

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 2013

	Note	2012-13 £'000	2011-12 £'000
Expenditure on Primary Healthcare Services	3.1	208,587	208,007
Expenditure on healthcare from other providers	3.2	234,955	227,510
Expenditure on Hospital and Community Health Services	3.3	735,454	711,411
		1,178,996	1,146,928
Less: Miscellaneous Income	4	356,403	370,924
LHB net operating costs before interest and other gains and losses		822,593	776,004
Investment Income	8	0	0
Other (Gains) / Losses	9	55	12
Finance costs	10	2,619	2,875
Net operating costs for the financial year		825,267	778,891

Achievement of Operational Financial Balance

The LHB's performance for the year ended 31 March 2013 is as follows:

	2012-13 £000	2011-12 £000
Net operating costs for the financial year	825,267	778,891
Less Non-discretionary expenditure	20,014	18,779
Less Revenue consequences of bringing PFI schemes onto SoFP	1,028	1,028
Net operating costs less non-discretionary expenditure and revenue consequences of PFI	804,225	759,084
Revenue Resource Limit	804,291	759,135
Under / (over) spend against Revenue Resource Limit	66	51

The notes on pages 8 to 60 form part of these accounts

The 2011/12 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 was reduced by £6m in 2012-13 and will be reduced by a similar amount in 2013-14.

Other Comprehensive Net Expenditure

	2012-13 £'000	2011-12 £'000
Net gain / (loss) on revaluation of property, plant and equipment	(37,849)	12,150
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of assets held for sale	38	0
(Gain) / loss on other reserves	0	0
Impairment and reversals	0	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0
Other comprehensive net expenditure for the year	(37,811)	12,150
Total comprehensive net expenditure for the year	863,078	766,741

Statement of Financial Position as at 31 March 2013

		31 March 2013 £'000	31 March 2012 £'000
	Notes		
Non-current assets			
Property, plant and equipment	11	518,332	553,187
Intangible assets	12	1,050	817
Trade and other receivables	15	11,682	29,171
Other financial assets	19	0	0
Other assets	20	0	0
Total non-current assets		531,064	583,175
Current assets			
Inventories	14	13,814	11,345
Trade and other receivables	15	83,314	52,117
Other financial assets	19	0	0
Other assets	20	0	47
Cash and cash equivalents	18	961	1,482
		98,089	64,991
Non-current assets classified as "Held for Sale"	11	486	747
Total current assets		98,575	65,738
Total assets		629,639	648,913
Current liabilities			
Trade and other payables	16	116,580	133,408
Other financial liabilities	22	0	0
Provisions	17	65,088	26,812
Other liabilities	21	1,472	3,486
Total current liabilities		183,140	163,706
Net current assets/ (liabilities)		(84,565)	(97,968)
Non-current liabilities			
Trade and other payables	16	10,301	10,680
Other financial liabilities	22	0	0
Provisions	17	13,103	30,438
Other liabilities	21	1,186	1,478
Total non-current liabilities		24,590	42,596
Total assets employed		421,909	442,611
Financed by :			
Taxpayers' equity			
General Fund		308,198	289,689
Revaluation reserve		113,711	152,922
Total taxpayers' equity		421,909	442,611

The financial statements on pages 2 to 60 were approved by the Board on June 4th 2013 and signed on its behalf by:

Chief Executive.....

Date

The notes on pages 8 to 60 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2012-13			
Balance at 1 April 2012	289,689	152,922	442,611
Net operating cost for the year	(825,267)		(825,267)
Net gain/(loss) on revaluation of property, plant and equipment	0	(37,849)	(37,849)
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	38	38
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	1,400	(1,400)	0
Release of reserves to SoCNE	0	0	0
Transfers to NHS Trusts	0	0	0
Total recognised income and expense for 2012-13	(823,867)	(39,211)	(863,078)
Net Welsh Government funding	842,376		842,376
Balance at 31 March 2013	308,198	113,711	421,909

The notes on pages 8 to 60 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
Changes in taxpayers' equity for 2011-12			
Balance at 1 April 2011	264,440	145,560	410,000
Net operating cost for the year	(778,891)		(778,891)
Net gain/(loss) on revaluation of property, plant and equipment	0	12,150	12,150
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	0	0
Movements in other reserves	0	0	0
Transfers between reserves	4,788	(4,788)	0
Release of reserves to SoCNE	0	0	0
Transfers to other bodies	0	0	0
Total recognised income and expense for 2011-12	(774,103)	7,362	(766,741)
Net Welsh Government funding	799,352		799,352
Balance at 31 March 2012	289,689	152,922	442,611

The notes on pages 8 to 60 form part of these accounts

Statement of Cash flows for year ended 31 March 2013

		2012-13	2011-12
		£'000	£'000
Cash Flows from operating activities	notes		
Net operating cost for the financial year		(825,267)	(778,891)
Movements in Working Capital	34	(30,612)	21,448
Other cash flow adjustments	35	77,314	26,123
Provisions utilised	17	(12,330)	(9,141)
Net cash outflow from operating activities		(790,895)	(740,461)
Cash Flows from investing activities			
Purchase of property, plant and equipment		(52,506)	(55,797)
Proceeds from disposal of property, plant and equipment		1,624	401
Purchase of intangible assets		(506)	(222)
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
Net cash inflow/(outflow) from investing activities		(51,388)	(55,618)
Net cash inflow/(outflow) before financing		(842,283)	(796,079)
Cash flows from financing activities			
Welsh Government funding (including capital)		842,376	799,352
Capital receipts surrendered		0	0
Capital grants received		0	0
Capital element of payments in respect of finance leases and on-SoFP		(614)	(2,593)
Cash transferred (to)/ from other NHS bodies		0	0
Net financing		841,762	796,759
Net increase/(decrease) in cash and cash equivalents		(521)	680
Cash and cash equivalents (and bank overdrafts) at 1 April 2012		1,482	802
Cash and cash equivalents (and bank overdrafts) at 31 March 2013		961	1,482

The notes on pages 8 to 60 form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2012-13 Local Health Board Manual for Accounts and 2012-13 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 (Welsh Government 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 LHB's 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.

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 LHB's 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 2012/13.

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 previous years 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 2012/13.

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 £5,000.

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 assets under construction and properties held for sales 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 retained earnings.

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 therefrom 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.

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. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

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 the discount rate supplied by HM Treasury.

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 was hosted by Betsi Cadwaladr University Local Health Board until 31 May 2012 and from 1 June 2012 by Velindre NHS Trust.

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 54.

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 £1.833m re non NHS organisations and a credit note provision of £0.041m 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 £69.2m within note 17 in respect of potential clinical negligence, personal injury, permanent injury claims and associated defence costs. 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 2013. Based on a sample the LHB has accrued £0.505m re untaken annual leave. This is based on a sample of the leave records of 71% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2013/2014 under exceptional circumstances.

D) The LHB has estimated a liability of £6.752m 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, on a three yearly rolling basis the stock in 30 different wards has now been counted. This represents 791 beds out of a possible 2,337 across the LHB. In this way a figure of £0.984m 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 has emerged of a strata of wards which have a relatively low level of stockholding and one for 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 Carbon Reduction Commitment Scheme

Carbon Reduction Commitment Scheme allowances are accounted for as intangible assets if they are not realised within twelve months and otherwise as current assets. The assets are measured initially at cost. Scheme assets in respect of allowances shall be valued at fair value where there is evidence of an active market.

1.30 Absorption accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. The FReM was amended in 2012-13 to provide for transfer by absorption accounting, it does not require retrospective adoption so prior year transactions have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

1.31 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 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

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

1.32 Accounting standards issued that have been adopted early.

All Accounting standards have been followed in line with the recommendations of the 2012/13 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

2012-13	2011-12
£000	£000

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

Gross capital expenditure	52,398	58,251
Add: Losses on disposal of donated assets	1	(7)
Less NBV of property, plant and equipment and intangible assets disposed	(1,679)	(452)
Less capital grants received	0	0
Less donations received	(3,558)	(442)
Charge against Capital Resource Limit	47,162	57,350
Capital Resource Limit	47,228	57,404
(Over) / Underspend against Capital Resource Limit	66	54

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2012-13 Total £'000	2011-12 £'000
General Medical Services	62,053		62,053	60,834
Pharmaceutical Services	20,758	15,291	36,049	34,896
General Dental Services	29,072		29,072	28,510
General Ophthalmic Services	0	4,723	4,723	4,678
Other Primary Health Care expenditure	4,863		4,863	4,791
Prescribed drugs and appliances	71,827		71,827	74,298
Total	188,573	20,014	208,587	208,007

The Total expenditure above includes £5.296m in respect of staff costs (£3.616m 2011-12)

3.2 Expenditure on healthcare from other providers

	2012-13 £'000	2011-12 £'000
Goods and services from other NHS Wales Health Boards	47,720	49,385
Goods and services from other NHS Wales Trusts	17,284	16,816
Goods and services from other non Welsh NHS bodies	1,250	1,105
Goods and services from WHSSC	103,953	102,903
Local Authorities	459	269
Voluntary organisations	4,899	4,560
NHS Funded Nursing Care	5,509	5,533
Continuing Care	43,816	36,080
Private providers	5,637	6,519
Specific projects funded by the Welsh Government	0	3
Public Health Wales	4,428	4,337
NWSSP, Business Services Centre / Business Services Partnership	0	0
Other	0	0
Total	234,955	227,510

3.3 Expenditure on Hospital and Community Health Services

	2012-13 £'000	2011-12 £'000
Directors' costs	2,190	2,252
Staff costs	507,975	502,612
Supplies and services - clinical	131,976	131,263
Supplies and services - general	6,913	6,820
Consultancy Services	1,504	919
Establishment	9,656	9,416
Transport	1,319	1,361
Premises	22,449	20,961
External Contractors	0	0
Depreciation	21,366	24,091
Amortisation	339	309
Fixed asset impairments and reversals (Property, plant & equipment)	26,154	6,616
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	0
Audit fees	450	485
Other auditors' remuneration	6	0
Losses, special payments and irrecoverable debts	1,934	2,893
Research and Development	0	0
Other operating expenses	1,223	1,413
Total	735,454	711,411

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

	2012-13 £000	2011-12 £000
Increase/(decrease) in provision for future payments:	£000	£000
Clinical negligence	25,581	(2,477)
Personal injury	1,925	980
All other losses and special payments	571	2,251
Defence legal fees and other administrative costs	141	591
Gross increase/(decrease) in provision for future payments	28,218	1,345
Premium for other insurance arrangements	0	0
Irrecoverable debts	183	224
Less: income received/ due from Welsh Risk Pool	(26,467)	1,324
Total	1,934	2,893

Personal injury includes £809k (2011-12 £6k) in respect of permanent injury benefits.

Clinical Negligence includes £125k (2011-12 £55k) in respect of the Welsh Government "Putting Things Right" Redress scheme. In addition Defence fees includes £6k (2011-12 £3k) in respect of Redress.

