

# 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 2016

	Note	2015-16 £'000	2014-15 £'000
Expenditure on Primary Healthcare Services	3.1	<b>229,428</b>	219,500
Expenditure on healthcare from other providers	3.2	<b>232,472</b>	221,236
Expenditure on Hospital and Community Health Services	3.3	<b>761,113</b>	763,050
		<b>1,223,013</b>	1,203,786
Less: Miscellaneous Income	4	<b>369,246</b>	367,314
<b>LHB net operating costs before interest and other gains and losses</b>		<b>853,767</b>	836,472
Investment Income	8	<b>0</b>	0
Other (Gains) / Losses	9	<b>(20)</b>	(608)
Finance costs	10	<b>(153)</b>	(9)
<b>Net operating costs for the financial year</b>		<b>853,594</b>	835,855

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

The notes on pages 8 to 62(d) form part of these accounts

## Other Comprehensive Net Expenditure

	2015-16 £'000	2014-15 £'000
Net gain / (loss) on revaluation of property, plant and equipment	7,088	12,162
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>7,088</u>	<u>12,162</u>
<b>Total comprehensive net expenditure for the year</b>	<u><b>846,506</b></u>	<u><b>823,693</b></u>

**Statement of Financial Position as at 31 March 2016**

		<b>31 March 2016 £'000</b>	31 March 2015 £'000
	<b>Notes</b>		
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>632,013</b>	592,851
Intangible assets	12	<b>1,658</b>	1,398
Trade and other receivables	15	<b>7,860</b>	17,974
Other financial assets	22	<b>0</b>	0
<b>Total non-current assets</b>		<b>641,531</b>	612,223
<b>Current assets</b>			
Inventories	14	<b>15,109</b>	15,315
Trade and other receivables	15	<b>114,185</b>	117,039
Other financial assets	22	<b>0</b>	0
Cash and cash equivalents	21	<b>2,695</b>	562
		<b>131,989</b>	132,916
Non-current assets classified as "Held for Sale"	11	<b>1,593</b>	2,200
<b>Total current assets</b>		<b>133,582</b>	135,116
<b>Total assets</b>		<b>775,113</b>	747,339
<b>Current liabilities</b>			
Trade and other payables	16	<b>151,422</b>	127,084
Other financial liabilities	23	<b>0</b>	0
Provisions	17	<b>76,190</b>	87,535
<b>Total current liabilities</b>		<b>227,612</b>	214,619
<b>Net current assets/ (liabilities)</b>		<b>(94,030)</b>	(79,503)
<b>Non-current liabilities</b>			
Trade and other payables	16	<b>10,960</b>	11,823
Other financial liabilities	23	<b>0</b>	0
Provisions	17	<b>10,191</b>	19,904
<b>Total non-current liabilities</b>		<b>21,151</b>	31,727
<b>Total assets employed</b>		<b>526,350</b>	500,993
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		<b>416,459</b>	396,438
Revaluation reserve		<b>109,891</b>	104,555
<b>Total taxpayers' equity</b>		<b>526,350</b>	500,993

The financial statements on pages 2 to 7 were approved by the Board on 2nd June 2016 and signed on its behalf by:

Chief Executive.....  
Adam Cairns

Date .....  
2nd June 2016

The notes on pages 8 to 62(d) form part of these accounts

## Statement of Changes in Taxpayers' Equity

### For the year ended 31 March 2016

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2015-16</b>			
<b>Balance at 1 April 2015</b>	396,438	104,555	<b>500,993</b>
Net operating cost for the year	(853,594)		<b>(853,594)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	7,088	<b>7,088</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Movements in other reserves	0	0	<b>0</b>
Transfers between reserves	1,752	(1,752)	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers to/from LHBs		0	<b>0</b>
<b>Total recognised income and expense for 2015-16</b>	<b>(851,842)</b>	<b>5,336</b>	<b>(846,506)</b>
Net Welsh Government funding	871,863		<b>871,863</b>
<b>Balance at 31 March 2016</b>	<b>416,459</b>	<b>109,891</b>	<b>526,350</b>

