

CARDIFF & 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 & 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.

Under the National Health Services Finance (Wales) Act 2014 the annual requirement to achieve balance against Resource Limits has been replaced with a duty to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved limits.

The Act came into effect from 1 April 2014 and under the Act the first assessment of the 3 year rolling financial duty will take place at the end of 2016-17.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Expenditure on Primary Healthcare Services	3.1	219,500	214,829
Expenditure on healthcare from other providers	3.2	221,236	212,186
Expenditure on Hospital and Community Health Services	3.3	763,050	754,262
		1,203,786	1,181,277
Less: Miscellaneous Income	4	367,314	363,484
LHB net operating costs before interest and other gains and losses		836,472	817,793
Investment Income	8	0	0
Other (Gains) / Losses	9	(608)	(268)
Finance costs	10	(9)	285
Net operating costs for the financial year		835,855	817,810

See note 2 on page 20 for in-year details of performance against Revenue and Capital allocations.

The notes on pages 8 to 63 form part of these accounts

Other Comprehensive Net Expenditure

	2014-15 £'000	2013-14 £'000
Net gain / (loss) on revaluation of property, plant and equipment	12,162	6,287
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
(Gain) / loss on other reserves	0	0
Impairment and reversals	0	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0
Other comprehensive net expenditure for the year	<u>12,162</u>	<u>6,287</u>
Total comprehensive net expenditure for the year	<u>823,693</u>	<u>811,523</u>

Statement of Financial Position as at 31 March 2015

		Restated
	31 March 2015 £'000	31 March 2014 £'000
Notes		
Non-current assets		
Property, plant and equipment	11 592,851	533,211
Intangible assets	12 1,398	1,127
Trade and other receivables	15 17,974	15,201
Other financial assets	19 0	0
Total non-current assets	612,223	549,539
Current assets		
Inventories	14 15,315	14,832
Trade and other receivables	15 117,039	91,028
Other financial assets	19 0	0
Cash and cash equivalents	18 562	762
	132,916	106,622
Non-current assets classified as "Held for Sale"	11 2,200	397
Total current assets	135,116	107,019
Total assets	747,339	656,558
Current liabilities		
Trade and other payables	16 127,084	104,641
Other financial liabilities	20 0	0
Provisions	17 87,535	71,049
Total current liabilities	214,619	175,690
Net current assets/ (liabilities)	(79,503)	(68,671)
Non-current liabilities		
Trade and other payables	16 11,823	12,643
Other financial liabilities	20 0	0
Provisions	17 19,904	16,384
Total non-current liabilities	31,727	29,027
Total assets employed	500,993	451,841
Financed by :		
Taxpayers' equity		
General Fund	396,438	337,917
Revaluation reserve	104,555	113,924
Total taxpayers' equity	500,993	451,841

The financial statements on pages 2 to 7 were approved by the Board on 2nd June 2015 and signed on its behalf by:

Chief Executive.....
Adam Cairns

Date
2nd June 2015

The notes on pages 8 to 63 form part of these accounts

Due to a change in the accounts format, the comparative figure for trade and other payables (current) has been increased by £1.393m and that for trade and other payables non current by £0.894m re amounts previously classed as other liabilities.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2015

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2014-15			
Balance at 1 April 2014	337,917	113,924	451,841
Net operating cost for the year	(835,855)		(835,855)
Net gain/(loss) on revaluation of property, plant and equipment	0	12,162	12,162
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	21,531	(21,531)	0
Release of reserves to SoCNE	0	0	0
Transfers to/from LHBs		0	0
Total recognised income and expense for 2014-15	(814,324)	(9,369)	(823,693)
Net Welsh Government funding	872,845		872,845
Balance at 31 March 2015	396,438	104,555	500,993

The notes on pages 8 to 63 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2013-14			
Balance at 1 April 2013	308,198	113,711	421,909
Net operating cost for the year	(817,810)		(817,810)
Net gain/(loss) on revaluation of property, plant and equipment	(68)	6,355	6,287
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	6,142	(6,142)	0
Release of reserves to SoCNE	0	0	0
Transfers to/from LHBs	(227)	0	(227)
Total recognised income and expense for 2013-14	(811,963)	213	(811,750)
Net Welsh Government funding	841,682		841,682
Balance at 31 March 2014	337,917	113,924	451,841

The notes on pages 8 to 63 form part of these accounts

Statement of Cash flows for year ended 31 March 2015

		2014-15	2013-14
		£'000	£'000
Cash Flows from operating activities	notes		
Net operating cost for the financial year		(835,855)	(817,810)
Movements in Working Capital	32	(12,640)	(20,523)
Other cash flow adjustments	33	71,639	72,724
Provisions utilised	17	(18,160)	(13,117)
Net cash outflow from operating activities		(795,016)	(778,726)
Cash Flows from investing activities			
Purchase of property, plant and equipment		(78,262)	(69,248)
Proceeds from disposal of property, plant and equipment		1,568	7,008
Purchase of intangible assets		(728)	(551)
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		(77,422)	(62,791)
Net cash inflow/(outflow) before financing		(872,438)	(841,517)
Cash flows from financing activities			
Welsh Government funding (including capital)		872,845	841,682
Capital receipts surrendered		0	0
Capital grants received		0	0
Capital element of payments in respect of finance leases and on-SoFP		(607)	(364)
Cash transferred (to)/ from other NHS bodies		0	0
Net financing		872,238	841,318
Net increase/(decrease) in cash and cash equivalents		(200)	(199)
Cash and cash equivalents (and bank overdrafts) at 1 April 2014		762	961
Cash and cash equivalents (and bank overdrafts) at 31 March 2015		562	762

The notes on pages 8 to 63 form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2014-15 Local Health Board Manual for Accounts and 2014-15 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 LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

NEST Pension Scheme

The LHB has to offer an alternative pensions scheme for employees not eligible to join the NHS Pensions scheme. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

1.5 Other expenses

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

1.6 Property, plant and equipment**Recognition**

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

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

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

In 2012-13 a formal revaluation exercise was applied to land and properties. 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.

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.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that that impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE. 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 2014/15.

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 there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Donated assets

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

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 end of the reporting period, 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 is hosted 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 22 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 SoCNE 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.

The LHB accounts for all losses and special payments gross (including assistance from the WRP). The LHB accrues or provides for the best estimate of future payouts for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.24 Pooled budget

The LHB 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 29 to these accounts on page 57.

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.

1.26 Key sources of estimation uncertainty (continued)

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 £3.781m re non NHS organisations and a credit note provision of £0.087m 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.

B) The LHB has provided for some £101.312m 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 Legal and Risk Services and the LHB's own legal advisors Blake Morgan. 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 2015. Based on a sample the LHB has accrued £0.494m re untaken annual leave. This is based on a sample of the leave records of 58% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2015/2016 under exceptional circumstances.

D) The LHB has estimated a liability of £3.782m 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. In particular the LHB has received 284 claims for which the assessment process has not been completed. This assessment process is highly complex, involves multi disciplinary teams and for those reasons take many months to conclude. At this stage, the LHB does not have the information to make judgement on the likely success or otherwise of these claims, however they may result in significant additional costs to the LHB, which cannot be quantified at this time.

E) During 2009/10 the LHB counted inventory (excluding drugs which were already being counted) held on wards for the first time 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 854 beds out of a possible 2,036 across the LHB. In this way a figure of £0.796m 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
- > 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 LHB. 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 government grant funded intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be 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. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

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 2014-15. The application of the Standards as revised would not have a material impact on the accounts for 2014-15, were they applied in that year:

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

During 2014-15 there have been no accounting standards that have been adopted early.

All early adoption of accounting standards will be led by HM Treasury.

1.33 Charities

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the LHB has established that as the LHB is the corporate trustee of the linked NHS Charity (Cardiff & Vale Health Charity), it is considered for accounting standards compliance to have control of Cardiff & Vale Health Charity as a subsidiary and therefore is required to consolidate the results of Cardiff & Vale Health Charity within the statutory accounts of the LHB. The determination of control is an accounting standards test of control and there has been no change to the operation of Cardiff & Vale Health Charity or its independence in its management of charitable funds.

However, the LHB has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will [consolidate/disclose] the Charitable Accounts of Local Health Boards in the Welsh Government Consolidated Accounts. Details of the transactions with the charity are included in the related parties' notes.

2. Financial Duties Performance

The National Health Service Finance (Wales) Act 2014 came into effect from 1 April 2014. The Act amended the financial duties of Local Health Boards under section 175 of the National Health Service (Wales) Act 2006. From 1 April 2014 section 175 of the National Health Service (Wales) Act places two financial duties on Local Health Boards:

- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years
- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

The first assessment of performance against the 3 year statutory duty under section 175 (1) will take place at the end of 2016/17, being the first 3 year period of assessment.

2.1 Revenue Resource Performance

	2014-15 £'000
Net operating costs for the year	835,855
Less general ophthalmic services expenditure and other non-cash limited expenditure	(21,957)
Less revenue consequences of bringing PFI schemes onto SoFP	(1,028)
Total operating expenses	812,870
Revenue Resource Allocation	791,506
Under /(over) spend against Allocation	(21,364)

The Health Board did not receive any repayable resource brokerage in 2014/15.

The Health Board received £10.5 million repayable cash support in 2014/15. Repayment will be in accordance with the Integrated Medium Term Plan for 2015/16 to 2017/18.

2.2 Capital Resource Performance

	2014-15 £'000
Gross capital expenditure	92,690
Add: Losses on disposal of donated assets	0
Less NBV of property, plant and equipment and intangible assets disposed	(960)
Less capital grants received	0
Less donations received	(7,805)
Charge against Capital Resource Allocation	83,925
Capital Resource Allocation	84,004
(Over) / Underspend against Capital Resource Allocation	79

2.3 Duty to prepare a 3 year plan

The LHB did submit an Integrated Medium Term Plan for the period 2014/15 - 2016/17 in accordance with the planning directions issued by the Welsh Ministers.

The Minister for Health and Social Services did approve the plan submitted for the period 2014/15 - 2016/17.

The LHB did meet its statutory financial duty under section 175 (2A) of the National Health Service (Wales) Act 2006.

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2014-15 Total £'000	2013-14 £'000
General Medical Services	65,727		65,727	63,495
Pharmaceutical Services	21,566	17,017	38,583	37,024
General Dental Services	30,155		30,155	29,624
General Ophthalmic Services	0	4,940	4,940	4,897
Other Primary Health Care expenditure	6,018		6,018	6,295
Prescribed drugs and appliances	74,077		74,077	73,494
Total	197,543	21,957	219,500	214,829

The Total expenditure above includes £6.730m in respect of staff costs (£6.759m 2013-14)

3.2 Expenditure on healthcare from other providers

	2014-15 £'000	2013-14 £'000
Goods and services from other NHS Wales Health Boards	26,607	26,711
Goods and services from other NHS Wales Trusts	21,587	21,001
Goods and services from other non Welsh NHS bodies	1,578	1,050
Goods and services from WHSSC / EASC	108,314	104,984
Local Authorities	339	458
Voluntary organisations	7,267	6,066
NHS Funded Nursing Care	7,130	5,967
Continuing Care	42,089	40,030
Private providers	6,314	5,919
Specific projects funded by the Welsh Government	11	0
Other	0	0
Total	221,236	212,186

3.3 Expenditure on Hospital and Community Health Services

	2014-15	2013-14
	£'000	£'000
Directors' costs	2,096	2,221
Staff costs	519,336	510,709
Supplies and services - clinical	144,767	139,667
Supplies and services - general	7,158	6,894
Consultancy Services	1,789	1,533
Establishment	9,721	9,670
Transport	1,057	1,391
Premises	26,876	23,195
External Contractors	0	0
Depreciation	23,720	21,804
Amortisation	457	387
Fixed asset impairments and reversals (Property, plant & equipment)	17,991	28,850
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	10	74
Audit fees	421	421
Other auditors' remuneration	4	0
Losses, special payments and irrecoverable debts	7,442	7,472
Research and Development	0	0
Other operating expenses	205	(26)
Total	763,050	754,262

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

	2014-15	2013-14
	£'000	£'000
Increase/(decrease) in provision for future payments:		
Clinical negligence	40,891	18,779
Personal injury	1,343	650
All other losses and special payments	1,432	3,114
Defence legal fees and other administrative costs	1,132	989
Gross increase/(decrease) in provision for future payments	44,798	23,532
Premium for other insurance arrangements	0	0
Irrecoverable debts	1,690	532
Less: income received/ due from Welsh Risk Pool	(39,046)	(16,592)
Total	7,442	7,472

Personal injury includes -£48k (2013-14 £316k) in respect of permanent injury benefits.

Clinical Redress arising during the year was £330k (2013-14 £251k)

4. Miscellaneous Income

	2014-15 £'000	2013-14 £'000
Local Health Boards	66,758	67,877
WHSSC /EASC	180,350	178,931
NHS trusts	3,611	3,254
Strategic health authorities and primary care trusts	5,590	4,726
Foundation Trusts	0	0
Local authorities	9,527	7,271
Welsh Government	9,606	13,289
Non NHS:		
Prescription charge income	2,105	1,520
Dental fee income	5,006	4,612
Private patient income	1,112	1,754
Overseas patients (non-reciprocal)	98	190
Injury Costs Recovery (ICR) Scheme	3,337	3,568
Other income from activities	2,186	1,860
Patient transport services	0	0
Education, training and research	46,961	51,001
Charitable and other contributions to expenditure	1,575	1,775
Receipt of donated assets	7,805	190
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	807	783
NWSSP	0	0
Deferred income released to revenue	205	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	5,357	5,226
Accommodation and catering charges	2,025	2,057
Mortuary fees	379	368
Staff payments for use of cars	0	0
Business Unit	0	0
Other	12,914	13,232
Total	367,314	363,484

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of 28.96% to reflect expected rates of collection based on the UHB's past recoverability performance.

Other Income includes:

Non Staff SLA's with Cardiff University	4,176	4,194
Creche Fees	640	584
Site User Facilities SLA's & Pass through costs	631	577
Pharmacy sales	1,201	1,145
Equipment Evaluation Income	713	728
NHS Non Patient Care Income	1,458	1,436
Total	8,819	8,664

5. Employee benefits and staff numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2013-14
	£000	£000	£000	£000	£000
Salaries and wages	432,880	783	12,370	446,033	437,478
Social security costs	31,969	0	0	31,969	32,116
Employer contributions to NHS Pension Scheme	50,572	0	0	50,572	50,712
Other pension costs	14	0	0	14	9
Other employment benefits	0	0	0	0	0
Termination benefits	1,975	0	0	1,975	3,123
Total	517,410	783	12,370	530,563	523,438
Charged to capital				786	986
Charged to revenue				529,777	522,452
				530,563	523,438
Net movement in accrued employee benefits (untaken staff leave accrual included above)				(3)	

5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2013-14
	Number	Number	Number	Number	Number
Medical and dental	1,262	5	50	1,317	1,307
Ambulance staff	0	0	0	0	0
Administrative and estates	1,975	1	23	1,999	2,075
Healthcare assistants and other support staff	925	0	1	926	1,001
Nursing, midwifery and health visiting staff	5,021	1	48	5,070	5,103
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	2,619	4	8	2,631	2,681
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	11,802	11	130	11,943	12,167

5.3. Retirements due to ill-health

During 2014-15 there were 33 early retirements from the LHB agreed on the grounds of ill-health (14 in 2013-14 - £1,061,853.) The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £2,059,439.

5.4 Employee benefits

The LHB does not have an employee benefits scheme

5.5 Reporting of other compensation schemes - exit packages

Restated

	2014-15	2014-15	2014-15	2014-15	2013-14
Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages Whole numbers only	Number of departures where special payments have been made Whole numbers only	Total number of exit packages Whole numbers only
	Whole numbers only	Whole numbers only			
less than £10,000	2	3	5	3	13
£10,000 to £25,000	2	22	24	22	54
£25,000 to £50,000	2	16	18	16	38
£50,000 to £100,000	1	6	7	6	12
£100,000 to £150,000	2	0	2	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	1	0	1	0	0
Total	10	47	57	47	117

Restated
2013-14

	2014-15	2014-15	2014-15	2014-15	2013-14
Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages	Total cost of exit packages
	£'s	£'s	£'s	£'s	£'s
less than £10,000	17,592	28,395	45,987	28,395	87,635
£10,000 to £25,000	45,385	369,103	414,488	369,103	967,991
£25,000 to £50,000	60,821	552,258	613,079	552,258	1,319,220
£50,000 to £100,000	94,176	400,883	495,059	400,883	735,910
£100,000 to £150,000	261,811	0	261,811	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	214,836	0	214,836	0	0
Total	694,621	1,350,639	2,045,260	1,350,639	3,110,756

Redundancy costs have been paid in accordance with the NHS Redundancy provisions, other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). From 2014/2015 exit costs in this note are disclosed in the year of departure on a cash basis, this change in disclosure has also required that the prior year figures be re-stated to a cash basis. Where the LHB has agreed early retirements, the additional costs are met by the LHB and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pension scheme and are not included in the table.

