b>

Personal injury includes £6k (2010-11 £11k) in respect of permanent injury benefits.

Clinical Negligence includes £55k in respect of the Welsh Government "Putting Things Right" Redress scheme. In addition Defence fees includes £3k in respect of Redress.

**4. Miscellaneous Income**

	2011-12 £'000	2010-11 £'000
Local Health Boards	68,326	65,038
WHSSC	169,355	165,508
NHS trusts	2,588	3,125
Strategic health authorities and primary care trusts	4,049	3,310
Foundation Trusts	0	0
Local authorities	4,328	4,691
Welsh Government	12,342	10,365
Non NHS:		
Prescription charge income	1,176	1,157
Dental fee income	4,258	4,192
Private patient income	1,468	1,973
Overseas patients (non-reciprocal)	119	124
Injury Costs Recovery (ICR) Scheme	3,269	2,711
Other income from activities	2,014	2,121
Patient transport services	0	0
Education, training and research	75,946	79,822
Charitable and other contributions to expenditure	1,818	1,243
Receipt of donated assets	442	289
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	762	955
NWSSP, Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	100	247
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	3,327	3,281
Accommodation and catering charges	2,087	2,116
Mortuary fees	240	129
Staff payments for use of cars	0	0
Business Unit	0	0
Other	12,910	13,164
<b>Total</b>	<b>370,924</b>	<b>365,561</b>

ICR Income is subject to a provision for impairment of 10.5% to reflect expected rates of collection.

Other Income includes:

Non Staff SLA's with Cardiff University	4,194	4,048
Programme Management Unit Funding	411	981
Informing Healthcare Funding	400	496
Pharmacy sales	887	719
Funding re All Wales Oracle Team	383	364
NHS Non Patient Care Income	1,396	1,681
<b>Total</b>	<b>7,671</b>	<b>8,289</b>



## 5. Employee benefits and staff numbers

### 5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2010-11
	£000	£000	£000	£000	£000
Salaries and wages	414,584	331	12,971	427,886	414,940
Social security costs	31,463	0	0	31,463	29,942
Employer contributions to NHS Pension Scheme	49,667	0	0	49,667	48,957
Other pension costs	0	0	0	0	0
Other employment benefits	0	0	0	0	0
Termination benefits	2,502	0	0	2,502	1,277
<b>Total</b>	<b>498,216</b>	<b>331</b>	<b>12,971</b>	<b>511,518</b>	<b>495,116</b>
Charged to capital				928	631
Charged to revenue				510,590	494,485
				<b>511,518</b>	<b>495,116</b>

### 5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2010-11
	Number	Number	Number	Number	Number
Medical and dental	1,216	0	54	1,270	1,261
Ambulance staff	0	0	0	0	0
Administrative and estates	2,290	4	9	2,303	2,335
Healthcare assistants and other support staff	986	0	0	986	980
Nursing, midwifery and health visiting staff	5,195	0	30	5,225	5,196
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	2,586	2	1	2,589	2,552
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
<b>Total</b>	<b>12,273</b>	<b>6</b>	<b>94</b>	<b>12,373</b>	<b>12,324</b>

### 5.3. Retirements due to ill-health

During 2011-12 there were 26 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 £1,840,743.

### 5.4 Employee benefits

The LHB does not have an employee benefit scheme.

### 5.5 Reporting of other compensation schemes - exit packages

Exit package cost band	Total number of exit packages by cost band Number 2011-12	Total number of exit packages by cost band Number 2010-11
<£10,000	10	7
£10,000 to £25,000	42	13
£25,000 to £50,000	28	15
£50,000 to £100,000	6	3
£100,000 to £150,000	2	0
£150,000 to £200,000	1	0
£200,000+	0	1
Total number of exit packages by type	<b>89</b>	<b>39</b>
Total resource cost £	2,502,183	1,276,726

## 5.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Cardiff and Vale University Local Health Board in the financial year 2011-12 was £185,000 to £190,000 (2010-11, £185,000 to £190,000). This was 7.34 times (2010-11, 7.64 times) the median remuneration of the workforce, which was £25,528 (2010-11, £24,554). The highest paid director was the Chief Executive.

In 2011-12, 0 (2010-11, 0) employees received remuneration in excess of the highest-paid director.

Total remuneration should include salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

We wish to bring to your attention that the ratios above are based on basic salary only and do not include any amounts for non-consolidated performance related pay, benefits-in-kind or severance payments as the standard reports on the All Wales payroll system do not provide summarised reports that match the definition required for this note. Overtime payments should be excluded from the remuneration calculation and we confirm they are not included in the calculations of basic salary. The LHB will work with the service provider so that information is available for 2012/2013 that is closer to the definition of Total Remuneration above.

If the information above were based on total remuneration the Chief Executive would not have been the highest paid director in either year, also several employees would receive remuneration in excess of the Chief Executive since Clinical Excellence awards & other allowances are not included in Basic salary costs.

## 5.7 Pension costs

### Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

#### a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

#### b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012 is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

#### c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

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. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

Early payment 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 final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

## 6. Operating leases

### LHB as lessee

The UHB currently has 11 operating lease agreements in place for the lease of premises, 10 arrangements in respect of equipment and 22 in respect of vehicles. The periods in which these are due to expire are shown below.

<b>Payments recognised as an expense</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	777	1,087
Contingent rents	0	0
Sub-lease payments	0	0
<b>Total</b>	<b>777</b>	<b>1,087</b>

<b>Total future minimum lease payments</b>	<b>£000</b>	<b>£000</b>
<b>Payable</b>		
Not later than one year	639	856
Between one and five years	1,859	2,271
After 5 years	2,515	1,335
<b>Total</b>	<b>5,013</b>	<b>4,462</b>

<b>Number of operating leases expiring</b>	<b>Land &amp; Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Not later than one year	2	0	3	5
Between one and five years	2	18	7	27
After 5 years	7	4	0	11
<b>Total</b>	<b>11</b>	<b>22</b>	<b>10</b>	<b>43</b>

<b>Charged to the income statement (£'000)</b>	<b>431</b>	<b>94</b>	<b>236</b>	<b>761</b>
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There are no future sublease payments expected to be received.

### LHB as lessor

<b>Rental revenue</b>	<b>£000</b>	<b>£000</b>
Rent	0	0
Contingent rents	0	0
<b>Total revenue rental</b>	<b>0</b>	<b>0</b>

<b>Total future minimum lease payments</b>	<b>£000</b>	<b>£000</b>
<b>Receivable</b>		
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Note the difference between payments recognised as an expense and future lease payments relates to operating leases where the lease expired during 2011/12 and has not been renewed.

## 7. Public Sector Payment Policy - Measure of Compliance

### 7.1 Prompt payment code - measure of compliance

The Welsh Government requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government has set as part of the Health Board financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

	2011-12	2011-12	2010-11	2010-11
	Number	£000	Number	£000
<b>NHS</b>				
Total bills paid	4,912	189,740	5,569	200,323
Total bills paid within target	4,738	188,966	5,230	196,133
Percentage of bills paid within target	96.5%	99.6%	93.9%	97.9%
<b>Non-NHS</b>				
Total bills paid	218,839	324,205	246,152	329,417
Total bills paid within target	209,336	311,746	235,290	315,118
Percentage of bills paid within target	95.7%	96.2%	95.6%	95.7%
<b>Total</b>				
Total bills paid	223,751	513,945	251,721	529,740
Total bills paid within target	214,074	500,712	240,520	511,251
Percentage of bills paid within target	95.7%	97.4%	95.6%	96.5%

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

	2011-12	2010-11
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**8. Investment Income**

	2011-12 £000	2010-11 £000
<b>Rental revenue :</b>		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue :</b>		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**9. Other gains and losses**

	2011-12 £000	2010-11 £000
Gain/(loss) on disposal of property, plant and equipment	(12)	(57)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>(12)</b>	<b>(57)</b>

**10. Finance costs**

	2011-12 £000	2010-11 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	27	254
Interest on obligations under PFI contracts		
main finance cost	1,433	1,429
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Provisions unwinding of discount	1,415	1,052
Other interest expense	0	0
<b>Total interest expense</b>	<b>2,875</b>	<b>2,735</b>
Other finance costs	0	0
<b>Total</b>	<b>2,875</b>	<b>2,735</b>

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2011</b>	130,168	322,145	6,226	52,679	89,470	2,420	11,991	241	615,340
Indexation	0	12,847	248	0	0	0	0	0	13,095
Additions - purchased	17	6,254	0	42,685	5,886	92	2,614	0	57,548
Additions - donated	0	0	0	0	455	0	26	0	481
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	5,230	0	(5,230)	0	0	0	0	0
Revaluations	0	(374)	(23)	0	0	0	0	0	(397)
Impairments	(15)	(8,088)	(16)	0	(46)	0	(4)	0	(8,169)
Reclassified as held for sale	(305)	0	(690)	0	0	0	0	0	(995)
Disposals	0	0	0	0	(2,548)	(160)	(184)	0	(2,892)
<b>At 31 March 2012</b>	<b>129,865</b>	<b>338,014</b>	<b>5,745</b>	<b>90,134</b>	<b>93,217</b>	<b>2,352</b>	<b>14,443</b>	<b>241</b>	<b>674,011</b>
<b>Depreciation at 1 April 2011</b>	0	29,498	368	10	59,863	1,617	8,991	229	100,576
Indexation	0	1,140	15	0	0	0	0	0	1,155
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	(86)	0	86	0	0	0	0	0
Revaluations	0	(577)	(30)	0	0	0	0	0	(607)
Impairments	0	(1,538)	(15)	0	0	0	0	0	(1,553)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(2,495)	(159)	(184)	0	(2,838)
Provided during the year	0	14,679	182	0	7,574	229	1,423	4	24,091
<b>At 31 March 2012</b>	<b>0</b>	<b>43,116</b>	<b>520</b>	<b>96</b>	<b>64,942</b>	<b>1,687</b>	<b>10,230</b>	<b>233</b>	<b>120,824</b>
<b>Net book value at 1 April 2011</b>	<b>130,168</b>	<b>292,647</b>	<b>5,858</b>	<b>52,669</b>	<b>29,607</b>	<b>803</b>	<b>3,000</b>	<b>12</b>	<b>514,764</b>
<b>Net book value at 31 March 2012</b>	<b>129,865</b>	<b>294,898</b>	<b>5,225</b>	<b>90,038</b>	<b>28,275</b>	<b>665</b>	<b>4,213</b>	<b>8</b>	<b>553,187</b>
<b>Net book value at 31 March 2012 comprises :</b>									
Purchased	129,865	287,769	5,225	90,038	26,760	592	4,138	8	544,395
Donated	0	7,129	0	0	1,515	73	75	0	8,792
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2012</b>	<b>129,865</b>	<b>294,898</b>	<b>5,225</b>	<b>90,038</b>	<b>28,275</b>	<b>665</b>	<b>4,213</b>	<b>8</b>	<b>553,187</b>
<b>Asset financing :</b>									
Owned	118,679	259,377	4,269	90,038	27,747	665	4,213	8	504,996
Held on finance lease	1	1,329	0	0	528	0	0	0	1,858
On-SoFP PFI contracts	11,185	34,192	956	0	0	0	0	0	46,333
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2012</b>	<b>129,865</b>	<b>294,898</b>	<b>5,225</b>	<b>90,038</b>	<b>28,275</b>	<b>665</b>	<b>4,213</b>	<b>8</b>	<b>553,187</b>

The net book value of land, buildings and dwellings at 31 March 2012 comprises :

	£000
Freehold	382,325
Long Leasehold	46,600
Short Leasehold	1,063
	<b>429,988</b>

Of the totals at 31st March 2012, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

Figures for freehold land and buildings are given gross with separate accumulated depreciation.

The LHB had to charge accelerated depreciation on the following: (1) Whitchurch Hospital which has been earmarked for disposal, the additional depreciation charged in the period in relation to this amounted to £2.1m.

(2) Part of a Paediatrics block at UHW hospital which is scheduled to be demolished in 2015 as part of the development for phase 2 of the Childrens Hospital for Wales, the additional depreciation charged in the period in relation to this amounted to £0.032m.

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2010</b>	130,568	297,209	6,226	37,241	83,496	2,417	10,825	241	568,223
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	4,523	0	49,175	9,784	108	1,218	0	64,808
Additions - donated	0	70	0	0	181	0	38	0	289
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	27,424	0	(27,424)	0	0	0	0	0
Revaluations	0	2,149	0	0	0	0	0	0	2,149
Impairments	(250)	(9,230)	0	(6,313)	0	0	0	0	(15,793)
Reclassified as held for sale	(150)	0	0	0	0	0	0	0	(150)
Disposals	0	0	0	0	(3,991)	(105)	(90)	0	(4,186)
<b>At 31 March 2011</b>	130,168	322,145	6,226	52,679	89,470	2,420	11,991	241	615,340
<b>Depreciation at 1 April 2010</b>	0	17,742	184	0	56,822	1,493	7,612	225	84,078
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	(10)	0	10	0	0	0	0	0
Revaluations	0	(964)	0	0	0	0	0	0	(964)
Impairments	0	(816)	0	0	0	0	0	0	(816)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(3,903)	(105)	(90)	0	(4,098)
Provided during the year	0	13,546	184	0	6,944	229	1,469	4	22,376
<b>At 31 March 2011</b>	0	29,498	368	10	59,863	1,617	8,991	229	100,576
<b>Net book value at 1 April 2010</b>	130,568	279,467	6,042	37,241	26,674	924	3,213	16	484,145
<b>Net book value at 31 March 2011</b>	130,168	292,647	5,858	52,669	29,607	803	3,000	12	514,764
<b>Net book value at 31 March 2011 comprises :</b>									
Purchased	130,168	285,223	5,858	52,669	28,211	706	2,918	12	505,765
Donated	0	7,424	0	0	1,396	97	82	0	8,999
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2011</b>	130,168	292,647	5,858	52,669	29,607	803	3,000	12	514,764
<b>Asset financing :</b>									
Owned	118,982	257,347	4,919	52,669	28,213	803	3,000	12	465,945
Held on finance lease	1	1,472	0	0	1,394	0	0	0	2,867
On-SoFP PFI contracts	11,185	33,828	939	0	0	0	0	0	45,952
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2011</b>	130,168	292,647	5,858	52,669	29,607	803	3,000	12	514,764

The net book value of land, buildings and dwellings at 31 March 2011 comprises :

	£000
Freehold	381,248
Long Leasehold	46,242
Short Leasehold	1,183
	<b>428,673</b>

Of the totals at 31st March 2011, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

Figures for freehold land and buildings are given gross with separate accumulated depreciation.