4. Miscellaneous Income

	2012-13 £'000	2011-12 £'000
Local Health Boards	67,053	68,326
WHSSC	174,530	169,355
NHS trusts	3,249	2,588
Strategic health authorities and primary care trusts	4,634	4,049
Foundation Trusts	0	0
Local authorities	4,758	4,328
Welsh Government	12,075	12,342
Non NHS:		
Prescription charge income	1,172	1,176
Dental fee income	4,320	4,258
Private patient income	1,188	1,468
Overseas patients (non-reciprocal)	114	119
Injury Costs Recovery (ICR) Scheme	3,313	3,269
Other income from activities	2,622	2,014
Patient transport services	0	0
Education, training and research	50,826	75,946
Charitable and other contributions to expenditure	1,396	1,818
Receipt of donated assets	3,558	442
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	811	762
NWSSP, Business Services Centre / Business Services Partnership	0	0
Deferred income released to revenue	0	100
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:	0	
Provision of laundry, pathology, payroll services	5,278	3,327
Accommodation and catering charges	2,057	2,087
Mortuary fees	258	240
Staff payments for use of cars	0	0
Business Unit	0	0
Other	13,191	12,910
Total	356,403	370,924

ICR Income is subject to a provision for impairment of 12.6% to reflect expected rates of collection.

Other Income includes:

Non Staff SLA's with Cardiff University	3,896	4,194
Creche Fees	488	524
Site User Facilities SLA's & Pass through costs	646	615
Pharmacy sales	873	887
Equipment Evaluation Income	744	623
NHS Non Patient Care Income	1,606	1,396
Total	8,253	8,239

5. Employee benefits and staff numbers

5.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12
	£000	£000	£000	£000	£000
Salaries and wages	419,500	342	14,077	433,919	427,886
Social security costs	32,257	0	0	32,257	31,463
Employer contributions to NHS Pension Scheme	49,827	0	0	49,827	49,667
Other pension costs	0	0	0	0	0
Other employment benefits	0	0	0	0	0
Termination benefits	992	0	0	992	2,502
Total	502,576	342	14,077	516,995	511,518
Charged to capital				891	928
Charged to revenue				516,104	510,590
				516,995	511,518

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12
	Number	Number	Number	Number	Number
Medical and dental	1,248	1	66	1,315	1,270
Ambulance staff	0	0	0	0	0
Administrative and estates	2,127	1	11	2,139	2,303
Healthcare assistants and other support staff	978	0	0	978	986
Nursing, midwifery and health visiting staff	5,180	1	38	5,219	5,225
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	2,634	4	5	2,643	2,589
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	12,167	7	120	12,294	12,373

5.3. Retirements due to ill-health

During 2012-13 there were 24 early retirements from the LHB agreed on the grounds of ill-health (2011-12 26).

The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,309,328 (2011-12 £1,840,743).

5.4 Employee benefits

The LHB does not have an employee benefits scheme

5.5 Reporting of other compensation schemes - exit packages

Exit package cost band	Total number of exit packages by cost band Number 2012-13	Total number of exit packages by cost band Number 2011-12
<£10,000	2	10
£10,000 to £25,000	6	42
£25,000 to £50,000	5	28
£50,000 to £100,000	4	6
£100,000 to £150,000	0	2
£150,000 to £200,000	0	1
£200,000+	1	0
Total number of exit packages by type	18	89
Total resource cost £	1,022,484	2,502,183

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 the LHB in the financial year 2012-13 was £200,000 - £205,000 (2011-12 restated, £200,000 - £205,000). This was 7.33 times (2011-12 restated, 7.43) the median remuneration of the workforce, which was £27,625 (2011-12 restated, £27,250). In both years the highest paid director was the Medical Director (restated).

In 2012-13, 6 (2011-12 restated, 4) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £205,000 to £245,000 (2011-12 restated, £220,000 to £235,000). All these employees are Medical Consultants. The increase in remuneration for the highest paid staff relates to payments for additional sessions worked, and varies from month to month.

Total remuneration includes salary and non-consolidated performance-related pay. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. The guidance also suggests that this information should include benefits-in-kind, the LHB does not have the relevant information available to comply with this requirement. In addition, please note that overtime payments are included where applicable in the calculation of both elements of the relationship.

The requirement to disclose this financial information was first introduced late in 2011/2012. As a result the LHB, in line with other LHBs in Wales, did not have access to the information to fully comply with the necessary disclosure requirements. During 2012/2013 NHS Wales has collaborated in the production of standard payroll reports for this information and an agreed protocol which is aimed at producing a consistent approach to the production of this note across the NHS in Wales. As a result of the LHB having access to this new information and following the agreed protocol, it has become necessary to restate the financial information for 2011/2012 and these restated figures are shown above.

From 1st April 2011, a two-year pay freeze for public sector workforces was put in place for staff covered by the Agenda for Change Agreement, except for those employees earning a fulltime equivalent of £21,000 or less. These staff received an increase of £250 in 2012/2013. The Agenda for Change agreement covers the majority of staff employed by the LHB, but does not include medical staff, who also received no inflationary pay increase for 2012/2013.

5.7 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. 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) 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 and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013 is based on the valuation data as 31 March 2012, updated to 31 March 2013 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.

b) 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 published 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 were 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 due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

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 13 operating lease agreements in place for the lease of premises, 9 arrangements in respect of equipment and 31 in respect of vehicles. The periods in which these are due to expire are shown below.

Payments recognised as an expense	2012-13	2011-12
	£000	£000
Minimum lease payments	730	777
Contingent rents	0	0
Sub-lease payments	0	0
Total	730	777

Total future minimum lease payments	£000	£000
Payable		
Not later than one year	821	639
Between one and five years	2,430	1,859
After 5 years	2,553	2,515
Total	5,804	5,013

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	3	6	4	13
Between one and five years	2	25	5	32
After 5 years	8	0	0	8
Total	13	31	9	53

Charged to the income statement (£'000)	386	135	146	667
--	------------	------------	------------	------------

There are no future sublease payments expected to be received.

LHB as lessor

Rental revenue	£000	£000
Rent	0	0
Contingent rents	0	0
Total revenue rental	0	0

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

Note the difference between payments recognised as an expense and future lease payments relates to operating leases where 2012/13 costs only related to part of the financial year.

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.

	2012-13	2012-13	2011-12	2011-12
	Number	£000	Number	£000
NHS				
Total bills paid	5,367	191,415	4,912	189,740
Total bills paid within target	5,082	188,941	4,738	188,966
Percentage of bills paid within target	94.7%	98.7%	96.5%	99.6%
Non-NHS				
Total bills paid	249,281	522,530	218,839	324,205
Total bills paid within target	237,265	510,375	209,336	311,746
Percentage of bills paid within target	95.2%	97.7%	95.7%	96.2%
Total				
Total bills paid	254,648	713,945	223,751	513,945
Total bills paid within target	242,347	699,316	214,074	500,712
Percentage of bills paid within target	95.2%	98.0%	95.7%	97.4%

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

	2012-13	2011-12
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	1350	0
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	1350	0

The 2012-13 Non NHS figures in Note 7.1 above include payments to primary care contractors. These have not been included in previous years and the comparative 2011-12 figures have not been adjusted to include them.

8. Investment Income

	2012-13	2011-12
	£000	£000
Rental revenue :		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue :		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	0	0

9. Other gains and losses

	2012-13	2011-12
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	(53)	(12)
Gain/(loss) on disposal of intangible assets	(2)	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
Total	(55)	(12)

10. Finance costs

	2012-13	2011-12
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	23	27
Interest on obligations under PFI contracts		
main finance cost	1,433	1,433
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	1	0
Total interest expense	1,457	1,460
Provisions unwinding of discount	1,162	1,415
Other finance costs	0	0
Total	2,619	2,875

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
Cost or valuation at 1 April 2012	129,865	338,014	5,745	90,134	93,217	2,352	14,443	241	674,011
Indexation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	6,346	0	38,719	2,124	0	1,145	0	48,334
Additions - donated	0	3,260	0	0	242	0	56	0	3,558
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	59,122	0	(59,122)	0	0	0	0	0
Revaluations	7,218	1,684	301	0	0	0	0	0	9,203
Impairments	(9,948)	(106,590)	(519)	(69)	(55)	0	(4)	0	(117,185)
Reclassified as held for sale	(683)	(206)	(396)	0	0	0	0	0	(1,285)
Disposals	0	0	0	0	(3,871)	(260)	(702)	(34)	(4,867)
At 31 March 2013	126,452	301,630	5,131	69,662	91,657	2,092	14,938	207	611,769
Depreciation at 1 April 2012	0	43,116	520	96	64,942	1,687	10,230	233	120,824
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	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Impairments	0	(43,445)	(519)	(9)	(6)	0	0	0	(43,979)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(3,813)	(258)	(669)	(34)	(4,774)
Provided during the year	0	12,225	212	0	7,237	214	1,474	4	21,366
At 31 March 2013	0	11,896	213	87	68,360	1,643	11,035	203	93,437
Net book value at 1 April 2012	129,865	294,898	5,225	90,038	28,275	665	4,213	8	553,187
Net book value at 31 March 2013	126,452	289,734	4,918	69,575	23,297	449	3,903	4	518,332
Net book value at 31 March 2013 comprises :									
Purchased	126,452	279,050	4,918	69,575	21,886	400	3,807	4	506,092
Donated	0	10,684	0	0	1,411	49	96	0	12,240
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2013	126,452	289,734	4,918	69,575	23,297	449	3,903	4	518,332
Asset financing :									
Owned	117,632	257,988	3,968	69,575	23,068	449	3,903	4	476,587
Held on finance lease	0	971	0	0	229	0	0	0	1,200
On-SoFP PFI contracts	8,820	30,775	950	0	0	0	0	0	40,545
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2013	126,452	289,734	4,918	69,575	23,297	449	3,903	4	518,332

The net book value of land, buildings and dwellings at 31 March 2013 comprises :

	£000
Freehold	379,588
Long Leasehold	20,035
Short Leasehold	21,481
	421,104

Of the totals at 31st March 2013, £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 £1.928m.

(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 £0.143m. (3) Non specialised properties reclassified as Non-current assets Held for Sale £0.057m.

The net amount of Impairments shown above (£73.206m) includes (£47.052m) downward revaluations in respect of the District Valuers Valuation of the estate as at 1st of April 2012. Due to the prescriptive nature of the NHS Manual for Accounts the LHB is required to disclose these downward revaluations as Impairments.

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
Cost or valuation at 1 April 2011	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)
At 31 March 2012	129,865	338,014	5,745	90,134	93,217	2,352	14,443	241	674,011
Depreciation at 1 April 2011	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
At 31 March 2012	0	43,116	520	96	64,942	1,687	10,230	233	120,824
Net book value at 1 April 2011	130,168	292,647	5,858	52,669	29,607	803	3,000	12	514,764
Net book value at 31 March 2012	129,865	294,898	5,225	90,038	28,275	665	4,213	8	553,187
Net book value at 31 March 2012 comprises :									
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
At 31 March 2012	129,865	294,898	5,225	90,038	28,275	665	4,213	8	553,187
Asset financing :									
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
At 31 March 2012	129,865	294,898	5,225	90,038	28,275	665	4,213	8	553,187

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
	429,988

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. Property, plant and equipment (continued.)**Additional disclosures re Property, Plant and Equipment**

i) The LHB's Charitable Fund contributed £0.256m towards the purchase of capital equipment during the year. Two items of capital equipment worth £0.042m were given by other donors. During the year the LHB entered a 99 year lease for part of the development at Loudon Square. The LHB is paying a peppercorn rent for the Health Centre area which it is using to provide a range of primary and community care services. As the LHB will be occupying the building for substantially all of its economic life it is appropriate to include its value in the Statement of Financial Position (SoFP), however since the LHB is only paying a peppercorn rent it has been determined that the correct accounting treatment is to classify the Health Centre as a Donated Asset. The District Valuer was asked to provide a valuation for the Health Centre and a Donated building addition of £3.260m has been included in the SoFP values.