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

All 47 special payments are severance payments, the highest payment was £95,000, the lowest payment was £9,153 and the median payment was for £23,543.

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 2014-15 was £200,000 - £205,000 (2013-14, £200,000 - £205,000). This was 7.18 times (2013-14, 7.22) the median remuneration of the workforce, which was £28,186 (2013-14, £28,030). In 2014-15 the highest paid director was the Chief Executive, in 2013-14 the highest paid director was the Medical Director.

	2014-15	2013-14
Band of Chief Executive Remuneration £,000	200-205	200-205
Median Total Remuneration £	28,186	28,030
Ratio	7.18	7.22
Band of Highest paid Director's Remuneration £,000	200-205	200-205
Median Total Remuneration £	28,186	28,030
Ratio	7.18	7.22

In 2014-15, 7 (2013-14, 2) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £205,000 to £225,000 (2013-14 £200,000 to £235,000). All these employees are Medical Consultants, remuneration for the highest paid staff includes 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.

There has been a 0.6% increase in the median of the workforce which was the result of the pay awards for staff and slight changes to the composition of the workforce. No pay awards have been given to Board members, this and the increase to the median remuneration are the major contributors to the decrease of the ratio between the median remuneration of the workforce and the highest paid director.

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. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015 is based on valuation data as 31 March 2014, updated to 31 March 2015 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 2012.

The Scheme Regulations 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.

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) has been used and replaced 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.

d) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Currently, the legal minimum level of contributions is 2 per cent of a jobholder's qualifying earnings for employers whose legal duties have started. Of this, the employer needs to pay at least 1 per cent, though they can pay more if they want to.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,772 and £41,865 for the 2014/2015 tax year.

NEST has an annual contribution limit of £4,600 for the 2014/15 tax year (£4,500 for 2013-14). This means the most that can be contributed to a single pot in the current tax year is £4,600. This figure will be adjusted annually in line with average earnings.

The annual contribution limit includes member contributions, money from their employer and any tax relief. It also includes any money paid in by someone else on behalf of the member,

6. Operating leases

LHB as lessee

The UHB currently has 17 operating leases agreements in place for the leases of premises, 8 arrangements in respect of equipment and 34 in respect of vehicles, with 9 expiring in year. The periods in which the remaining 50 agreements expire are shown below:

Payments recognised as an expense	2014-15 £000	2013-14 £000
Minimum lease payments	1,158	770
Contingent rents	0	0
Sub-lease payments	0	0
Total	1,158	770

Total future minimum lease payments

Payable	£000	£000
Not later than one year	1,015	917
Between one and five years	2,811	2,604
After 5 years	4,342	3,394
Total	8,168	6,915

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	0	8	4	12
Between one and five years	4	20	3	27
After 5 years	11	0	0	11
Total	15	28	7	50

Charged to the income statement (£'000)	779	141	183	1,103
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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

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

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.

	2014-15 Number	2014-15 £000	2013-14 Number	2013-14 £000
NHS				
Total bills paid	5,329	191,904	7,329	173,024
Total bills paid within target	3,665	178,399	5,576	160,784
Percentage of bills paid within target	68.8%	93.0%	76.1%	92.9%
Non-NHS				
Total bills paid	237,634	544,172	263,272	550,817
Total bills paid within target	210,762	509,139	226,333	511,836
Percentage of bills paid within target	88.7%	93.6%	86.0%	92.9%
Total				
Total bills paid	242,963	736,076	270,601	723,841
Total bills paid within target	214,427	687,538	231,909	672,620
Percentage of bills paid within target	88.3%	93.4%	85.7%	92.9%

During 2014/15 the UHB suffered some cash flow difficulties which impacted on our ability to pay invoices within the target referred to above. During March the Welsh Government provided the UHB with repayable cash assistance of £10.5m. While this assistance enabled the UHB to meet many of its payment commitments, the timing of the assistance meant that it didn't impact greatly on our performance against this target. However, the fact that it allowed us to settle a number of invoices which were already older than 30 days should impact positively on our 2015/16 performance.

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

	2014-15 £	2013-14 £
Amounts included within finance costs (note 10) from claims made under this legislation	0	35
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	35

8. Investment Income

	2014-15 £000	2013-14 £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

	2014-15 £000	2013-14 £000
Gain/(loss) on disposal of property, plant and equipment	(1)	(9)
Gain/(loss) on disposal of intangible assets	0	(87)
Gain/(loss) on disposal of assets held for sale	609	364
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	608	268

10. Finance costs

	2014-15 £000	2013-14 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	28	13
Interest on obligations under PFI contracts		
main finance cost	1,333	1,338
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
Total interest expense	1,361	1,351
Provisions unwinding of discount	(1,370)	(1,066)
Other finance costs	0	0
Total	(9)	285

Since 2012/13 the discount rate applied to clinical negligence provisions (and associated defence costs) as issued by HM Treasury has been negative. Hence the unwinding of the discount effectively reduces the carrying value of the provision, with a corresponding credit to expenditure.

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 2014	120,390	345,035	5,003	60,683	90,903	2,070	16,463	207	640,754
Indexation	2,378	10,137	250	0	885	21	0	2	13,673
Additions									
- purchased	0	7,691	0	60,456	12,428	54	3,528	0	84,157
- donated	0	0	0	2,809	4,907	0	89	0	7,805
- 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	66,173	0	(66,173)	(20)	0	20	0	0
Revaluations	0	(368)	0	0	0	0	0	0	(368)
Reversal of impairments	30	7,095	0	0	0	0	0	0	7,125
Impairments	(233)	(25,640)	0	0	0	0	0	0	(25,873)
Reclassified as held for sale	(1,766)	(1,000)	0	0	0	0	0	0	(2,766)
Disposals	0	0	0	0	(2,089)	(62)	(1,049)	0	(3,200)
At 31 March 2015	120,799	409,123	5,253	57,775	107,014	2,083	19,051	209	721,307
Depreciation at 1 April 2014	0	25,069	287	0	67,830	1,781	12,369	207	107,543
Indexation	0	883	14	0	656	18	0	1	1,572
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	(7)	0	7	0	0
Revaluations	0	(429)	0	0	0	0	0	0	(429)
Reversal of impairments	0	351	0	0	0	0	0	0	351
Impairments	0	(1,108)	0	0	0	0	0	0	(1,108)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(2,082)	(62)	(1,049)	0	(3,193)
Provided during the year	0	15,423	150	0	6,259	126	1,761	1	23,720
At 31 March 2015	0	40,189	451	0	72,656	1,863	13,088	209	128,456
Net book value at 1 April 2014	120,390	319,966	4,716	60,683	23,073	289	4,094	0	533,211
Net book value at 31 March 2015	120,799	368,934	4,802	57,775	34,358	220	5,963	0	592,851
Net book value at 31 March 2015 comprises :									
Purchased	120,799	357,371	4,802	57,775	28,670	220	5,771	0	575,408
Donated	0	11,563	0	0	5,688	0	192	0	17,443
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2015	120,799	368,934	4,802	57,775	34,358	220	5,963	0	592,851
Asset financing :									
Owned	111,802	335,648	3,838	57,775	33,800	220	5,963	0	549,046
Held on finance lease	0	2,312	0	0	558	0	0	0	2,870
On-SoFP PFI contracts	8,997	30,974	964	0	0	0	0	0	40,935
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2015	120,799	368,934	4,802	57,775	34,358	220	5,963	0	592,851

The net book value of land, buildings and dwellings at 31 March 2015 comprises :

	£000
Freehold	451,288
Long Leasehold	17,009
Short Leasehold	26,238
	494,535

Of the totals at 31st March 2015, £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 £1.590m. (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 £0.174m. (3) Rookwood Hospital which has been earmarked for closure, £0.421m.

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 2013	126,452	301,630	5,131	69,662	91,657	2,092	14,938	207	611,769
Indexation	0	5,904	101	0	0	0	0	0	6,005
Additions									
- purchased	0	6,919	0	51,319	6,211	0	1,472	0	65,921
- donated	0	0	0	0	92	0	98	0	190
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	(481)	0	(49)	0	(530)
Reclassifications	0	60,298	0	(60,298)	(160)	0	160	0	0
Revaluations	0	512	0	0	0	0	0	0	512
Reversal of impairments	0	2,645	0	0	0	0	0	0	2,645
Impairments	(105)	(32,284)	0	0	(5)	0	(4)	0	(32,398)
Reclassified as held for sale	(460)	(306)	(229)	0	0	0	0	0	(995)
Disposals	(5,497)	(283)	0	0	(6,411)	(22)	(152)	0	(12,365)
At 31 March 2014	120,390	345,035	5,003	60,683	90,903	2,070	16,463	207	640,754
Depreciation at 1 April 2013	0	11,896	213	87	68,360	1,643	11,035	203	93,437
Indexation	0	227	3	0	0	0	0	0	230
Transfer from/into other NHS bodies	0	0	0	0	(291)	0	(12)	0	(303)
Reclassifications	0	87	0	(87)	(52)	0	52	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	7	0	0	0	0	0	0	7
Impairments	0	(910)	0	0	0	0	0	0	(910)
Reclassified as held for sale	0	(31)	(85)	0	0	0	0	0	(116)
Disposals	0	(30)	0	0	(6,402)	(22)	(152)	0	(6,606)
Provided during the year	0	13,823	156	0	6,215	160	1,446	4	21,804
At 31 March 2014	0	25,069	287	0	67,830	1,781	12,369	207	107,543
Net book value at 1 April 2013	126,452	289,734	4,918	69,575	23,297	449	3,903	4	518,332
Net book value at 31 March 2014	120,390	319,966	4,716	60,683	23,073	289	4,094	0	533,211
Net book value at 31 March 2014 comprises :									
Purchased	120,390	309,608	4,716	60,683	21,938	265	3,923	0	521,523
Donated	0	10,358	0	0	1,135	24	171	0	11,688
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2014	120,390	319,966	4,716	60,683	23,073	289	4,094	0	533,211
Asset financing :									
Owned	111,570	287,261	3,773	60,683	22,324	289	4,094	0	489,994
Held on finance lease	0	2,479	0	0	749	0	0	0	3,228
On-SoFP PFI contracts	8,820	30,226	943	0	0	0	0	0	39,989
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2014	120,390	319,966	4,716	60,683	23,073	289	4,094	0	533,211

The net book value of land, buildings and dwellings at 31 March 2014 comprises :

	£000
Freehold	402,604
Long Leasehold	16,711
Short Leasehold	25,757
	445,072

Of the totals at 31st March 2014, £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 £1.394m. (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 £0.166m. (3) Rookwood Hospital which has been earmarked for closure, £0.564m. (4) Non specialised assets reclassified as Non-current assets Held for Sale £0.008m.

11. Property, plant and equipment (continued)

i) Donated additions 2014/2015

Of the donated additions shown in Note 11.1, £6.745m was funded by the Noah's Ark Children's Hospital Charity towards the cost of building and equipping Phase 2 of the Noah's Ark Children's Hospital for Wales. Latch, the Welsh Children's Cancer Charity, are contributing £0.750m towards the cost of building the second phase of the Noah's Ark Children's Hospital for Wales. The LHB's Charitable Fund contributed £0.242m towards the purchase of capital equipment during the year. Capital equipment worth £0.068m was funded by other donors.

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

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

The LHB will periodically instruct the District Valuer to Carry out "Good Housekeeping Valuations" when assets resulting from major capital schemes are first brought into use. During the year the LHB carried out 3 such revaluations the total effect of which was:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£22.659m).

The significant schemes brought into use were:

CRI Redevelopment (Valuation Date: 31/03/2015) (£3.363m) was written off the carrying value via the SoCNE.

Children's Hospital for Wales Phase 2 (Valuation Date: 31/03/2015) (£17.700m) was written off the carrying value via the SoCNE.

UHW Emergency Unit Phase 3 (Valuation Date: 29/07/2014) (£1.596m) 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 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 one of its assets in 2014/2015 and an upward revaluation of £0.061m was set against reserves. As per Welsh Government guidance the LHB has applied an Indexation factor to its Land and Buildings for 2014/2015, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £6.775m has been credited to the SoCNE.

vi) During the year the Board approved the sale of one of its properties and a plot of land, these have been revalued accordingly by the District Valuer and an impairment of (£2.107m) has been charged to the SoCNE. The plot of land had been sold by March 31st 2015, see Note 11.2 for further detail. During the year one of the properties already Held for Sale was impaired and this impairment of (£0.010m) is included in Note 11.2.

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 2014	300	97	0	0	0	397
Plus assets classified as held for sale in the year	1,766	1,000	0	0	0	2,766
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(856)	(97)	0	0	0	(953)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	(10)	0	0	0	0	(10)
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 2015	1,200	1,000	0	0	0	2,200
Balance brought forward 1 April 2013	153	333	0	0	0	486
Plus assets classified as held for sale in the year	460	419	0	0	0	879
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(289)	(605)	0	0	0	(894)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	(24)	(50)	0	0	0	(74)
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 2014	300	97	0	0	0	397

Assets sold in the period

During 2014/2015 the LHB sold 2 properties and a plot of land - a profit of £0.609m was made on the sales.

Assets classified as held for sale during the year

As mentioned on page 35 the LHB has decided to sell one of its properties and a plot of land. The plot of land was sold during 2014/2015 and the LHB expects the property to sell in 2015/2016.

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 2014	3,318	0	0	0	0	0	3,318
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	728	0	0	0	0	0	728
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 2015	4,046	0	0	0	0	0	4,046
Amortisation at 1 April 2014	2,191	0	0	0	0	0	2,191
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	457	0	0	0	0	0	457
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 2015	2,648	0	0	0	0	0	2,648
Net book value at 1 April 2014	1,127	0	0	0	0	0	1,127
Net book value at 31 March 2015	1,398	0	0	0	0	0	1,398
At 31 March 2015							
Purchased	1,398	0	0	0	0	0	1,398
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 2015	1,398	0	0	0	0	0	1,398

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 2013	2,781	0	0	0	0	87	2,868
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	551	0	0	0	0	0	551
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	(14)	0	0	0	0	(87)	(101)
Gross cost at 31 March 2014	3,318	0	0	0	0	0	3,318
Amortisation at 1 April 2013	1,818	0	0	0	0	0	1,818
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	387	0	0	0	0	0	387
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(14)	0	0	0	0	0	(14)
Amortisation at 31 March 2014	2,191	0	0	0	0	0	2,191
Net book value at 1 April 2013	963	0	0	0	0	87	1,050
Net book value at 31 March 2014	1,127	0	0	0	0	0	1,127
At 31 March 2014							
Purchased	1,127	0	0	0	0	0	1,127
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 2014	1,127	0	0	0	0	0	1,127

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

	2014-15		2013-14	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	10	0	(2,376)	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	0	0	0	0
Others (specify)	17,991	0	31,300	0
Total of all impairments	18,001	0	28,924	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	18,001	0	28,924	0
Charged to Revaluation Reserve	0	0	0	0
	18,001	0	28,924	0

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 3 such revaluations the total effect of which was:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£22.659m).

The significant schemes brought into use were:

CRI Redevelopment (Valuation Date: 31/03/2015) (£3.363m) was written off the carrying value via the SoCNE.

Children's Hospital for Wales Phase 2 (Valuation Date: 31/03/2015) (£17.700m) was written off the carrying value via the SoCNE.

UHW Emergency Unit Phase 3 (Valuation Date: 29/07/2014) (£1.596m) was written off the carrying value via the SoCNE.

As per Welsh Government guidance the LHB has applied an Indexation factor to its Land and Buildings for 2014/2015, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £6.775m has been credited to the SoCNE.

During the year the Board approved the sale of one of its properties and a plot of land, these have been revalued accordingly by the District Valuer and an impairment of (£2.107m) has been charged to the SoCNE. The plot of land had been sold by March 31st 2015, see Note 11.2 for further detail. During the year one of the properties already Held for Sale was impaired and this impairment of (£0.010m) is included in Note 11.2.