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## Statement of Changes in Taxpayers' Equity

### For the year ended 31 March 2015

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2014-15</b>			
<b>Balance at 1 April 2014</b>	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
<b>Release of reserves to SoCNE</b>	0	0	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for 2014-15</b>	(814,324)	(9,369)	(823,693)
Net Welsh Government funding	872,845		872,845
<b>Balance at 31 March 2015</b>	396,438	104,555	500,993

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**Statement of Cash flows for year ended 31 March 2016**

		<b>2015-16</b>	<b>2014-15</b>
		<b>£'000</b>	<b>£'000</b>
<b>Cash Flows from operating activities</b>	notes		
Net operating cost for the financial year		<b>(853,594)</b>	(835,855)
Movements in Working Capital	30	<b>39,702</b>	(12,640)
Other cash flow adjustments	31	<b>4,273</b>	71,639
Provisions utilised	17	<b>(16,407)</b>	(18,160)
<b>Net cash outflow from operating activities</b>		<b>(826,026)</b>	(795,016)
<b>Cash Flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(42,541)</b>	(78,262)
Proceeds from disposal of property, plant and equipment		<b>53</b>	1,568
Purchase of intangible assets		<b>(679)</b>	(728)
Proceeds from disposal of intangible assets		<b>0</b>	0
Payment for other financial assets		<b>0</b>	0
Proceeds from disposal of other financial assets		<b>0</b>	0
Payment for other assets		<b>0</b>	0
Proceeds from disposal of other assets		<b>0</b>	0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(43,167)</b>	(77,422)
<b>Net cash inflow/(outflow) before financing</b>		<b>(869,193)</b>	(872,438)
<b>Cash flows from financing activities</b>			
Welsh Government funding (including capital)		<b>871,863</b>	872,845
Capital receipts surrendered		<b>0</b>	0
Capital grants received		<b>0</b>	0
Capital element of payments in respect of finance leases and on-SoFP		<b>(537)</b>	(607)
Cash transferred (to)/ from other NHS bodies		<b>0</b>	0
<b>Net financing</b>		<b>871,326</b>	872,238
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,133</b>	(200)
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2015</b>		<b>562</b>	762
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2016</b>		<b>2,695</b>	562

The notes on pages 8 to 62(d) form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2015-16 Local Health Board Manual for Accounts and 2015-16 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 the 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.

From 2015-16, the LHB must comply with IFRS 13 Fair Value Measurement in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

In accordance with the adaptation of IAS 16 in table 6.2 of the FREM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the Trust / LHB could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

### **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.

## **1.7 Intangible assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

### **Measurement**

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

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

## **1.8 Depreciation, amortisation and impairments**

Freehold land and assets under construction and properties held for sales are not depreciated.

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

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

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

### **1.9 Research and Development**

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

### **1.10 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.

### **1.11 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.

#### **1.11.1 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.

#### **1.11.2 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.

**1.12 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.

**1.13 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.

**1.14 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.

**1.14.1 Clinical negligence and personal injury 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.

**1.15 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.

**1.15.1 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.

**1.15.2 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.

**1.15.3 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.

**1.15.4 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.

**1.15.5 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.

**1.16 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.

**1.16.1 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.

**1.16.2 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.

**1.16.3 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.

**1.17 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.

**1.18 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.

**1.19 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 25 to the accounts.

**1.20 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.

### **1.21 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 28 to these accounts on page 57.

### **1.22 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.

### **1.23 Key sources of estimation uncertainty**

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

A) The LHB provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this, the LHB is carrying a bad debt provision of £4.054m re non NHS organisations and a credit note provision of £0.091m 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 £81.749m 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 2016. Based on a sample the LHB has accrued £0.859m re untaken annual leave. This is based on a sample of the leave records of 45% of all LHB staff and reflects the LHB's policy of only allowing annual leave to be carried forward into 2016/17 under exceptional circumstances or when this has been necessary to help the UHB achieve service performance targets.