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. During the year the Welsh Assembly Government has commissioned the District Valuer to provide a valuation of the entire Welsh NHS Estate, the LHB's estate was revalued as at 1st April 2012 and the effect is included in the Statement of Financial Position values as at 31st March 2013.

As part of the revaluation as at 1st of April the LHB wrote down its Estate by (£40.027m) of which: upward revaluations set against reserves were £8.977m, downward revaluations (Impairments) set against reserves were (£47.052m) and impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£1.952m).

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 2 such revaluations the total effect of which was: Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£24.030m).

The significant schemes brought into use were:
the Mental Health Services for Older Peoples Unit at Llandough (Valuation Date: 31/03/2013) (£23.613m) was written off the carrying value via the SoCNE.
Ward A3 at UHW (Valuation Date: 31/03/2013) (£0.417m) 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 £26.154m 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 revalued 10 of its existing assets in 2012/2013. An upward revaluation on one asset of £0.264m was set against reserves and the LHB impaired 9 assets in 2012/2013, the total value of this write down was (£0.172m).

Two of these assets were wards included in Assets Under Construction as they form part of an ongoing Capital Scheme. Part of the wards had to be demolished and an amount of (£0.060m) has been charged to the SoCNE in respect of the demolition.

vi). During the year the Board approved the sale of 4 properties and 1 plot of land, these have been revalued accordingly by the District Valuer. 3 non specialised properties had valuation falls as a result of the change to Open Market Value and £0.057m accelerated depreciation on these properties was charged to the SoCNE. Two of these properties and the plot of land had been sold by March 31st 2013, 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
Balance brought forward 1 April 2012	335	412	0	0	0	747
Plus assets classified as held for sale in the year	683	602	0	0	0	1,285
Revaluation	5	33	0	0	0	38
Less assets sold in the year	(870)	(714)	0	0	0	(1,584)
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2013	153	333	0	0	0	486
Balance brought forward 1 April 2011	150	0	0	0	0	150
Plus assets classified as held for sale in the year	305	690	0	0	0	995
Less assets sold in the year	(120)	(278)	0	0	0	(398)
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2012	335	412	0	0	0	747

Assets sold in the period

During 2012/2013 the LHB sold 5 of its residential properties and 2 plots of land - a small profit of £0.003m was made on the sales.

Assets classified as held for sale during the year

As mentioned on page 32 the LHB has decided to sell 3 of its residential properties, 1 plot of land and an empty property which used to house a Community Mental Health Team. 2 of the residential properties and the plot of land were sold during 2012/13 and the LHB expects the others to be sold in 2013/14. At the time the properties were classified as Held for Sale they were revalued appropriately and any adjustments for these properties 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	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2012	2,548	0	0	0	0	0	2,548
Revaluation	0	0	0	0	0	21	21
Reclassifications	0	0	0	0	0	47	47
Impairments	0	0	0	0	0	0	0
Additions- purchased	487	0	0	0	0	19	506
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(254)	0	0	0	0	0	(254)
Gross cost at 31 March 2013	2,781	0	0	0	0	87	2,868
Amortisation at 1 April 2012	1,731	0	0	0	0	0	1,731
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	339	0	0	0	0	0	339
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(252)	0	0	0	0	0	(252)
Amortisation at 31 March 2013	1,818	0	0	0	0	0	1,818
Net book value at 1 April 2012	817	0	0	0	0	0	817
Net book value at 31 March 2013	963	0	0	0	0	87	1,050
At 31 March 2013							
Purchased	963	0	0	0	0	87	1,050
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
Total at 31 March 2013	963	0	0	0	0	87	1,050

12. Intangible non-current assets (continued)

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

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

	2012-13		2011-12	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	172	0	2,958	0
Abandonment in the course of construction	0	0	0	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	49,004	0	0	0
Others (specify)	24,030	0	3,658	0
Total of all impairments	73,206	0	6,616	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	26,154	0	6,616	0
Charged to Revaluation Reserve	47,052	0	0	0
	73,206	0	6,616	0

Note: More information with regards to impairments is given in Note 11, Property, Plant & Equipment, see page 32, paragraphs (ii), (iv) and (v).

The net amount of Impairments shown above (£73.206m) includes (£47.052m) downward revaluations in respect of the District Valuers Valuation of the NHS Estate as at 1st April 2012. Due to the prescriptive nature of the Manual for Accounts the LHB is required to disclose these downward revaluations as impairments.

14.1 Inventories

	31 March	31 March
	2013	2012
	£000	£000
Drugs	3,822	3,409
Consumables	9,898	7,843
Energy	94	93
Work in progress	0	0
Other	0	0
Total	13,814	11,345
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March	31 March
	2013	2012
	£000	£000
Inventories recognised as an expense in the period	134,063	133,421
Write-down of inventories (including losses)	242	246
Reversal of write-downs that reduced the expense	0	0
Total	134,305	133,667

15. Trade and other Receivables

Current	31 March 2013 £000	31 March 2012 £000
Welsh Government	1,356	2,289
WHSSC	2,358	2,770
Welsh Health Boards	6,512	6,634
Welsh NHS Trusts	1,002	966
Non - Welsh Trusts	1,473	1,491
Other NHS	3	(55)
Welsh Risk Pool	56,780	26,237
Local Authorities	1,164	758
Capital debtors	0	0
Other debtors	11,795	10,242
Provision for irrecoverable debts	(1,352)	(1,380)
Pension Prepayments	0	0
Other prepayments and accrued income	2,223	2,165
Sub total	83,314	52,117
Non-current		
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	8,349	26,172
Local Authorities	0	0
Capital debtors	0	0
Other debtors	3,814	3,351
Provision for irrecoverable debts	(481)	(352)
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
Sub total	11,682	29,171
Total	94,996	81,288

Receivables past their due date but not impaired

By up to three months	4,120	4,259
By three to six months	937	786
By more than six months	5,684	5,149
	10,741	10,194

Of the debtors past due (but not impaired) which are greater than six months old £5.316m relates to RTA and personal injury which is generally considered collectable (2011-12 £4.831m).

Provision for impairment of receivables

Balance at 1 April	(1,732)	(1,613)
Amount written off during the year	108	105
Amount recovered during the year	(26)	0
(Increase) / decrease in receivables impaired	(183)	(224)
Balance at 31 March	(1,833)	(1,732)

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

Current	31 March 2013 £000	31 March 2012 £000
Welsh Government	5	0
WHSSC	545	1,246
Welsh Health Boards	5,035	5,389
Welsh NHS Trusts	4,715	4,473
Other NHS	11,616	10,548
Income tax and social security	10,558	10,751
Non-NHS creditors	22,359	29,454
Local Authorities	4,175	3,804
Capital Creditors	10,127	14,299
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts and PFI contracts	372	607
Pensions: staff	0	0
Accruals	42,571	42,432
Deferred Income	0	0
Other creditors	4,502	10,405
Total	116,580	133,408
Non-current		
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	10,301	10,680
Pensions: staff	0	0
Accruals	0	0
Deferred Income	0	0
Other creditors	0	0
Total	10,301	10,680

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

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

Amounts falling due:	31 March 2013 £000	31 March 2012 £000
Between one and two years	332	372
Between two and five years	871	866
In five years or more	9,098	9,442
Sub-total	10,301	10,680

17. Provisions

	At 1 April 2012	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 2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	19,254	0	0	20,810	40,001	(8,231)	(17,745)	880	54,969
Personal injury	1,354	0	0	(608)	2,660	(999)	(696)	95	1,806
All other losses and special payments	0	0	(58)	0	592	(513)	(21)	0	0
Defence legal fees and other administration	829	0	0	488	892	(389)	(770)		1,050
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	211			68	107	(222)	0	55	219
Restructuring	0			0	0	0	0	0	0
Other	5,164			0	3,872	(1,926)	(66)		7,044
Total	26,812	0	(58)	20,758	48,124	(12,280)	(19,298)	1,030	65,088
Non Current									
Clinical negligence	25,701	0	0	(20,810)	3,325	(8)	0	108	8,316
Personal injury	2,293	0	0	608	0	0	0	0	2,901
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	684	0	0	(488)	85	(42)	(45)		194
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,760			(68)	0	0	0	0	1,692
Restructuring	0			0	0	0	0	0	0
Other	0			0	0	0	0		0
Total	30,438	0	0	(20,758)	3,410	(50)	(45)	108	13,103
TOTAL									
Clinical negligence	44,955	0	0	0	43,326	(8,239)	(17,745)	988	63,285
Personal injury	3,647	0	0	0	2,660	(999)	(696)	95	4,707
All other losses and special payments	0	0	(58)	0	592	(513)	(21)	0	0
Defence legal fees and other administration	1,513	0	0	0	977	(431)	(815)		1,244
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,971			0	107	(222)	0	55	1,911
Restructuring	0			0	0	0	0	0	0
Other	5,164			0	3,872	(1,926)	(66)		7,044
Total	57,250	0	(58)	0	51,534	(12,330)	(19,343)	1,138	78,191
Expected timing of cash flows:									
	In the remainder of spending review to 31 March 2014	Between 1 April 2014 31 March 2019	Between 1 April 2019 31 March 2024	Thereafter	Total				
					£000				
Clinical negligence	54,969	8,316	0	0	63,285				
Personal injury	1,806	872	699	1,330	4,707				
All other losses and special payments	0	0	0	0	0				
Defence legal fees and other administration	1,050	194	0	0	1,244				
Pensions relating to former directors	0	0	0	0	0				
Pensions relating to other staff	219	1,014	678	0	1,911				
Restructuring	0	0	0	0	0				
Other	7,044	0	0	0	7,044				
Total	65,088	10,396	1,377	1,330	78,191				

The Clinical Negligence provision includes £0.129m in respect of 17 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 13 claims were settled during the year under this scheme to the value of £0.049m

Note 17. 2012/2013 (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 £65.129m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £6.752m

Potential Payments to staff in respect of time off in lieu £0.208m

Potential liability in respect of EU Carbon Emissions Scheme £0.087m

As per above, the University Health Board has estimated a liability of £6.752m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2012/2013 has been reviewed in light of more up to date information obtained during the year. Hence, the University Health Board (UHB) has utilised actual assessments to determine the percentage likelihood of whether an individual claimant provision would be established or not and also the percentage of the claimed for care period that is likely to attract payment. In addition given the highly speculative nature of some cases received in 2012/13, additional evidence regarding whether these claims have legal and financial support has been considered when deciding to provide 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 its 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 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
Current									
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
Total	36,097	0	(6,321)	725	33,952	(9,077)	(29,304)	740	26,812
Non Current									
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
Total	34,465	0	0	(725)	2,153	(64)	(6,037)	646	30,438
TOTAL									
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
Total	70,562	0	(6,321)	0	36,105	(9,141)	(35,341)	1,386	57,250

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.