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

14.1 Inventories

	31 March	31 March
	2015	2014
	£000	£000
Drugs	4,337	3,823
Consumables	10,941	10,922
Energy	37	87
Work in progress	0	0
Other	0	0
Total	15,315	14,832
Of which held at realisable value	0	0

14.2 Inventories recognised in expenses

	31 March	31 March
	2015	2014
	£000	£000
Inventories recognised as an expense in the period	145,997	141,127
Write-down of inventories (including losses)	466	219
Reversal of write-downs that reduced the expense	0	0
Total	146,463	141,346

15. Trade and other Receivables

Current	31 March 2015 £000	31 March 2014 £000
Welsh Government	199	454
WHSSC / EASC	1,676	3,582
Welsh Health Boards	6,251	5,823
Welsh NHS Trusts	1,372	613
Non - Welsh Trusts	2,000	1,778
Other NHS	1	8
Welsh Risk Pool	87,868	65,002
Local Authorities	2,922	1,535
Capital debtors	0	0
Other debtors	14,507	11,386
Provision for irrecoverable debts	(2,602)	(1,461)
Pension Prepayments	0	0
Other prepayments	2,845	2,308
Other accrued income	0	0
Sub total	117,039	91,028
Non-current		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	15,082	11,715
Local Authorities	0	0
Capital debtors	0	0
Other debtors	4,071	4,140
Provision for irrecoverable debts	(1,179)	(654)
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0
Sub total	17,974	15,201
Total	135,013	106,229
Receivables past their due date but not impaired		
By up to three months	6,936	5,143
By three to six months	1,129	1,213
By more than six months	5,951	6,412
	14,016	12,768

Of the debtors past due (but not impaired) which are greater than six months old, £5.305m relates to RTA and personal injury income (2013-14 £5.854m). The UHB has provided for the non recovery of 28.96% of this figure within its bad debt provision.

Provision for impairment of receivables

Balance at 1 April	(2,115)	(1,833)
Transfer to other NHS Wales body	0	0
Amount written off during the year	32	199
Amount recovered during the year	0	(5)
(Increase) / decrease in receivables impaired	(1,785)	(476)
Bad debts recovered during year	0	0
Balance at 31 March	(3,868)	(2,115)

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

Receivables VAT

Trade receivables	0	0
Other	999	585
Total	999	585

16. Trade and other payables

	Restated	
	31 March 2015 £000	31 March 2014 £000
Current		
Welsh Government	7	16
WHSSC / EASC	1,885	1,922
Welsh Health Boards	5,906	3,949
Welsh NHS Trusts	4,616	3,844
Other NHS	11,806	11,041
Taxation and social security payable / refunds	5,249	5,212
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	4,986	4,958
Non-NHS creditors	19,785	14,317
Local Authorities	5,482	4,293
Capital Creditors	10,637	4,742
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	477	585
Imputed finance lease element of on SoFP PFI contracts	62	33
Pensions: staff	0	0
Accruals	43,350	45,867
Deferred Income:		
Deferred Income brought forward	941	699
Deferred Income Additions	209	437
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(205)	(195)
Other creditors	10,618	2,469
PFI assets –deferred credits	292	292
Payments on account	981	160
Total	127,084	104,641
Non-current		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	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	1,887	2,365
Imputed finance lease element of on SoFP PFI contracts	9,334	9,384
Pensions: staff	0	0
Accruals	0	0
Deferred Income :		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
PFI assets –deferred credits	602	894
Payments on account	0	0
Total	11,823	12,643

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:

	Restated	
	31 March 2015 £000	31 March 2014 £000
Amounts falling due:		
Between one and two years	869	830
Between two and five years	1,861	2,189
In five years or more	9,093	9,624
Sub-total	11,823	12,643

Due to a change in the accounts format, the comparative figure for trade and other payables (current) has been increased by £1.393m and that for trade and other payables non current by £0.894m re amounts previously classed as other liabilities.

17. Provisions

	At 1 April 2014	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 2015
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	63,306	(2,818)	(3,555)	1,847	48,131	(12,420)	(13,265)	(1,234)	79,992
Personal injury	965	0	(303)	183	2,276	(986)	(933)	45	1,247
All other losses and special payments	0	0	0	0	1,432	(1,432)	0	0	0
Defence legal fees and other administration	1,441	0	0	49	1,513	(585)	(699)		1,719
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	214			44	140	(217)	0	33	214
Restructuring	0			0	0	0	0	0	0
Other	5,123		(323)	0	1,597	(2,034)	0		4,363
Total	71,049	(2,818)	(4,181)	2,123	55,089	(17,674)	(14,897)	(1,156)	87,535
Non Current									
Clinical negligence	11,414	0	0	(1,847)	7,832	(435)	(1,806)	(182)	14,976
Personal injury	3,116	0	0	(183)	0	0	0	0	2,933
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	260	0	0	(49)	361	(51)	(76)		445
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,594			(44)	0	0	0	0	1,550
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
Total	16,384	0	0	(2,123)	8,193	(486)	(1,882)	(182)	19,904
TOTAL									
Clinical negligence	74,720	(2,818)	(3,555)	0	55,963	(12,855)	(15,071)	(1,416)	94,968
Personal injury	4,081	0	(303)	0	2,276	(986)	(933)	45	4,180
All other losses and special payments	0	0	0	0	1,432	(1,432)	0	0	0
Defence legal fees and other administration	1,701	0	0	0	1,874	(636)	(775)		2,164
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,808			0	140	(217)	0	33	1,764
Restructuring	0			0	0	0	0	0	0
Other	5,123		(323)	0	1,597	(2,034)	0		4,363
Total	87,433	(2,818)	(4,181)	0	63,282	(18,160)	(16,779)	(1,338)	107,439
Expected timing of cash flows:									
	In the remainder of spending review to 31 March 2016	Between 1 April 2016 and 31 March 2021	Between 1 April 2021 and 31 March 2026	Thereafter	Total				
					£000				
Clinical negligence	79,992	14,976	0	0	94,968				
Personal injury	1,247	884	724	1,325	4,180				
All other losses and special payments	0	0	0	0	0				
Defence legal fees and other administration	1,719	445	0	0	2,164				
Pensions relating to former directors	0	0	0	0	0				
Pensions relating to other staff	214	1,008	542	0	1,764				
Restructuring	0	0	0	0	0				
Other	4,363	0	0	0	4,363				
Total	87,535	17,313	1,266	1,325	107,439				

The Clinical Negligence provision includes £0.192m in respect of 25 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 45 claims were settled during the year under this scheme to the value of £0.300m.

Note 17. 2014/2015 (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 £102.950m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £3.782m

Potential Additional Funded Nursing Care liabilities resulting from a judicial review £0.316m

Potential Payments to staff in respect of time off in lieu £0.265m

Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. The 31st July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1st April 2003 has resulted in a large increase in the number of claims registered this financial year.

Cardiff and Vale University Health Board is responsible for post 1st April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [17] sets out the £3.782m provision made for probable continuing care costs relating to 136 claims received;

Note [25.1] sets out the £5.941m contingent liability for possible continuing care costs relating to 150 claims received;

However, in addition the LHB has a further 284 claims, which were received by the 31st July 2014 deadline, for which the assessment process has not yet been completed. The assessment process is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the LHB does not have the information to make a judgement on the likely success or otherwise of these claims, however they may result in significant additional costs to the LHB, which cannot be quantified at this time.

March 2015 High Court Judgement re Funded Nursing Care

The March judgement by a High Court Judge in Cardiff to overturn the decision made by the seven local health boards in Wales fixing the rate for funded nursing care for the following five years has serious financial consequences for the UHB in this and in future years. An estimate of the financial effect of the judgement re 2014/15 of £0.316m has been provided for within note 17 annual accounts. Due to the likelihood of this judgement being appealed the estimated liability has been treated as a provision within these accounts.

Accounting for Defence Fees in respect of Clinical Negligence and Personal Injury Claims

The 2014-15 Manual for Accounts (MFA) describes that the accounting treatment for defence legal costs categorised as possible in the 2014-15 year end quantum report was to be based on the stages of claim as follows:

Stage 1 & 2 Pre Letter of Claim & Detailed letter of claim served - recognise contingent liability.

Stage 3 Particulars of claim served and witness and expert evidence obtained - recognise a provision. Organisations with numerous claims should base the provision on three year's historical cost data. Organisations with a smaller number of claims should use local knowledge of these claims to determine their provision. Note there may be different % values for clinical negligence and personal injury cases.

Stage 4 Unfavourable breach of duty evidence, investigating causation and subsequent stages of claim - recognise a provision at full defence cost provided in quantum report.

These requirements were published late in the year and so this and the fact that the necessary stages of claim were not available on the quantum report until the first week of March meant that the true financial effect of this change could not be quantified until fairly late in the financial year. Applying the treatment fully as outlined above would have meant that only 1 of the 65 personal injury cases with a "possible" probability of success would have been provided for at the end of 2014-15. For clinical negligence we would only have been providing for 21 of 92 possible cases. This clearly represents a significant reduction on the numbers provided for in previous years. In financial terms this would have represented a reduction in expenditure of £0.338m. Hence to try and gauge the reasonableness of the treatment prescribed in the manual for accounts the UHB carried out an exercise which looked at amounts paid out to date in respect of these cases. The finding of this exercise was that in the case of clinical negligence, the UHB had already paid out £0.068m in defence costs for 16 of the 71 cases no longer provided for. In the case of the 64 personal injury cases which the UHB no longer provided for, it had only paid out £1,055 to date. Hence the UHB concluded that the approach outlined in the MFA is reasonable to use for personal injury claims; but not for clinical negligence claims. Hence the UHB has reverted to its historic treatment in providing for the defence fees of possible clinical negligence cases (that is the overall percentage of success based on 3 year historic data is applied to all cases). The increase in the provision that the UHB is carrying as at March 31st as a result of this deviation from the MFA is approximately £0.277m

17. Provisions (continued)

	At 1 April 2013	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 2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	54,969	0	0	7,027	26,680	(5,634)	(18,623)	(1,113)	63,306
Personal injury	1,806	0	(23)	(215)	1,969	(1,339)	(1,280)	47	965
All other losses and special payments	0	0	(17)	0	3,114	(3,097)	0	0	0
Defence legal fees and other administration	1,050	0	0	144	1,185	(452)	(486)		1,441
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	219			98	73	(221)	0	45	214
Restructuring	0			0	0	0	0	0	0
Other	7,044		(342)	0	1,547	(1,743)	(1,383)		5,123
Total	65,088	0	(382)	7,054	34,568	(12,486)	(21,772)	(1,021)	71,049
Non Current									
Clinical negligence	8,316	0	0	(7,027)	10,846	(574)	(124)	(23)	11,414
Personal injury	2,901	0	0	215	0	0	0	0	3,116
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	194	0	0	(144)	294	(57)	(27)		260
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,692			(98)	0	0	0	0	1,594
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
Total	13,103	0	0	(7,054)	11,140	(631)	(151)	(23)	16,384
TOTAL									
Clinical negligence	63,285	0	0	0	37,526	(6,208)	(18,747)	(1,136)	74,720
Personal injury	4,707	0	(23)	0	1,969	(1,339)	(1,280)	47	4,081
All other losses and special payments	0	0	(17)	0	3,114	(3,097)	0	0	0
Defence legal fees and other administration	1,244	0	0	0	1,479	(509)	(513)		1,701
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,911			0	73	(221)	0	45	1,808
Restructuring	0			0	0	0	0	0	0
Other	7,044		(342)	0	1,547	(1,743)	(1,383)		5,123
Total	78,191	0	(382)	0	45,708	(13,117)	(21,923)	(1,044)	87,433

The Clinical Negligence provision includes £0.177m in respect of 26 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 31 claims were settled during the year under this scheme to the value of £0.175m.

Note 17. 2013/2014 (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 £76.717m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

Other Provisions include:

Continuing Healthcare IRP & Ombudsman claims £4.927m
Potential Payments to staff in respect of time off in lieu £0.199m

As per above, the University Health Board has estimated a liability of £4.927m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2013/2014 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 2013/14, 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.

18. Cash and cash equivalents

	2014-15 £000	2013-14 £000 Restated
Balance at 1 April	762	961
Net change in cash and cash equivalent balances	(200)	(199)
Balance at 31 March	562	762
Made up of:		
Cash held at GBS	421	525
Commercial banks	74	157
Cash in hand	67	80
Current Investments	0	0
Cash and cash equivalents as in Statement of Financial Position	562	762
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in Statement of Cash Flows	562	762

19. Other Financial Assets

	Current		Non-current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Financial assets				
Shares and equity type investments				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Deposits	0	0	0	0
Loans	0	0	0	0
Derivatives	0	0	0	0
Other (Specify)				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Total	0	0	0	0

20. Other financial liabilities

Financial liabilities	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Financial Guarantees:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
Derivatives at fair value through SoCNE	0	0	0	0
Other:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
Total	0	0	0	0

21. 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 @ 31/3/15 £'000s	Creditor @ 31/3/15 £'000s	Income £'000s	Expenditure £'000s
Welsh Government	199	7	921,471	61
Abertawe Bro Morgannwg University LHB	1,449	3,242	11,560	16,216
Aneurin Bevan Health Board	753	1,134	29,142	3,717
Betsi Cadwaladr LHB	152	226	484	932
Cwm Taf LHB	3,216	1,272	23,478	9,171
Hywel Dda LHB	440	20	5,697	721
Powys LHB	241	11	1,901	26
Velindre NHS Trust	455	3,139	6,866	21,504
Public Health Wales NHS Trust	789	939	3,512	5,292
Welsh Ambulance Trust	128	538	203	4,894
Welsh Health Specialist Service Commission	1,676	1,885	180,371	108,529
Total £'000s	9,498	12,413	1,184,685	171,063

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

Mrs Maria Battle is Chair of Cardiff and Vale University Health Board. She is also a Council Member of Cardiff University.

Mr Adam Cairns is the Chief Executive of Cardiff and Vale University Health Board. During 2014-15 he was made Honorary Visiting Professor at Cardiff University.

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.

Mrs Abigail Harris is the Executive Director of Planning. Her husband is a Board Member of Wales Council for Voluntary Action and a relative is a Trustee of the Teenage Cancer Trust.

Mrs Alison Gerrard was Board Secretary until 30th September 2014. During 2014/15 her husband was employed by Aneurin Bevan Health Board

Mr Christopher Lewis has been acting Executive Director of Finance since 17th November 2014. During 2014/15 his wife was employed by Abertawe Bro Morgannwg Health Board. He is President of the Wales branch of the Healthcare Financial Management Association.

Mr Peter Welsh was appointed Board Secretary on October 1st 2014. During the year his son who is a freelance web designer was awarded a contract to provide web design services to the UHB. His wife is an employee of the opticians Roberts and Rees which has been paid during the year in line with NHS Regulations. for ophthalmic services provided in the Cardiff and Vale UHB area.

Mrs Eileen Brandreth is an Independent Member of Cardiff and Vale University Health Board. She is also Director of Information Technology at Cardiff University.

Mr Christopher Elmore is an Independent Member of Cardiff and Vale University Health Board. He is also a County Councillor and Cabinet Member of Vale of Glamorgan Council and Chair of Barry YMCA and a Governor of Cardiff and Vale College.

Professor Marcus Longley is Vice Chair of Cardiff and Vale University Health Board. He is also a Director of the Welsh Health Institute for Health and Social Care at the University of South Wales. He is also a member of the Strategic Improvement Steering Group, Welsh Government.

Mrs Margaret McLaughlin is an Independent Member of Cardiff and Vale University Health Board. She is also a trustee of Safer Wales and undertakes sessional work for the Wales Council for Voluntary Action. She was a trustee of Diverse Cymru until August 2014. Her husband is Professor of Human Molecular Genetics at Cardiff University and has been sponsored in the past by Pfizer and has a research partnership with the Bio Informatics company Biobase GmbH.

Mrs Elizabeth Treasure is an Independent Member of Cardiff and Vale University Health Board. She is also Deputy Vice Chancellor of Cardiff University.

Mr Stuart Egan is an Independent Member of Cardiff and Vale University Health Board. He is a County Councillor for Vale of Glamorgan Council.

Mr Ivar Grey is an Independent Member of Cardiff and Vale University 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 Sian Walker is an Associate Member of Cardiff and Vale University Health Board. She is also Director of Health and Social Care at Cardiff Council.

Mrs Paula Martyn is an Associate Member of Cardiff and Vale University Health Board. She is also Chair of the Stakeholder Reference Group for Hywel Dda LHB.