### 1.23 Key sources of estimation uncertainty (continued)

D) The LHB has estimated a liability of £2.710m 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 UHB has received 272 claims for which the assessment process has not been completed. This assessment process is highly complex, involves multi disciplinary teams and for those reasons takes 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 32 different wards has now been counted. This represents 926 beds out of a possible 2065 across the LHB. In this way a figure of £0.675m 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

**1.24 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.

**1.25 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.

**1.26 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.

**1.27 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.

**1.28 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 2015-16. The application of the Standards as revised would not have a material impact on the accounts for 2015-16, were they applied in that year:

IPSAS 32 - Service Concession Arrangement - subject to consultation

IFRS 15 - Revenue Recognition

**1.29 Accounting standards issued that have been adopted early**

During 2015-16 there have been no accounting standards that have been adopted early.

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

**1.30 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

	2015-16 £'000	2014-15 £'000
<b>Net operating costs for the year</b>	<b>853,594</b>	<b>835,855</b>
Less general ophthalmic services expenditure and other non-cash limited expenditure	(24,547)	(21,957)
Less revenue consequences of bringing PFI schemes onto SoFP	(1,028)	(1,028)
Total operating expenses	828,019	812,870
Revenue Resource Allocation	828,087	791,506
<b>Under /(over) spend against Allocation</b>	<b>68</b>	<b>(21,364)</b>

The Health Board did not receive any repayable brokerage in either 2015/16 or 2014/15.

The Health Board received £10.5 million repayable cash support in 2014/15, which was repaid in 2015/16. Later in 2015/16, the UHB applied for and received further repayable cash support of £10.5m. Repayment will be in accordance with the integrated Medium Term Plan for 2016/17 to 2018/19.

### 2.2 Capital Resource Performance

	2015-16 £'000	2014-15 £'000
The LHB is required to keep within its Capital Resource Limit :		
<b>Gross capital expenditure</b>	<b>41,935</b>	<b>92,690</b>
Add: Losses on disposal of donated assets	3	0
Less NBV of property, plant and equipment and intangible assets disposed	(33)	(960)
Less capital grants received	0	0
Less donations received	(938)	(7,805)
Charge against Capital Resource Allocation	40,967	83,925
Capital Resource Allocation	41,027	84,004
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>60</b>	<b>79</b>

### 2.3 Duty to prepare a 3 year plan

The NHS Wales Planning Framework for the period 2015-16 to 2017-18 issued to LHBs placed a requirement upon them to prepare and submit Integrated Medium Term Plans to the Welsh Government.

The LHB submitted an Integrated Medium Term Plan for the period 2015-16 to 2017-18 in accordance with NHS Wales Planning Framework.

	<b>2015-16 to 2017-18</b>	<b>2014-15 to 2016-17</b>
The Minister for Health and Social Services approval status	Approved	Approved

The LHB has therefore met 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	2015-16 Total £'000	2014-15 £'000
General Medical Services	69,093		69,093	65,727
Pharmaceutical Services	21,430	19,378	40,808	38,583
General Dental Services	30,904		30,904	30,155
General Ophthalmic Services	0	5,169	5,169	4,940
Other Primary Health Care expenditure	8,499		8,499	6,018
Prescribed drugs and appliances	74,955		74,955	74,077
<b>Total</b>	<b>204,881</b>	<b>24,547</b>	<b>229,428</b>	<b>219,500</b>

The Total expenditure above includes £8.212m in respect of staff costs (£6.730m 2014-15)