18. Cash and cash equivalents

	2012-13 £000	2011-12 £000
Balance at 1 April	1,482	802
Net change in cash and cash equivalent balances	(521)	680
Balance at 31 March	961	1,482
Made up of:		
Cash held at GBS	754	1,273
Commercial banks and cash in hand	207	209
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	961	1,482
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	961	1,482

19. Other Financial Assets

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Financial assets				
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
	0	0	0	0

20. Other assets

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Carbon Reduction Commitment Scheme	0	47	0	0
Other assets	0	0	0	0
	0	47	0	0

21. Other liabilities

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2013	2012	2013	2012
	£000	£000	£000	£000
Lease incentives	0	0	0	0
PFI asset -deferred credit	292	292	1,186	1,478
Other [specify]	1,180	3,194	0	0
	1,472	3,486	1,186	1,478
Other Comprises:				
Payments on Account	481	990		
Deferred Income	699	2,204		
	1,180	3,194		

The £0.699m deferred income is wholly in respect of research and development projects. The reduction in the balance held is partly due to the UHB reviewing the governance arrangements around both its commercial and non commercial research and development activities. As a result of this, the Board has taken unutilised funding re any dormant trials (except for those administered on behalf of Cardiff University) back into the statement of comprehensive net expenditure.

22. Other financial liabilities

Financial liabilities	31 March	31 March	31 March	31 March
	2013	2012	2013	2012
	£000	£000	£000	£000
Financial assets carried at fair value through SoCNE	0	0	0	0
	0	0	0	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:

	Debtor @ 31/3/13 £'000s	Creditor @ 31/3/13 £'000s	Income £'000s	Expenditure £'000s
Welsh Government	1,356	5	895,609	566
Abertawe Bro Morgannwg University LHB	873	2,524	14,930	40,692
Aneurin Bevan Health Board	3,230	759	31,843	3,533
Betsi Cadwaladr LHB	84	270	454	781
Cwm Taf LHB	1,430	1,357	21,495	7,099
Hywel Dda LHB	220	107	5,403	712
Powys LHB	676	17	1,994	33
Velindre NHS Trust	862	3,243	3,167	19,197
Public Health Wales NHS Trust	120	1,304	3,278	4,836
Welsh Ambulance Trust	20	168	105	4,910
Welsh Health Specialist Service Commission	2,358	545	174,544	104,161
Total £'000s	11,229	10,299	1,152,822	186,520

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.

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

Mr Kevin Orford is Interim Director of Finance, a post he has held since 26 July 2012. He is a Trustee and Board Member of Stonewall Equality Ltd.

Mrs Sharon Beamish was Interim Chief Operating Officer between 29 October 2012 to 1 February 2013. During this period she was also a director of Align Performance Ltd.

Mrs Margaret McLaughlin is a Non Executive Member of Cardiff and Vale University Local Health Board. During the year she has carried out consultancy work for Hywel Dda LHB to produce a Third Sector Commissioning Code of Practice. Her husband is Professor of Human Molecular Genetics at Cardiff University and he has been sponsored in the past by Pfizer.

Professor Howard Young was a Non Executive Member of Cardiff and Vale University Health Board from 1st April 2012 to 31st March 2013. He currently sits as a medical member on the first tier appeals tribunal, Ministry of Justice.

Mrs Elizabeth Treasure is a Non Executive Member of Cardiff and Vale University Local Health Board. She is also Deputy Vice Chancellor of Cardiff University.

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.

Ms Morgan Fackrell was a Non Executive Director of Cardiff and Vale University Local Health Board from 1st April 2012 to 31st March 2013. During this period she was also a Board Member of Voluntary Action Cardiff and Chief Executive of Cardiff Women's Aid

Mr David Wyn Jones was a Non Executive Director of Cardiff and Vale University Local Health Board from 1st April to 11th December 2012. During this period he was also Chairman and Non Executive Director of Sequence Collective Ltd. He also was a member of the ICT Sector Panel reporting to the Welsh Government Minister for Economy and Transport.

Mr Ivar Gray is a Non Executive Member of Cardiff and Vale University Local Health Board. During this period he was also a Non Executive Director of Finance Wales plc, Finance Wales plc is a 100% subsidiary of Welsh Government.

Mrs Alison Gerrard is the Director of Governance (Board Secretary), during this time her husband has been employed by Aneurin Bevan Health Board.

The material transactions involving the related parties were as follows unless shown in the table re NHS Bodies above:

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Align Performance Ltd	61			
Cardiff University	9,654	7,633	2,387	1,115
Cardiff Women's Aid	3			
Ministry of Justice	827			
Pfizer Ltd		3		73
Sequence Collective Ltd	19		1	
Spire Healthcare	40	77	3	20
Stonewall	3			
Vale of Glamorgan Council	3,032	823	697	450
Voluntary Action Cardiff	37			

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 £13.799m in respect of claims made. In addition as at March 31st the LHB had a debtor balance of £65.129m in respect of amounts due from the risk pool.

The corporate body is a registered charity and as a Corporate Trustee the LHB Board were responsible for the management of charitable expenditure of £2.051m 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 2012-13.

24. Third Party assets

The LHB held £195,421 cash at bank and in hand at 31 March 2013 (31 March 2012: £216,174) which relates to monies held by the LHB on behalf of patients. 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 stock held at 31st March 2013 was £5,048,485 (31st March 2012 - £3,578,545).

25. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2012-13 :				
Welsh Government	1,356	0	5	0
Welsh Local Health Boards	6,512	0	5,035	0
Welsh NHS Trusts	1,002	0	4,715	0
Welsh Health Special Services Committee	2,358	0	545	0
All English Health Bodies	1,460	0	11,471	0
All N. Ireland Health Bodies	19	0	2	0
All Scottish Health Bodies	35	0	119	0
Miscellaneous	56,783	8,349	24	0
Credit note provision	(41)	0	0	0
Sub total	69,484	8,349	21,916	0
Other Central Government Bodies				
Other Government Departments	4,582	3,814	177	0
Revenue & Customs	1,921	0	10,566	0
Local Authorities	1,164	0	4,175	0
Balances with Public Corporations and trading funds	24	0	321	0
Balances with bodies external to Government	6,139	(481)	79,425	10,301
TOTAL	83,314	11,682	116,580	10,301
2011-12 :				
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	40,332	26,172	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
TOTAL	52,117	29,171	133,408	10,680

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 2013		Approved to write-off to 31 March 2013	
	Number	£	Number	£
Clinical negligence	94	14,038,585	57	15,306,820
Personal injury	102	998,803	63	882,850
All other losses and special payments	312	1,421,720	312	1,421,720
Total	508	16,459,108	432	17,611,390

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

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000				
Case Ref	Case Type	0	0	0
10RWMMN0013	Clinical Negligence	600,000	1,116,250	0
08RWMMN0042	Clinical Negligence	880,000	1,049,800	0
08RWMMN0038	Clinical Negligence	147,000	1,018,000	0
11RWMMN0044	Clinical Negligence	715,000	750,000	0
06RWMMN0051	Clinical Negligence	0	405,000	0
03RWMMN0044	Clinical Negligence	20,000	375,000	0
07RWMMN0024	Clinical Negligence	50,000	251,597	0
07RWMMN0032	Clinical Negligence	5,834,500	5,834,500	5,834,500
10RWMMN0059	Clinical Negligence	12,536	1,164,358	1,164,358
06RWMMN0047	Clinical Negligence	2,000	947,000	947,000
11RWMMN0088	Clinical Negligence	711,536	716,536	716,536
10RWMMN0044	Clinical Negligence	496,015	663,166	663,166
11RWMMN0056	Clinical Negligence	640,000	655,000	655,000
96RKPMN0004	Clinical Negligence	565,000	565,000	565,000
10RWMMN0078	Clinical Negligence	471,000	496,000	496,000
09RWMMN0027	Clinical Negligence	30,000	490,000	490,000
10RWMMN0041	Clinical Negligence	90,000	353,866	353,866
10RWMMN0082	Clinical Negligence	1,510	341,510	341,510
05RWMMN0033	Clinical Negligence	30,500	310,500	310,500
09RWMMN0009	Clinical Negligence	5,000	265,000	265,000
10RWMMN0011	Clinical Negligence	104,692	254,692	254,692
09RWMMN0067	Clinical Negligence	251,250	251,250	251,250
		0	0	0
		0	0	0
Sub-total		11,657,539	18,274,025	13,308,377
All other cases		4,801,569	7,212,031	4,303,013
Total cases		16,459,108	25,486,056	17,611,390

27. Contingencies

27.1 Contingent liabilities

	2012-13 £'000	2011-12 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	38,605	39,692
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	838	364
Continuing Health Care costs	11,207	8,165
Other	0	0
Total value of disputed claims	50,650	48,221
Amounts recovered in the event of claims being successful	37,619	37,876
Net contingent liability	13,031	10,345

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 £1.286m re clinical negligence, £0.013m re: Welsh Government Redress scheme and £0.524m 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 £6.752m 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 £11.207m contingent liability relating to the element of claims received; but assessed as being unlikely to succeed.

The estimation method used to calculate the provision for 2012/2013 has been reviewed in light of more up to date information obtained during the year. Hence, the University Health Board (UHB) has utilised actual assessments to determine the percentage likelihood of whether an individual claimant provision would be established or not and also the percentage of the claimed for care period that is likely to attract payment. In addition given the highly speculative nature of some cases received in 2012/13, additional evidence regarding whether these claims have legal and financial support has been considered when deciding to provide or not.

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

2012-13	2011-12
£'000	£'000
0	0
0	0
0	0
0	0

28. Capital commitments**Contracted capital commitments at 31 March**

	2012-13	2011-12
	£'000	£'000
Property, plant and equipment	10,249	7,249
Intangible assets	0	0
	10,249	7,249

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

As at 31st March 2013 The LHB currently has 2 finance lease agreements in place for the lease of buildings. One of the lease agreements is due to expire in 2017/18 and one in 2018/19. The LHB also has 2 finance lease agreements in respect of equipment. One of the equipment leases expires in more than one year but less than five years and one expires in 2013/14. The present value of the minimum lease payments have been arrived at by applying a discount rate which is the higher of the treasury discount rate (2.2%) or the rate implicit in the leases themselves.

Amounts payable under finance leases:

Land	31 March 2013 £000	31 March 2012 £000
Minimum lease payments		
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>
Present value of minimum lease payments		
Within one year	0	0
Between one and five years	0	0
After five years	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:**

Buildings	31 March 2013 £000	31 March 2012 £000
Minimum lease payments		
Within one year	194	195
Between one and five years	793	779
After five years	11	221
Less finance charges allocated to future periods	(36)	(51)
Minimum lease payments	962	1,144
Included in:		
Current borrowings	183	181
Non-current borrowings	779	963
	962	1,144

Present value of minimum lease payments

Within one year	172	172
Between one and five years	598	616
After five years	6	152
Present value of minimum lease payments	776	940
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

Other	31 March 2013 £000	31 March 2012 £000
Minimum lease payments		
Within one year	120	245
Between one and five years	114	234
After five years	0	0
Less finance charges allocated to future periods	(3)	(12)
Minimum lease payments	231	467
Included in:		
Current borrowings	118	236
Non-current borrowings	113	231
	231	467

Present value of minimum lease payments

Within one year	111	227
Between one and five years	99	201
After five years	0	0
Present value of minimum lease payments	210	428
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:**

	31 March 2013 £000	31 March 2012 £000
Gross investment in leases		
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>
Present value of minimum lease payments		
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 £3.711m.

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

	31 March 2013	31 March 2012
	£000	£000
Not later than one year	1,344	1,322
Later than one year, not later than five	5,601	5,510
Later than five years	20,535	21,970
Sub total	27,480	28,802
Less: interest element	18,054	19,388
Total	9,426	9,414

Capital value of scheme included in Property, Plant and Equipment Note 11 **£13.700m**

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 £3.711m (prior year £3.643m).