The LHB had to charge accelerated depreciation on Whitchurch Hospital which has been earmarked for disposal. The additional depreciation charged in the period in relation to this amounted to £1.7m.



**11. Property, plant and equipment (continued.)**

Additional disclosures re Property, Plant and Equipment

i) The LHB's Charitable Fund contributed £0.437m towards the purchase of capital equipment during the year, a further £0.039m was received for a donated asset traded-in against the purchase of a new donated asset. One item worth £0.005m was given by another donor.

ii) Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them in to working condition. The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Professional valuations are carried out by the District Valuer Service (which as the commercial arm of the Valuation Office Agency, is part of HMRC). The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury.

The LHB will periodically instruct the District Valuer to Carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 5 such revaluations the total effect of which was:  
upward revaluations set against reserves were £0.204m, impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£3.266m).

The significant schemes brought into use were:

Ward B7 at UHW (Valuation Date: 01/08/2011) (£1.272m) was written off the carrying value via the SoCNE.  
HSDU at UHW (Valuation Date: 01/08/2011) (£0.778m) was written off the carrying value via the SoCNE.

iii) The useful economic life of LHB buildings has been determined on an asset by asset basis by the District Valuer. These lives are reviewed by the LHB on an annual basis to ascertain their appropriateness and are reviewed every five years by the District Valuer. Major new construction projects are allocated useful economic lives by the District Valuer when they are first brought into use, smaller alterations to existing structures are initially allocated a useful life of 30 years and alterations to mechanical and engineering assets are allocated 15 year lives. Equipment assets are allocated lives on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. Again the appropriateness of these lives is reviewed on an annual basis.

iv) During the year the LHB has received £6.616m Non Cash Allocation from the Welsh Government for assets impaired during the period and this Allocation is included in our Revenue Resource Limit.

v) In addition to the items disclosed in paragraph (ii) above The LHB impaired 4 of its existing assets in 2011/2012, the total value of this write down was (£3.333m). The most significant asset impaired and the amount of the impairment was:

Childrens Hospital for Wales - the LHB received formal approval from the Welsh Government for Phase 2 in December 2011. Part of the existing paediatrics blocks have been demolished to clear space for building phase 2 and an impairment of (£3.058m) has been charged to the SoCNE in respect of the demolition.

vi) During the year the Board approved the sale of 5 properties, these have been revalued accordingly by the District Valuer and an impairment of (£0.016m) has been charged to the SoCNE. Two of these properties had been sold by March 31st 2012, see Note 11.2 for further detail.

vii) All fully depreciated assets still in use are being carried at nil net book value.

**11. Property, plant and equipment (continued)****11.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance brought forward 1 April 2011</b>	150	0	0	0	0	<b>150</b>
Plus assets classified as held for sale in the year	305	690	0	0	0	<b>995</b>
Less assets sold in the year	(120)	(278)	0	0	0	<b>(398)</b>
Less impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	<b>0</b>
<b>Balance carried forward 31 March 2012</b>	<b>335</b>	<b>412</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>747</b>
<b>Balance brought forward 1 April 2010</b>	428	1,072	0	0	0	<b>1,500</b>
Plus assets classified as held for sale in the year	150	0	0	0	0	<b>150</b>
Less assets sold in the year	(349)	(1,072)	0	0	0	<b>(1,421)</b>
Less impairment of assets held for sale	(79)	0	0	0	0	<b>(79)</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	<b>0</b>
<b>Balance carried forward 31 March 2011</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150</b>

**Assets sold in the period**

During 2011/2012 the LHB sold 2 of its residential properties, a small loss of £0.005m was made on the sale.

**Assets classified as held for sale during the year**

As mentioned on page 32 the LHB has decided to sell 5 of its residential properties, 2 of the properties were sold during 2011/12 and the LHB expects the others to sell in 2012/13. At the time the properties were classified as Held for Sale they were revalued appropriately and any impairment or revaluation has been included in Note 11.1.

**12. Intangible non-current assets**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2011</b>	<b>2,326</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,326</b>
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Additions- purchased	222	0	0	0	0	222
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Gross cost at 31 March 2012</b>	<b>2,548</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,548</b>
<b>Amortisation at 1 April 2011</b>	<b>1,422</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,422</b>
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Provided during the year	309	0	0	0	0	309
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Amortisation at 31 March 2012</b>	<b>1,731</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,731</b>
<b>Net book value at 1 April 2011</b>	<b>904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>904</b>
<b>Net book value at 31 March 2012</b>	<b>817</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>817</b>
<b>At 31 March 2012</b>						
Purchased	817	0	0	0	0	817
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
<b>Total at 31 March 2012</b>	<b>817</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>817</b>

**12. Intangible non-current assets (continued)**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2010</b>	<b>1,913</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,913</b>
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Additions- purchased	413	0	0	0	0	413
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Gross cost at 31 March 2011</b>	<b>2,326</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,326</b>
<b>Amortisation at 1 April 2010</b>	<b>1,176</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,176</b>
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Provided during the year	246	0	0	0	0	246
Reclassified as held for sale	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
<b>Amortisation at 31 March 2011</b>	<b>1,422</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,422</b>
<b>Net book value at 1 April 2010</b>	<b>737</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>737</b>
<b>Net book value at 31 March 2011</b>	<b>904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>904</b>
<b>At 31 March 2011</b>						
Purchased	904	0	0	0	0	904
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
<b>Total at 31 March 2011</b>	<b>904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>904</b>

**12. Intangible non-current assets (continued)****Additional disclosures re Intangible Assets**

i) On initial recognition Intangible non-current assets are measured at cost. Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent asset basis), indexed for relevant price increases, as a proxy for fair value.

ii) The useful economic life of Intangible non-current assets are assigned on an individual basis based on the professional judgement and past experience of clinicians, finance staff and other LHB professionals. The appropriateness of these lives is reviewed on an annual basis.

iii) All fully depreciated assets still in use are being carried at nil net book value.

**13 . Impairments**

	<b>2011-12</b>		<b>2010-11</b>	
	<b>Property, plant &amp; equipment £000</b>	<b>Intangible assets £000</b>	<b>Property, plant &amp; equipment £000</b>	<b>Intangible assets £000</b>
Impairments arising from :				
Loss or damage from normal operations	2,958	0	0	0
Abandonment in the course of construction	0	0	6,313	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	105	0
Others (specify)	3,658	0	8,664	0
<b>Total of all impairments</b>	<b>6,616</b>	<b>0</b>	<b>15,082</b>	<b>0</b>
<b>Analysis of impairments charged to reserves in year :</b>				
Charged to the Statement of Comprehensive Net Expenditure	6,616	0	15,082	0
Charged to Revaluation Reserve	0	0	0	0
	<b>6,616</b>	<b>0</b>	<b>15,082</b>	<b>0</b>

Note: More information with regards to impairments is given in Note 11, Property, Plant & Equipment.

**14.1 Inventories**

	<b>31 March</b>	31 March
	<b>2012</b>	2011
	<b>£000</b>	£000
Drugs	<b>3,409</b>	<b>3,748</b>
Consumables	<b>7,843</b>	<b>7,392</b>
Energy	<b>93</b>	<b>85</b>
Work in progress	<b>0</b>	<b>0</b>
Other	<b>0</b>	<b>0</b>
<b>Total</b>	<b>11,345</b>	<b>11,225</b>
Of which held at realisable value	<b>0</b>	<b>0</b>

**14.2 Inventories recognised in expenses**

	<b>31 March</b>	31 March
	<b>2012</b>	2011
	<b>£000</b>	£000
Inventories recognised as an expense in the period	<b>133,421</b>	<b>126,528</b>
Write-down of inventories (including losses)	<b>246</b>	<b>183</b>
Reversal of write-downs that reduced the expense	<b>0</b>	<b>0</b>
<b>Total</b>	<b>133,667</b>	<b>126,711</b>

**15. Trade and other Receivables**

<b>Current</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Welsh Government	2,289	1,756
WHSSC	2,770	1,812
Welsh Health Boards	6,634	2,872
Welsh NHS Trusts	966	638
Non - Welsh Trusts	1,491	1,143
Other NHS	(55)	134
Welsh Risk Pool	26,237	30,338
Local Authorities	758	1,115
Capital debtors	0	0
Other debtors	10,242	9,961
Provision for irrecoverable debts	(1,380)	(1,613)
Pension Prepayments	0	0
Other prepayments and accrued income	2,165	2,398
<b>Sub total</b>	<b>52,117</b>	<b>50,554</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	26,172	29,961
Local Authorities	0	0
Capital debtors	0	0
Other debtors	3,351	2,895
Provision for irrecoverable debts	(352)	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
<b>Sub total</b>	<b>29,171</b>	<b>32,856</b>
<b>Total</b>	<b>81,288</b>	<b>83,410</b>

**Receivables past their due date but not impaired**

By up to three months	4,259	4,549
By three to six months	786	717
By more than six months	5,149	5,755
	<b>10,194</b>	<b>11,021</b>

Of the debtors past due (but not impaired) which are greater than six months old £4.831m relates to RTA and personal injury which is generally considered collectable (2010-11 £4.830m).

**Provision for impairment of receivables**

Balance at 1 April	(1,613)	(1,584)
Amount written off during the year	105	108
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	(224)	(137)
Balance at 31 March	<b>(1,732)</b>	<b>(1,613)</b>

Provisions for impairment are recognised on receivables which are past their due date based on historic collectability rates, together with the need exceptionally to provide for other invoices based on documented evidence of disputes existing with the debtors in question.



**16. Trade and other payables**

<b>Current</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Welsh Government	0	2,051
WHSSC	1,246	50
Welsh Health Boards	5,389	4,599
Welsh NHS Trusts	4,473	1,378
Other NHS	10,548	10,749
Income tax and social security	10,751	10,559
Non-NHS creditors	29,454	20,712
Local Authorities	3,804	2,150
Capital Creditors	14,299	12,548
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	607	2,720
Pensions: staff	0	0
Accruals	42,432	42,978
Deferred Income	0	0
Other creditors	10,405	3,926
<b>Total</b>	<b>133,408</b>	<b>114,420</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Income tax and social security	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	10,680	11,160
Pensions: staff	0	0
Accruals	0	0
Deferred Income	0	0
Other creditors	0	0
<b>Total</b>	<b>10,680</b>	<b>11,160</b>

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.

The Other Creditors Figure also includes £0.231m owed to WEQAS in respect of surpluses generated by that body which have been recorded and retained on their behalf by Cardiff and Vale LHB.

**Amounts falling due after more than one year are expected to be settled with the following profile:**

<b>Amounts falling due:</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Between one and two years	372	561
Between two and five years	866	870
In five years or more	9,442	9,729
Sub-total	10,680	11,160

## 17. Provisions

	At 1 April 2011	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2012
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	27,718	0	(5,800)	319	26,690	(5,410)	(24,880)	617	19,254
Personal injury	1,069	0	0	101	2,013	(872)	(1,033)	76	1,354
All other losses and special payments	0	0	(521)	0	2,251	(1,730)	0	0	0
Defence legal fees and other administration	891	0	0	136	959	(386)	(771)		829
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	217			169	0	(213)	(9)	47	211
Restructuring	0			0	0	0	0	0	0
Other	6,202			0	2,039	(466)	(2,611)		5,164
<b>Total</b>	<b>36,097</b>	<b>0</b>	<b>(6,321)</b>	<b>725</b>	<b>33,952</b>	<b>(9,077)</b>	<b>(29,304)</b>	<b>740</b>	<b>26,812</b>
<b>Non Current</b>									
Clinical negligence	29,696	0	0	(319)	1,686	(35)	(5,973)	646	25,701
Personal injury	2,394	0	0	(101)	0	0	0	0	2,293
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	446	0	0	(136)	467	(29)	(64)		684
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,929			(169)	0	0	0	0	1,760
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0	0	0
<b>Total</b>	<b>34,465</b>	<b>0</b>	<b>0</b>	<b>(725)</b>	<b>2,153</b>	<b>(64)</b>	<b>(6,037)</b>	<b>646</b>	<b>30,438</b>
<b>TOTAL</b>									
Clinical negligence	57,414	0	(5,800)	0	28,376	(5,445)	(30,853)	1,263	44,955
Personal injury	3,463	0	0	0	2,013	(872)	(1,033)	76	3,647
All other losses and special payments	0	0	(521)	0	2,251	(1,730)	0	0	0
Defence legal fees and other administration	1,337	0	0	0	1,426	(415)	(835)		1,513
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,146			0	0	(213)	(9)	47	1,971
Restructuring	0			0	0	0	0	0	0
Other	6,202			0	2,039	(466)	(2,611)		5,164
<b>Total</b>	<b>70,562</b>	<b>0</b>	<b>(6,321)</b>	<b>0</b>	<b>36,105</b>	<b>(9,141)</b>	<b>(35,341)</b>	<b>1,386</b>	<b>57,250</b>

## Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015- 31 March 2020	Thereafter	Total
				£000
Clinical negligence	44,955	0	0	44,955
Personal injury	1,659	665	1,325	3,649
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,513	0	0	1,513
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	613	923	433	1,969
Restructuring	0	0	0	0
Other	5,164	0	0	5,164
<b>Total</b>	<b>53,904</b>	<b>1,588</b>	<b>1,758</b>	<b>57,250</b>

The Clinical Negligence provision contains £53k in respect of 8 potential claims under the Welsh Government "Putting Things Right" Redress Scheme. In addition the value of claims settled during the year under this scheme was £2k.

**Note 17. 2011/2012 (continued)**

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £52.409m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

**Other Provisions include:**

Continuing Healthcare IRP & Ombudsman claims £4.938m  
Potential Payments to staff in respect of time off in lieu £0.226m

As per above the Local Health Board has estimated a liability of £4.938m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2011/2012 is consistent with the basis used in 2010/2011. However, individual cases have been reviewed in light of more up to date information obtained during the year. Hence, in the continuing absence of detailed assessment information the University Health Board (UHB) has utilised a mixture of actual assessments and the proxy of whether individual claimants were already receiving NHS Funded Nursing Care to determine whether an individual claimant provision would be established or not.

**Uncertainties about the amount and timing of transfer of economic benefits**

The provision for outstanding Continuing Healthcare claims has been based on information made available to the LHB at the time of these accounts, and where the outcome and amount of the claims have yet to be determined.