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
Barry YMCA	4	0	0	0
Biobase GmbH	1	0	0	0
Cardiff and Vale College	1	0	0	0
Cardiff Council	12,425	7,202	4,357	2,567
Cardiff University	12,064	7,667	4,768	1,721
Diverse Cymru	18	0	0	0
Health Financial Management Association (HFMA)	9	0	5	0
Pfizer Ltd	0	61	0	6
Roberts and Rees Opticians	333	0	0	0
Rhys Welsh Ltd.	3	0	0	0
Safer Wales	20	0	0	0
Spire Healthcare	40	115	161	27
Teenage Cancer Trust	0	70	0	7
University of South Wales	47	(2)	4	2
Vale of Glamorgan Council	4,063	1,398	1,065	304
Wales Council for Voluntary Action	1	0	0	0

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

The LHB is a member of the Welsh Risk Pool for Clinical Negligence and Personal Injury claims. The LHB has received settlement payments of £10.007m in respect of claims made. In addition as at March 31st the LHB had a debtor balance of £102.950m 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 £1.4m in the period connected with the University Hospital of Wales, Llandough, Whitchurch and Community Services.

The LHB has reviewed the Welsh Government's Fourth Assembly Register (2011-2016) and has not identified any direct relationships between Assembly Members or their families and Cardiff and Vale University Local Health Board.

22. Third Party assets

The LHB held £179,798 cash at bank and in hand at 31 March 2015 (31 March 2014, £235,629) which relates to monies held by the LHB on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the Accounts. None of this Cash was held in Patient's Investment Accounts in either 2014-15 or 2013-14. 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 consignment stock at March 2015 was £9,293,736 (£8,702,950 31st March 2014).

23. Intra Government balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
2014-15 :				
Welsh Government	199	0	7	0
Welsh Local Health Boards	6,251	0	5,906	0
Welsh NHS Trusts	1,372	0	4,616	0
WHSSC / EASC	1,676	0	1,885	0
All English Health Bodies	2,005	0	9,919	0
All N. Ireland Health Bodies	39	0	4	0
All Scottish Health Bodies	43	0	149	0
Miscellaneous	87,869	15,082	1,734	0
Credit note provision	(87)	0	0	0
Sub total	99,367	15,082	24,220	0
Other Central Government Bodies				
Other Government Departments	5,865	4,071	212	0
Revenue & Customs	999	0	10,238	0
Local Authorities	2,922	0	5,482	0
Balances with Public Corporations and trading funds	0	0	367	0
Balances with bodies external to Government	7,886	(1,179)	86,565	11,823
TOTAL	117,039	17,974	127,084	11,823
2013-14 (Restated)				
Welsh Government	454	0	16	0
Welsh Local Health Boards	5,823	0	3,949	0
Welsh NHS Trusts	613	0	3,844	0
WHSSC / EASC	3,582	0	1,922	0
All English Health Bodies	1,821	0	9,241	0
All N. Ireland Health Bodies	23	0	1	0
All Scottish Health Bodies	28	0	34	0
Miscellaneous	65,010	11,715	1,765	0
Credit note provision	(94)	0	0	0
Sub total	77,260	11,715	20,772	0
Other Central Government Bodies				
Other Government Departments	4,863	4,140	38	0
Revenue & Customs	585	0	10,173	0
Local Authorities	1,535	0	6,877	0
Balances with Public Corporations and trading funds	16	0	39	0
Balances with bodies external to Government	6,769	(654)	66,742	12,643
TOTAL	91,028	15,201	104,641	12,643

24. 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 2015		Approved to write-off to 31 March 2015	
	Number	£	Number	£
Clinical negligence	152	12,855,105	105	7,785,490
Personal injury	102	1,009,169	72	892,074
All other losses and special payments	345	2,089,575	345	2,089,575
Total	599	15,953,849	522	10,767,139

Analysis of cases which exceed £300,000 and all other cases

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £300,000				
Case Ref	Case Type	0	0	0
12RWMMN0050	Clinical Negligence	1,344,444	1,619,444	0
08RWMMN0038	Clinical Negligence	167,000	1,314,649	0
10RWMMN0013	Clinical Negligence	0	1,116,250	0
09RWMMN0026	Clinical Negligence	260,000	970,000	0
11RWMMN0073	Clinical Negligence	715,000	727,758	0
07RWMMN0024	Clinical Negligence	100,000	641,597	0
12RWMMN0011	Clinical Negligence	597,272	597,272	0
10RWMMN0043	Clinical Negligence	500,000	500,000	0
11RWMMN0079	Clinical Negligence	(5,000)	496,405	0
09RWMMN0035	Clinical Negligence	24,826	456,433	0
12RWMMN0037	Clinical Negligence	428,332	428,332	0
09RWMMN0049	Clinical Negligence	375,319	413,319	0
13RWMMN0037	Clinical Negligence	395,180	395,180	0
11RWMMN0092	Clinical Negligence	378,273	388,273	0
11RWMMN0050	Clinical Negligence	0	325,000	0
11RWMMN0005	Clinical Negligence	165,000	323,000	0
08RWMMN0012	Clinical Negligence	2,181,250	2,366,250	2,366,250
12RWMMN0056	Clinical Negligence	0	609,000	609,000
11RWMMN0037	Clinical Negligence	115,000	425,000	425,000
11RWMMN0024	Clinical Negligence	400,394	400,394	400,394
03RWMMN0044	Clinical Negligence	0	375,000	375,000
Sub-total		8,142,290	14,888,556	4,175,644
All other cases		7,811,559	12,000,904	6,591,495
Total cases		15,953,849	26,889,460	10,767,139

25. Contingencies

25.1 Contingent liabilities

	2014-15 £'000	2013-14 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	42,579	49,558
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	996	1,009
Continuing Health Care costs	5,941	9,875
Other	0	0
Total value of disputed claims	49,516	60,442
Amounts recovered in the event of claims being successful	41,031	48,173
Net contingent liability	8,485	12,269

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 £1.693m re clinical negligence, £0.040m re: Welsh Government Redress scheme and £0.810m re personal injury.

Continuing Healthcare Cost Uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. The 31st July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1st April 2003 has resulted in a large increase in the number of claims registered this financial year.

Cardiff and Vale University Health Board is responsible for post 1st April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [17] sets out the £3.782m provision made for probable continuing care costs relating to 136 claims received;

Note [25.1] sets out the £5.941m contingent liability for possible continuing care costs relating to 150 claims received;

However, in addition the LHB has a further 284 claims, which were received by the 31st July 2014 deadline, for which the assessment process has not yet been completed. The assessment process is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the LHB does not have the information to make a judgement on the likely success or otherwise of these claims, however they may result in significant additional costs to the LHB, which cannot be quantified at this time.

EU Holiday Pay Ruling November 2014

Under EU law, workers are entitled to four weeks' holiday pay a year but the legislation does not give details on how such remuneration should be calculated. Up until now the UK Government has interpreted the European Union Working Time Directive as saying that holiday pay should be based on the employee's basic rate of pay. The above ruling found that this interpretation is incorrect in the case of staff who have to regularly work overtime to perform their contracted duties. In this instance regular overtime payments should be included in determining the holiday pay calculation. As a result the UHB could face a liability in respect of employees who feel they should have received higher holiday pay in 2014/15 or in the past. The terms of the ruling are however, vague in determining which groups of staff it is applicable to. As a result a significant piece of work is likely to be needed to assess the value of any liability the UHB has in respect of this issue. Legal advice will be needed and to date little progress has been made in this assessment. Hence it's not possible to quantify any liability at this point in time.

25.2 Contingent assets

	2014-15 £'000	2013-14 £'000
	0	0
	0	0
	0	0
	0	0

26. Capital commitments

Contracted capital commitments at 31 March

	2014-15 £'000	2013-14 £'000
Property, plant and equipment	16,505	73,597
Intangible assets	48	0
	16,553	73,597

The in year decrease in commitments disclosed is largely due to the progress made in the year in respect of the construction of a new Adult Acute Mental Health Unit at Llandough Hospital. £54.7m of this contract was neither paid nor accrued for at March 31st 2014, at March 31st 2015 this figure had fallen to £10.9m.

27. Finance leases**27.1 Finance leases obligations (as lessee)**

As at 31st March 2015 the LHB currently has 3 finance lease agreements in place for the lease of buildings. One of the lease agreements is due to expire in 2017/18, one in 2018/19 and one in 2020/21. During the year the LHB also had 3 finance lease agreements in respect of equipment. One of the equipment leases expires in more than five years and the outstanding liabilities in respect of the other two were fully repaid in 2014/15. 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 (3.5%) or the rate implicit in the leases themselves.

Amounts payable under finance leases:

Land	31 March 2015 £000	31 March 2014 £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>

27.1 Finance leases obligations (as lessee) continue**Amounts payable under finance leases:**

Buildings	31 March 2015 £000	31 March 2014 £000
Minimum lease payments		
Within one year	405	405
Between one and five years	1,253	1,448
After five years	210	420
Less finance charges allocated to future periods	(52)	(73)
Minimum lease payments	1,816	2,200
Included in:		
Current borrowings	387	384
Non-current borrowings	1,429	1,816
	1,816	2,200

Present value of minimum lease payments

Within one year	367	365
Between one and five years	1,084	1,196
After five years	343	332
Present value of minimum lease payments	1,794	1,893
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

Other

	31 March 2015 £000	31 March 2014 £000
Minimum lease payments		
Within one year	94	208
Between one and five years	376	376
After five years	94	188
Less finance charges allocated to future periods	(17)	(23)
Minimum lease payments	547	749
Included in:		
Current borrowings	89	202
Non-current borrowings	458	547
	547	749

Present value of minimum lease payments

Within one year	86	192
Between one and five years	324	321
After five years	76	149
Present value of minimum lease payments	486	662
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

27.2 Finance leases obligations (as lessor) continued

The Local Health Board has no finance leases receivable as a lessor.

Amounts receivable under finance leases:

	31 March 2015 £000	31 March 2014 £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	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>

28. Private Finance Initiative contracts

28.1 PFI schemes off-Statement of Financial Position

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

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2015 £000	31 March 2014 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	0	0
Total estimated capital value of off-SoFP PFI contracts	0	0

28.2 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 (Impregilio/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 £3.756m.

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

	On SoFP PFI Capital element 31 March 2015 £000	On SoFP PFI Imputed interest 31 March 2015 £000	On SoFP PFI Service charges 31 March 2015 £000
Total payments due within one year	62	1,327	1,967
Total payments due between 1 and 5 years	626	5,158	7,640
Total payments due thereafter	8,708	8,901	19,307
Total future payments in relation to PFI contracts	9,396	15,386	28,914

	On SoFP PFI Capital element 31 March 2014 £000	On SoFP PFI Imputed interest 31 March 2014 £000	On SoFP PFI Service charges 31 March 2014 £000
Total payments due within one year	33	1,333	2,540
Total payments due between 1 and 5 years	463	5,229	9,932
Total payments due thereafter	8,921	10,157	27,794
Total future payments in relation to PFI contracts	9,417	16,719	40,266

Total present value of obligations for on-SoFP PFI contracts £20.849m

The capital value of the scheme included in property, plant and equipment (note 11) is £13.857m

28.3 Charges to expenditure

	2014-15	2013-14
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	2,402	2,386
Total expense for Off Statement of Financial Position PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	2,402	2,386

The LHB is committed to the following annual charges

	31 March 2015	31 March 2014
	£000	£000
PFI scheme expiry date:		
Not later than one year	1,967	2,540
Later than one year, not later than five years	7,640	9,932
Later than five years	19,307	27,794
Total	28,914	40,266

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.

28.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	1	0
Number of PFI contracts which individually have a total commitment > £500m	0	0

PFI Contract

St David's Hospital

On /off
statement
of financial
position

On

28.5 The LHB had 4 Public Private Partnerships during the year

In addition to the St David's PFI Scheme set out previously in Note 28.2, the LHB has four 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 £12.961m for the buildings and £7.900m 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 2014/15 was £0.187m

28.5 The LHB had 4 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 £3.393m for the buildings and £0.587m 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 2014/15 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 £0.045m. 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 £0.964m and the land at £0.510m 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 2014/15 was £0.018m.

28.5 The LHB had 4 Public Private Partnerships (continued)

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 15 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 £0.763m on the LHB's statement of financial position as at March 31st 2015.

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 has been extinguished by the payment of the operating element within the contractors annual charge, over the life of the contract. The original agreement expired on March 31st 2014; but was extended for an initial twelve month period with the option for it to be extended for a further twelve months. This option has been exercised.

29. 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 2014-15 of £1,803,352 of which Cardiff & Vale UHB's contribution was £1,194,340. In addition Cardiff and Vale made an agreed contribution of £40,856 towards the cost of two driver/installers.

Overall the Pooled Budget was underspent by £125,845 in the year. Cardiff and Vale UHB has not made any provision in these accounts for any sums due back to it arising from this underspend. This is largely because the amount is yet to be ratified by the JES board.

30. Financial Instruments**Financial assets**

31 March
2015

Restated
31 March
2014

	Loans Receivables & Deposits held to maturity at amortised cost £000	At fair value through the SoCNE £000	Available for sale at fair value £000	TOTAL £000	TOTAL £000
Cash and Cash Equivalents					
Cash balances (GBS, commercial banks and in hand)	562			562	762
Liquid deposits	0			0	0
Receivables					
Trade and other receivables (net of impairment allowance)	135,949			135,949	106,036
Accrued Income (must exclude prepayments)	0			0	0
Interest receivable	0			0	0
Other Financial Assets					
Shares and equity type investments	0	0	0	0	0
Loans	0			0	0
Deposits held to maturity	0			0	0
Derivatives		0		0	0
Other	0	0	0	0	0
Total	136,511	0	0	136,511	106,798

Financial liabilities

31 March
2015

Restated
31 March
2014

	Carried at amortised cost £000	At fair value through the SoCNE £000	TOTAL £000	TOTAL £000
Bank and Other Borrowings				
Bank overdraft and other borrowings	0		0	0
Trade and Other Payables				
Trade and other payables	(70,742)		(70,742)	(46,593)
Accruals	(43,350)		(43,350)	(45,867)
PFI and lease obligations	(11,760)		(11,760)	(12,367)
Interest payable	0		0	0
Other Financial Liabilities				
Financial guarantees	0	0	0	0
Derivatives		0	0	0
Other	0	0	0	0
Total	(125,852)	0	(125,852)	(104,827)

The format of the note has changed in year - hence comparatives have been restated.

31. 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

	Restated	
	31-Mar 2015 £'000	31-Mar 2014 £'000
In one year	114,631	93,078
In more than one year but not more than five years	2,212	2,227
In more than five years	9,009	9,522
Total	<u>125,852</u>	<u>104,827</u>

32. Movements in working capital

	2014-15	2013-14
	£000	£000
(Increase)/decrease in inventories	(483)	(1,018)
(Increase)/decrease in trade and other receivables - non - current	(2,773)	(3,519)
(Increase)/decrease in trade and other receivables - current	(26,011)	(7,714)
Increase/(decrease) in trade and other payables - non - current	(820)	1,448
Increase/(decrease) in trade and other payables - current	22,735	(13,411)
Total	(7,352)	(24,214)
Adjustment for accrual movements in fixed assets -creditors	(5,895)	5,385
Adjustment for accrual movements in fixed assets -debtors	0	0
Other adjustments	607	(1,694)
	(12,640)	(20,523)

33. Other cash flow adjustments

	2014-15	2013-14
	£000	£000
Depreciation	23,720	21,804
Amortisation	457	387
(Gains)/Loss on Disposal	(608)	(268)
Impairments and reversals	18,001	28,924
Release of PFI deferred credits	(292)	(292)
Donated assets received credited to revenue but non-cash	(7,805)	(190)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	38,166	22,359
Total	71,639	72,724

34. Cash flow relating to exceptional items

There were no exceptional items in 2014/15.

35. Events after the Reporting Period

The UHB wishes to bring to your attention the following:

The LHB has provided for £101.312m within note 17 in respect of potential claims for clinical negligence, personal injury, permanent injury and associated defence costs. These provisions have been arrived at on the advice of the NHS Wales Shared Services Partnership (Legal & Risk) and the UHB's own legal advisors Blake Morgan. The UHB's liability in respect of individual cases is limited to £0.025m per case, with amounts above this sum being reimbursed by the Welsh Risk Pool.

Within the above estimate were provisions of £1.763m in respect of clinical negligence claims for which the UHB was also advised to provide £0.430m within creditors in respect of the claimants costs in respect of one of the cases. Subsequent to the reporting period the UHB received notification from Legal and Risk that the various claimants involved had accepted final settlements which in total were £1.734m lower than the figure provided for within note 17 of these accounts.