The LHB is committed to the following annual charges

	31 March 2013 £000	31 March 2012 £000
PFI scheme expiry date:		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	3,841	3,767
Total	3,841	3,767

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 had 5 Public Private Partnerships during 2012/13

In addition to the St David's PFI Scheme set out previously in Note 30.2, 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 £12.542m for the buildings and £7.745m 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 2012/13 was £0.187m

30.4 The LHB had 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 £3.339m for the buildings and £0.575m 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 2012/13 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 £0.950m and the land at £0.5m 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 2012/13 was £0.018m.

30.4 The LHB had 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 £0.429m 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.

The agreement expired on 31st March 2013 and the infrastructure will revert to UHB ownership on April 1st 2013.

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 £0.765m on the LHB's statement of financial position as at March 31st 2013.

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 JES service had an agreed budget for the 2012-13 financial year split by the respective partners:

Cardiff County Council £330,812
Vale of Glamorgan County Council £159,000
Cardiff and Vale Local Health Board £1,134,740

These contributions were subject to review and could be flexed based on agreed usage levels. Such additional activity in 2012/13 amounted to £40,856.

Hence the contribution by Cardiff and Vale to this Pooled Budget arrangement, covering the twelve month period from 1st April 2012 to 31st March 2013 was £1,175,306.

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	8,349	69,484	0	77,833
Cash at bank and in hand	0	961	0	961
Other financial assets	0	8,065	0	8,065
Total at 31 March 2013	8,349	78,510	0	86,859

Financial liabilities	At "fair value" through SoCNE £000	Other £000	Total £000
Embedded derivatives	0	0	0
PFI and finance lease obligations	2,439	372	2,811
Other financial liabilities	0	112,694	112,694
Total at 31 March 2013	2,439	113,066	115,505

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
Total at 31 March 2012	26,172	47,031	0	73,203

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
Total at 31 March 2012	5,229	127,821	133,050

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 2013 £'000	31 March 2012 £'000
In one year	113,066	127,821
In more than one year but not more than two years	287	346
In more than two years but not more than five years	600	694
In more than five years	1,552	4,189
Total	115,505	133,050

34. Movements in working capital

	2012-13	2011-12
	£000	£000
(Increase)/decrease in inventories	(2,469)	(120)
(Increase)/decrease in trade and other receivables - non - current	17,489	3,685
(Increase)/decrease in trade and other receivables - current	(31,197)	(1,563)
(Increase)/decrease in other current assets	47	103
Increase/(decrease) in trade and other payables - non - current	(379)	(480)
Increase/(decrease) in trade and other payables - current	(16,828)	18,988
Increase/(decrease) in other current liabilities	(2,014)	(299)
Increase/(decrease) in assets held for sale	0	0
Total	(35,351)	20,314
Adjustment for accrual movements in fixed assets -creditors	4,172	(1,751)
Adjustment for accrual movements in fixed assets -debtors	0	0
Other adjustments	567	2,885
	(30,612)	21,448

35. Other cash flow adjustments

	2012-13	2011-12
	£000	£000
Depreciation	21,366	24,091
Amortisation	339	309
(Gains)/Loss on Disposal	55	12
Impairments and reversals	26,154	6,616
Release of PFI deferred credits & EU emissions revaluation taken to SOCNE	(313)	(292)
Donated assets received credited to revenue but non-cash	(3,558)	(442)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	33,271	(4,171)
Total	77,314	26,123

The amount shown as "release of deferred pfi credits " includes -£21k re a non cash revaluation surplus re EU emissions credits.

36. Cash flow relating to exceptional items

There were no exceptional items in 2012/13.

37. Events after the Reporting Period

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 was also home to a small number of hosted or managed services during the period:

- > The Welsh Medicines Partnership
- > The Welsh Medicines Resource Centre
- > The All Wales Oracle Team (prior to June 1st 2012)

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. One of the bodies hosted during 2012/13 (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) Transfer of Functions to NHS Wales Shared Services

At 1 June 2012 the following functions:

Procure to Pay Services comprising Accounts Payable and Procurement Services
Payroll and Recruitment Services
All Wales Oracle Team
Internal Audit Services

and their associated asset and liabilities were transferred from Cardiff & Vale University LHB to Velindre NHS Trust to form NHS Wales Shared Services. In accordance with the FReM, the transfer of functions were treated using absorption accounting, adapted for the issue of PDC. All transactions and balances related to those functions pre 1 June 2012 are included in the UHB's accounts and post 1 June 2012 included in Velindre NHS Trust's financial statements.

As a result of the service transferring £0.035m of property plant and equipment was transferred from the UHB to Velindre. No other assets or liabilities were transferred as a result of this service change. The 2012/13 Statement of Comprehensive net expenditure includes expenditure of £0.720m in respect of these services. On a recurrent basis LHB resource funding and annual expenditure are expected to reduce by £5.143m as a result of the service transfer.

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 increases of £0.041m in its reported income and £0.036m in its reported expenditure figures. In addition its reported net assets figure would increase by £0.297m.

3) Wales External Quality Assessment Scheme

A review of the financial relationship between The Wales External Quality Assessment Scheme (WEQAS) and the UHB carried out in 2008/9 concluded that "prudently" the results of WEQAS should not be reported as part of our predecessor NHS Trust. This conclusion was reached based on a limited amount of information that could be unearthed at the time.

During 2012/13 a much more detailed review around all aspects of the Governance regime has been carried out by The Board Secretary. This review has concluded that from a legal perspective WEQAS is clearly part of the UHB. Hence in order to be consistent with how we treat the results of other trading departments operating with the UHB, the financial results of WEQAS are incorporated within the 2012/13 annual accounts. In 2012/13 WEQAS had income of £2.161m and generated an operating surplus of £0.201m. No adjustment has been made to prior year figures in respect of this body.

**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.....2013 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:2013

Chief Executive: Dated:2013

Director of Finance: Dated:2013

ANNUAL GOVERNANCE STATEMENT 2012-13

SCOPE OF RESPONSIBILITY

Cardiff and Vale University Health Board has an important job to do: improving the health and well-being of our local population and providing services to patients when they need it. The Board has a duty of accountability to the public to annually publish a suite of “public disclosure documents”. The Annual Governance Statement is one of these documents together with the:

- Annual Report
- Annual Financial Statements
- Remuneration Report
- Annual Quality Statement

These documents will be published as a collective in September 2013.

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 to me by the Accounting Officer of NHS Wales.

GOVERNANCE FRAMEWORK

The Board has been constituted to comply with the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009. It comprises of the Chair, Vice Chair, Chief Executive, 9 Non Officer Members (known as Independent Members) and 8 Officer Members (known as Executive Directors)

The Board has approved 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 Standing Financial Instructions provide the regulatory framework for the business conduct of the UHB. Standing Orders and Standing Financial Instructions were reviewed and updated during the year following

the publication of revised model documents by the Welsh Government. The revised Standing Orders and Standing Financial Instructions were considered by the Audit Committee in January 2013 and were subsequently approved by the Board in May 2013.

These documents supported with a suite of corporate policies and the Values and Standards of Behaviour framework make up the UHB's Governance Framework.

The Board and its Committees

The principle role of the Board is to exercise effective leadership, direction and control, including:

- Setting the strategic direction of the organisation within overall Welsh Government NHS policies and priorities;
- Establishing and maintaining high standards of corporate governance and accountability;
- Ensuring delivery of the strategy and objectives of the organisation through effective challenge and scrutiny of the Health Board's performance across all areas of responsibility;
- Enacting effective financial stewardship by ensuring that the Health Board is administered prudently and economically with resources applied appropriately and efficiently;
- Instigating effective communication between the organisation and the community, including stakeholders, regarding planning and performance and that these are responsive to identified needs;
- Appointing, appraising and remunerating senior executives.

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 Board Secretary, who acts as principal advisor on all aspects of corporate governance within the UHB.

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.

The Board is supported in its role by a number of committees, each chaired by an Independent Member to reflect independence and objectivity, which provide scrutiny on the delivery of objectives. The committees have met regularly during the year with update reports provided to each Board meeting.

A summary of Board Member roles during 2012/13 is set out in the following table.

NAME	POSITION	AREA OF EXPERTISE REPRESENTATION ROLE	BOARD COMMITTEE MEMBERSHIP – 1 APRIL 2012-31 MARCH 2013	CHAMPION ROLES
Maria Battle	Chair		(Chair) The Board (Chair) Remuneration and Terms of Service Committee (Chair) Strategic Planning and Performance Committee	Patient Safety Welsh Language Cleaning, Hygiene and Infection Management
Mutale Merrill	Vice Chair	Primary, Community and Mental Health Services	(Vice Chair) The Board (Chair) Mental Health Act Monitoring Committee Remuneration and Terms of Service Committee Quality and Safety Committee (<i>Chair to September 2012</i>) Audit Committee Strategic Planning and Performance Committee Workforce and Organisational Development Committee	Mental Health Public Patient Involvement Immunisation and Vaccination
Stuart Egan	Independent Member	Trade Union	Charitable Funds Committee Health and Safety Committee Remuneration and Terms of Service Committee Workforce and Organisational Development Committee Local Partnership Forum	Armed Forces and Veterans
Christopher Elmore	Independent Member (<i>from 19 March 2013</i>)	Local Authority	Nominations made after 1 April 2013	
Morgan Fackrell	Independent Member	Third Sector	Strategic Planning and Performance Committee	Children and Young People Healthy Sustainable Wales
Ivar Grey	Independent Member	Finance	(Chair) Audit Committee Quality and Safety Committee Remuneration and Terms of Service Committee Strategic Planning and Performance Committee	Complaints Design, Estates and Premises (Deputy)
David Jones	Independent Member (to 11.12.12)	Information Communication Technology	Audit Committee Health and Safety Committee Strategic Planning and Performance Committee Workforce and Organisational Development Committee	Design, Estates and Premises Violence and Aggression
Margaret McLaughlin	Independent Member	Third Sector	Mental Health Act Monitoring Committee Quality & Safety Committee	Carers

Elizabeth Treasure	Independent Member	University	Quality and Safety Committee (Chair from October 2012)	
Dorothy Turner	Independent Member(to 4 May 2012)	Local Authority	Quality and Safety Committee Strategic Planning and Performance Committee	Older People
Martyn Waygood	Independent Member	Legal	(Chair) Health and Safety Committee (Chair) Charitable Funds Committee Mental Health Act Monitoring Committee Quality & Safety Committee Remuneration and Terms of Service Committee Workforce and Organisational Development Committee	Equality and Human Rights Health and Safety Complaints (Deputy) Violence and Aggression (Deputy)
Howard Young	Independent Member	Community	(Chair) Workforce and Organisational Development Committee Audit Committee	Caldicott/Data Protection
Liane James	Associate Member	(Chair) Stakeholder Reference Group		N/A
Rosemarie Whittle	Associate Member	(Chair) Healthcare Professionals Forum		N/A
Adam Cairns	Chief Executive (from 2 July 2012)			N/A
Paul Hollard	Executive Director of Planning/Deputy Chief Executive Acting Chief Executive (1 April 2012 – 1 July 2012)		Charitable Funds Committee Local Partnership Forum	N/A
Alun Lloyd	Executive Director of Finance (to 2 July 2012)		Charitable Funds Committee	N/A
Kevin Orford	Interim Executive Director of Finance (From 26 July 2012 to 4 June		Charitable Funds Committee	N/A

	2013)			
Graham Shortland	Executive Medical Director			N/A
Ruth Walker	Executive Director of Nursing			N/A
Sharon Hopkins	Executive Director of Public Health and Interim Director of Primary, Community and Mental Health			N/A
Fiona Jenkins	Executive Director of Therapies and Health Sciences		Charitable Funds Committee	N/A
Tracy Myhill	Executive Director of Workforce and Organisational Development Interim Deputy Chief Executive (1 April 2012 – 1 July 2012)		Local Partnership Forum	N/A
Sian Harrop-Griffiths	Interim Director of Planning (to 1 July 2012)		Charitable Funds Committee Local Partnership Forum	N/A
Sharon Beamish	Interim Chief Operating Officer (from 29 October 2012 to 1 February 2013)			N/A
Alice Casey	Chief Operating Officer (from 1 February 2013)			N/A

Two Independent Members left the organisation during the year leading to vacancies during the year. Where required their duties were taken on by other Independent Members. From the 1 April 2013 the UHB has a full complement of Independent Members.