**Uncertainties affecting outcome**

In January 2006 the High Court concluded that if, following a health assessment, a person's health needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care (Grogan V Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested. Where specific cases, justifying provision, have been identified through patient claims, then these costs have been provided in the accounts. However, the LHB considers there may be cases that have yet to be brought to their attention or that are under investigation, and therefore a reliable estimate of the financial impact of these cases cannot be made at this time. No provision in respect of these cases has been made in these accounts.

## 17. Provisions (continued)

	At 1 April 2010	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	28,095	0	0	(10,882)	22,614	(5,908)	(6,580)	379	27,718
Personal injury	1,117	0	0	82	1,508	(983)	(733)	78	1,069
All other losses and special payments	0	0	(289)	0	1,147	(858)	0	0	0
Defence legal fees and other administration	806	0	0	(119)	1,053	(256)	(593)		891
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	221			128	38	(220)	0	50	217
Restructuring	0			0	0	0	0	0	0
Other	5,461			0	2,716	(659)	(1,316)		6,202
<b>Total</b>	<b>35,700</b>	<b>0</b>	<b>(289)</b>	<b>(10,791)</b>	<b>29,076</b>	<b>(8,884)</b>	<b>(9,222)</b>	<b>507</b>	<b>36,097</b>
<b>Non Current</b>									
Clinical negligence	13,880	0	0	10,882	6,765	(731)	(1,645)	545	29,696
Personal injury	2,476	0	0	(82)	0	0	0	0	2,394
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	214	0	0	119	214	(35)	(66)		446
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,057			(128)	0	0	0	0	1,929
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0		0
<b>Total</b>	<b>18,627</b>	<b>0</b>	<b>0</b>	<b>10,791</b>	<b>6,979</b>	<b>(766)</b>	<b>(1,711)</b>	<b>545</b>	<b>34,465</b>
<b>TOTAL</b>									
Clinical negligence	41,975	0	0	0	29,379	(6,639)	(8,225)	924	57,414
Personal injury	3,593	0	0	0	1,508	(983)	(733)	78	3,463
All other losses and special payments	0	0	(289)	0	1,147	(858)	0	0	0
Defence legal fees and other administration	1,020	0	0	0	1,267	(291)	(659)		1,337
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	2,278			0	38	(220)	0	50	2,146
Restructuring	0			0	0	0	0	0	0
Other	5,461			0	2,716	(659)	(1,316)		6,202
<b>Total</b>	<b>54,327</b>	<b>0</b>	<b>(289)</b>	<b>0</b>	<b>36,055</b>	<b>(9,650)</b>	<b>(10,933)</b>	<b>1,052</b>	<b>70,562</b>

## Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015- 31 March 2020	Thereafter	Total
				£000
Clinical negligence	57,414	0	0	57,414
Personal injury	1,506	640	1,317	3,463
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,337	0	0	1,337
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	833	922	391	2,146
Restructuring	0	0	0	0
Other	6,202	0	0	6,202
<b>Total</b>	<b>67,292</b>	<b>1,562</b>	<b>1,708</b>	<b>70,562</b>

**Note 17. 2010/2011 (continued)**

The expected timing of cashflows in respect of provisions arising from clinical negligence or personal injury claims (together with the associated defence costs) are based on legal opinion obtained by the LHB. The nature of litigation however means that these could be subject to change.

Amounts due in respect of pensions are profiled based on the regime which the NHS Pensions agency currently uses to recover payments in respect of such amounts. This could be subject to change in the future.

The LHB is able to recover amounts paid out in respect of clinical negligence or personal injury claims (subject to an excess per case of £25k) from the Welsh Risk Pool. An amount of £60.299m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

**Other Provisions include:**

Continuing Healthcare IRP & Ombudsman claims £6.000m  
Potential Payments to staff in respect of time off in lieu £0.202m

As per above the Local Health Board has estimated a liability of £6.00m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2009/10 has been reviewed and amended for the accounting period to 31 March 2011. In the continuing absence of detailed assessment information the University Health Board (UHB) has utilised a mixture of actual assessments and the proxy of whether individual claimants were already receiving NHS Funded Nursing Care to determine whether an individual claimant provision would be established or not.

**Uncertainties about the amount and timing of transfer of economic benefits**

The provision for outstanding Continuing Healthcare claims has been based on information made available to the LHB at the time of these accounts, and where the outcome and amount of the claims have yet to be determined.

**Uncertainties affecting outcome**

In January 2006 the High Court concluded that if, following a health assessment, a person's health needs formed the primary reason for their residence in a nursing home the NHS should fund the totality of their care (Grogan V Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested. Where specific cases, justifying provision, have been identified through patient claims, then these costs have been provided in the accounts. However, the LHB considers there may be cases that have yet to be brought to their attention or that are under investigation, and therefore a reliable estimate of the financial impact of these cases cannot be made at this time. No provision in respect of these cases has been made in these accounts.

**18. Cash and cash equivalents**

	2011-12	2010-11
	£000	£000
Balance at 1 April	802	1,420
Net change in cash and cash equivalent balances	680	(618)
Balance at 31 March	1,482	802
Made up of:		
Cash held at GBS	1,273	637
Commercial banks and cash in hand	209	165
Current Investments	0	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>1,482</b>	<b>802</b>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>1,482</b>	<b>802</b>

**19. Other Financial Assets**

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2012	2011	2012	2011
	£000	£000	£000	£000
<b>Financial assets</b>				
Finance lease receivables	0	0	0	0
Financial assets carried at fair value through SoCNE	0	0	0	0
Held to maturity investments carried at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**20. Other assets**

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2012	2011	2012	2011
	£000	£000	£000	£000
EU Emissions Trading Scheme Allowance	47	150	0	0
	<b>47</b>	<b>150</b>	<b>0</b>	<b>0</b>

**21. Other liabilities**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>£000</b>	£000	<b>£000</b>	£000
Lease incentives	0	0	0	0
PFI asset -deferred credit	292	292	1,478	1,770
Other [specify]	3,194	3,201	0	0
	<b>3,486</b>	3,493	<b>1,478</b>	1,770

**Other Comprises:**

Payments on Account	990	1,260
Deferred Income	2,204	1,941
	<b>3,194</b>	3,201

The £2.204m deferred income includes £1.869m in respect of research and development projects. The UHB is currently reviewing the governance arrangements around both its commercial and non commercial research and development activities. The review will include making recommendations to the Board as to how balances on any existing dormant trials will be distributed.

**22. Other financial liabilities**

<b>Financial liabilities</b>	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>£000</b>	£000	<b>£000</b>	£000
Financial assets carried at fair value through SoCNE	0	0	0	0
	<b>0</b>	0	<b>0</b>	0

**23. Related Party Transactions**

The Welsh Government is regarded as a related party. During the accounting period the Cardiff and Vale University Local Health Board has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body:

	Income £'000s	Expenditure £'000s
Welsh Government	878,136	21
Abertawe Bro Morgannwg University LHB	16,229	41,611
Aneurin Bevan Health Board	32,163	4,056
Betsi Cadwaladr LHB	613	786
Cwm Taf LHB	21,798	8,309
Hywel Dda LHB	5,464	1,481
Powys LHB	1,647	170
Velindre NHS Trust	2,644	18,844
Public Health Wales NHS Trust	2,623	4,617
Welsh Ambulance Trust	106	5,072
Welsh Health Specialist Service Commission	169,371	102,905
Total £'000s	1,130,794	187,872

During the period, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.

Mrs Jan Williams OBE was the Chief Executive of Cardiff and Vale University Local Health Board until the 31st of March 2012. Her husband is a Reader in Strategic Management and Public Policy at the Cardiff Metropolitan University (UWIC).

Dr K Baboolal was the Director for Acute Hospital Services until the 12th of July 2011. He occasionally receives travel or research grants from and undertakes consultancy work for the following companies: Wyeth, Roche, Novartis, Cardiff Research Consortium, Astellas and Pfizer.

Dr Graham Shortland is the Medical Director. He has received sponsorship for a Nurse Specialist for a research project from Shire Pharmaceuticals.

Ms Neelam Bhardwaja was an Associate Director of Cardiff and Vale University Local Health Board until the 1st of December 2011. She was also Corporate Director at Cardiff City Council during 2011/2012.

Mr Stuart Egan is a Non Executive Member of Cardiff and Vale University Local Health Board. He is a County Councillor for the Vale of Glamorgan Council and Town Councillor for Barry Town Council.

Ms Morgan Fackrell is a Non Executive Director of Cardiff and Vale University Local Health Board. She is also Chair of Voluntary Action Cardiff.

Dr Sharon Hopkins is The Director of Public Health. During the year her husband has undertaken a private cardiology practice at Spire in Cardiff.

Mr David Wyn Jones is a Non Executive Director of Cardiff and Vale University Local Health Board. He has also been a Non Executive Director of Sequence Collective Ltd and has undertaken consultancy work for this organisation.

The material transactions involving the related parties were as follows:

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Astellia Pharmaceuticals Ltd	0	43	0	0
Cardiff Council	8,754	3,532	3,266	438
Cardiff Metropolitan University	57	88	8	61
Cardiff Research Consortium	58	66	0	16
Cardiff University	19,890	7,873	1,878	1,250
Sequence Collective Ltd	111	0	18	0
Novartis	13,474	48	263	14
Pfizer Ltd	0	132	0	(16)
Roche Diagnostics Ltd	849	204	43	15
Roche Products Ltd	10,465	93	150	0
Shire Pharmaceuticals Ltd	108	0	10	0
Spire Healthcare	13	0	1	0
Vale of Glamorgan Council	2,949	1,024	531	289
Voluntary Action Cardiff	112	0	7	0

The LHB has close links with Cardiff University which includes the sharing of staff as well as sharing accommodation on the University Hospital of Wales Site. The University is therefore treated as a related party and their transactions are shown above.

The LHB is a member of the Welsh Risk Pool for Clinical Negligence and Personal Injury claims. The LHB has received settlement payments of £6.816m in respect of claims made.

The corporate body is a registered charity and as a Corporate Trustee the LHB Board were responsible for the management of charitable expenditure of £2.298m in the period connected with the University Hospital of Wales, Llandough, Whitchurch and Community Services.

The Welsh Government has not notified us of any related parties relating to Ministers in 2011-12.



## 24. Third Party assets

The LHB held £216,174 cash at bank and in hand at 31 March 2012 (31 March 2011: £248,186) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £0 at 31st March 2012 (31 March 2011: £0). This has been excluded from cash and cash equivalents figure reported in the accounts. In addition the LHB had located on its premises a significant quantity of consignment stock. This stock remains the property of the supplier until it is used. The value of the stock held at 31st March 2012 was £3,578,545.

## 25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
<b>2011-12 :</b>				
Welsh Government	2,289	0	0	0
Welsh Local Health Boards	6,634	0	5,389	0
Welsh NHS Trusts	966	0	4,473	0
Welsh Health Special Services Committee	2,770	0	1,246	0
All English Health Bodies	1,423	0	8,779	0
All N. Ireland Health Bodies	13	0	0	0
All Scottish Health Bodies	55	0	32	0
Miscellaneous	26,238	26,172	1,737	0
Credit note provision	(56)	0	0	0
Sub total	<b>40,332</b>	<b>26,172</b>	21,656	0
Other Central Government Bodies				
Other Government Departments	4,376	3,348	531	0
Revenue & Customs	1,047	0	10,751	0
Local Authorities	758	0	3,804	0
Balances with Public Corporations and trading funds	0	0	53	0
Balances with bodies external to Government	5,604	-349	96,613	10,680
<b>TOTAL</b>	<b>52,117</b>	<b>29,171</b>	133,408	10,680
<b>2010-11 :</b>				
Welsh Government	1,756	0	2,051	0
Welsh Local Health Boards	2,872	0	4,599	0
Welsh NHS Trusts	638	0	1,378	0
Welsh Health Special Services Committee	1,812	0	50	0
All English Health Bodies	1,099	0	8,951	0
All N. Ireland Health Bodies	17	0	4	0
All Scottish Health Bodies	26	0	31	0
Miscellaneous	211	0	1,762	0
Credit note provision	(77)	0	0	0
Sub total	<b>8,354</b>	<b>0</b>	18,826	0
Other Central Government Bodies				
Other Government Departments	4,046	2,891	105	0
Revenue & Customs	489	0	10,571	0
Local Authorities	1,115	0	2,150	0
Balances with Public Corporations and trading funds	21	0	45	0
Balances with bodies external to Government	36,529	29,965	82,723	11,160
<b>TOTAL</b>	<b>50,554</b>	<b>32,856</b>	114,420	11,160

## 26. Losses and special payments

Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

### Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial year

	Amounts paid out during period to 31 March 2012		Approved to write-off to 31 March 2012	
	Number	£	Number	£
Clinical negligence	98	5,445,093	60	7,913,379
Personal injury	85	871,576	46	911,902
All other losses and special payments	388	2,630,059	388	2,630,059
<b>Total</b>	<b>571</b>	<b>8,946,728</b>	<b>494</b>	<b>11,455,340</b>

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

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £250,000</b>				
Case Ref	Case Type	0	0	0
00RRBMN0018	Clinical Negligence	15,000	4,020,000	4,020,000
03RWMMN0044	Clinical Negligence	355,000	355,000	0
05RWMMN0033	Clinical Negligence	220,000	280,000	0
06RWMMN0047	Clinical Negligence	945,000	945,000	0
06RWMMN0051	Clinical Negligence	10,000	405,000	0
08RWMMN0003	Clinical Negligence	18,500	473,500	473,500
08RWMMN0010	Clinical Negligence	0	276,291	276,291
08RWMMN0038	Clinical Negligence	226,000	871,000	0
09RWMMN0009	Clinical Negligence	245,000	260,000	0
09RWMMN0027	Clinical Negligence	406,490	460,000	0
10RWMMN0013	Clinical Negligence	0	516,250	0
10RWMMN0034	Clinical Negligence	335,000	335,000	335,000
10RWMMN0041	Clinical Negligence	228,205	263,866	0
10RWMMN0059	Clinical Negligence	10,000	1,151,822	0
10RWMMN0082	Clinical Negligence	340,000	340,000	0
07RWMPI0033	Personal Injury	16,500	312,201	312,201
<b>Sub-total</b>		<b>3,370,695</b>	<b>11,264,930</b>	<b>5,416,992</b>
<b>All other cases</b>		<b>5,576,033</b>	<b>9,209,489</b>	<b>6,038,348</b>
<b>Total cases</b>		<b>8,946,728</b>	<b>20,474,419</b>	<b>11,455,340</b>

## 27. Contingencies

### 27.1 Contingent liabilities

	2011-12 £'000	2010-11 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	39,692	31,777
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	364	349
Continuing Health Care costs	8,165	6,939
Other	0	0
Total value of disputed claims	48,221	39,065
Amounts recovered in the event of claims being successful	37,876	30,146
Net contingent liability	10,345	8,919

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them.

Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents.

The amounts disclosed as contingent liabilities in relation to potential clinical negligence or personal injury claims against the LHB arise where legal opinion as to the possibility of the claims success has deemed this to be possible, rather than remote, and no provision has already been made for such items within note 17. The LHB is assuming that all such costs would be reimbursed by The Welsh Risk Pool (subject to a £25k excess per claim). The net contingent liability contains £1.179m re clinical negligence, £0.045m re: Welsh Government Redress scheme and £0.955m re personal injury.

### Continuing Healthcare Cost Uncertainties

Liabilities for continuing care costs continue to be a significant financial issue for the LHB. The December 2009 deadline for reclaiming pre-1/4/2003 care costs resulted in a large increase in the number of claims registered, regarding both pre and post 1/4/2003 costs. Cardiff and Vale LHB is responsible for post 1/4/2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note 17 sets out the £4.938m provision made for probable continuing care costs relating to claims received which have been assessed as likely to succeed by specialist CHC nursing teams.

Note 27.1 sets out a £8.165m contingent liability relating to the element of claims received; but assessed as being unlikely to succeed.

The assessment process described is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the LHB does not have the information to make a definitive judgement on the likely success or otherwise of the claims included above, however potential costs have been calculated on either a cost per case basis where actual detail is known or based on whether the claimant was already in receipt of funded nursing care financial assistance during the period of the claim.

Any continuing healthcare claims, or period thereof, which relate to pre-1/4/2003 are included in the Welsh Government Resource Accounts.

### 27.2 Contingent assets

The LHB has no contingent assets

## 28. Capital commitments

### Contracted capital commitments at 31 March

	2011-12	2010-11
Property, plant and equipment	7,249	8,345
Intangible assets	0	0
	7,249	8,345

**29. Finance leases****29.1 Finance leases obligations (as lessee)**

The LHB currently has 3 finance lease agreements in place for the lease of buildings. All three of the lease agreements are due to expire in more than 5 years. The LHB also has 3 finance lease agreements in respect of equipment. Two of which expire in more than two years but less than five years, and one which expires in 2012/13. The present value of the minimum lease payments has been arrived at by applying a discount rate comprising the treasury discount rate (2.2%) plus the rate of inflation as at March 2012 (3.6%)

**Amounts payable under finance leases:**

<b>Land</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**29.1 Finance leases obligations (as lessee) continued****Amounts payable under finance leases:**

<b>Buildings</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
<b>Minimum lease payments</b>		
Within one year	195	195
Between one and five years	779	780
After five years	221	416
Less finance charges allocated to future periods	(51)	(66)
Minimum lease payments	1,144	1,325
Included in:		
Current borrowings	181	180
Non-current borrowings	963	1,145
	1,144	1,325

**Present value of minimum lease payments**

Within one year	184	179
Between one and five years	642	583
After five years	156	238
Less finance charges allocated to future periods	(42)	(51)
Present value of minimum lease payments	940	949
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

**Other**

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
<b>Minimum lease payments</b>		
Within one year	245	2,402
Between one and five years	234	341
After five years	0	0
Less finance charges allocated to future periods	(12)	(34)
Minimum lease payments	467	2,709
Included in:		
Current borrowings	236	2,377
Non-current borrowings	231	332
	467	2,709

**Present value of minimum lease payments**

Within one year	232	1,321
Between one and five years	203	560
After five years	0	0
Less finance charges allocated to future periods	(7)	(28)
Present value of minimum lease payments	428	1,853
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

**29.2 Finance lease receivables (as lessor)****Amounts receivable under finance leases:**

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
<b>Gross investment in leases</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>

**30. Private Finance Initiative contracts****30.1 PFI schemes off-Statement of Financial Position**

*The LHB has no PFI schemes which are deemed to be off-statement of financial position*

**30.2 PFI schemes on-Statement of Financial Position**

On 31st March 2000, a 31 year Private Finance Initiative (PFI) Contract was signed between the former Cardiff & Vale Trust and IMC (Impregilo/Macob consortium) for the provision of a new hospital to be built on the former St. David's site. The hospital, which opened on 1st March 2002 provides a range of services but primarily services linked to the care for older people.

The estimated capital value of the scheme at the time of construction was £13.847m and the annual payments to be made for the provision of the site and for a range of facilities management services is £3.6m.

Total obligations for on-Statement of Financial Position PFI contracts due:

	<b>31 March 2012</b>	31 March 2011
	<b>£000</b>	£000
Not later than one year	<b>1,322</b>	1,300
Later than one year, not later than five	<b>5,510</b>	5,421
Later than five years	<b>21,970</b>	23,381
Sub total	<b>28,802</b>	30,102
Less: interest element	<b>19,388</b>	20,718
<b>Total</b>	<b>9,414</b>	9,384

**Capital value of scheme included in Property, Plant and Equipment Note 11**

**£16.417m**

**30.3 Charges to expenditure**

The total charged in the year to expenditure in respect of the service element of on-statement of financial position PFI contracts was £3.643m (prior year £3.504m).

The LHB is committed to the following annual charges

	<b>31 March 2012</b>	31 March 2011
	<b>£000</b>	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	3,767	3,655
<b>Total</b>	<b>3,767</b>	<b>3,655</b>

The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.

**30.4 The LHB has 5 Public Private Partnerships**

In addition to the St David's PFI Scheme set out previously in Note 30.1, the LHB has five other Public Private Partnerships (PPP) Schemes as set out below:

**UHW Car Park**

In 1996/7 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust with the exclusive rights for the Private Partner (Impregilo UK Ltd) to collect all car park income, (at rates set out in the contract), in exchange for the building of a multi storey car park and infrastructure works with a capital cost of £6.7m. Impregilo UK Ltd later sold their interests to VINCI Park Ltd in 2001.

At the end of 20 years, the LHB will receive the residual interest in the multi storey car parks and the reversionary interest in the land for nil consideration. The scheme has been assessed as being "on-statement of financial position" under IFRIC 12. These assets are therefore included in the LHB's statement of financial position (note 11) with current values of £14.308m for the buildings and £10.000m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £3.745m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that has been credited to operating expenses in 2011/12 was £0.187m



### **30.4 The LHB has 5 Public Private Partnerships (continued)**

#### **Concourse**

In 1998/99 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust, together with the rights for a Private Partner (Gentian Ltd) to collect rent from shop outlets, in exchange for the building of a Concourse entrance to the hospital, with a capital cost of £1.982m.

At the end of the 20 years the LHB will receive the residual interest in the Concourse building and the reversionary interest in the land for nil consideration. The scheme has been assessed as being "on- statement of financial position" under IFRIC 12. These assets are therefore included in the LHB's statement of financial position (note 11) with current values of £2.404m for the buildings and £0.765m for the land.

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £1.730m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 20 year life of the contract. The amount that has been credited to operating expenses in 2011/12 was £0.087m.

#### **Llandough Hospital Staff Accommodation**

On 28th October 1999, the former University Hospital and Llandough NHS Trust entered into an agreement with Charter Housing for the design, construction, fit out and the subsequent operation of its staff accommodation at Llandough Hospital. The contract period is 25 years; however Charter Housing have since undergone a restructure which has seen a transfer of its interest in the contract to Fairlake Properties Limited. This transfer was completed during 2007/8.

In return for the provision of the new serviced accommodation, the Trust transferred a parcel of surplus land to Charter on which seven of its existing properties resided. These properties were subsequently demolished and the land sold off by Charter. The accommodation is located on the remaining land, which had previously housed three additional properties. This is granted to Charter under a 99 year head lease for a peppercorn rent. Charter then leases the properties back to the LHB in return for an annual unitary payment of £0.042m. The LHB then leases the property back to Charter under a 27 year sub-underlease. The value of the property transferred to Charter in 1999/2000 was £0.763m.

The scheme has been assessed as being "on-statement of financial position" under IFRIC 12 and therefore the building is currently valued at £0.955m and the land at £0.420m on the LHB's statement of financial position (note 11).

On initial recognition of the asset a deferred income creditor balance was recognised in the LHB's accounts at a value of £0.454m. In line with Department of Health Guidance this creditor is being released to the SoCNE annually over the 25 year life of the contract. The amount that has been credited to operating expenses in 2011/12 was £0.018m.

### **30.4 The LHB has 5 Public Private Partnerships (contd)**

#### **Llandough Energy Management**

On 15th July 2008 the former Cardiff and Vale NHS Trust entered into a revised service agreement with Dalkia Utilities Services PLC for the provision of an energy service at Llandough Hospital until March 31st 2013.

With effect from the agreement date the LHB has to pay Dalkia £0.259m annually. This sum being the aggregate of a financing charge (£0.092m), an operating element (£0.132m) and a maintenance element (£0.035m). The operating element effectively secures the LHB the sole use of the fixed plant that has been fitted by the contractor at Llandough for the purposes of the contract.

The scheme has been assessed as being "on-statement of financial position" under IFRIC 12 and therefore fixed plant (recorded within buildings) is currently valued at £0.137m on the LHB's statement of financial position (note 11).

On initial recognition of the asset a PFI "finance lease" creditor balance was recognised in the LHB's statement of financial position to the value of £0.627m. This will be extinguished by the payment of the operating element within the contractors annual charge, over the life of the contract.

#### **Llandough Operating Theatre**

On 27th November 1998, the former University Hospital and Llandough NHS Trust entered into an agreement with Dalkia Utilities Services for the design, construction, fit out and the subsequent maintenance of an ultraclean operating theatre at Llandough Hospital. The contract period is 15 years.

The fair value of the capital cost incurred by Dalkia was £0.732m and the availability of these assets is being secured by 12 unitary payments of £0.078m.

The scheme has been assessed as being "on-statement of financial position" under IFRIC 12 albeit that the asset was already being recorded on the LHB's statement of financial position as it had been included within past valuations of the hospital by the District Valuer. The asset had a carrying value of £0.925m on the LHB's statement of financial position as at March 31st 2012.

On initial recognition of the asset a PFI "finance lease" creditor balance was recognised in the LHB's statement of financial position to the value of £0.732m. This will be extinguished by the payment of the operating element within the contractors annual charge, over the life of the contract.

## 31. Pooled budgets

The Health Board has entered into a pooled budget arrangement with Cardiff and Vale of Glamorgan Local Authorities, as permissible under section 33 of the NHS (Wales) Act 2006 for the operation of a Joint Equipment Store (JES). The purpose of the JES is the provision and delivery of common equipment and consumables to patients who are resident in the localities of the partners to the pooled budget. The pooled budget arrangement became operational from 1st January 2012.

The pool is hosted by Cardiff Council, who are the lead body and act as principal for this scheme. The financial operation of the pool is governed by a pooled budget agreement between Cardiff Council, Vale of Glamorgan Council and the Health Board. Currently The Health Board will make payments to Cardiff Council on receipt of an invoice in line with the agreed contributions to the pooled budget as set out in the agreement. Expenditure incurred will be subject to regular review by the partners to the agreement. Any expenditure incurred by Cardiff Council above the agreed contributions in respect of NHS equipment and consumables will be invoiced separately. As the funding for the UHB's contribution to the pooled budget has not yet been topsliced and is being provided via invoicing, then no adjustment in respect of the income and expenditure arising from the activities of the pooled budget is required in these accounts. In addition as the UHB's proportion of the assets and liabilities held by the pool are not material in relation to the UHB, they have therefore not been consolidated within these financial statements.

The Section 33 agreement outlines that the following annual contributions will be made to the pool by the respective partners:

Cardiff County Council £290,812  
Vale of Glamorgan County Council £159,000  
Cardiff and Vale Local Health Board £706,000

These contributions are subject to review and can be flexed based on agreed usage levels.

Hence the contribution by Cardiff and Vale to this Pooled Budget arrangement, covering the three month period from 1st January to 31st March 2012 was £260,660.

All other schemes which the UHB had previously entered into under the flexibility arrangements permitted by the 2006 Act finished prior to the start of the financial year.

## 32. Financial Instruments

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	14,095	0	14,095
Cash at bank and in hand	0	1,482	0	1,482
Other financial assets	26,172	31,454	0	57,626
<b>Total at 31 March 2012</b>	<b>26,172</b>	<b>47,031</b>	<b>0</b>	<b>73,203</b>

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	5,229	607	5,836
Other financial liabilities	0	127,214	127,214
<b>Total at 31 March 2012</b>	<b>5,229</b>	<b>127,821</b>	<b>133,050</b>

Financial assets	At "fair value" through SoCNE £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	8,355	0	8,355
Cash at bank and in hand	0	802	0	802
Other financial assets	28,756	39,801	0	68,557
<b>Total at 31 March 2011</b>	<b>28,756</b>	<b>48,958</b>	<b>0</b>	<b>77,714</b>

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	4,184	2,720	6,904
Other financial liabilities	0	107,343	107,343
<b>Total at 31 March 2011</b>	<b>4,184</b>	<b>110,063</b>	<b>114,247</b>

Financial Liabilities shown at fair value relate to PFI and Finance Lease Balances due after one year or more.

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The LHB has 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 in undertaking its activities.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

### 33. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is 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 listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

#### Currency risk

The LHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHB has no overseas operations. The LHB therefore has low exposure to currency rate fluctuations.

#### Interest rate risk

LHBs are not permitted to borrow. The LHB therefore has low exposure to interest rate fluctuations.

#### Credit risk

Because the majority of the LHB's funding derives from funds voted by the Welsh Government the LHB has low exposure to credit risk.

#### Liquidity risk

The LHB is required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. The LHB is not, therefore, exposed to significant liquidity risks.