IAS 10 - "Events after the reporting period", suggests that where a settlement after the reporting period of a court case gives further evidence as to the present value of its obligation, then the entity should adjust its provision in accordance with IAS37. In this instance we have not amended the figures reported within note 17. The UHB has not done this since it feels this requirement is not consistent with how other reasonable estimates are treated in the accounts and while significant, the amount involved is not material. Please note that due to the reimbursal arrangements with the Welsh Risk Pool, had any adjustment been actioned it would have only improved the UHB's reported in year deficit by £0.005m

36. 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 did operate as a home to one hosted body during the period, The Wales External Quality Assessment Service (WEQAS). During 2014/15 these accounts contain income of £2.320m and expenditure of £1.954m in respect of WEQAS. The UHB does not consider the amounts involved to be sufficiently material to be reported as a separate segment.

37. Other Information

1) 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 Cardiff 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. Given the immaterial amount involved, 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 IFRS11 "Joint Arrangements", then based on the last available published accounts of the Medicentre and applying the UHB's 11% share would mean that the UHB would show an investment in a joint venture (as defined by IAS28 Investments in Associates and Joint Ventures) of £0.293m.

2) Correction of Prior Year error between the Revaluation Reserve and the General Fund

IAS16 requires that any upward revaluations (including indexation) which reverses a previous downward revaluation charged to revenue should be credited to revenue up to the value of the original charge. The UHB has previously complied with this requirement where assets (already in use and which had previously been impaired), had been uplifted due to indexation. However, it became apparent during the production of the 2013/14 NHS Wales Accounts that it was unclear whether indexation should also reverse initial impairments being charged to revenue on new buildings being brought into use.

After consideration of the issue by The Capital Sub-group of the NHS Technical Accounting Group (TAG), a paper was prepared for NHS Wales Directors of Finance who subsequently agreed that on consideration of HMT guidance and IAS36 and IAS16 it would be appropriate for subsequent indexation to reverse impairments charged to revenue on buildings being brought into use.

In seeking to retrospectively implement this policy, the NHS Wales TAG group has established that the earliest point at which it can be considered 'practicable' to adopt the treatment consistently for NHS Wales organisations is the date of the last DV valuation at 1st April 2012. The UHB has therefore adopted this approach as it doesn't believe that going back to further years would lead to more meaningful financial information in the accounts for the reader. In addition the UHB believes that it would not lead to the adjustment becoming material and it also has the view that it is important that all NHS Wales bodies deal with this issue consistently.

As a result of applying the above policy the UHB identified that in 2013/14 indexation of £2.032m had been credited to the revaluation reserve when it should have been credited back to expenditure (since it was in effect reversing a previous impairment).

As the UHB wished to adjust for the above, this would also have an impact on the adjustment that was actioned between the general fund and the income and expenditure reserve in 2013/14 to ensure that the general fund only reflects the cost of depreciation on a historic cost basis not on a current cost basis. This results in the need of an additional correction which increases the revaluation reserve by £0.053m and reduces the balance on the general fund by the same amount.

Finally as part of this exercise it was identified that where assets had been impaired (when first brought into use) in 2012/13 and 2013/14 the necessary reserve transfer between the revaluation reserve and the general fund had not been actioned. As a result the UHB has actioned a further adjustment which has reduced its revaluation reserve by £3.362m and increased its general fund.

In totality these adjustments have increased its general fund by £5.341m and reduced its revaluation reserve by the same figure. The UHB has actioned these corrections as an in year adjustment in 2014/15 as opposed to as a prior year adjustment. The UHB believes this approach is correct since firstly, it doesn't reflect a change in accounting policy and secondly because while the adjustment is significant it is not material.

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.....2015 Chief Executive

2nd June 2015 Adam Cairns

**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:2015
Maria Battle	2nd June 2015

Chief Executive:	Dated:2015
Adam Cairns	2nd June 2015

Acting Director of Finance:	Dated:2015
Christopher Lewis	2nd June 2015

ANNUAL GOVERNANCE STATEMENT 2014-15

SCOPE OF RESPONSIBILITY

The Board is accountable for Governance, Risk Management and Internal Control. As Accountable Officer and Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and this organisation's assets for which I am personally responsible. These are carried out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales.

Cardiff and Vale University Health Board was established in October 2009 and is one of the largest NHS organisations in the UK. We have a responsibility for the health of around 472,400 people living in Cardiff and the Vale of Glamorgan, the provision of local primary care services (GP practices, dentists, optometrists and community pharmacists) and the running of hospitals, health centres and community health teams. Together, these provide a full range of health services for our local residents and those from further afield in Wales who use our specialist services.

We are also a teaching Health Board with close links to Cardiff University which has a high profile teaching, research and development role within the UK and abroad, and enjoy strengthened links with the other educational establishments. Together, we are training the next generation of clinical professionals.

The Health Board has responsibility for every part of the local health system and has defined its mission as:

“Caring for people, keeping people well”

This Annual Governance Statement details the arrangements in place for discharging the Chief Executive's responsibilities to manage and control the Health Board's resources during the financial year 2014/15. This responsibility is monitored and managed through a robust Corporate Risk and Assurance Framework (CRAF).

GOVERNANCE FRAMEWORK

The Health 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, nine

Independent Members and seven Executive Directors. There are also three Associate Members.

The Board functions as a corporate decision-making body with Executive Directors and Independent Members being equal members sharing corporate responsibility by the Board. The Board is supported by the Board Secretary who provides advice on corporate governance within the Health Board.

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

Setting the overall strategic direction of the Health Board within Welsh Government policies and priorities

Establishing and maintaining high levels of corporate governance and accountability including risk management and internal control

Ensuring delivery of the Health Board's aims and objectives through effective challenge and scrutiny of performance across all areas of responsibility

Ensuring delivery of high quality and safe patient care.

Building capacity and capability within the workforce to build on the values of the Health Board and creating a strong culture of learning and development

Enacting effective financial stewardship by ensuring the Health Board is administered prudently and economically with resources applied appropriately and efficiently

Instigating effective communication between the Health Board and its community to ensure its services are planned and responsive to identified need

Appointing, appraising and remunerating Executives.

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 Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice and together with the adoption of a scheme of matters reserved for the Board; a detailed scheme of delegation to officers and earned autonomy framework; and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the Health Board and define "its ways of working".

The Standing Orders and Standing Financial Instructions were updated and approved by the Board in March 2014. Further amendments were approved by the Audit Committee in April and the Board in May 2015, reflecting the establishment of the All-Wales Emergency Ambulance Services Committee and the Shared Services Committee.

These documents are supported by a suite of corporate policies and, together with the Values and Standards of Behaviour Framework make up the Health Board's Governance Framework.

In January 2015 review of these arrangements commenced to support the further development of a new strategy for the Health Board.

THE BOARD AND ITS COMMITTEES

The Board provides leadership and direction to the organisation and has a key role in ensuring the organisation has sound governance arrangements in place. The Board has an open culture with its meetings

held in public – meeting papers are available on the Health Board’s website. Together, Board Members share corporate responsibility for all decisions and play a key role in monitoring performance against objectives and plans.

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. These are summarised in Appendix 1.

The Board is supported in its role by a number of Committees, each chaired by an Independent Member to reflect independence and objectivity. All Committees are constituted to comply with the Welsh Government Good Practice Guide – Effective Board Committees. The Committees, which meet in public provide regular reports to the Board that contribute to its assessment of assurance and provide scrutiny against the delivery of objectives. The Board receives a full copy of the minutes which detail the business, activities, attendance and main issues dealt with by the Committee. Copies of the papers and minutes are available from the Board Secretary and the Board’s website. A summary of the Committees responsibilities and Terms of Reference are also available on the website.

[http://www.cardiffandvaleuhb.wales.nhs.uk/board-committees-and-advisory-groups_and Advisory Groups](http://www.cardiffandvaleuhb.wales.nhs.uk/board-committees-and-advisory-groups_and_Advisory_Groups)

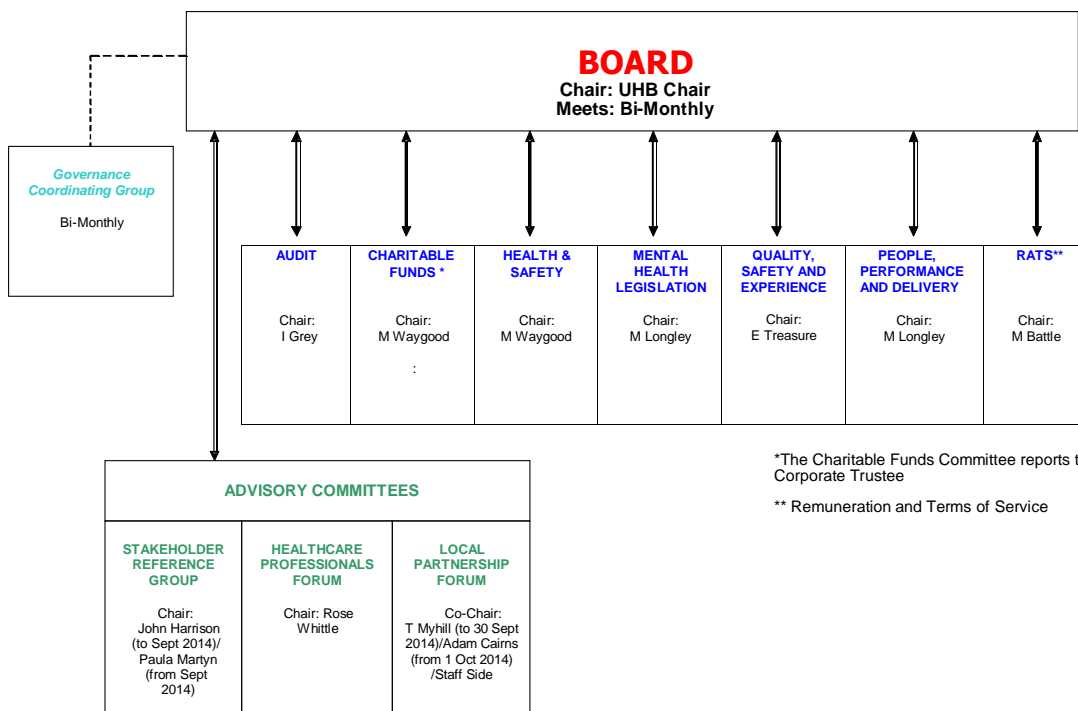
The Board agreed Work Plans for each of the Committees in July 2014. All Committees reviewed their Terms of Reference during 2014/15 and prepared a Work Plan for 2015/16 to support the Board’s business for this period. The Board received and approved these Work Plans in May 2015.

Critical to this assurance is the work of the Audit Committee - its Annual Report provides a summary of matters considered during the year and is available in full on the following link

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/Annual%20Report.pdf>

The Annual Quality Statement due to be published in September 2015 will include a summary of the work undertaken during the year by Quality, Safety and Experience Committee.

Committees also work together on behalf of the Board to ensure that work is planned cohesively and focussed on matters of greatest risk that would prevent us from meeting our mission and objectives.



The following table sets out the dates of Board and Committee meetings held during 2014/15

BOARD/ COMMITTEE	Dates of Meeting in 2014-15										
Board	06.05.14	05.06.14	01.07.14	09.09.14	04.11.14	27.01.15	24.03.15	31.03.15			
Audit	15.4.14	22.5.14	05.06.14	12.08.14	14.10.14	02.12.14	24.02.15				
Charitable Funds	10.06.14	16.09.14	23.12.14	30.03.15							
Health and Safety	29.04.14	08.07.14	21.10.14	13.01.15							
Mental Health Act Monitoring	10.06.14	02.09.14	11.11.14	03.03.15							
People, Performance and Delivery	13.05.14	29.07.14	30.09.14	18.11.14	20.01.15	31.03.15					
Quality, Safety and Experience	01.04.14	17.06.14	23.09.14	11.11.14	16.12.14	10.02.15					
Remuneration and Terms of Service	01.04.14	11.04.14	20.06.14	09.07.14	24.09.14	05.11.14	03.12.14	29.12.14	06.02.15	03.03.15	25.03.15

All meetings were quorate except for the Charitable Funds Committee held in March. All decisions at that meeting were formally ratified at the subsequent Charitable Funds Committee meeting. In addition, escalation arrangements are in place to ensure that any matters of significant concern that could not be brought to the attention of the quorate Committee could be raised with the Health Board Chair

In addition to the above Committees, a Governance Co-ordinating Group has been established, chaired by the Chair and members only include Independent Members. The Board Secretary is also present. This ensures effective working and appropriate connectivity between Committees.

The three advisory groups have all met regularly during the year and minutes are available on the Health Board's website. They have provided a valuable sounding board in developing our Integrated Medium Term Plan (this is described further in the section on "Control Framework") and service change proposals across South Wales.

Key business and risk matters considered by the Health Board and its Committees during 2014/15 included:

- Overseeing the implementation of the 2014-2017, 3 year Integrated Medium Term Plan (IMTP) and actively involved in the development of the 2015-2018 three year plan submitted to Welsh Government on 1 April 2015;
- Approving arrangements in taking forward the outcomes of the South Wales Programme and where necessary e.g. Paediatric, neonatal and obstetric services .

- Receiving regular reports on Patient Experience and feedback, ensuring where concerns are raised, that these are escalated to the Board and where necessary, result in the Board proactively activating agreed multiagency procedures and cooperate fully with partners
- Routinely considering the Board's performance in relation to key national and local targets and agreed mitigating actions in response to improve performance where appropriate, this included actions to address cancer target performance; stroke services; cardiac surgery , ophthalmology and unscheduled care.
- Approval and sign off of the Annual Accounts for the Health Board and the Charity.
- Regular monitoring of Welsh Government performance targets and agreed actions to improve performance where appropriate
- Financial Performance monitored at each Board meeting
- Outcome of the Wales Audit Office Structured Assessment
- Routinely receiving reports on Service and Capital performance and assurance
- Receipt and consideration of the Wales Audit Office Annual Audit Letter
- Fundamentals of Care Audit and monitoring of Action Plan
- Receiving an update report on progress with Dignified Care and the UHB action plan in response to the Older People's Commissioner report;
- Agreeing our priorities for quality improvement aligned to our Quality Strategy and reviewing these in light of the 'Trusted to Care' (the 'Andrews') Report into care at Abertawe Bro Morgannwg (ABM) University Health Board.
- Receiving positive feedback from the Ministerial unannounced spot check visits to our hospitals and the unannounced HIW inspection visits and our own Independent Board Member visits.
- Considering the UHB position and response to the 'Keith Evans' Review of 'Putting Things Right' and introduced revised local arrangements to speed up the engagement and response to concerns.
- Considering the Good Governance Guide for NHS Wales Boards
- Receiving a range of Annual Clinical Reports
- Routinely receiving assurance reports from the Committees of the Board, Stakeholder Reference Group, Healthcare Professionals Forum and Local Partnership Forum.

Appendix 1 sets out details of Board and Committee membership, meetings attended during the tenure of the individual in 2014/15 and any Champion Roles performed.

All decisions made by the Board and Committees are included in an Action Log and at each of the meetings progress is monitored. These Action logs are also published on the Health Board Internet. The above key issues were also debated at the appropriate Committees and key issues identified to the Board when the minutes of the Committees were received. This endorses the strong link between the Committee and the Board annual work plans.

THREE YEAR INTEGRATED MEDIUM TERM PLAN

Further to the National Health Service Finance (Wales) Act 2014 becoming law in Wales from 27th January 2014, new duties with regard to operational planning and finance were placed upon the Local Health Boards. The duties are:

- A duty under section 175(1) to ensure that its expenditure does not exceed the aggregate of funding allotted to it over a period of 3 years, and
- A duty under section 175(2A) to prepare and obtain approval from the Welsh Ministers for a plan which achieves the first duty above, while also improving the health of the people for whom the UHB is responsible and improving the healthcare provided to them.

The first assessment of performance against the three year statutory duty will take place at the end of 2016/17.

The Board has undertaken a significant amount of work and continues to ensure the organisation maintains progress to develop its 3 year Integrated Medium Term Plan (IMTP). In accordance with the new legislative duty the 2014-2017 Plan was approved by the Board in March 2014 and submitted to Welsh Government within the required timescale. The Welsh Government approved the Health Board's plan in May 2014

A copy of the 2014/15-16/17 plan is available on the Health Board's website via the following link:
<http://www.cardiffandvaleuhb.wales.nhs.uk/opensdoc/237342>

The delivery against the IMTP for 2014/15 was monitored throughout the year through the respective Committees and the Board. In general terms progress was made against the key issues in the IMTP.

During 2014/15 we have strengthened our transformational plans, performance and analytical capacity and capability. Our programmes are beginning to show the improvements we need. While we recognise that our plan for 2014/15 was very ambitious, it has to be understood that major change takes significant time and effort. We are confident that we have laid down some very sound foundations and have 'cracked' a number of very challenging problems that have been around for many years. We anticipate that these will pay dividends in the year ahead.