The following table outlines dates of Board and Committee meetings held during 2012/13. All meetings were quorate.

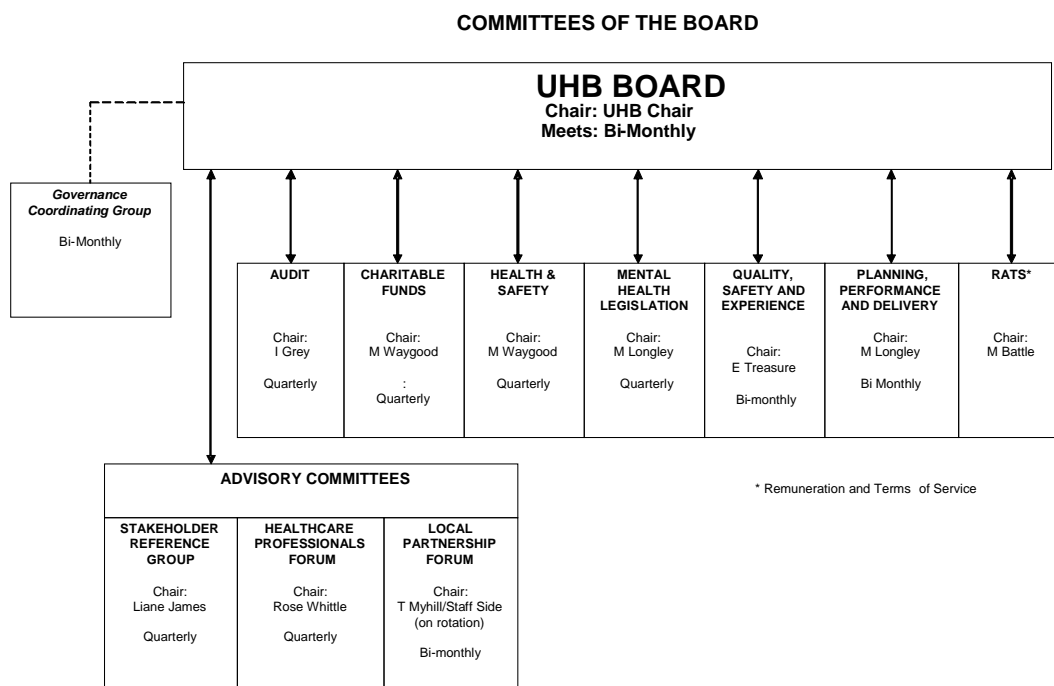
BOARD/ COMMITTEE	Dates of Meeting in 2012-13							
	01.05.12	06.6.12	03.07.12	04.09.12	26.09.12 & AGM	06.11.12	15.01.13	28.03.13
Board								
Audit	10.04.12	08.05.12	06.06.12	24.07.12	09.10.12	20.11.12	29.01.13	19.03.13
Charitable Funds	15.05.12	18.09.12	18.12.12	12.03.13				
Health and Safety	18.04.12	10.07.12	09.10.12	24.01.13				
Mental Health Act Monitoring	22.05.12	11.09.12	27.11.12	12.02.13				
Quality and Safety	17.04.12	19.06.12	18.09.12	16.10.12	11.12.12	19.02.13		
Remuneration and Terms of Service	08.03.12	10.05.12	12.06.12	21.08.12	09.11.12	19.12.12		
Strategic Planning and Performance	24.04.12	26.06.12	28.08.12	23.10.12	11.12.12	05.03.13		
Workforce and Organisational Development	10.04.12	17.07.12	30.10.12	29.01.13				

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

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

These have all met regularly during the year and minutes are available on the UHB website.

Committee arrangements were reviewed and updated in January 2013 to reflect the challenges facing the UHB and also to take account of the recommendations in the Wales Audit Office Structured Assessment 2012. These are shown in the following schematic.



Organisational Management

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.

During the year, the following changes were made to the Executive Directors.

Executive Position	Start Date	Finish date
Paul Hollard* – Interim Chief Executive	1 April 2012	1 July 2012
Adam Cairns – Chief Executive	2 July 2012	N/A
Tracy Myhill* – Interim Deputy Chief Executive	1 April 2012	1 July 2012
Sian Harrop-Griffiths*, Interim Director of Planning	1 April 2012	1 July 2012
Alun Lloyd – Director of Finance	1 October 2010	2 July 2012
Kevin Orford – Interim Director of Finance	26 July 2012	4 June 2013
Sharon Beamish – Interim Chief Operating Officer	29 October 2012	1 February 2013
Alice Casey – Chief Operating Officer	1 February 2013	N/A

*Note: These employees then returned to their substantive positions.

During 2012/13, I have been listening to staff and stakeholders to understand what the UHB needs to do better to improve the services for patients. This “Picture the Future” Exercise resulted in rich feedback and the response to that is called “Organising for Excellence”. New Clinical Boards, supported by a new leadership structure, have been put in place from June 2013 that will mean greater and clearer accountability for delivery. This will require a significant change in behaviour supported by clarity in purpose, roles and responsibility with devolved governance and decision-making responsibilities within a framework of clear accountability.

Legal Responsibilities

The Welsh Government has issued 6 Non-Statutory Instruments in 2012/13 relating to:

- services and payments to primary care contractors (4)
- charges for expensive eye lenses
- revocation of previous directions for Shared Services arrangements

All Directions have been implemented.

A formal system is in place that tracks regulatory and inspection reports against statutory requirements and all such reports are made available to the appropriate Board Committee. The overarching tracking report is monitored by the Audit Committee.

SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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 for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

Board Assurance Framework

In June 2011, the Board approved a Board Assurance Framework (BAF) that supports the Governance Framework and was agreed to be used:

- 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 Executive Management meetings to ensure management attention is given to the highlighted risk.

All Board Committee and Executive Management meeting agendas during the year as well as the Internal Audit plan were proactively informed by the Board Assurance Framework / Risk Register. All formal reports set out which Standard and /or Risk that recommendations are designed to address.

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.

A summary of outcomes against the 26 Standards is as follows:

	2011/12	2012/13
Aware (1)	0	0
Responding (2)	2	1
Developing (3)	22	22
Practising (4)	2	3
Leading (5)	0	0

As well as ongoing scrutiny and expectation of improvement against all Standards, the Board has resolved to focus on required improvements against Standard 19 – Information Management and Communication Technology in 2013/14.

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

The review found that satisfactory processes are in place within the UHB to ensure that the Standards for Health Services 2012/13 Self Assessments were effectively completed in a timely manner. The assessments were also supported by appropriate narrative and scoring at both Corporate and Divisional levels.

All Corporate and Divisional Self Assessments sampled were appropriately supported by Key Improvement Actions to be undertaken during 2013/14. Additionally, Key Improvement Actions stated in the 2011/12 Self Assessments were implemented during 2012/13.

Satisfactory ongoing progress continues to be made towards embedding the Standards across all Divisions within the organisation and this can be evidenced by the range of practice examples sourced across UHB departments and specialities compared to the previous years' submissions.

I can confirm that the UHB actively engages with the 1000 lives Plus Programme, and the Board promotes use of methodologies for improvement, and is aware of improvements made and barriers to extend. The Board will be receiving Patient Safety training at its Board Development day in June 2013.

Review of Board Assurance Arrangements

During the last year, the UHB has undertaken a robust review of its governance arrangements, starting by being clear of our core role and purpose of *Caring for People, Keeping People Well* as described in Organising for Excellence. The Board has agreed 4 areas of focus:

- Patient/Citizen
- Getting it Right
- Good to Great
- Resources

The Board is currently re-defining its high level objectives which will in turn determine revised assurance and performance arrangements.

Following the publication of the Francis Report into Care provided by Mid Staffordshire NHS Foundation Trust, there has been considerable work at both a national and local level to develop an Integrated Board Assurance and Performance Framework using the “trigger questions” as set out in *Safe Care, Compassionate Care – A National Governance Framework to enable high quality care in NHS Wales*. . These are:

- Are we providing safe care?
- Are we meeting required standards of effective care?
- Are we improving user experience?
- Are we providing efficient services within resources?
- Are we engaging the workforce?
- Are we providing accessible and equitable services?
- Are we improving population health? :

The Board has actively participated in this development programme with expert facilitated sessions during the year.

A revised Framework setting out strengthened assurance arrangements will be considered by the Audit Committee during the summer 2013.

Risk Management and Control

The UHB is committed to achieving an integrated approach to risk management converging where possible all aspects (organisational, clinical and non clinical). The Risk Management Policy provides the framework for the development of the rigorous risk management process throughout the UHB. It outlines the expectations for all staff in risk management. The Risk Assessment procedure is based on the National Patients Safety Agency (NPSA) tool endorsed for use within the NHS and by the Welsh Risk Pool.

Whilst I retain overall responsibility for risk management, operational responsibility for ensuring effective risk management systems are in place is delegated to the Deputy Chief Executive supported by the Board Secretary.

During the year, the Board discharged its overview scrutiny role of the Risk Register. Board Committees, on behalf of the Board, have sought assurance against the specific risks for which they were the designated lead. The Audit Committee has reviewed an internal audit report against compliance with the Risk Management Policy and supporting operational procedures. The internal audit report identified a number of weaknesses relating to non-compliance of the policy largely around the lack of robust risk assessment processes within Directorate and corporate departments. This has raised concerns regarding the reliance that can be taken from departmental risk registers when compiling the overarching organisational risk register.

The Board of Directors has, up until April 2013, been the focal point for developing a coordinated approach to reviewing risk on a UHB-wide basis. The Group has acted as a coordinating body to ensure that risks are being identified, assessed and managed throughout the UHB. To respond to the matters raised in the Internal Audit report, revised and strengthened arrangements have been put in place from April 2013 through the establishment of an Executive Risk Management Group.

Embedded within the organisation are specialist advisors, comprising experts within predefined fields of risk management such as Patient Safety, Health and Safety and Corporate. They also ensure that advice on the management of specific risk is available to staff across the UHB.

Each Division and Corporate Department is required to ensure that appropriate arrangements are made for the local management of clinical and non clinical risks and manage and maintain their risk registers.

The UHB organisational risk register is developed from common risk themes collated to an organisational level. Each risk has an Executive Director owner who is responsible for

ensuring that effective monitoring and reporting progress is made to mitigate risks. The extreme risks (those scoring 20 and 25) are reported to the Board 3 times per annum, together with key controls and assurances. The UHB uses a recognised method for assessing risk (the 5 x 5 matrix). Each risk is delegated to a Board Committee that seeks assurance that risks are being mitigated in line with the identified actions and timescales.