### Maturity of financial liabilities

	31 March 2012 £'000	31 March 2011 £'000
In one year	127,821	110,063
In more than one year but not more than two years	346	763
In more than two years but not more than five years	694	634
In more than five years	4,189	2,787
<b>Total</b>	<b>133,050</b>	<b>114,247</b>

**34. Movements in working capital**

	2011-12	2010-11
	£000	£000
(Increase)/decrease in inventories	(120)	(1,473)
(Increase)/decrease in trade and other receivables - non - current	3,685	(15,623)
(Increase)/decrease in trade and other receivables - current	(1,563)	2,552
(Increase)/decrease in other current assets	103	(5)
Increase/(decrease) in trade and other payables - non - current	(480)	(1,726)
Increase/(decrease) in trade and other payables - current	18,988	4,662
Increase/(decrease) in other liabilities	(299)	80
Increase/(decrease) in assets held for sale	0	0
<b>Total</b>	<b>20,314</b>	<b>(11,533)</b>
Adjustment for accrual movements in fixed assets -creditors	(1,751)	(6,541)
Adjustment for accrual movements in fixed assets -debtors	0	0
Other adjustments	2,885	760
	<b>0</b>	<b>0</b>
	<b>21,448</b>	<b>(17,314)</b>

**35. Other cash flow adjustments**

	2011-12	2010-11
	£000	£000
Depreciation	24,091	22,376
Amortisation	309	246
(Gains)/Loss on Disposal	12	57
Impairments and reversals	6,616	15,082
Release of PFI deferred credits	(292)	(291)
Donated assets received credited to revenue but non-cash	(442)	(289)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	(4,171)	25,885
<b>Total</b>	<b>26,123</b>	<b>63,066</b>

**36. Cash flow relating to exceptional items**

There were no exceptional items in 2011/12.

### **37. Events after the Reporting Period**

At 1st June 2012, a number of functions and associated liabilities are being transferred from the LHB to Velindre NHS Trust, to form the NHS Wales Shared Services Partnership (NWSSP). In accordance with the FREM, the transfer of functions will be treated as a merger and its transactions and balances related to those functions will be shown in future years in Velindre NHS Trusts financial statements.

The Functions to be transferred are as follows:

- > Creditor Payments
- > Procurement (excluding West Point Stores)
- > Internal Audit (excluding The Counter Fraud Function)
- > Recruitment
- > Payroll
- > The Oracle Central Team (formerly a service hosted by the LHB)

As a result of the Transfer Annual LHB Income and expenditure are each expected to reduce by £4.144m. The effect on the LHB balance sheet will be negligible.

Other than the above, the LHB has not experienced any events having a material effect on the accounts, between the date of the statement of financial position and the date on which these accounts were approved by its Board.

### 38. Operating segments

IFRS 8 requires bodies to report information about each of its operating segments.

The LHB has formed the view that the activities of its divisions are sufficiently similar for the results of their operations not to have to be disclosed separately. In reaching this decision we are satisfied that the following criteria are met:

(1) Aggregation still allows users to evaluate the business and its operating environment.

(2) Divisions have similar economic characteristics.

(3) The Divisions are similar re all of the following:

- (1) The nature of the services provided.
- (2) The Divisions operate fundamentally similar processes.
- (3) The end customers to the processes (the patients) fall into broadly similar categories.
- (4) They share a common regulatory environment.

The LHB is also home to a small number of hosted or managed services:

- > The Programme Management Unit (PMU) (prior to December 1st 2011)
- > The Welsh Medicines Partnership
- > The Welsh Medicines Resource Centre
- > The All Wales Oracle Team

We have separately considered if the results of these bodies should be reported by segment. In determining this we have considered both materiality, whether or not that they comprise direct healthcare services and clearly provide services to a different client base than the main organisations services.

The Standard requires that an entity shall report separately information about each identifiable operating segment that exceeds the quantitative thresholds i.e. if any of the following apply:

- its reported revenue, including both sales to external customers and inter-segments sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments;
- the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss (ii) the combined reported loss of all operating segments that reported a loss; and
- its assets are 10% or more of the combined assets of all operating segments

None of the hosted services are close to breaching the above materiality limits which would require them to be disclosed as a discrete business segment in Cardiff and Vale's Accounts. Two of the hosted bodies (PMU & the All Wales Oracle Team) do not have as their main purpose the provision of healthcare and arguably offer their services to a different client basis. However, they comprise such a small percentage of the overall business that to claim that they constitute discrete operating units would in effect be misleading.



## 39. Other Information

### 1) Prior period Adjustments

The Statement of Comprehensive Net Expenditure for 2010-11 has been re-stated to reflect the FReM requirement to eliminate the reserves previously held in respect of Donated or Government Granted Assets. The impact of these restatements is as follows:

- Reduction in 'Miscellaneous Income' of £0.582m due to the removal of income previously released from the donation reserve,
- Increase in 'Miscellaneous Income' of £0.289m re the donation of property, plant and equipment which had previously been taken to the donation reserve.

The net impact is an overall increase in net operating costs for 2010-11 of £0.293m.

At the same time the Statement of Financial Position has been restated as follows:

The Donation reserve previously held of £8.995m has been eliminated with £0.486m transferring to the revaluation reserve (in respect of revaluation surpluses previously arising on donated assets) and the balance of £8.509m transferring to the General Fund. The Government Grant balance of £0.150m previously held in respect of EU Emissions credits has been transferred to other current liabilities.

### 2) Cardiff Medicentre

On its formation on 1st October 2009 the UHB inherited an interest in a joint venture which had been entered into by one of its predecessor organisations (South Glamorgan Health Authority) in 1992.

Our partners in this venture are South Glamorgan County Council, Cardiff University and The Welsh Government. The purpose of the venture was to provide dedicated business incubation facilities for start-up and spin-out companies operating in the medical healthcare and life sciences.

The UHB does not make any direct financial contribution into the venture and does not directly benefit financially from its operations. Neither the annual income and expenditure, nor the assets or liabilities of the venture are material in respect of UHB's reported results and so no adjustment has been made to these accounts to reflect the UHB's share of the joint venture. For illustrative purposes, had the UHB fully applied IAS31 "Financial reporting of Interests in Joint Ventures", then based on the last available published accounts of the Medicentre and applying the proportionate consolidation method to the UHB's 11% share would give an increase of £0.029m in each of its reported income and expenditure figures. In addition its reported net assets figure would increase by £0.292m.

**39. Other Information (continued)**

**3) Transfer of Service to Public Health Wales**

Prior to 1st December 2011, the UHB hosted The Programme Management Unit (PMU) on behalf of WG. On December 1st, responsibility for the hosting of the PMU transferred to Public Health Wales.

While this transfer does fall under the rules of merger accounting, it has been agreed with The Welsh Government that given the amount involved in the transfer, it is immaterial to the Cardiff and Vale Annual Accounts and therefore no adjustment needs to be made to the reported position of the UHB to remove the effect of the operations of the PMU for the first nine months of 2011/12. The amount included as both income and expenditure in respect of these accounts relating to PMU is £0.411m. No assets or liabilities have been identified as needing to be transferred by this Local Health Board as a result of the change.

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

The Welsh Ministers have 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 Welsh Government.

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.....2012 ..... Chief Executive

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

The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, direct 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 principles laid down by the Welsh Ministers 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 Welsh Ministers.

**By Order of the Board**

**Signed:**

Chairman: ..... Dated: .....2012

Chief Executive: ..... Dated: .....2012

Director of Finance: ..... Dated: .....2012



## **GOVERNANCE STATEMENT 2011/12**

### **1. Scope of Responsibility**

The Cardiff and Vale University Health Board (UHB) has responsibility for the health of more than 465,000 people living in Cardiff and Vale of Glamorgan, with an emphasis on prevention, well-being and independence.

The Board is accountable for Governance and Internal Control. As Accountable Officer and Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports the 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. These are carried out in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

### **2. Governing the UHB**

The principal role of the UHB Board is to exercise strong leadership, direction and control, including:

- setting the strategic direction
- establishing and upholding the governance and accountability framework, including its values and standards of behaviour
- ensuring delivery of the aims and objectives through effective challenge and scrutiny of UHB performance across all areas of responsibility.

The Board functions as a corporate decision making body, Executive Directors and Independent Members being full and equal members and sharing corporate responsibility for all the decisions of the Board.

The Board is supported by the Director of Governance, who acts as principal advisor on all aspects of governance within the UHB.

The Board has been constituted to comply with the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009. The Board consists of the Chair, Vice-Chair, Officer Members (Chief Executive and Directors) and Non-Officer (Independent) Members. The Chair, Vice Chair and Independent Members are appointed by the Welsh Ministers. The Board appoints Officer Members. On appointment consideration was given to the experience and skills required of each post-holder a) to perform their individual function and b) to ensure that the Board as a whole can perform its leadership and scrutiny role. In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of Champion roles where they act as ambassadors for these matters. All Independent Members participate in Committees of the Board. These are aligned to their area of interest or Champion portfolio. The table in Appendix 1 details the area of expertise/representative role for each of the Independent Members and Directors together with their Champion role. It also reports on their attendance at Board, and for Independent Members their Committee attendance.

As Chief Executive and Accountable Officer, I have personal responsibility for the overall organisation, management and staffing of the UHB. I am required to assure myself, and therefore the Board, that the UHB executive level management arrangements are fit for the purpose of providing effective whole system executive level leadership.

In May 2011, a decision was taken by the Board to establish the role of Chief Operating Officer (COO), a role to be accountable to the Chief Executive with responsibility for the day-to-day operational management of services across the UHB. This role has been undertaken during 2011/12 by the Director of Planning in addition to his existing responsibilities.

The Chief Operating Officer is supported by eight Divisional Directors each responsible for clinical, operational and financial delivery within their Divisions. They are each supported by a Divisional Manager and, with the exception of the Clinical

Diagnostics and Therapeutic Division, a Divisional Nurse. This Divisional triumvirate are supported by Clinical Directors, Lead Nurses and Directorate Managers.

Corporate functions including: Public Health and Promotion; Quality and Safety; Patient Experience; Planning/Capital and Estates, Health, Safety and Environment; Finance; Workforce and Organisational Development; IM&T and others, assist managers and myself by providing advice and support in their specialist areas.

The UHB hosts a number of services and organisations:

- Programme Management Unit (until December 2011)
- Oracle Central team
- Welsh Medicines Partnership
- Welsh Medicines Resource Centre
- Clinical Engineering Device and Assessment Reporting (Cedar)
- Welsh External Quality Assessment Service (WEQAS)

An internal audit review of governance arrangements was undertaken in 2010 when some shortcomings with the assessment of risk and communication with the UHB were identified. Actions have been taken to address these weaknesses and a follow up audit in 2011 did not identify any material weaknesses.

### **3. Vision and Values**

The Board has agreed its Statement of Intent that sets out its vision, values and commitments in the way that it will deliver its objectives.

#### **Vision**

Cardiff and Vale University Health Board (UHB) will be the flagship UHB in Wales, with an international reputation for excellence and innovation. Our skilled and committed staff will provide safe, high quality care, at the right time, in the right place.

We will work with partners and with communities to support the people of Cardiff and Vale in improving their own health and well-being.

We will build a shared sense of pride and purpose in our health services.

## **Our Values**

For our **staff**, to ensure that everyone in the UHB will have the opportunity to:

- provide a safe, high quality and ever improving service;
- use their talents, creativity and innovation;
- feel part of the way the UHB makes decisions;
- have access to training and development, to reach their potential;
- have a healthy work/life balance.

For our **patients**, to ensure that they:

- have faith and confidence that they are getting safe, high quality care that optimizes patient outcomes;
- are involved meaningfully in their care and that their views are listened to;
- are treated with dignity and respect at all times
- are confident that issues raised will be managed openly and responsively;
- are proud of their local health services.

For **local communities** across Cardiff and the Vale of Glamorgan, to promote:

- a sense of ownership, being open to the community, and basing priorities on local needs and aspirations;
- a sense of pride, as we compare well with the best and are recognised as such externally;
- a clear sense of the positive difference that we are making to the quality of life for local people.

For our **partners**, to build and sustain strong working relationships with them, so that:

- they know that their contributions are appreciated and that it is worthwhile expressing their views;
- we have a common, shared sense of purpose;
- they have confidence in our ability to deliver;
- together we are citizen-focused and make best use of our joint resources.

## **Our commitment as a Board**

The UHB Board will work together to inspire staff, patients, partners and communities. We will:

- value everyone's contribution, considering people as individuals, and upholding their rights to dignity and respect;
- be open in our decision-making, explain our actions, and apologise when we get things wrong;
- work as equals with staff, patients, volunteers, carers, communities and partners;
- provide direction and leadership, fostering a learning culture and being role models for the behaviours we want to see;
- celebrate success;
- spend public money wisely, driving down waste and spending as much as possible on front line care;
- act at all times in the public interest;
- make sure that everything we do is checked against our "Statement of Intent".

This Statement of Intent underpins the strong governance ethos that continues to be embedded throughout the UHB through its Governance Framework.



The actions and decisions of the UHB are always informed and cross checked against its Vision and Statement of Intent.

#### **4. 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 period 1 April 2011 ending 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with Welsh Government guidance.

This Governance Statement outlines the assurance arrangements that have been in operation during the period of reporting.

#### **5. Governance Framework**

The Welsh Government require that Local Health Boards (LHBs) operate within the wider governance framework set for the NHS in Wales and incorporating the standards of good governance set for the NHS in Wales (as defined within the HM Treasury publication – Corporate Governance in Central Government Departments: Code of good practice 2011, the Citizen Centred Governance principles and the Standards for Health Services in Wales), together with its planning and performance management frameworks.

At a local level, LHBs in Wales must agree Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the LHB (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice, and, together with the adoption of a scheme of decisions reserved to the Board; a scheme of delegations to officers and others; and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the UHB and define - its 'ways of working'.

These documents, together with the range of corporate policies set by the Board, and the adoption of the Values and Standards of Behaviour Framework, make up the Governance Framework.

I can confirm that the UHB is fully compliant with the required Governance Framework for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

Arrangements also support the principles of the HM Treasury publication Corporate Governance in Central Government Departments: Code of good practice 2011.

## **6. Committees of the Board**

Each year the Wales Audit Office (WAO) undertakes a “Structured Assessment” to review the Board’s corporate arrangements for financial management, governance and the management of resources. During 2011, a review of Board Committees was undertaken in response to suggested improvements in the WAO Structured Assessment. Board Committees undertake a critical assurance function on behalf of the Board; each of the Standards for Health Services is mapped to a Board Committee and agendas are aligned to the Board Assurance Framework and the corporate risk register.

All Board Committees meet in public and agendas and papers published a week in advance on the UHB website; this demonstrates the Board commitment to openness and transparency in the conduct of its business.