- the closure of West Wing and consolidation of gerontology in University Hospital Llandough
- the introduction of a remodelled mental health continuing health care service and the closure of Glan Ely ward in St David's Hospital
- the move of elderly mental health services to the University Hospital Llandough 'state of art' unit
- a wholesale review of medicines management achieving savings of £7.013m in 2012/13; £4.677m in 2013/14; £3.678m in 2014/15
- the impetus created to drive further on medical productivity with active management of consultant job planning through a medical productivity group
- implementation of a theatre improvement programme which has started to show very consistent improvements

- delivery of the new Children's Hospital for Wales ahead of schedule
- preparation for the closure of Whitchurch and the move to the new build early next year at the University Hospital Llandough
- improvements in some key Welsh Performance targets e.g stroke, cancers and by the end of October 2014 there were no patients waiting more than 36 weeks for Cardiac surgery and this position has been maintained since.

The Board was constantly advised of progress against the plan and the financial position. In line with the rest of NHS Wales, 2014/15 presented the UHB with another year of considerable financial challenge. The extensive budget planning work to support the 2014/15 Financial Plan identified a planned deficit of £15.5m. As the IMTP for 2014/15-2016/17 was submitted and approved in accordance with the required timescales the UHB has met its financial duty under section 175(2A) for 2014/15. The receipt of a further resource planning allocation of £15.5m meant that the UHB had a balanced plan. However, unforeseen operational pressures and slippage against the ambitious savings plans resulted in a provisional year end outturn deficit of £21.364m. The Health Board acknowledged during the year that it would not meet its financial plan and agreed with Welsh Government arrangements for additional monitoring and support.

A number of other key challenges were also identified during 2014/15

- Clinical governance assurance re unscheduled care - continuing challenge but improving position.
- Performance profile – challenges across tier 1 targets – Stroke, Cancer, Referral to Treatment Times (RTT)
- Financial forecast – ambitious corporate cost improvement programme and Clinical Board savings plan. Remaining residual gap requires structural disinvestment to address.
- Transparency (within UHB and between UHB and WG/Partners) – sharing challenges and solutions.
- Gearing internal delivery systems to deliver clear direction, capacity and control
- Ongoing IMTP planning – continuous cycle – embedding in UHB's planning and performance management process.
- Refocus on transformational service opportunities with partners and stronger emphasis on building capacity and capability
- Refreshing Organisational Framework to deliver engaged and sustainable workforce.
- Continuous engagement with key stakeholders to ensure alignment with strategic goals, particularly CHC, Deanery, University, partner UHB's Local Authority Stakeholder Reference Group and third sector partners.
- Need clearer separation of plan for commissioning improved outcomes for local population and delivering services for both local and South Wales population.

The Health Board agreed to submit its 2015/16-17/18 Plan to Welsh Government on 31 March 2015 without a balanced financial plan. The Board noted this did not meet their statutory responsibility to have such a plan approved and that discussions with Welsh Government are still continuing. The submission was informed by correspondence outlining the associated risks and basis on which the Board had approved its submission.

At the time of writing, the Board is awaiting confirmation from Welsh Government, in accordance with the new legislative duty, as to whether the 2015/16-17/18 Plan has been approved.

The 2015/16-17/18 plan is also available from the following link:

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/CV%20IMTP%2015-16%201st%20Draft%20Submission%2030%2001%2015.pdf>

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 purpose to provide effective leadership and to have accountability for professional standards.

During the year, the following changes were made to the Board membership.

Executive Positions	Start Date*	Finish date
Tracy Myhill – Director of Workforce and Organisational Development/Deputy Chief Executive Note: on secondment to WAST		30 September 2014
Charlotte Moar, Director of Finance		28 February 2015
Christopher Lewis, Acting Director of Finance	17 November 2014	On-going
Independent Members		
Christopher Elmore Note: Stood down temporarily as standing for Parliament. Rejoined on 8 May 2015.		30 March 2015
Associate Members		
John Harrison, Chair of Stakeholder Reference Group		9 September 2014
Paula Martin, Chair of Stakeholder Reference Group	9 September 2014	On-going
Senior Board Positions		
Alison Gerrard – Board Secretary		30 September 2014
Peter Welsh – Board Secretary	1 October 2014	Ongoing

Supporting the Chief Operating Officer, new Clinical Boards were established in June 2013 and continue to develop

The purpose of creating the Clinical Boards is to:

- Liberate the people whose roles are to care for and keep well those we serve. Create a mechanism for integrating what we do around those we serve.
- Fuel staff engagement.

- Power up clinical leadership and engagement.
- Drive more localised decision making.
- Create manageable sized chunks of our organisation. Provide the basis of good accountability.
- Ensure we have strong and effective leadership and management.
- Drive better use of resources, and greater collaboration to make this happen. Drive pathway improvement and collaborative working.

To ensure the Statutory Board is confident that the Clinical Boards are able to make robust decisions about the way that services are managed, there is a process of “authorisation” which assesses them from Levels 0-3 (3 being the highest) with increased decision and delegation rights as they progress and mature. Recognising these arrangements are in the first year, as at May 2014, when the last review was undertaken, seven Clinical Boards are at level 2 with the Dental Clinical Board being at level 3. Further review is planned for 2015/16.

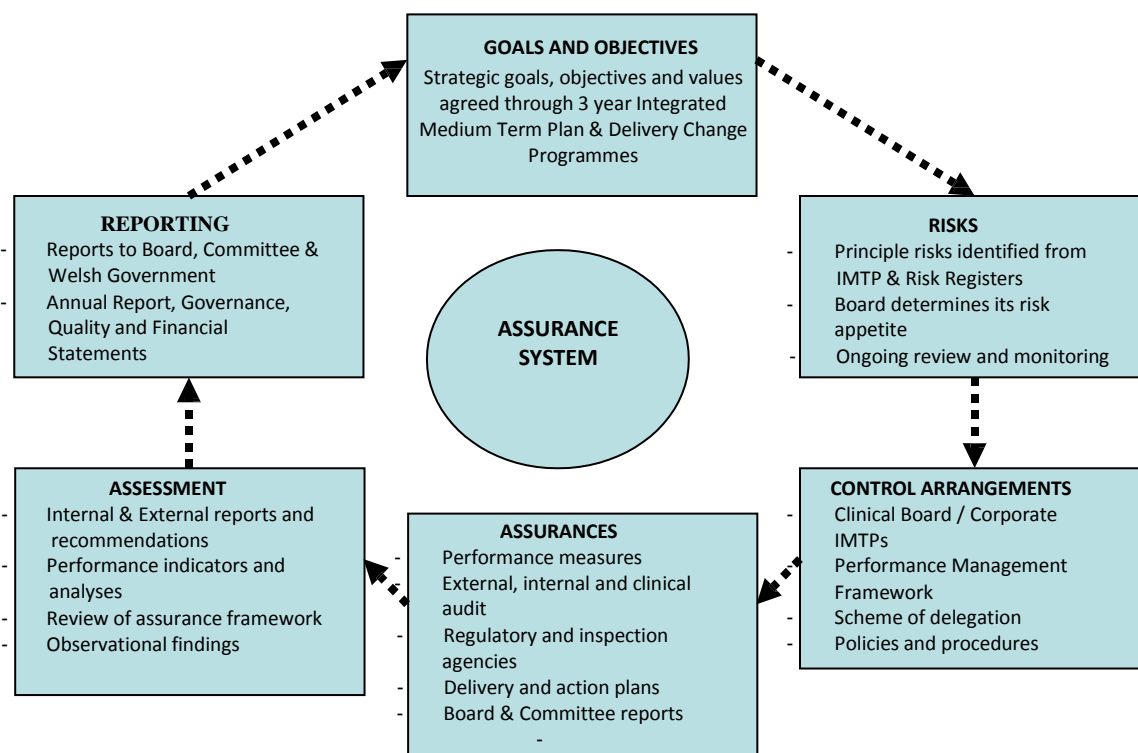
PURPOSE OF SYSTEM OF INTERNAL CONTROL

The system of internal control is based on an on-going process designed to identify the risk profile of the UHB. This includes an assessment and prioritisation of those risks which have the potential to impact on the achievement of our policies, aims and objectives, the evaluation of the likelihood of those risks being realised, the impact should they be realised, and the action required to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

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.

CAPACITY TO HANDLE RISK

The Corporate Risk Assurance Framework (CRAF) has been further developed since being introduced in early 2014. In developing this framework, there was a thorough review of the principal risks that threaten the achievement of goals, the systems and controls in place to ensure those risks are managed and how the Board knows whether it is successful or not. This enables the Board to develop action plans to address any matters of concern.



A report on the CRAF is regularly received by the Board and relevant extracts monitored by respective Committees to provide further assurances to the Board.

The Board's appetite for risk is reflected in the Integrated Medium Term Plan which sets out the Board's priorities and focus for the next 3 years.

The Board has a Risk Management Policy and supporting Risk Assessment Procedure that explains to staff the Health Board's approach to risk management. Each Clinical Board and Corporate Department has responsibility for maintaining a comprehensive risk register with the lead Executive Director responsible for highlighting and assessing the most significant risks for inclusion in the Corporate Risk and Assurance Framework. Risk assessments are undertaken based on a 5 x 5 scoring matrix, i.e. the impact of the risk multiplied by the likelihood of it happening.

The UHB regularly publishes its updated Corporate Risk Assurance Framework including an assessment of strategic risks and how these are being managed. The most recently published CRAF can be found via the following link:-

<http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/CRAF%20Jan%202015%20.pdf>

The following table is an extract from that Framework of the highest strategic risks (scoring 20 or more) facing the UHB in April 2015:

PRINCIPAL RISKS	RISK SCORE	SUMMARY OF CONTROLS
HEALTH IMPROVEMENT - Meet Public Health Targets	20	Priority areas identified, action plans in place for smoking prevention, dementia, diabetes programmes. Immunisation Action Plan developed.
COMMISSIONING - Embed a commissioning approach to ensure services are based on evidence and population need	20	Develop commissioning Framework and priorities
COMMISSIONING - Have robust governance / SLA arrangements in place (including quality standards) with all external service providers	20	SLAs to be in place and monitored with all externally commissioned services. Arrangements already in place for Third Sector.
SERVICE INTEGRATION - Deliver integrated services for Frail Older People	20	Framework completed along with gap analysis to identify current situation and guide priorities for 2015/16 IMTP Planning. Dementia Plan agreed in July 2014 and being developed further. Revised Gerontology model in place within Medicine Clinical Board Community Dementia Support Programme established in Barry

PRINCIPAL RISKS	RISK SCORE	SUMMARY OF CONTROLS
OPERATIONAL AND CLINICAL EXCELLENCE - Deliver safe, effective and efficient care	20	Implement policies, procedures, professional codes and regulatory standards Actions within IMTPs Chief Operating Officer and Clinical Board operating arrangements and Performance Review process Service redesign & improvement programmes Leading Improvement in Patient Safety programme (LIPS)
OPERATIONAL AND CLINICAL EXCELLENCE - Recognise deteriorating patients	20	ALERT training. Implementation of CCOT. Implementation of NEWS / RRAILS tools
OPERATIONAL AND CLINICAL EXCELLENCE - Improve neonatal, SCBU and Fetal medicine capacity and standards	25	In line with All Wales Neonatal Network requirements and outcome of SWP consultation, business case to be developed to increase neonatal cot capacity for completion 2015. In meantime, some mothers & babies being transferred to other units in accordance with escalation and contingency arrangements.
OPERATIONAL AND CLINICAL EXCELLENCE - Deliver appropriate Neurosurgery / Neuroradiology / Neurovascular services	25	New pathways being developed Regular dialogue between Clinical Board and Neurosurgery Directorate Clinical Board have raised with Executive as part of performance review arrangements
OPERATIONAL AND CLINICAL EXCELLENCE - Sufficient critical care capacity and workforce to meet need	20	Unscheduled Care Plan and patient flow work Occupational and Physiotherapists working together to improve services for Long Term Ventilated Patients Recruited to most critical care nursing vacancies and establishments reviewed on an annual basis Post Anaesthetic Care Unit opened Jan 2015 to support elective surgery and provide capacity for expansion of critical care
OPERATIONAL AND CLINICAL EXCELLENCE - Provision of therapeutic care to Children with Special Needs in Special Schools and Community provision	20	Service modernisation projects undertaken with UHB workforce modernisation department. Prioritisation of service delivery areas occurring in therapeutic areas to meet most acute needs. Partnership working and pathway development with Local Authorities and Local Education Authorities in order to ensure that responsibility for service provision sits with the appropriate provider.
OPERATIONAL AND CLINICAL EXCELLENCE - Protection of patients & staff against health care acquired / cross infections	25	Infection Prevention and Control and decontamination policies and procedures in place. Healthcare Acquired Infections (HCAI) Framework (approved Aug 14) Welsh Government Cleaning Standards Infection Control Group & Mandatory Training
OPERATIONAL AND CLINICAL EXCELLENCE - Achieve Referral to Treatment (Waiting) Times (RTT) and other Tier 1 targets	20	Clinical Board and Corporate Department IMTPs and detailed plans re 36 and 52 week waits. Waiting List validation Theatres Modernisation Programme under Leaner and Fitter

PRINCIPAL RISKS	RISK SCORE	SUMMARY OF CONTROLS
		Establishment of a Post Anaesthetic Care Unit (PACU) to help reduce number of cancelled operations.
OPERATIONAL AND CLINICAL EXCELLENCE - Provision of Out of Hours Services	20	PCIC Undertaking demand and modelling exercise relating to GP Out of Hours provision
OPERATIONAL AND CLINICAL EXCELLENCE - Bone Marrow Transplantation waiting times	25	Written control documents. Multi Disciplinary Team discussion prior to patient being placed on list.
OPERATIONAL AND CLINICAL EXCELLENCE - Identify clinical failures and patterns from information and data sources	20	Clinical Governance arrangements Mortality Reviews, investigation of incidents and concerns.
RESOURCES - Appropriate establishment of well trained, skilled and competent staff	20	Staff establishment standards Recruitment, sickness and other workforce policies, procedures & support mechanisms Pooling, bank and agency arrangements Workforce planning, recruitment, training & Organisational Development Staff appraisal and personal development plans Programme of work identified to help maximise attendance and streamline recruitment processes led by Interim Director of Human Resources.
RESOURCES - Reduce sickness levels in line WG Target and locally set target to ensure sufficient staff to meet patients needs	20	As above and Sickness Absence Policy Occupational Health and Stress and Wellbeing Service to support the return of staff to work and maintain others in the workplace. Mental Health piloting new approach Clinical Board Heads of Workforce and Organisational Development developing local plans Flu Vaccination Action Plan
RESOURCES - Plan, resource and implement safe and adequate estate	25	UHB Strategic Capital Planning Programme 2014/15-2018/19 received by Board - Sept 14 Major and discretionary capital programmes Estates inspections and audits Capital prioritisation process Maintenance requests and prioritisation Development of robust Business Cases to secure capital investment from Welsh Government to support service change programmes inc. CRI, Making a Difference etc. Major Capital Group chaired by Chief Executive
RESOURCES - Meet statutory compliance in respect of estates maintenance	25	As above regarding management of estate and moving out of older premises. Estates and statutory compliance audit process Prioritisation of maintenance requests
RESOURCES - Provide appropriate bathroom and toilet facilities	20	Prioritised capital investment plan
RESOURCES - Comply with Welsh Government Cleaning Standards	25	Baseline assessment against revised standards completed and gap between current and required staffing identified. Cleaning reduced in non-clinical areas to maximise cleaning in clinical areas

PRINCIPAL RISKS	RISK SCORE	SUMMARY OF CONTROLS
		Cleaning scores available for all clinical areas and high risk areas are reviewed weekly by the Head of Operational Services. Scores also shared with Clinical Board Nurses. Cleaning scores included in performance report on the ward dashboard. Options paper prepared for ME consideration to meet revised Standards
RESOURCES - Deliver financial balance and savings programmes	25	Detailed Clinical Board savings plans tested by Finance Director and Executives. Devolution of Finance support to Clinical Boards Performance Management Framework / Regular performance reviews with Clinical Boards Dialogue with Welsh Government. UHB entered into escalation process.
RESOURCES - Deliver income targets due to WG / HBs / WHSSC reducing resources	20	Monitoring and negotiation to retain income levels
RESOURCES - Risk of legal challenge / judicial review for CHC and FNC historic cases	25	Revised all-Wales policies and procedures. New FNC funding arrangements from 2014/15 Response to Judicial Review in preparation and on an All Wales basis.
RESOURCES - Plan, fund and maintain effective & resilient IM&T systems	20	IM&T implementation programme IM&T sub Committee established to oversee progress
RESOURCES - Patient results, records, clinical coding, DATIX and other core patient information systems being accessible, complete, and up to date and compliant with information governance requirements	20	Health records policies, procedures and protocols Clinical Portal arrangements Health records modernisation programme Head of Information Governance appointment Investment in additional coding staff and non recurrent external support provided in 2013/14. Action Plan produced in response to WAO Clinical Coding review.
RESOURCES - Implementation of LIMS as replacement to Telepath	20	NWIS Project Management Arrangements. Staff training arrangements. Disaster recovery plan in place. Each laboratory has contingency procedures to ensure urgent or emergency results are communicated by telephone.
RESOURCES - Management of the Health Record as a result of volume of records within the system, availability of space to store the record and poor compliance with tracking the records leading to the records not always being available at point of care or for coding. As a result, on occasion clinicians are not able to deliver the required level of patient care and coding is not completed in accordance with WG performance requirements.	20	Health records policies, procedures and protocols Clinical Portal arrangements Health records modernisation programme including digitisation of the paper record Professional Lead for Health Records in post
GOVERNANCE - Compliance with Information Governance legislation	20	Information Governance policies and procedures UHB Programme of Modernising Health Records Information Governance team to advise on Information Governance, Data Protection and Freedom of Information compliance.