Where identified risk requires significant service change, the public are formally engaged on these matters in accordance with Welsh Government requirements for engagement and public consultation. During last year, a joint programme of engagement of the five Health Boards providing healthcare services in South Wales and South Powys and the Welsh Ambulance Service took place – this is known as the South Wales Programme.

Those services covered by the review are:

- Consultant led-maternity and neonatal care
- Inpatient children's services
- Emergency medicine (A&E)

Following this period of engagement, it was agreed to proceed to a period of formal public consultation which is due to conclude during July 2013. Boards will consider the outcome in October 2013.

Risk Profile

The most extreme risks (scoring 20 or 25) facing the UHB at April 2013 are as follows. The link to the full Risk Register including details of mitigating actions can be found on the UHB internet on the following link

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/864/Approved%20UHB%20Corp%20RR%20April%2013%20-%20for%20publication.pdf>

	Risk Descriptor
25	Inability to deliver timely access to services including waiting times in A&E, Elective Treatment Times targets and Cancer Access targets as a result of unscheduled care demand, capacity and patient flow.
25	Failure to meet infection prevention and control (IP&C) standards as a result of shortfalls in equipment, environment, practice and cleaning standards.
25	Ability to provide required standards of care and increased level of clinical risk to neonates because of a) Insufficient number of funded neonatal cots, and b) clinically unsuitable environment with poor treatment areas and lack of appropriate space between cots.
25	Increasing dependency and numbers of patients in the majors categories in Unscheduled Care (USC) leading to delays and failure to see and treat patients resulting in:- a) delays in assessment and treatment leading to increased clinical risk b) patients being cared for in unsuitable environment e.g. corridor resulting in increased clinical risk, impact on dignity c) high level of pressure on staff impacting on morale and sickness levels
25	Delivery of financial break-even in 2013/14 and the impact on safety, quality and other key objectives resulting from implementation of savings plans.
25	Cash shortfall if WG unable to support proposals to phase non-recurring transition costs over future years

20	Backlog within Clinical Coding resulting in a number of uncoded episodes of care. This decreases the ability to identify misadventure/complications/ infections in a timely manner and provide a robust assessment of outcome, including mortality, on which to base any interventional action.
20	Workforce not having required skills and competencies as result of not being released to attend/undertake mandatory (including induction) and core training
20	Implementation of Hazardous Waste Regulations (including waste arising from patients being treated in the home, insufficient waste rooms across the UHB and failure to comply with waste legislation and best practice guidance). Consequences include risk of prosecution with fines from £1k to £250k per breach.
20	Failure to act in timely manner to address patient and staff health, safety and quality matters as result of delays in clinical coding / incident reports being entered into DATIX
20	<p>Inappropriate and inadequate estate which could impact on patient safety, quality and dignity and the ability to meet statutory/regulatory requirements as a result of:</p> <ul style="list-style-type: none"> a) Ability to replace equipment which falls below capital criteria (<£5,000) within revenue allocation. b) Ability to provide suitable and safe environment of care within aging infrastructure c) Ability to respond to identified need within capital allocation
20	Non delivery of CRI scheme as a result of lack of central capital funding to complete all phases of the redevelopment scheme. This will lead to facilities not fit for purpose and inappropriate service provision. Unable to complete redevelopment project and services remain inadequate to meet the needs of the local population.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

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 in to 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.

The organisation has undertaken risk assessments and Carbon Reduction Delivery Plans are in place 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.

Governance and Accountability

The Board has completed the Standards for Health Services - Governance & Accountability module and has:

- openly assessed its performance using the maturity matrix
- responded to feedback from Healthcare Inspectorate Wales
- plans in place to ensure that there is a structured approach 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.

Governance and Accountability Module	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.
Setting the direction			x		
Enabling delivery			x		
Delivering results achieving excellence			x		
OVERALL MATURITY LEVEL			x		

CORPORATE GOVERNANCE CODE

The UHB has undertaken an assessment against the main principles of the UK Corporate Governance Code as they relate to an NHS public sector organisation in Wales. This assessment has been informed by the Health Board's assessment against the Governance and Accountability Module undertaken by the Board in May 2013 and also evidenced by internal and external audits. The UHB is clear that it is complying with the main principles of the Code, is following the spirit of the Code to good effect and is conducting its business openly and in line with the Code. The Board recognises that not all reporting elements of the Code are outlined in this Governance Statement but are reported more fully in the Health Board's wider Annual Report. To the best of the Board's knowledge there have been no departures from the code.

REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review 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 external auditors in their audit letter and other reports.

The Board regularly receives assurance reports against its range of objectives and the most significant risks facing the organisation. It is supported by the Board Committees that consider performance and assurance reports from both internal and external sources. A summary of these is maintained within the Board Assurance Framework which is then used proactively to inform the agendas of subsequent meetings.

A summary of key matters and assurances received at Committee meetings is presented to the subsequent Board meeting which are available on the UHB website. Critical to this assurance is the work of the Audit Committee and Quality and Safety Committee - their Annual Reports provide a summary of matters considered during the year and are available on the UHB website on the following link - <http://www.cardiffandvaleuhb.wales.nhs.uk/audit-committee-4-june-2013>

Weaknesses in internal control / governance

In drawing a conclusion on the effectiveness of the system of internal control, I should draw attention to a number of matters where weaknesses in internal control / governance arrangements have been identified. In determining the internal audit plan for 2012/13, I had asked that specific attention was given to those areas where there are gaps in assurance or signs of inadequate controls.

Plans to address weaknesses and ensure continuous improvement are in place for all matters and the Audit Committee or another appropriate Board Committee e.g. the Quality and Safety Committee, continues to scrutinise that agreed actions are being delivered on behalf of the Board.

• Wales Audit Office Structured Assessment

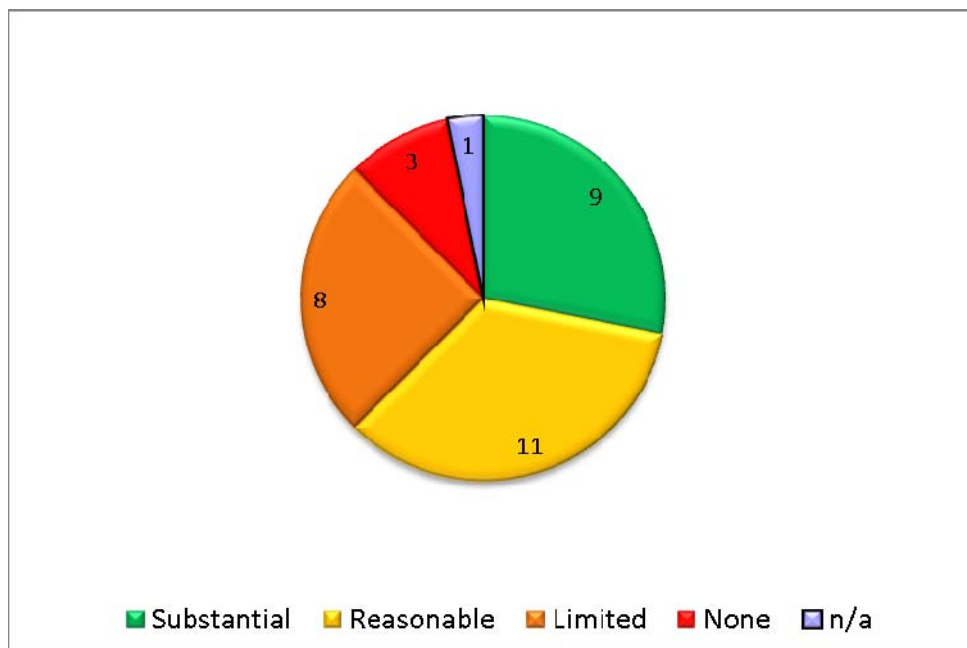
The WAO Structured Assessment 2012 set out 4 key recommendations relating to required improvements in the UHB governance arrangements as follows:

- Further work is needed to address areas for development identified in previous years' Structured Assessment associated with the UHB's organisational structure
- The UHB has continued to develop its Board Assurance Framework although more needs to be done in particular to strengthen risk management and a fundamental review of its committee structure is required and is underway
- Management information to underpin the UHB's governance and accountability arrangements needs further developing
- Whilst arrangements are in place to comply with data confidentiality, the UHB needs to strengthen arrangements to ensure they are fully effective

Progress has been made against all these matters, including the implementation of new Board Committee structures from April 2013, strengthened risk management processes and new performance and accountability arrangements.

- **Internal Audit Reports/Opinion**

Internal Audit undertook 32 assurance reviews during 2012/13 with assurance assessments as follows:



Internal Audit gave a “Limited Assurance” rating to the following risk-based audits:

Review Title	Review Findings
Risk Management	<p>The overall outcome of the review highlighted that whilst all of the 12 departments sampled as part of this review have a risk register there was a distinct split in the quality of the departmental registers and also the risk assessment procedures supporting them.</p> <p><i>Work has been undertaken with all departments to ensure that they have the appropriate skills to undertake risk assessments and a timescale has been set for completion of this work.</i></p>
Financial Plan	The processes in place for developing, implementing and

Review Title	Review Findings
	<p>monitoring savings plans within the UHB are generally good, with all staff engaged and contributing to the process. Accordingly there were a large number of good practice areas identified. It should be noted however that the scale of the savings required was large; and thus the audit could not give any assurance that the full targets would be met, despite the quality of the structures in place.</p> <p><i>The Interim Director of Finance introduced new robust systems and procedures during the second half of the year and allowed the UHB to deliver financial balance in year and develop a more robust financial plan for the future.</i></p>
Patient Access	<p>The UHB is permitted to adjust waiting times in accordance with Unified Rules provided by the WG. The review identified that the processes in place for managing adjustments to waiting times are inadequate and show a potential lack of understanding by some staff as to the appropriate application of the Unified Rules. The audit identified a number of areas where controls should be enhanced. The key areas that require management attention are providing clarity and training on the process and enhancing the guidance with regards to adjustments, also notification of patient's not attending for appointments (DNA's) and patients cancelling appointments (CNA's) within Diagnostics are not being appropriately communicated back to the referring clinician.</p> <p><i>In response the UHB has agreed with Welsh Government/Delivery and Support Unit that it will pilot a new system in relation the booking and management of outpatient appointments. The Patient Access Policy Staff Handbook and Referral to Treatment will be updated with regard to DNA and CNAs of diagnostic appointments.</i></p> <p><i>Further action to ensure that the UHB has an appropriate booking system which fully meets the waiting time requirements with minimal need for adjustment is to be considered.</i></p>
Medicines Management	<p>Following the audit undertaken during 2011/12, a number of improvements have been implemented to strengthen systems of control for Medicine Management and whilst some progress</p>