There are 6 Board Committees, each supported by a number of sub-Committees/groups in the discharge of their functions:

- Quality and Safety Committee
- Audit Committee
- Workforce and Organisational Development Committee
- Strategic Planning and Performance Committee
- Mental Health Act Monitoring Committee
- Charitable Funds Committee

The Board, as “corporate trustee” of the Cardiff and Vale UHB Charitable Funds, has appointed the Charitable Funds Committee

as its agents in the administration of these funds. The Committee has a role in ensuring robust controls and effective management of those monies. It must ensure that there is a clear distinction between the charitable funds and exchequer funds that the UHB receives and manages.

The Audit Committee has a specific role to advise and assure the Board and myself on whether effective internal control arrangements are in place, through the design and operation of the UHB assurance framework, to achieve the UHB objectives in accordance with NHS Wales standards of good governance.

It has met seven times during the year. In July/August 2011 the Audit Committee participated in an electronic survey to provide an insight into the effectiveness of the Committee that was used to inform a training and development session in October 2011.

Two separate Audit Committee workshops were held during 2010/11 to develop the Board Assurance Framework that was subsequently approved in June 2011.

The Wales Audit Office (WAO) and Internal Audit attend and actively participate in all Audit Committee meetings and meet with the Audit Committee Members (without Executive attendance) on an annual basis.

The Chairs of the Board Committees come together as the Chairs' Governance and Accountability Group. Whilst not a formal Committee, this Group has routine oversight of the totality of Committee business to ensure that it is co-ordinated, cohesive and comprehensive. It also provides assurance to the Board that there are scrutiny arrangements against all high-level objectives described in the Board Assurance Framework and Standards for Health Services and that all external review and inspection reports are appropriately assigned.

As previously indicated details of Board member responsibilities and attendance at Board and Committee meetings is provided at Appendix 1.

In support of the Board, the UHB is also required to have three Advisory Groups. These are:

- Stakeholder Reference Group;
- Local Partnership Forum; and
- Healthcare Professionals' Forum.

These are also fully established and operating in accordance with Standing Orders.

In addition to the UHB Committees there is a Welsh Health Specialised Services Joint Committee which discharges functions on behalf of the seven health boards in Wales. The UHB has appropriate membership of this Committee.

The Minister for Health and Social Services issued in April 2011, the NHS Wales Shared Services Directions 2011 that established the Shared Services Partnership Committee and the requisite governance arrangements. These arrangements included the requirement of formal membership on that Committee by each NHS Wales body; the UHB complied with this requirement. The Board approved amendments to Standing Orders to reflect these new arrangements in April 2011.

## **7. Gaining Assurance**

In June 2011, the Board approved a Board Assurance Framework (BAF) that supports the Governance Framework. It captures:

- principal inherent risks that have the potential to impact on the ability of the UHB to achieve the objectives;
- key controls in place to assist in securing the delivery of the objectives;
- assurance mechanisms and examples of evidence to demonstrate that controls are effective;
- gaps in control or assurance;
- a cross reference to the UHB Corporate Risk Register where the inherent risk has been assessed as presenting an actual risk; and
- actions planned to mitigate any gaps in control or assurance, inherent and actual risk, controls to mitigate risk and assurance.

It is based on best practice guidance, adapted to meet UHB requirements informed by two Board workshops. Work is being progressed on an all-Wales basis supported by the Wales Audit Office to further improve the BAF for 2012/13.

The BAF is used in a number of ways, including:

- to provide the Board and its Committees with an assessment of assurance against objectives and health standards;
- to inform Board and Committee business and ensure appropriate scrutiny across the breadth of health standards and objectives
- to inform the work of internal and clinical audit;
- where gaps in control have been identified, or a risk is identified as extreme or high, to include these as core agenda items at Management meetings to ensure management attention is given to the highlighted risk.

The hierarchy of assurance can be depicted as follows:



\* Governance Statement

The BAF is underpinned by Doing Well, Doing Better: Standards for Health Services in Wales. There are 26 standards which the UHB uses as its framework for gaining assurance on its ability to fulfil its aims and objectives for the delivery of safe, high quality health services.

This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation. The self-assessment of maturity against each standard is provided in Appendix 2.

The assessments have been independently scrutinised by Independent Member leads. Whilst the maturity scores appear to suggest that there has been no further improvement since last year, Independent Members concurred that progress has been achieved against most standards. However, this cannot be evidenced as being fully sustainable and embedded across the whole organisation as yet. It is the expectation that for 2012/13 a number of standards will reach a maturity score of 4.

The internal audit service in undertaking an independent review concluded that

“The Audit review to date has found that satisfactory processes have been put in place within the UHB to allow the Standards for Health Services in Wales 2011/12 Self Assessments to be appropriately completed in line with the required timescales. This approach had built upon that adopted in the previous year and also modified in response to feedback provided in relation to last year’s assessment.

The review of the individual assessments have demonstrated that they were in the main effectively completed, with appropriate narrative and scoring”

In support of the self-assessment approach, the Minister for Health and Social Services wrote to Chairs and Chief Executives in February 2011, requiring that an overarching Governance and Accountability module is completed; this focuses the self-assessment at organisational level on how well the UHB is governed.

The Board completed the Governance and Accountability assessment module in February 2012 supported by the Director of Governance. The Board can confirm that it has;

- openly assessed its performance using the maturity matrix
- responded to feedback from Healthcare Inspectorate Wales in relation to its 2010-2011 self assessment

- plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risk

This process has been subject to independent internal assurance by the organisation's Head of Internal Audit who participated in the assessment.

The process was the same as that used in 2010/11 and was commended by Healthcare Inspectorate Wales as good practice. A summary of the outcome of the organisational wide assessment is provided below:

<b>Governance and Accountability Module</b>	We do not yet have a clear, agreed understanding of where we are (or how we are doing) and what / where we need to improve.	We are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	We are developing plans and processes and can demonstrate progress with some of our key areas for improvement.	We have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation /business.	We can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
<b>Setting the direction</b>				<b>X</b>	
<b>Enabling delivery</b>			<b>X</b>		
<b>Delivering results achieving excellence</b>				<b>X</b>	
<b>OVERALL MATURITY LEVEL</b>				<b>X</b>	

This indicates increased maturity since 2010/11 in the themes of "Setting the Direction" and "Delivering results, achieving excellence" as well as the overall assessment of maturity.

A detailed narrative was produced with supporting evidence to confirm this assessment.

### **Welsh Risk Pool Assessment**

As in previous years the Welsh Risk Pool Services has undertaken an assessment of the three clinical areas, covering Maternity Services, Operating Theatres and Emergency Departments. This was in addition to the planned mock assessment of the new Concerns/Claims Management Standard. The purpose of the

assessment was to provide further reassurance to the UHB that appropriate arrangements are in place and risk is being effectively managed within these areas. The findings are presented as a narrative report with a percentage score. The percentage scores (excluding the Concerns/Claims Management Standard) as shown below. It was pleasing to note that there has continued to be improvements in the areas assessed.

		<u>2011/2012</u>			<u>2010/2011</u>	
Standard/ Clinical Area No	Title	Raw Score	WRP Weight- ing	Title	Raw Score	WRP Weight- ing
				Claims Management	74	50
CA1	Maternity	96	300	Maternity	97	300
CA2	Operating Services Department	86	100	Operating Services Department	86	100
CA3	Accident & Emergency	99	100	Accident & Emergency	99	100
	Total score for documentation	95	50%	Total score for documentation	93	50%
	Total score for Staff interviews	84	50%	Total score for Staff interviews	80	50%
	<b>Total 'DRAFT' Combined Score (excludes Concerns/ Claims Standard)</b>	<b>90%</b>		<b>Total Overall Combined Score (inc Claims Management)</b>	<b>87%</b>	

### Internal Audit Service – Independent

The Internal Audit Service provides annual assurance to myself and the UHB Board. An annual assurance assessment is provided as to the overall adequacy and effectiveness of the Health Boards governance, risk management, and control processes. This opinion is substantially derived from the conduct of the risk-based internal audit plan formulated around a selection of key organisational systems and risks. I have been advised that whilst a number of audit assignments undertaken provide positive assurance on control the significance of the matters raised in those areas with more negative findings impacts on the overall audit judgement expressed in the opinion.



The assurance assessment of the Head of Internal Audit for 2011/2012 is that

“The Board can take some assurance that the arrangements upon which the organisation relies to manage risk, control and governance within those areas under review, and the operational compliance noted, are suitably designed and applied effectively. However, management are addressing the exposure to significant risk in several areas.”

I am able to confirm that management action plans, with continual follow up, have been developed to strengthen identified weaknesses in control and significant risks. These are shared with the Audit Committee.

### **Wales Audit Office**

The Wales Audit Office provide independent assurance to the public and the Board through its Annual Audit Letter and other reports during the year. The report provides the Board with the outcomes of the WAO audit of accounts and the UHB arrangements for securing efficiency, effectiveness and economy in the use of resources. It draws from a wide range of evidence including a Structured Assessment of the UHB that examined the arrangements for financial management, governance and accountability, and management of resources. Actions identified in the report are considered and monitored through the Audit Committee.

### **8. Assessment of Governance Arrangements during 2011/12**

The self-assessment against the Standards for Health Services in Wales, has identified and evidenced key governance improvements during 2011/12, details of which are provided in Appendix 2.

In addition to the need to report the self assessment against the Standards for Health, the UHB is also required to report that arrangements are in place to manage and respond to the following governance issues:-

- **Emergency Preparedness/Civil Contingencies and Carbon Reduction Delivery Plans**

The organisation has undertaken environmental impact/risk assessments and Carbon Reduction Delivery Plans are in place. These will be reviewed in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the Climate change Act and the Adaptation Reporting requirements are complied with.

- **NHS Pension Scheme**

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

- **Equality**

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. (see Appendix 2 - Standard 2)

## **9. Risk Management**

The UHB is committed to improving safety and the quality of patient care whilst ensuring the management of risk in its widest sense. As indicated in Appendix 1 the Director of Nursing, Medical Director and Director of Therapies and Health Science have specific responsibilities with regard to the management of clinical risk and governance. Leadership of the corporate risk management agenda is provided by the Director of Governance supported by her Executive Director colleagues, Divisional Directors, Divisional Managers and Divisional Nurses. The Director of Finance is responsible for ensuring financial governance within the UHB.

The overall balance of risk between competing priorities and the Board's appetite for risk were encompassed within the integrated service, workforce and financial plan.

To reflect the complexity of the UHB and the many differing categories of risk it is necessary to have a number of stages of risk management. The Risk Management Policy clarifies the roles and responsibilities of individuals and committees within the UHB. This policy together with the strengthened Risk Assessment and Risk Register Procedure was approved by the Audit Committee in January 2011. The procedure allows for the assessment of all categories of risk, for example clinical, corporate and financial risks.

The UHB built on the work undertaken by the Audit Committee in 2010/11 to develop the Board Assurance Framework (BAF). As previously indicated the BAF aligns the strategic objectives of the UHB, identifies the inherent risks that may threaten their achievement, the required actions to mitigate these risks and the assurance required to satisfy the Board that appropriate arrangements are in place. The live risks identified within the Corporate Risk Register have also been linked to the BAF. The risks contained within the Corporate Risk Register have been used to inform the priorities for action within the UHB Operational Plan.

The Corporate Risk Register is informed by risks identified at a Directorate, Divisional and Corporate level. It has been kept under review during the year and has been received by the Management Executive, Board of Directors and the Board during the year. In January 2012 it formed part of the Board Programme Report for 2012/13. This is evidence that the Board is using the Risk Register to inform its business agenda and ensure that it is focusing on the highest risks that it is facing. A copy is also now provided to each meeting of the Chairs Governance and Accountability Group.

In accordance with the commitment of the UHB to be open and transparent the Corporate Risk Register is now published on the UHB Internet. This demonstrates that the UHB is embracing the provisions of the Freedom of Information Act.

The register contains the “Extreme” (those risks scoring 20 and above) and “High” risks (those risks scoring 12-16) facing the UHB at the time of publication.

The extreme risks facing the UHB in March 2012 were as follows:-

<b>Risk Ref</b>	<b>Description</b>	<b>Risk Rating</b>	<b>In Year action and Position at end of March 2012</b>
UHB17/11	Failure to deliver statutory financial duties in 2011/12	25	Throughout the year the UHB knew that it was facing a particularly difficult financial position. Challenging cost reduction programmes were identified. A Turnaround to Transformation Project was established which helped to ensure delivery and identify potentials for savings. The UHB managed to break even following brokerage which has to be repaid (see below)
UHB27/11	Potential failure to meet A&E access targets and manage patient flow appropriately across a range of services.	25	The UHB failed to meet access targets in a number of areas. The situation became particularly acute towards the end of the year when there were a high number of cancelled operations. The main constraints related to bed availability.
UHB46/10	Failure to deliver UHB integrated Finance, Workforce and Service Delivery Plan	25	The delivery of the integrated Finance, Workforce and Service Delivery Plan was monitored during the year through the Integrated Performance and Finance Reports. The Operational Plan for 2012/13 has been approved. The Workforce Plan is under development and it will seek to mitigate any remaining risks.
UHB31/11	Failure to provide mandatory (including induction) and core training for UHB staff leading to a shortfall in their skills with the potential failure to impact on the personal safety of staff and patients.	20	Progress has been made during the period and flexible methods for meeting training demands have been implemented.

UHB37/11	Lack of comprehensive Information Technology (IT) Strategy impacting on business efficiency and effectiveness	20	Strategy is under development. A deadline of July 2012 has been set for its production.
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To ensure that there is appropriate management and scrutiny of extreme and high risks facing the UHB each risk is assigned to the Board or a Committee. Board and Committee business reflects the risk register and the priority areas for scrutiny against delivery.

## **10. Significant Governance Issues**

Whilst it is evident from this Governance Statement that there has been a clear focus on the appropriateness of internal control and the management of risk, given the breadth and complexity of the UHB significant issues do arise from time to time that present a challenge. As Accountable Officer, I wish to highlight following matters that are considered significant.

- **Lapse in Data Security**

It has been necessary to report one lapse of data security to the Welsh Government during the period. This related to the loss of a diary and some patient identifiable information. The incident was investigated and appropriate action taken.

- **Human Fertilisation and Embriology Authority (HFEA)  
Inspection of IVF Wales**

During the period, IVF Wales reported three serious incidents to the HFEA. Two of the incidents resulted in an external inspection by the HFEA who found 7 critical and 4 major areas of non compliance. The “Person Responsible” submitted an action plan and the Licensing Committee agreed in October 2011, to continue the licence with restrictions on activity in order to allow the centre to conclude its corrective actions.