PRINCIPAL RISKS	RISK SCORE	SUMMARY OF CONTROLS
		WASPE Information Sharing Agreements in place for a number of areas.
GOVERNANCE - Contamination of Water Plant in UHW	25	Routine Monitoring. Additional filters. Chemical cleaning
GOVERNANCE - Comply with relevant, up to date and accessible policies, procedures and other control documents	20	<p>Policy on Policies and other written control documents - revised in July 2014 to make process much simpler. New format approved for all other documents in September 2014.</p> <p>Staff training and awareness</p> <p>Intranet and internet access arrangements</p> <p>Re-enforced with all Clinical Boards the need to have arrangements in place to respond to Royal College and other documents. Proforma sent to them all for them to complete or advise of alternative format.</p> <p>Information regarding review of database presented to Lead Executive for their advice and oversight regarding their ongoing review and maintenance.</p>

Underpinning the high level strategic risks, are more specific operational risks where additional focus is required.

As demonstrated above actions are being taken to manage all of these risks but it is acknowledged some of them do present a significant challenge to the UHB.

There have been a number of high profile clinical matters during 2014/15 which have also required significant and focussed attention as follows:

- In response to the **Trusted to Care** report published in June 2014 in addition to external inspections a number of internal unannounced visits and inspections were also carried out by Board members, senior managers and senior and lead nurses. Members of the Community Health Council were involved in these inspections. The purpose was to provide assurance to the Board that the systemic failings identified in the Trusted to Care report were not occurring in the Cardiff and Vale University Health Board. This information was used to inform development of an assurance framework which was submitted to WG on 10 June 2014. We continue to use this framework to undertake internal inspections of clinical environments.
- There have been a number of announced and unannounced Dignity and Essential care (DECI inspections)/Healthcare Inspectorate Wales (HIW) visits throughout the year. These have provided a high level of assurance in relation to the quality of care across the UHB. Improvement plans, where required, are in place to implement the recommendations from all the inspections
- The Evans review 'Using the Gift of Complaints' was published in 2014. The UHB is committed to implementing the recommendations. The UHB, prior to this report had reviewed the management of complaints, the outcomes for patients and the interface with the broader quality, safety and experience agenda, Following this review an improvement plan was put in place to develop and

improve the complaints process and outcomes for complainants. The plan has been approved by the Board and is being progressed. The UHB has invested in this area to support these improvements.

- Healthcare Inspectorate Wales published two Homicide Reviews in 2014. Both perpetrators were receiving mental health services provided by the UHB. Detailed multi-agency action plans to address the reports have been developed and actions implemented.
- The tragic deaths of two patients who received a renal transplant from a donor in NHS England has received much media attention. Following an internal investigation commissioned by an external expert an overarching review was carried out by NHS Blood and Transplant. An improvement plan has been fully implemented and our learning has been shared across the UK.
- In July and August 2014 the Welsh Government Delivery Unit (DU) undertook an intervention on Unscheduled Care within the UHB. A key theme of the DU report and recommendations was that of patient safety. A combined plan which aligns the DU recommendations with existing improvement actions has been developed and the UHB continues to work closely with the DU to monitor implementation

The Quality, Safety and Experience Committee received reports and continues to receive progress updates in relation to these matters. These will be detailed in the Annual Quality Statement that will be published in September 2015.

THE CONTROL FRAMEWORK

An essential feature of our control framework is ensuring there is a robust system for measuring and reporting on the quality of our services.

This is comprehensively described in the complementary Annual Quality Statement that will be published in September 2015 and will also be linked to our Annual Report for 2014/15.

During 2014/15 the Health Board used the Doing Well, Doing Better: Standards for Health Services in Wales as its framework for gaining assurance on its ability to deliver safe, high quality health services. This involved self assessment of performance against the standards across all activities at all levels throughout the organisation. More detail on these Standards can be found on the following link:
<http://www.wales.nhs.uk/governance-emanual/standards-for-health-services-in-wales>

A summary of performance against each Standard, together with a comparison to 2013/14 is provided below. A paper was presented to the Health Board on the 24th March 2015 providing an overview of the 2014/15 self assessment against Standards for Health and the improvement actions identified for 2015/16. This will be further discussed at the Quality, Safety and Environment Committee on 16 June 2015 and continued to be monitored through this Committee during 2015/16

	Health Standard	2013/14	2014/15	
1	Governance and Accountability Framework	4	4	↔
2	Equality Diversity and Human Rights	3	4	↑

	Health Standard	2013/14	2014/15	
3	Health Promotion, Protection & Improvement	4	4	↔
4	Civil Contingency & Emergency Preparedness	4	4	↔
5	Citizen Engagement and Feedback	4	4	↔
6	Participating in Quality Improvement Programmes	3	4	↑
7	Safe & Clinically Effective Care	3	3	↔
8	Care Planning & Provision	3	3	↔
9	Patient Information & Consent	3	3	↔
10	Dignity & Respect	3	3	↔
11	Safeguarding Children & Safeguarding Vulnerable Adults	4	4	↔
12	Environment	3	3	↔
13	Infection Prevention & Control and Decontamination	3	3	↔
14	Nutrition	3	3	↔
15	Medicines Management	3	3	↔
16	Medical Devices, Equipment and Diagnostic Systems	3	3	↔
17	Blood Management	3	3	↔
18	Communicating Effectively	3	3	↔
19	Information Management & Communication Technology	2	2	↔
20	Records Management	3	3	↔
21	Research Development & Innovation	4	4	↔
22	Managing Risk and Health & Safety	3	3	↔
23	Dealing with Concerns and Managing Incidents	3	3	↔
24	Workforce Planning	4	4	↔
25	Workforce Recruitment and Employment Practices	3	3	↔
26	Workforce Training and Organisational Development	3	3	↔

1 = Aware, 2 = Responding, 3 = Developing, 4 = Practising, 5 = Leading

A revised set of standards - the Health and Care standards – was launched by Welsh Government in April 2015. The revised standards can be accessed via the following link:

<http://www.wales.nhs.uk/governance-emanual/how-the-health-and-care-standards-are-st>

The UHB is progressing work to implement these during 2015-2016.

As well as on-going 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 with the key actions being:

- Prioritising IT replacement to remove highest priority risks.
- National ICT strategy
- Measuring and analysing clinical, system and environmental data and examine
- correlation and causality with patient outcomes and experience

The self-assessment process has been subject to independent internal assurance by the Organisation's Head of Internal Audit and the main issues reported were as follows:

Overall the processes in place to manage the risks associated with the review are of a reasonable standard.

The majority of Corporate and Clinical Board Self Assessments were appropriately scored in accordance with Maturity Matrix definitions and were supported with evidence of implementation of 2013/14 Improvement Actions and details of those to be undertaken in 2015/16.

The review did however identify a number of issues which require management attention and action.

Self-Assessments within a small number of Clinical Boards included information relating to 2013/14 or information that was not relevant narrative, but were signed off by Clinical Board Leads as being the final submissions. It is noted that SBARs (Situation, Background, Assessment, and Recommendation) had been completed for these standards but these did not provide sufficient information for Audit to be able to assess the appropriateness of the scoring.

Overall, we concluded and reported **reasonable** assurance for this review.

As part of the annual self-assessment process, the Board has completed the Governance and Accountability assessment module and has:

- Openly assessed its performance using the maturity matrix
- Responded to any feedback provided by Healthcare Inspectorate Wales
- Reviewed performance against actions identified in the 2013/14 self assessment
- Plans in place to achieve the improvement actions as part of our Integrated Medium Term Plan.

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				Δ ✓	
Enabling delivery			Δ ✓		
Delivering results achieving excellence			✓	Δ	
OVERALL MATURITY LEVEL			✓	Δ	

Δ 2013/14 Assessment

✓ 2014/15 Assessment

The maturity level has been reduced in recognition of some of the control weaknesses identified during

the year. The actions identified in response will ensure an improvement in maturity during 2015/16.

Key improvement actions for 2015/16 include:

- Development of a new Clinical Services Strategy to ensure sustainability of safe, quality and affordable services in the longer-term
- On-going development of the Clinical Boards to support them in taking on increased levels of autonomy
- Development and agreement of a comprehensive capital strategy and prioritisation framework

In September 2014, the Board considered and reflected its own effectiveness; this will inform individual personal development plans as well as the collective Board development programme for 2015/16. The main change was to concentrate Board business on those key issues which required a Board decision. Previously, too much Board time was being taken on matters which were for noting only. The Board agenda was re-structured with Part 1- Items for discussion Part 2- Items for noting. The organisation worked with the Wales Audit Office to undertake a programme of self-assessments in 2014 for some of its key Board Committees.

CORPORATE GOVERNANCE CODE

The Health Board 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. The Board is in full compliance with the code with the following non-material exceptions:

Section 3.10 – 3.11 – Board appointments are typically made for a period of 3-4 years. These are Ministerial appointments which the Board itself is unable to influence apart from the personal encouragement of asking people from diverse backgrounds to apply. The Board currently has a gender ratio of 10:13 males to females thereby exceeding Government targets;

Section 4.1 - The Board does not have a dedicated secretariat function. Secretariat support is however provided from an experienced, skilled officer reporting to the Board Secretary.

MINISTERIAL DIRECTIONS

A list of Ministerial Directions issued by the Welsh Government during 2014-15 are available at:-

<http://gov.wales/legislation/subordinate/nonsi/nhswales/2014/?lang=en>

The Health Board can confirm that all of these Directions have been fully considered and where appropriate implemented

The Ministerial Directions of significant importance to the UHB are:

- Emergency Ambulance Services Committee (Wales) Directions 2014 (2014 No.8)
- Welsh Health Specialised Services Committee (Wales) (Amendment) Directions 2014 (2014 No.9)
- Directions to Local Health Boards 2014 (2014 No.6)
- The Pharmaceutical Services (Advanced and Enhanced Services)(Wales)(Amendment) Directions 2014 (2014 No.15)
- The Primary Medical Services (Directed Enhanced Services)(Wales)(Amendments) Directions 2014 (2014 No.14)

A range of Welsh Health Circulars (WHCs) were published by Welsh Government during 2014-15 and are centrally logged within the Health Board with a lead Executive Director being assigned to oversee implementation of any required action. Where appropriate, the Board or one of its Committees is also sighted on the content of the WHC.

OTHER ELEMENTS OF CONTROL FRAMEWORK

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 and also the Healthcare System Management Board, the senior operational management group.

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 into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

The organisation has undertaken risk assessments which are in place in accordance with emergency preparedness and civil contingency requirements.

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.

The Health Board 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 received 2 days of Patient Safety training in September 2014.

No material weaknesses or matters of non-compliance have been identified for these elements of the Health Board's control framework.

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 outcome of Board and Committee scrutiny, the internal auditors, the Executive Directors 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.

During the year, I have taken assurance on the effectiveness of internal controls from Corporate Risk and Assurance Framework that includes the following sources.

Internal Sources	External Sources
Performance Management Reports Service change management reports Workforce information & surveys Benchmarking Internal & Clinical Audit reports Board & Committee reports Local counter fraud work Standards for Health assessments Board Member Walkabouts Results of internal investigations Serious Incident reports Concerns and compliments Whistleblowing and Safety Valve Infection control reports Information governance toolkit self-assessment Patient experience surveys and reports Compliance against legislation (eg Mental Health Act / Health & Safety, Data Protection)	Population Health information Wales Audit Office reports Welsh Risk Pool Assessment reports Healthcare Inspectorate Wales reports Community Health Councils visits Feedback from healthcare and third sector partners Royal College visits Deanery visits Regulatory, licensing and inspection bodies External benchmarking and statistics Accreditation schemes National audits Peer reviews Feedback from service users Local networks (eg cancer networks) Welsh Government reports and feedback

A particular focus during the year has been to improve the performance information provided to the Board so that the Board can be assured on the accuracy and reliability of the information as well as ensuring it is focusing on the most important matters. In particular weaknesses had been identified in the length of time it was taking to code patients and outcomes. This might have caused delay, for example, in identifying areas of unexpected high death rates. This matter has received focussed attention with the Board receiving regular reports. I am now satisfied that the mortality information presented to the Board reflects an accurate position.

INTERNAL AUDIT

Internal audit provide me and the Board through the Audit Committee with a flow of assurance on the

system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit Committee and is focussed on significant risk areas and local improvement priorities.

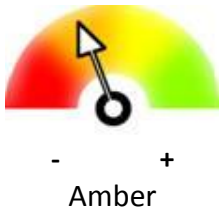
The overall opinion by the Head of Internal Audit (see below) on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

The Head of Internal Audits opinion is arrived at having considered whether or not the arrangements in place to secure governance, risk management and internal control are suitably designed and applied effectively in the following eight assurance domains:

- Corporate Governance, Risk Management and Regulatory Compliance
- Strategic Planning, Performance Management and Reporting
- Financial Governance and Management
- Clinical Governance, Quality and Safety
- Information Governance and Security
- Operational Service and Functional Management
- Workforce Management
- Capital and Estates Management

HEAD OF INTERNAL AUDIT OPINION

The scope of this Audit opinion is confined to those areas examined in the risk based audit plan which has been agreed with senior management and approved by the Audit Committee. The Head of Internal Audit assessment should be interpreted in this context when reviewing the effectiveness of the system of internal control and be seen as internal driver for continuous improvement. The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control is set out below.

<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>
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In reaching this audit opinion it has been concluded that six of the eight assurance domains have been allocated reasonable assurance, although there were individual audit assignments within these domains that were given Limited Assurance and it is essential that prompt management action is taken in respect of those.

Two domains, Clinical Governance, Quality and Safety and Information Governance and Security have been allocated Limited Assurance. The Clinical Governance, Quality and Safety domain is one of the three primary domains and by receiving Limited Assurance for any one of the primary domains this results in an overall Limited Assurance opinion.

In total 42 audit reviews were reported during the year. It was pleasing to note that the number of reports receiving Substantial Assurance had risen from three to nine and no reports had received No Assurance.

The following reviews received Limited Assurance.