Review Title	Review Findings
	<p>had been made, with a number of further actions under development, it had taken longer than anticipated to achieve the required input into the development of new processes, and it was found that more time was required for the new controls to be fully embedded. Consequently, there had been limited change to the overall risk to the organisation.</p> <p><i>The Medical Director has led a range of pieces of work and task and finish groups designed to make the necessary improvements. A further follow up audit has been scheduled to ensure the improvements have been made.</i></p>
Medical Locums	<p>The audit found that the management system in place for monitoring and controlling medical locum expenditure had not been developed or responsibilities clearly defined. Arrangements for collating, analysing and reporting data were not robust. Consequently the organisation did not have access to appropriate information available for effective decision making or workforce planning. The arrangement for monitoring the quality of services provided by locums was also not appropriate.</p> <p><i>Arrangements have been put in place to address the concerns.</i></p>
ALAS IT	<p>BEST is a fully functioning management system for ALAS, and whilst overall the system itself provides an adequate solution that is sufficient for the needs of the department there were a number of weakness within the application and management of the system which needed to be addressed. These included the need for a general data cleansing exercise for the database, enhancement of data entry controls in key fields and the development of a formal registration / deregistration process. Additionally there is was no formal business continuity plan in place for the system.</p> <p><i>Management actions have already been put in place to address the issues highlighted, including the development of a business continuity plan, user set up and access and data validations.</i></p>

Review Title	Review Findings
PC security	<p>Whilst it was found that there is a system in place to ensure appropriate security over data on UHB devices, in many cases staff do not fully understand and adhere to policy and procedure, accordingly the audit has identified a number of weaknesses where controls should be enhanced. The key areas that require management attention are ensuring that all staff understand how to store data onto the network and preventing the use of written usernames and passwords.</p> <p><i>The Head of Information Governance and Assurance issued an urgent Alert Notice to all staff in the UHB highlighting the appropriate working practices to follow in March 2013.</i></p>
Private Patients (draft)	<p>Private Patients arrangements have been subject to previous reviews and the outcome of the current work indicates that whilst there have been some improvements, largely the management arrangements have not changed. The key areas for improvement are the development of the structure of the organisational arrangements for management private patients, accurate identification of all activity and ensure that discrepancies between systems are resolved.</p> <p><i>This report and management response has not yet been considered by the Audit Committee</i></p>

Three Audit Reports had a “No Assurance” rating.

Review Title	Objective
Medicine Top up payments (not yet reviewed by Audit Committee)	<p>The outcome of the review highlighted that there is no system in place to ensure appropriate management of top up payments with current processes being incomplete. The UHB therefore is failing to comply with the requirements of the Welsh Government and the audit has identified a number of weaknesses where controls should be enhanced. The underlying reason for the lack of structure is the long term absence of a key member of staff and the lack of staff resource for cover. This is mitigated by the low activity within the UHB.</p>

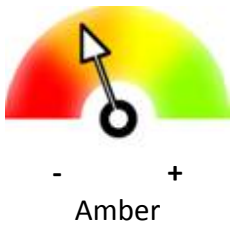
Review Title	Objective
	<i>A new policy and procedure has been developed and is awaiting finalisation and approval. All Top Up requests are now managed by IPFR office.</i>
Capital Scheme CRI	<p>The outcome of the internal audit identified serious shortcomings and inherent weaknesses in the internal control framework for the management of this capital scheme.</p> <p><i>Whilst arrangements have been put in place to strengthen capital management over the last 2 years, an independent, expert review of all capital planning arrangements is to be commissioned to assess whether this is a systematic issue within capital management or specific to these schemes.</i></p>
Capital Scheme Stroke Unit	<p>The outcome of the internal audit identified serious shortcomings and inherent weaknesses in the internal control framework for the management of this capital scheme.</p> <p><i>Whilst arrangements have been put in place to strengthen capital management over the last 2 years, an independent, expert review of all capital planning arrangements is to be commissioned to assess whether this is a systematic issue within capital management or specific to these schemes.</i></p>

Detailed management responses, including, actions plans, allocated responsibilities and timescales, are included within the individual reports. I am extremely concerned about those reports where a No Assurance Rating has been received and urgent action has been taken on these matters. As two of the reports relate to appropriate control in major capital projects, a Major Capital Group has been established, chaired by the Independent member, Estates, to provide additional scrutiny going forward. I am also commissioning independent experts on capital management to thoroughly review the UHB arrangements for the planning and management of capital schemes to provide assurance that these are specific and not systemic weaknesses in the internal control environment.

- **Internal Audit Opinion**

The assurance assessment of the Head of Internal Audit on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes is set out below. 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.

<p>Limited assurance</p>		<p>The Board can take limited assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.</p>
<p>Where weaknesses have been reported our follow-up work indicates that management are progressing recommendations to strengthen controls although further work is still required in some areas. Notwithstanding these management actions, the exposure to significant risk in several areas causes the limitation in the overall assurance opinion for 2012/13.</p>		

- **Lapses in Data Security**

It has been necessary to report three lapses of data security to the Information Commissioners Office (ICO).

1) In June 2012 the UHB was alerted via local media that a local shopkeeper had shared with them patient identifiable A4 sheets of information with hand written comments, used for the purposes of shift clinical handover within a hospital inpatient ward setting. The incident was investigated and appropriate action taken. The ICO reviewed the investigation and action taken by the UHB and is satisfied and has now closed this incident.

2) In November 2012, the UHB reported the loss of personal valuables and patient identifiable information. The incident was investigated and appropriate action taken. The ICO has not yet come to a conclusion on this incident.

3) A third incident related to the potential disclosure of patient identifiable information that was left in an open waste bag in a public area. The incident was investigated and appropriate action taken. The ICO has not come to a conclusion on this incident.

The Medical Director has taken steps to reinforce the message to all UHB staff about the importance of securing data.

- **Quality of Data used by the Board**

During the year, a backlog in clinical coding has decreased the ability to identify misadventure, complications and infections in a timely manner and provide a robust assessment of outcome, including mortality, on which to base any interventional action. Whilst mitigating action has been taken, this remains a significant matter on the risk register and every effort is being made to remedy the situation in a short a time as possible.

- **Coroner's Rule 43 notices**

If a Coroner believes action should be taken to prevent or reduce the risk of a recurrence of fatalities, under Rule 43 of the Coroners Rules 1984, it is open to him or her to make a report to the person (s) who may have power to take this action. The UHB received 6 Rule 43 notices from the Coroner between 1 April 2012 and 31 March 2013. These related to:

- 1) Delays in the Emergency Unit impacting on ambulance turnaround times which resulted in a delay in an emergency patient being conveyed to EU. (Also issued to Welsh Ambulance Services Trust.)
- 2) Midwifery / obstetric care resulting in delivery of a compromised baby
- 3) Delay in referral / response between GP and Community Mental Health Team and confusion regarding the referral process. There were also links to previous concerns raised by HM Coroner.
- 4) An inpatient choking in Mental Health where the emergency response was questioned.
- 5) The management of an acute emergency stroke by GP in the community
- 6) Issues relating to the provision of care at a satellite renal unit, including opportunity for internal review and learning. (Also issued to Fresenius Medical Services.)

Internal audit carried out a review of how the UHB developed actions plans in responses to the Coroner's recommendations and then acted on them. The assurance received was substantial confirming that the UHB takes such recommendations very seriously.

- **Mortality Indices**

All Heath Boards in Wales are now publishing Risk Adjusted Mortality Indices (RAMI). A RAMI value of more than 100 means that more deaths occurred that expected, and a RAMI value of less than 100 means fewer deaths occurred than expected. This does not necessarily mean that care was poor (or good) or that lives were lost (or saved). The RAMI as calculated on the 24 April 2013 is 108 which is of concern. Unfortunately, due to a backlog in coding episodes of care it means it is difficult to have confidence in the information and so we are taking action to put in place other assurance mechanisms as well as tackling the coding problem. The additional mechanisms include:

- weekly review of individual patient case notes to review whether poor clinical practice contributed to the patients death
- Clinical Audits
- Stroke Mortality Review Audit
- Fractured Neck of Femur Audit and service improvements
- Clinical Reviews by Royal Colleges
- Listening to patient and staff concerns in a more structured way so that we pick up any themes or trends early on.

The Board continues to monitor this closely at every meeting.

- **Fire Notices**

The South Wales Fire and Rescue (SWFR) service undertake periodic reviews of UHB premises to assess compliance with fire safety legislation. During the year 23 visits were undertaken. The majority of visits result in the receipt of an informal notice identifying areas of shortfall. However, there are occasions when the SWFR Service determines that the serving of an Enforcement Notice is more appropriate. The following Notices were in place/issued at some point during the year:

Premises	Date of Issue	Current Status
A3 Intensive Care Unit and C3 Coronary Care, UHW	July 2011	Notice rescinded 3 December 2012
West 2, Whitchurch Hospital	December 2011	Notice rescinded 20 September 2012
Intensive Care Unit/High Dependency Unit, Llandough	October 2012	Notice rescinded 2 May 2013
Whitchurch Hospital – control of smoking and smoking materials	January 2013	Notice rescinded 27 February 2013
Whitchurch Hospital – Site wide notice	January 2013	Includes a number of items that would require considerable capital investment. The UHB has been given 24 months to comply with the requirements of the notice in the knowledge that a number of areas will be vacated within this timescale. The SWFR Service is expecting every effort to be made to

		improve fire safety where practicable within this timescale and regular visits will be made to monitor progress.
--	--	--

The UHB has a programme of internal inspections and risk assessment which aims to identify any fire safety concerns proactively and ensure that appropriate remedial action is taken. However, the age of the estate does present a challenge in some areas.

- **Food Hygiene Reports**

Food preparation areas within UHB premises are inspected by enforcement officers from either the Vale of Glamorgan Council or Cardiff Council to assess compliance with food hygiene requirements. The local authorities in Wales issue a Food Hygiene Rating. This is a nationally recognised system. A rating of 0 means that urgent attention is required, a rating of 5 means that standards are very good. During the year 10 inspections were undertaken. The following Food Hygiene Ratings were awarded:-

Food Hygiene Rating	Number of Premises
5	1
4	7
3	1*
2	0
1	0
0	1**
Not Applicable	The Central Production Unit at UHW is a manufacturing unit for which food hygiene ratings do not apply.

*Inspection of St David's Hospital, Cardiff - this premise is operated by Balfour Beatty Workplace as part of the PFI contract with IMC (St David's) and therefore it is the PFI partner's legal responsibility to comply with the requirements of all Environment Health Officer findings.

**Inspection of University Hospital Llandough (UHL) – the Board was extremely concerned at the rating given when UHL was visited on 14 January 2013. Action has been taken to remedy the issues raised and a re-inspection is awaited. The Board is being apprised of developments.

CONCLUSION

As Accountable Officer and based on the review process outlined above I have reviewed the relevant evidence and assurances in respect of internal control. The Board and its Executive Directors are alert to their accountabilities in respect of internal control. The Board has had in place during the year a system of providing assurance aligned to both the corporate objectives and the Standards for Health Services in Wales to assist with the identification and management of risk.

The Board's continued focus is the provision of high quality, safe and sustainable services within the available resources. The new Clinical Boards will strengthen clinical, professional and managerial leadership across the UHB.

My review confirms that the UHB has a sound system of internal control in many areas but there are some significant areas of weakness, as set out in my review of effectiveness above, that are subject to focussed and urgent management attention to address the identified shortcomings.

Signed by:

Adam Cairns
Chief Executive
10 June 2013

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

I certify that I have audited the financial statements of Cardiff and Vale University Local Health Board for the year ended 31st March 2013 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 the 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 61 and 62, 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 31st March 2013 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

- I have no observations to make on these financial statements.

The maintenance and integrity of Cardiff and Vale University Local Health Board 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
13 June 2013

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

**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)¹, 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 Assembly 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 : Chris Hurst

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