Good progress against the required actions has been reported and monitored via the Quality and Safety Committee and the HFEA revisited the UHB in January 2012, the outcome of which has recently been considered by the HFEA Licensing Committee when it was agreed that the license should continue with the additional

condition in place. The Committee confirmed that the UHB had demonstrated full compliance with the majority of the standards and concerns that had been identified previously.

A new service model will be implemented during 2012/2013 transferring organisational responsibility for the service to Abertawe Bro Morgannwg University Health Board.

- Rule 43 Letters issued by HM Coroner

The Coroner has the authority to issue formal letters of advice, following the completion of an inquest if she deems it appropriate. The letters contain recommendations for practice changes and/or improvements in order to try and prevent the potential for future similar deaths. During the period 6 Rule 43 letters were issued to the UHB.

In all cases responses have been provided to the Coroner and the recommendations considered in detail and used to inform any wider UHB learning.

- Enforcement Notices served by the Fire Authority

The UHB is subject to inspection by South Wales Fire and Rescue Service in accordance with the Regulatory Reform (Fire Safety) Order 2005. A number of inspections have taken place during the year. The UHB received Enforcement Notices in respect of four of these visits. They related to:-

- a) Clinic at Taff Embankment – the UHB has complied fully with this notice.
- b) Llanedeyrn Health Centre – the UHB considers that it has complied with this notice and the Fire Service have been asked to confirm this.
- c) Wards A3 and C3, University Hospital Wales – The UHB was originally given 270 days to comply with this notice. Due to the complexity of the work required and the potential impact on patient services an extension has been requested.
- d) Ward West 2, Whitchurch – the intention is to vacate this area in September 2012 when the services are relocated. The Fire Service have been advised of this and dispensation

has been given on the understanding that the maintenance and management issues are addressed in the interim.

- Financial management within the UHB

As with other health organisations the financial position of the UHB during the year has been particularly challenging. The detailed position is obviously detailed within the Financial Accounts but it should be noted in the Governance Statement that the Revenue Resource Limit includes £12m repayable brokerage received in November 2011. As part of the Accelerated Improvement Programme an internal turnaround team was set up to secure year-end financial break-even, this was supported by external expert support and the repayable brokerage. The UHB are in discussions with Welsh Government regarding the repayment of this brokerage. The Finance Sub Committee of the Audit Committee has an important role to oversee, review and support the delivery of the financial plan.

It should also be noted that both the Chair and Chief Executive retired on 31<sup>st</sup> March 2012.

A new Chair took up post from 1<sup>st</sup> April 2012 with the incoming Chief Executive due to take up appointment on 2<sup>nd</sup> July 2012. Formal arrangements have been in place for an Interim Chief Executive until the new appointee takes up post.

A full Legacy Statement was prepared and received at the March Board meeting to ensure continuity of Board business.

## **11. Conclusion**

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 Annual Audit 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 and the Audit Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

I will ensure that, through robust management and accountability frameworks that significant internal control problems do not occur in the future. However, if such situations do arise, swift and robust action will be taken, to manage the event and to ensure that learning is spread throughout the UHB.

From the systems and processes described throughout this Statement supported by the outcomes of the various assurance reviews, I am satisfied that the UHB has adequate Governance arrangements in operation.

Signature:

Date:



## Appendix 1

Table of Board Member Responsibilities and Attendance at Board and Committee Meetings - 2011/12.

	Position	Area of Expertise/ Representative Role	Champion roles	Board	Board Committees						
					Audit	Charitable Funds	Information Governance*	Mental Health Act Monitoring	Performance/ Strategic Planning & Performance**	Quality & Safety	Workforce & Organisational Development
Chair, Vice Chair and Independent Members											
David Francis (Chair)	Chair	Chair	i) Patient Safety, ii) Cleaning, Hygiene and Infection Management iii) Welsh Language	6/6 (Chair)	-	-	-	-	6/6 (Chair)	-	-
Mutale Merrill (Vice Chair)	Vice Chair	Primary, Community and Mental Health	i) Mental Health ii) Public and Patient Involvement iii) Immunisation and Vaccination	6/6	5/7	-	-	4/4 (Chair)	5/6	5/6 (Chair)	2/3
Morgan Fackrell	Independent Member	Third Sector	i) Children and Young People ii) Health Sustainable Wales	4/6	-	3/5	-	-	5/6	-	-
Ivar Grey	Independent Member	Finance	i) Complaints ii) Design (Estates and Premises) Deputy Champion	6/6	7/7 (Chair)	-	-	-	6/6	6/6	-

**CARDIFF AND VALE UNIVERSITY LOCAL HEALTH BOARD ANNUAL ACCOUNTS 2011-12**

	Position	Area of Expertise/ Representative Role	Champion roles	Board	Board Committees						
					Audit	Charitable Funds	Information Governance*	Mental Health Act Monitoring	Performance/ Strategic Planning & Performance**	Quality & Safety	Workforce & Organisational Development
David Jones	Independent Member	Information Management & Technology	i) Design (Estates and Premises) ii) Violence and aggression	6/6	4/7	-	2/2 (Chair)	-	4/6	-	1/3
Malcolm Jones	Independent Member until 30 September 2011	University		1/2	-	1/3	2/2	-	1/2	-	-
Elizabeth Treasure	Independent Member from 1 December 2011	University	To be agreed	3/3	-	-	-	-	-	-	-
Margaret McLaughlin	Independent Member	Third Sector	Carers	6/6	-	2/2	1/2	4/4	-	5/5	-
Dorothy Turner	Independent Member	Local Government	Older People	6/6	-	-	-	-	2/5	2/6	-
Martyn Waygood	Independent Member	Legal	i) Equality and Human Rights ii) Health & Safety iii) Complaints Deputy Champion iv) Violence and Aggression Deputy Champion	6/6	-	5/5 (Chair)	-	4/4	-	4/6	1/1

**CARDIFF AND VALE UNIVERSITY LOCAL HEALTH BOARD ANNUAL ACCOUNTS 2011-12**

	Position	Area of Expertise/ Representative Role	Champion roles	Board	Board Committees						
					Audit	Charitable Funds	Information Governance*	Mental Health Act Monitoring	Performance/ Strategic Planning & Performance**	Quality & Safety	Workforce & Organisational Development
Howard Young	Independent Member	Community	Caldicott/Data Protection	5/6	6/7	-	2/2	-	-	-	3/3 (Chair)
Stuart Egan (Note – long term sickness has had an impact on attendance during year)	Independent Member	Trade Unions	Armed Forces and Veterans	4/6	-	2/5	-	-	0/6	-	1/3
Jan Williams	Chief Executive	Accountable Officer	Health and Safety	6/6	-	2/5	-	-	-	-	-
Paul Hollar	Deputy Chief Executive and Director of Planning  Interim Chief Officer from May 2011	Strategic and operational planning  Operational delivery	i) Estates and Strategic Planning Design (Estates and Premises) ii) Civil Contingencies and iii) Emergency Planning iv) Partnerships (Joint) v) Procurement and Purchasing	6/6	-	2/5	-	-	-	-	-

**CARDIFF AND VALE UNIVERSITY LOCAL HEALTH BOARD ANNUAL ACCOUNTS 2011-12**

	Position	Area of Expertise/ Representative Role	Champion roles	Board	Board Committees						
					Audit	Charitable Funds	Information Governance*	Mental Health Act Monitoring	Performance/ Strategic Planning & Performance**	Quality & Safety	Workforce & Organisational Development
Graham Shortland	Medical Director	Medical	i) Patient Safety and Quality (Shared) Caldicott Guardian iii) Freedom of Information iv) Clinical Audit v) Research and Development vi) Medicines Management	6/6	-	-	-	-	-	-	-
Ruth Walker	Director of Nursing	Nursing	i) Patient Safety and Quality (shared) ii) Safeguarding (Child Protection/ Vulnerable Adults) iii) Infection, Prevention and Control iv) Concerns v) Patient Involvement vi) Delayed Transfers of Care	6/6	-	-	-	-	-	-	-

**CARDIFF AND VALE UNIVERSITY LOCAL HEALTH BOARD ANNUAL ACCOUNTS 2011-12**

	Position	Area of Expertise/ Representative Role	Champion roles	Board	Board Committees						
					Audit	Charitable Funds	Information Governance*	Mental Health Act Monitoring	Performance/ Strategic Planning & Performance**	Quality & Safety	Workforce & Organisational Development
Sharon Hopkins	Director of Public Health	Public Health Primary, Community and Mental Health from 2 September 2011	i) Children and Young People from 2 Sept 2011 ii) Immunisation and Vaccination iii) Partnerships (Joint) from 2 Sept 2011	5/6	-	-	-	-	-	-	-
Fiona Jenkins	Director of Therapies and Health Sciences	Therapies and Health Sciences	i) Patient Safety and Quality (shared) ii) Public Involvement iii) Learning Disability from 2 Sept 2011	5/6	-	2/3	-	-	-	-	-
Alun Lloyd	Director of Finance	Finance	i) Financial Governance ii) Charitable Funds (Treasurer)	6/6	-	5/5	-	-	-	-	-
Tracy Myhill	Director of Workforce and Organisational Development	Workforce and Organisational Development	i) Workforce/ Organisational Development ii) Equality and Human Rights iii) Welsh Language	4/6	-	-	-	-	-	-	-

**CARDIFF AND VALE UNIVERSITY LOCAL HEALTH BOARD ANNUAL ACCOUNTS 2011-12**

	Position	Area of Expertise/ Representative Role	Champion roles	Board	Board Committees						
					Audit	Charitable Funds	Information Governance*	Mental Health Act Monitoring	Performance/ Strategic Planning & Performance**	Quality & Safety	Workforce & Organisational Development
			iv) Violence and Aggression v) Public Relations and Reputation Management								
Katie Norton	Director of Primary, Community and Mental Health Services until 1 September 2011	Primary, Community and Mental Health	i) Children and Young People ii) Partnerships (Joint) iii) Learning Disabilities	1/1	-	-	-	-	-	-	-
Kesh Baboolal	Director of Acute Services until 12 July 2011	Acute Services		1/1	-	-	-	-	-	-	-
Alison Gerrard	Director of Governance (Board Secretary)	Corporate Governance	i) Corporate Governance ii) Risk Management iii) Freedom of Information iv) Health and Safety v) Security Management vi) Fire Safety	6/6	-	-	-	-	-	-	-

**CARDIFF AND VALE UNIVERSITY LOCAL HEALTH BOARD ANNUAL ACCOUNTS 2011-12**

	Position	Area of Expertise/ Representative Role	Champion roles	Board	Board Committees						
					Audit	Charitable Funds	Information Governance*	Mental Health Act Monitoring	Performance/ Strategic Planning & Performance**	Quality & Safety	Workforce & Organisational Development
Andrew Lewis	Director of Innovation and Improvement	Innovation and Improvement	i) Innovation and Improvement ii) Information Management and Technology iii) Charitable Funds (Fundraising) iv) Internal Audit v) Intellectual Property vi) Commercial Development	5/6	-	-	-	-	-	-	-

Attendance shown as : number of meetings attended/number of meetings eligible to attend

- = not member of Committee

\* Ceased as Committee from September 2011

\*\* Performance Committee disbanded in September 2011 and combined with Strategic Planning Committee

There was only one occasion during the year when a Committee was not quorate. Appropriate arrangements were made for the approval of decisions following the meeting.

## Appendix 2

### Standards for Health Services in Wales Self Assessment 2011/2012

Standard		
<b>1. Governance and Accountability</b>		Board Assurance Framework approved and proactively used to secure assurance across the range of objectives
2010/2011 Maturity Scores	2011/2012 Maturity Scores	Review of the Board Committee arrangements undertaken and implemented to ensure that they are fully able to provide assurance and scrutiny;
3	3	Approval of the Standards of Behaviour Framework Policy, incorporating Declarations of Interest, Gifts, Hospitality and Sponsorship outlining the standards of behaviour expected of independent members and staff;
		Publication of the Declarations of Interest Register and Gifts, Hospitality and Sponsorship Register for all members of staff on the UHB Internet.
		Publication of the UHB Corporate Risk Register on the UHB Internet site;
		Approval of the Counter Fraud and Corruption Policy outlining the arrangements for deterrence and detection of fraud.
		Establishment of the Turnaround 2 Transformation team to drive and support the delivery of sustainable savings and improvement.
<b>2 Equality, diversity and human rights</b>		Development of an Accountability Equality Framework setting out accountability for the delivery of our Single Equality Scheme - FAIR CARE and the Welsh Language Scheme. The framework describes the responsibilities of staff and managers at all levels of the organisation have in relation to the Equalities and Welsh Language agenda.
2010/2011 Maturity Scores	2011/2012 Maturity Scores	Equality Impact Assessments (EQIAs) are now undertaken on all new or revised policies, strategies, services redesign initiatives and projects before Committee and UHB Board approval. This has ensured that equality, diversity and human rights issues and service user involvement are being systematically considered and delivered as part of core UHB business.
3	3	Approval of Strategic Equality Plan and Equality Objectives
		Approval of Equality and Human Rights Policy



<b>Standard</b>		
<b>3. Health Promotion, Protection and Improvement</b>		Approval and implementation of UHB No Smoking policy
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>4. Civil Contingency and Emergency Planning Arrangements</b>		Development and approval of: <ul style="list-style-type: none"> <li>• Major Incident Plan</li> <li>• VIP protocol</li> <li>• Adverse weather procedures.</li> </ul>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>5. Citizen Engagement and Feedback</b>		Engagement in the strategic partnership arrangements aligned with both Unitary Authority areas. 2011/12 saw the publication of the Cardiff 'What Matters' Strategy 2010-2020 and the Vale of Glamorgan Community Strategy 2011-2021.  Establishment of a Third Sector Strategic Alliance Steering Group  Development and approval of overarching framework for patient feedback relating to patient experience  Production of the Carer' Consultation and Information Strategy with local authority and third sector partners
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>6. Participating in Quality Improvement Activities</b>		Alignment of the work of the Clinical Audit Team to the priorities outlined within the Annual Quality Framework (AQF) and also the quality improvement priorities and work areas of the UHB.  Strengthened arrangements to coordinate all the various 1000 Lives + related work streams in order to ensure the Board via Quality & Safety Committee is fully informed of progress and those areas of work that require support.  Faculty for Quality Improvement was launched in 2011 to be used as an umbrella to increase capacity and learning from the significant number of quality/service improvement approaches being undertaken across the UHB in accordance with the National agenda.
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>7. Safe and Clinically Effective Care</b>		Policy approved for the handling of important documents including the dissemination of safety alert notices.
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	