Review Title	Objective and Action Taken
Pharmacy IT System	<p>To evaluate and determine the adequacy of the systems and controls in place for the management of the Pharmacy IT System and provide assurance that data held is accurate, secure from unauthorised access or loss and is fully utilised.</p> <p>Action Business case being prepared with NWIS for the purchase of a new Welsh Pharmacy I.T system. Risks being managed in the meantime whilst a solution is agreed. Internal Audit to revisit later in the year. Performance, People and Delivery Committee also monitoring the situation.</p>
Infection Control - Follow Up	<p>To establish and validate the progress made with the implementation of the agreed management responses from the previous review undertaken between August and September 2013.</p> <p>Action Additional staff have now been recruited to strengthen Infection Control throughout the Health Board.</p>
Medicine Waste	<p>To evaluate and determine the adequacy of the systems and controls in place for the management of Medicines Wastage; ensuring that there are adequate processes in place to monitor and reduce the level of medicines waste.</p> <p>Action Audit findings are being reviewed by the Clinical Boards and an action plan will be developed and implemented. This will be overviewed by the Medicines Management Group</p>

Mental Health Section 117 - Follow Up	<p>To establish and validate the progress made with the implementation of the agreed management responses from the previous review undertaken between January and March 2014.</p> <p>Action The follow up audit showed an improvement to limited assurance but the implementation of the action plan has been slower than anticipated. In the interim a paper based system will be re-introduced with regular audits. A pilot project is being developed with local authority partners in order to improve collection of data on after care services.</p>
Telecommunications	<p>To evaluate and determine the adequacy of the systems and controls in place for the management of Telecommunications; ensuring the service is secure, resilient and that appropriate financial control is maintained over all provision.</p> <p>Action The management structure for telecommunications is being reviewed and budgetary responsibility clarified.</p>
Business Continuity Planning	<p>To evaluate and determine the adequacy of the systems and controls in place for the management of Business Continuity and provide assurance that adequate arrangements exist to provide continuity of service, in the event of an emergency, significant event or adverse conditions.</p> <p>Action The issue identified was the lack of guidance and support for the Clinical Boards. The planning department will develop improved guidance for the clinical boards and the Executive Director of Strategy and Planning will be responsible for ensuring that appropriate business continuity plans are in place.</p>
Estates: Backlog Maintenance	<p>To evaluate the processes and procedures put in place by the University Health Board (UHB) to support the management and control of the backlog maintenance programme</p> <p>Action Reporting to the Executive Team on a quarterly basis has been formalised and the action plan to address the backlog continues to be developed but it is dependent on the resources provided by the Welsh Government .</p>
Medicine Management	<p>To evaluate and determine the adequacy of the systems and controls in place for medicines management; and provide assurance that appropriate policies and procedures are in place to ensure the safe and legal ordering, storage, administration and disposal of Controlled Drugs at ward level.</p> <p>Action Detailed Action Plan being implemented and being monitored by the Medicine Management Group.</p>

Records Management	<p>To evaluate and determine the adequacy of the systems and controls in place for the management of records; and provide assurance that the UHB is compliant with Data Protection Act legislation.</p> <p>Action Detailed Management Plan in place being reviewed by the Performance, People and Delivery Committee.</p>
Clinical Audit	<p>To evaluate and determine the adequacy of the systems and controls in place for managing the planning and delivery of Clinical Audits.</p> <p>Action Further discussions being held with the Chair of the Audit Committee and Clinical Board to ensure full engagement at Corporate and Clinical level.</p>

STANDARDS FOR HEALTH SERVICES IN WALES

The findings of the Internal Audit review of the self assessment against the Standards for Health Services in Wales are detailed above.

Overall, Internal Audit concluded and reported **reasonable** assurance for this review.

GOVERNANCE AND ACCOUNTABILITY MODULE

In addition, to the review of the Standards above, a review on the Governance and Accountability Module has been undertaken (above)

WALES AUDIT OFFICE

The Audit Committee agreed the Wales Audit Office (WAO) Annual Plan for 2014/15 which set out specific areas to be covered in relation to both the audit of the financial statements and performance management audit assignments. The Committee reviewed the progress on both national and local work at each meeting. The following performance reports were/will be presented to the relevant Board Committee who agreed the Health Board's plan to address any issues raised.

Title of Review	Date Issued	Date Considered by/to be considered by Committee	Assurance Committee
Summary of Informatics and Communications Technical Risks	Jan 2014	Jan 2014 & Feb 2015	People, Performance, Delivery & Info Governance Sub Committee
Audit Committee Survey	Oct 2014	October 2014	Audit Committee
Review of Clinical Coding	Oct 2014	Nov 2014 & May 2015	People, Performance, Delivery
Quality, Safety and Exp Committee Survey	Dec 2014	Dec 2014	Quality, Safety and Experience
Review of District Nursing	Dec 2014	March 2015	People, Performance, Delivery
Review of Orthopaedic Services	Jan 2015	July 2015	*People, Planning and Performance
Structured Assessment 2014	Jan 2015	Jan 2015	Board/Audit Committee

People, Performance and Delivery Committee Survey	Jan 2015	July 2015	People, Planning and Performance
Combined Follow up of Informatics and Communications	Feb 2015	July 2015	People, Planning and Performance

*Note: The People, Performance and Delivery Committee changed its name to the People, Planning and Performance Committee following the May 2015 meeting.

The actions are recorded in a tracking report and the Audit Committee monitors progress in addressing them.

A summary of the WAO Structured Assessment of the Health Board's governance arrangements is included within the Annual Audit Report published in January 2015. This concluded:

Overall governance arrangements have continued to evolve and mature, although some aspects need to be further improved.

Key findings from my review of the Health Board's governance arrangements are as follows:

- the Health Board has adopted a clear and robust approach to strategic planning although a slow pace of change and financial constraints is affecting its delivery;
- the organisational structure is maturing but there are a number of risks which impact on its effectiveness to support operational delivery;
- Board effectiveness, assurance and internal controls continue to be strengthened and are largely effective although there remain some important areas which need to be addressed;
- Performance management arrangements have been strengthened with a specific focus on the top five priorities but some services are becoming disengaged and there is a need for the organisation to more explicitly challenge its performance and delivery; and
- The Health Board continues to focus positively on quality and safety but there remains a number of issues to address, including capacity to support shared learning and respond to concerns in a timely manner.

A delivery plan has been developed to respond to the detailed recommendations set out in the Annual Audit Report and progress will be monitored through the Audit Committee during 2015/16.

LAPSES IN DATA SECURITY

The UHB records reported information governance incidents both through the Patient Safety DATIX system and the central Information Governance processes. Both work closely together to ensure consistency and accuracy of reporting. The Caldicott Guardian and the Information Governance Sub Group monitor these incidents closely and provide an assurance function for the Board.

The UHB reported eight incidents to the Information Commissioner's Office in 2014/15. In line with the nature of the incidents the UHB has focussed on the confidentiality, safety and security of patient identifiable information. Specifically the HB has strengthened arrangements for:

- The management of ward handover sheets

- Confidential waste disposal in all clinical areas
- Transport of patient identifiable information in all scenarios.
- The processes for implementing new information systems and changes to existing systems.

The Information Commissioner's Office is aware of the delays in response and is putting arrangements in place to address this in 2015/2016. The Information Commissioner received eight notifications as set out below in Table 1.

Table - Incidents reported to the Information Commissioner

No.	Date	Clinical Board	Reported By	Comment
1	April	Diagnostic and Therapies	Patient	Further information sent. Awaiting response from ICO
2	19.5.14	Women and Children	Health Board	Awaiting first response from ICO
3	19.5.14	Women and Children	Health Board	Further information sent. Awaiting response from ICO
4	24.7.14	Women and Children	Health Board	Awaiting first response from ICO
5	24.7.14	Medicine	Health Board	Awaiting first response from ICO
6	20.8.14	Specialist Services	Health Board	Awaiting first response from ICO
7	22.12.14	Executive	Health Board	Awaiting first response from ICO
8	30.3.15	Diagnostic and Therapies	Health Board	Awaiting first response from ICO

CONCLUSION

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

My review confirms that in general the UHB has a sound system of internal control however, there are some areas where improvements are required as described within this report, particularly in relation to Internal Audit reports where Limited Assurance has been received.

During 2014/15 through our Corporate Risk and Assurance Framework, we have proactively identified areas requiring improvement and requested Internal Audit to undertake detailed assessments in order to manage and mitigate associated risks. A number of reports issued by Internal Audit concur with our view and have consequently provided the UHB with clear recommendations to ensure that focussed and

urgent management actions are in place to address identified shortcomings. These actions are then monitored through the Board and its Committees to ensure appropriate assurances can be provided to the Board.

In 2014/15 although we did not breach our financial duties we ended the year with a financial deficit that will need to be recovered.

We are working very closely with Welsh Government in respect of addressing outstanding issues in order for our IMTP for 2015-18 to be approved.

Robust performance management arrangements are already in place mitigate and manage performance and control issues during 2015/16.

The 2014/15 Governance Statement confirms that the UHB has continued to mature as an organisation and no significant internal control or governance issues have been identified. We are, and will continue to address our key risks and embed good governance and appropriate controls throughout the organisation.

In summary, my review confirms that in general the Board has a sound system of internal control that supports its policies, aims and objectives.

Signed by:

Adam Cairns
Chief Executive
June 2015

Appendix 1

NAME AND POSITION	AREA OF EXPERTISE REPRESENTATION ROLE	BOARD COMMITTEE MEMBERSHIP – 1 APRIL 2014 – 31 MARCH 2015	NUMBER OF MEETINGS ATTENDED DURING TENURE	CHAMPION ROLES
Maria Battle Chair		(Chair) Board (Chair) Remuneration and Terms of Service Committee	8 / 8 11 / 11	Public and Patient Involvement Concerns
Marcus Longley Vice Chair	Primary, Community and Mental Health Services	(Vice Chair) Board (Chair) Mental Health and Capacity Legislation Committee (Chair) People Performance and Delivery Committee Remuneration and Terms of Service Committee	8 / 8 4 / 4 6 / 6 10 / 11	Mental Health Primary and Community
Stuart Egan Independent Member	Trade Union	Board Charitable Funds Committee Health and Safety Committee Remuneration and Terms of Service Committee Audit Committee People, Performance and Delivery Committee	7 / 8 2 / 4 4 / 4 8 / 11 6 / 7 3 / 6	Armed Forces and Veterans
Christopher Elmore Independent Member	Local Authority	Board Mental Health and Capacity Legislation Committee Health and Safety Committee	5 / 8 2 / 4 3 / 4	Children and Young People
Brendan Sadka Independent Member	Capital and Estates	Board People, Performance and Delivery Committee Audit Committee	8 / 8 5 / 6 7 / 7	Older People
Ivar Grey Independent Member	Finance	Board (Chair) Audit Committee Quality, Safety and Experience Committee Remuneration and Terms of Service Committee People, Performance and Delivery Committee	8 / 8 7 / 7 6 / 6 7 / 11 6 / 6	N/A
Eileen Brandreth Independent Member	Information Communication Technology	Board People, Performance and Delivery Committee	6 / 8 4 / 6	Caldicott/ Data Protection (Independent Member Contact)
Margaret McLaughlin Independent Member	Third Sector	Board Mental Health and Capacity Legislation Committee Quality, Safety and Experience Committee Charitable Funds Committee	8 / 8 4 / 4 6 / 6 3 / 4	Carers Welsh Language Equality and Human Rights
Elizabeth Treasure Independent Member	University	Board (Chair) Quality, Safety and Experience Committee Audit Committee	6 / 8 6 / 6 5 / 7	Patient Safety (Cleaning, Hygiene and Infection Management)
Martyn Waygood Independent Member	Legal	Board (Chair) Health and Safety Committee (Chair) Charitable Funds Committee Mental Health and Capacity Legislation Committee Quality, Safety and Experience Committee Remuneration and Terms of Service Committee	6 / 8 4 / 4 4 / 4 3 / 4 2 / 6 9 / 11	Health and Safety Violence and Aggression

NAME AND POSITION	AREA OF EXPERTISE REPRESENTATION ROLE	BOARD COMMITTEE MEMBERSHIP – 1 APRIL 2014 – 31 MARCH 2015	NUMBER OF MEETINGS ATTENDED DURING TENURE	CHAMPION ROLES
Saleem Kidwai Independent Member	Community	Board Quality, Safety and Experience Committee Mental Health and Capacity Legislation Committee	4 / 8 4 / 6 3 / 4	
Adam Cairns Chief Executive		Board	7 / 8	N/A
Abigail Harris Director of Planning		Board	7 / 8	N/A
Charlotte Moar Director of Finance (to 28.02.15)		Board Charitable Funds Committee	4 / 5 1 / 2	N/A
Christopher Lewis Acting Director of Finance (from 17.11.14)		Board Charitable Funds Committee	4 / 4 1 / 2	N/A
Graham Shortland Medical Director		Board	6 / 8	N/A
Ruth Walker Director of Nursing		Board	7 / 8	N/A
Sharon Hopkins Director of Public Health		Board	7 / 8	N/A
Fiona Jenkins Director of Therapies and Health Sciences		Board Charitable Funds Committee	7 / 8 4 / 4	N/A
Tracy Myhill Director of Workforce and Organisational Development (to 30.09.14)		Board	4 / 4	N/A
Alice Casey Chief Operating Officer		Board	6 / 8	N/A
Paula Martyn Associate Member (from 06.09.14)	Stakeholder Reference Group	Board	2 / 2	N/A
John Harrison Associate Member (from 11.02.14 to 06.09.14)	Stakeholder Reference Group	Board	0 / 3	N/A
Rosemarie Whittle Associate Member	Healthcare Professionals Forum	Board	5 / 8	N/A
Sian Walker Associate Member	Local Authority	Board	2 / 8	N/A

*Note – Executive Directors are not Members of Committees (apart from Charitable Funds) – they are “In attendance”. Directors’ attendance is not shown as they are often invited to attend Committee on ad-hoc basis depending on agenda items. It should also be noted that some extraordinary meetings were arranged during the year which has impacted on some Members attendance.

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 31 March 2015 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities [set out on pages 64 and 65], 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 Financial Reporting Council'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Cardiff and Vale University Local Health Board as at 31 March 2015 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;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

Report

- Please see my Report on pages 98 to 99.

Huw Vaughan Thomas
Auditor General for Wales
11 June 2015

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the Cardiff and Vale University Local Health Board's website is the responsibility of the Cardiff and Vale University Local Health Board; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Report of the Auditor General to the National Assembly for Wales

Introduction

On 1st April 2014 the *NHS Finance (Wales) Act 2014* amended the *NHS (Wales) Act 2006* and required LHBs to meet two new statutory financial duties.

I have decided to issue a narrative report alongside my audit certificate to explain the new duties, the performance of Cardiff and Vale University Health Board (LHB) against them, and the implications for 2015-16.

New financial duties

The **first financial duty** gives additional resource flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period, replacing the duty to balance their books over a one year period. The first three year period under this duty is 2014-15 to 2016-17, so LHBs' performance against this duty will not be measured until 2016-17.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the spending limit set for those three years is 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend. For the 2014-15 financial year, any excess spend against annual financial allocations is not irregular spend and so does not affect my regularity opinion.

The **second financial duty** is a new duty requiring LHBs to prepare and have approved by the Welsh Ministers a rolling three year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services and delivery of the first financial duty. An LHB will be deemed to have met this duty for 2014-15 if it submitted a Board approved 2014-15 to 2016-17 plan to the Welsh Ministers, who then approved it by the date the Accountable Officer signed the 2014-15 Financial Statements.

LHB performance against duties

First Financial Duty

As set out above, the LHB will not be measured against the *first financial duty* until 2016-17. Nevertheless it is expected to manage its finances to ensure it does not over spend against its annual revenue and capital allocations. This is because the LHB's annual performance impacts on the ability of the Department of Health and Social Services to meet its own financial targets.

As shown in Note 2.1 and 2.2 to the Financial Statements, in 2014-15 the LHB:

- did not operate within its annual revenue resource allocation; and
- operated within its annual capital resource allocation.

The LHB's approved three year plan for 2014-15 to 2016-17 identified a gap of £15.5 million between its annual revenue resource allocation and its planned net expenditure for 2014-15 for which additional resource allocation was provided by Welsh Government in support of its three year plan. Throughout the year the LHB paid close attention to the monthly reported outturn and to the forecast year end position, and in October 2014 updated its year end forecast to a £25.1 million deficit. The year end outturn as shown in note 2.1 to the accounts shows that the LHB did not meet its annual revenue resource allocation with an overspend of £21.364 million.

Second Financial Duty

As shown in Note 2.3 to the Financial Statements, the LHB met its *second financial duty* to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17. This plan was approved by the Minister for Health and Social Services on 7 May 2014.

Look ahead to 2015-16

The LHB has until June 2016 (ie the date the Accountable Officer signs the 2015-16 financial statements) to obtain Ministerial approval for its 3 year integrated plan for 2015-16 to 2017-18.

At its meeting on 31 March 2015 the Board approved for submission to Welsh Government its three year integrated plan running from 2015-16 to 2017-18. At the time of writing the plan has not yet received Ministerial approval.

The plan has a gap of £33.9 million between its revenue resource allocation and its planned net expenditure over the three years. This excludes recovery of the excess spend incurred in 2014-15 of £21.364 million. It also excludes recovery of the excess spend incurred in 2013-14 of £19.177 million, which the Welsh Government confirmed in May 2015 was no longer required to be recovered.

This plan identifies a gap of £13.2 million between its annual revenue resource allocation and its planned net expenditure for 2015-16. At the end of April 2015, the LHB reported a year to date deficit of £1.702 million and a forecast year end deficit of £13.2 million.

Huw Vaughan Thomas
Auditor General for Wales
11 June 2015

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**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