<b>Standard</b>		
<b>8. Care Planning and Provision</b>		Revised management arrangements put in place through the creation of a Chief Operating Officer directly accountable to the Chief Executive
2010/2011 Maturity Scores	2011/2012 Maturity Scores	Production of fully integrated service, workforce and finance operational plan for 2011/12
3	3	
<b>9. Patient Information and Consent</b>		Patient consent policy updated and approved
2010/2011 Maturity Scores	2011/2012 Maturity Scores	Implementing the Health Foundation Collaboration Programme "Making Good Decisions in Collaboration (MAGIC)".
3	3	
<b>10. Dignity and respect</b>		Dignity in Care Task and finish Group established to provide strategic direction and progress the Dignity in Care Action plan
2010/2011 Maturity Scores	2011/2012 Maturity Scores	An e based Dignity and Respect mandatory training module has been agreed
3	3	Chaperone policy approved
		Spiritual Care Framework approved
		All Wales dress code and the roll out of new uniforms for nurses implemented
<b>11. Safeguarding Children and Safeguarding Vulnerable Adults</b>		Board development session on statutory responsibilities held
2010/2011 Maturity Scores	2011/2012 Maturity Scores	Data sharing arrangements with external agencies e.g. South Wales Police and Local Authority in place for safeguarding team.
4	4	Development and approval of:
		<ul style="list-style-type: none"> <li>• Prevention and Management of Falls in Vulnerable Adults Procedure</li> <li>• Restraint and the Management of Patients who Lack Mental Capacity to Consent to Treatment and Care Policy</li> </ul>
<b>12. Environment</b>		Statutory Compliance Groups established to develop and monitor key risks and action plans relating to statutory obligations
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	

<b>Standard</b>		
<b>13. Infection Prevention and Control (IPC) and Decontamination</b>		<p>Development and approval of:</p> <ul style="list-style-type: none"> <li>• Infection Control Procedure for the Management of Patients Known or Suspected to have Clostridium Difficile Infection</li> <li>• Viral Gastroenteritis (Norovirus) Infection Control Procedure in UHB Hospitals</li> <li>• Varicella-zoster (Chickenpox/Shingles) Procedure for UHB Hospitals</li> <li>• Legionella Control Policy</li> </ul> <p>The UHB is working towards full implementation of the National Standards of Cleaning for NHS Wales.</p> <p>The UHB has recently completed the installation of signage at the entrance door to each ward across the acute and community clinical settings to promote Hand Hygiene.</p>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>14. Nutrition</b>		<p>Development and approval of the Nasal Bridle Insertion Procedure</p> <p>Developed the action plan and response to the Wales Audit Office report on hospital catering.</p>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>15. Medicines Management</b>		<p>Development and approval of the Policy for the Ordering, Disposal and Administration of Controlled Drugs in Secondary Care</p> <p>A Local Intelligence Network (LIN) for controlled drugs has been established with regular meetings and formal minutes under the Chairmanship of the Medical Director as Accountable Officer</p>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>16. Medical Devices, Equipment and Diagnostic Systems</b>		<p>Development and approval of:</p> <ul style="list-style-type: none"> <li>• Parenteral Infusion Pumps Policy</li> <li>• Medical Equipment Management Policy</li> </ul>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>17. Blood Management</b>		<p>Development and approval of the Blood and Components Transfusion Policy</p> <p>Implementation of the All Wales Transfusion Request Form and Zero Tolerance relating to pre-transfusion blood samples.</p>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	

<b>Standard</b>		
<b>18. Communicating Effectively</b>		Introduction of Team Brief in April 2011
2010/2011 Maturity Scores	2011/2012 Maturity Scores	There was significant staff and stakeholder engagement in the UHB <i>Making a Difference 2</i> service change proposals during the summer and early autumn of 2011.
3	3	
<b>19. Information Management and Communications Technology</b>		Development and approval of: <ul style="list-style-type: none"> <li>• Disclosure of Personal Information to Police Guidelines</li> <li>• Internet and Email Monitoring, Administration and Reporting Procedure</li> <li>• Emailing Patients Template Protocol</li> </ul>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	Implementation of the Welsh Clinical Communications Gateway in all Cardiff and Vale GP practices to enable GPs to send e-referrals to the UHB, replacing paper referrals.
3	2	
<b>20. Records Management</b>		The establishment of a Task and Finish Group under the chair of the Director of Governance to review the current systems, policies and accountability arrangements.
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
2	2	
<b>21. Research, Development and Innovation</b>		Development and approval of a number of Research and Development related procedures.
2010/2011 Maturity Scores	2011/2012 Maturity Scores	Divisional R&D Leads appointed in 2010 have become more active in 2011/12 ensuring regular dialogue and liaison with the R&D Department ensuring high standards of governance.
4	4	
<b>22. Managing Risk and Health and Safety</b>		Development and approval of: <ul style="list-style-type: none"> <li>• First Aid Policy</li> <li>• Thermal Comfort Procedure</li> <li>• Patient Hoist Sling Inspection Procedure</li> <li>• Display Screen Equipment and Eye Test Procedure</li> <li>• Control of Substances Hazardous to Health</li> <li>• Asbestos Management</li> </ul>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	<p>Lone worker devices have been issued to all at risk staff. Procedures are in place to ensure that adequate response arrangements are in place should staff require support.</p> <p>The UHB has developed an agreed Health and Safety Action which is monitored by the Health and Safety Committee.</p>
3	3	

<b>Standard</b>		
<b>23. Dealing with concerns and managing incidents</b>		<p>The Claims and Complaints teams have been integrated to form a single "Concerns Team" to ensure implementation of the Putting Things Right/NHS Redress Regulations (April 2011). Primary Care Complaints staff have transferred from the Business Support Centre to ensure further integration.</p> <p>A Concerns/Claims review panel chaired by the Chair of the UHB has been established. The panel has met quarterly and focused on corrective action and learning resulting from 'concerns'.</p>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>24. Workforce Planning</b>		<p>The principles outlined within Modernising Scientific Careers are being adopted within the UHB</p> <p>The UHB has worked closely with University Partners to ensure that future training supports the workforce requirements of the service this has included the review of the Pre Registration Nursing Curriculum.</p> <p>The revised Nursing skill mix has been implemented across the UHB.</p> <p>The Primary, Community and Intermediate Care Division have Neighbourhood Needs Assessment Profiles to ensure that the workforce is able to respond to the demographic profile of the population.</p>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>25. Workforce Recruitment and Employment Practices</b>		<p>Adoption of All Wales Policies and development of UHB Procedures/Guidelines for:</p> <ul style="list-style-type: none"> <li>• Special Leave</li> <li>• Dignity at Work</li> <li>• Parental Leave</li> <li>• Disciplinary Policy</li> <li>• Maternity, Adoption and Paternity</li> <li>• Secondment</li> <li>• Management of Stress and Wellbeing</li> </ul>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	
<b>26. Workforce Training and Organisational Development</b>		<p>Development of approval of:</p> <ul style="list-style-type: none"> <li>• Personal Appraisal and Development Review Policy</li> <li>• Statutory/Mandatory Training Policy</li> </ul> <p>There has been an increased emphasis on the completion of Personal Appraisal and Develop Reviews to ensure that staff have the appropriate skills to perform their roles.</p> <p>Corporate Induction was re-launched in October 2011 providing a blended approach of tutor led sessions, toolbox talks and e-learning. Subjects encompass a number of governance/regulatory subjects e.g. Equality and Diversity, Health and Safety, Standards of Behaviour Framework, Data Protection, Welsh Language, Personal Safety.</p>
2010/2011 Maturity Scores	2011/2012 Maturity Scores	
3	3	

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

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31 March 2012 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

### **Respective responsibilities of Directors, the Chief Executive and the Auditor**

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 62 and 63, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Cardiff and Vale University Local Health Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and Chief Executive; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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 addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Cardiff and Vale University Local Health Board as at 31 March 2012 and of its net operating costs, its recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

### **Opinion on Regularity**

- In my opinion 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.

## Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

## Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

## Report

- Please see my Report on pages 99 to 100.

*The maintenance and integrity of Cardiff and Vale University Local Health Board's web site is the responsibility of Cardiff and Vale University Local Health Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.*

Huw Vaughan Thomas  
Auditor General for Wales  
12 June 2012

Wales Audit Office  
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Cardiff  
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## Report of the Auditor General to the National Assembly for Wales

### Introduction

Under Section 61 of the Public Audit (Wales) Act 2004, I am required to examine, certify and report on the annual financial statements of Cardiff and Vale University Local Health Board (the Health Board).

My audit certificate on pages 97 and 98 contains my opinion that the financial statements give a *'true and fair view'* in accordance with the National Health Service (Wales) Act 2006 and directions made there under by the Welsh Ministers.

It also includes my opinion that the expenditure and income shown in the financial statements have been applied to the purposes intended by the National Assembly for Wales and that the financial transactions conform with the authorities that govern them. This is known as my *'regularity'* opinion.

The financial regime within which each Local Health Board (LHB) is required to operate, prescribes a formal annual *'resource limit'*. This is a statutory net expenditure limit, requiring the LHB to function strictly within the resource limit that is set for it by the Welsh Government for that financial year.

Where an LHB's net expenditure exceeds the resource limit, that expenditure is deemed to be unauthorised and is therefore irregular. In such circumstances, I am required to qualify my regularity opinion, irrespective of the value of the excess spend. Conversely, where reported annual net expenditure does not exceed the resource limit, no qualification of the regularity opinion (on these grounds) is required.

For the 2011-12 financial year, the Health Board incurred net expenditure of £759.084 million against its resource limit. Its final resource limit was £759.135 million, which included an additional £12 million repayable brokerage (1.6 per cent of its final resource limit) formally notified to the Health Board on 7 November 2011. This meant that the Health Board would have exceeded its resource limit had it not received the additional resource of £12 million from the Welsh Government in order to prevent such a breach occurring.

Both my *'true and fair view'* and *'regularity'* opinions on the financial statements of the Health Board for the year ended 31 March 2012 are therefore unqualified.

I have nonetheless decided to issue a narrative report alongside my audit certificate to draw attention to this matter and to provide further details about the financial position of the Health Board.

### Financial pressures and additional funding received in year

Current financial pressures across the public sector are well known. Against this background, together with the 2009 NHS re-organisation and the ambition to restructure service delivery across NHS Wales, the Welsh Government's 2011-12 health revenue budget decreased in real terms by just over one per cent and remained constant in cash terms.

As a result, the 2011-12 resource limit for the Health Board was originally set at £693.745 million. Based on this allocation, the Health Board estimated its 2011-12 funding gap to be £87.8 million.



The Health Board put savings plans in place at the start of the 2011-12 financial year to reduce this funding gap by £56.3 million leaving an estimated shortfall of £31.5 million. The Health Board monitored and reported its performance against these targets to the Welsh Government at the end of each month.

The Health Board and Welsh Government paid close attention to the monthly reported out-turn and to the forecast year-end position. Forecasts were regularly updated and, as is usual, various adjustments to the resource limit were made by the Welsh Government to reflect specific agreed activities undertaken and their costs. The net effect of these adjustments was a revised resource limit, after the first six months of the year, of £701.296 million, although the Health Board continued to forecast a funding gap of £31.5 million.

In October 2011, the Minister for Health, Social Services and Children announced additional 2011-12 resource funding totalling £133 million for NHS Wales. The Health Board's share of this was £17 million, further increasing its annual resource limit, although the Health Board continued to forecast a year-end funding gap of £14.5 million.

In addition, on 7 November 2011, the Chief Executive NHS Wales wrote to the Chief Executive of the Health Board offering further financial support. This confirmed additional funding of £12.25 million, with £12 million to be regarded as repayable brokerage at that time, subject to a review towards the end of the financial year. This later review confirmed that the Health Board has to repay the £12 million from future resource allocations, with £6 million to be repaid in both 2012-13 and 2013-14. This support, together with additional planned savings of £2.5 million, enabled the Health Board to change its forecast out-turn to break even. In return, the Health Board was required to establish and keep in place a dedicated 'turnaround' team and to submit a profiled financial plan for months 9-12 by the end of November 2011 and a financial and savings plan for 2012-13 by the end of February 2012. This, together with other specific items, increased its final resource limit to £759.135 million, against an out-turn figure of £759.084 million.

In summary, the Health Board would not have achieved its financial target in 2011-12 had it not received the additional funding of £12 million (1.6 per cent of its final resource limit) offered by the Chief Executive NHS Wales in his letter of 7 November 2011.

## **Financial Implications for 2012-13**

Whilst the additional funding provided to the Health Board to enable it to achieve its resource limit for 2011-12 means that I am not required to qualify my regularity opinion, it now faces an even tougher financial challenge in the future. The Health Board's initial Financial Plan for 2012-13 has identified a funding gap of £66.75 million between its annual resource limit and its planned net expenditure. This excludes repayment of the £12 million brokerage received in 2011-12 as the repayment terms have only recently been agreed between the Health Board and Welsh Government.

I intend to publish a report on health finances shortly, which considers these issues in more detail across the entirety of NHS Wales. In addition, I will be monitoring Cardiff and Vale Local Health Board's financial performance as the 2012-13 year progresses.

**Huw Vaughan Thomas**  
**Auditor General for Wales**

**12 June 2012**

**THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY  
WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA  
3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH  
THE APPROVAL OF TREASURY**

**LOCAL HEALTH BOARDS**

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2011 and subsequent financial years in respect of the Local Health Boards (LHB)<sup>1</sup>, in the form specified in paragraphs [2] to [7] below.

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

(a) the accounting guidance of the Government Financial Reporting Manual (FReM), which is in force for the financial year in which the accounts are being prepared, and has been applied by the Welsh Government and detailed in the NHS Wales LHB Manual for Accounts;

(b) any other specific guidance or disclosures required by the Welsh Government.

**FORM AND CONTENT**

3. The account of the LHB for the year ended 31 March 2011 and subsequent years shall comprise a statement of comprehensive net expenditure, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied by the Welsh Government, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2011 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, changes in taxpayers' equity and cash flows during the year.

5. The account shall be signed and dated by the Chief Executive of the LHB.

## **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.

Signed by the authority of Welsh Ministers

Signed: Alan Brace

Dated :

1. Please see regulation 3 of the 2009 No.1559 (W.154); NATIONAL HEALTH SERVICE, WALES; The Local Health Boards (Transfer of Staff, Property, Rights and Liabilities) (Wales) Order 2009