#### 3.2 Expenditure on healthcare from other providers

	2015-16 £'000	2014-15 £'000
Goods and services from other NHS Wales Health Boards	26,094	26,607
Goods and services from other NHS Wales Trusts	22,225	21,587
Goods and services from other non Welsh NHS bodies	2,251	1,578
Goods and services from WHSSC / EASC	112,341	108,314
Local Authorities	1,835	339
Voluntary organisations	7,354	7,267
NHS Funded Nursing Care	7,498	7,130
Continuing Care	43,559	42,089
Private providers	9,314	6,314
Specific projects funded by the Welsh Government	1	11
Other	0	0
<b>Total</b>	<b>232,472</b>	<b>221,236</b>

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

	<b>2015-16</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>
Directors' costs	1,939	2,096
Staff costs	534,457	519,336
Supplies and services - clinical	159,711	144,767
Supplies and services - general	7,511	7,158
Consultancy Services	2,285	1,789
Establishment	10,138	9,721
Transport	688	1,057
Premises	29,702	26,876
External Contractors	0	0
Depreciation	25,370	23,720
Amortisation	511	457
Fixed asset impairments and reversals (Property, plant & equipment)	(16,474)	17,991
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	767	10
Audit fees	411	421
Other auditors' remuneration	7	4
Losses, special payments and irrecoverable debts	5,163	7,442
Research and Development	0	0
Other operating expenses	(1,073)	205
<b>Total</b>	<b>761,113</b>	<b>763,050</b>

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

	<b>2015-16</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	717	40,891
Personal injury	1,224	1,343
All other losses and special payments	545	1,432
Defence legal fees and other administrative costs	1,478	1,132
Gross increase/(decrease) in provision for future payments	3,964	44,798
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	422	1,690
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>777</b>	<b>(39,046)</b>
<b>Total</b>	<b>5,163</b>	<b>7,442</b>

Personal injury includes £164k (2014-15 £-48k) in respect of permanent injury benefits.

Clinical Redress arising during the year was £410k (2014-15 £330k)



**4. Miscellaneous Income**

	2015-16 £'000	2014-15 £'000
Local Health Boards	67,875	66,758
WHSSC /EASC	190,608	180,350
NHS trusts	3,361	3,611
Other NHS England bodies	5,134	5,590
Foundation Trusts	117	0
Local authorities	8,755	9,527
Welsh Government	8,957	9,606
Non NHS:		
Prescription charge income	2,182	2,105
Dental fee income	5,294	5,006
Private patient income	798	1,112
Overseas patients (non-reciprocal)	212	98
Injury Costs Recovery (ICR) Scheme	2,453	3,337
Other income from activities	1,909	2,186
Patient transport services	0	0
Education, training and research	46,446	46,961
Charitable and other contributions to expenditure	1,765	1,575
Receipt of donated assets	938	7,805
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	1,001	807
NWSSP	0	0
Deferred income released to revenue	283	205
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	5,933	5,357
Accommodation and catering charges	2,118	2,025
Mortuary fees	425	379
Staff payments for use of cars	0	0
Business Unit	0	0
Other	12,682	12,914
<b>Total</b>	<b>369,246</b>	<b>367,314</b>

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of 48.15% re personal injury claims and 17.1% re RTA claims to reflect expected rates of collection based on the UHB's past recoverability performance.

Other Income includes:

Non Staff SLA's with Cardiff University	3,913	4,176
Creche Fees	650	640
Site User Facilities SLA's & Pass through costs	587	631
Pharmacy sales	1,374	1,201
Equipment Evaluation Income	707	713
NHS Non Patient Care Income	1,758	1,458
<b>Total</b>	<b>8,989</b>	<b>8,819</b>

## 5. Employee benefits and staff numbers

### 5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2014-15
	£000	£000	£000	£000	£000
Salaries and wages	442,772	809	15,709	459,290	446,033
Social security costs	32,658	0	0	32,658	31,969
Employer contributions to NHS Pension Scheme	53,007	0	0	53,007	50,572
Other pension costs	20	0	0	20	14
Other employment benefits	0	0	0	0	0
Termination benefits	676	0	0	676	1,975
<b>Total</b>	<b>529,133</b>	<b>809</b>	<b>15,709</b>	<b>545,651</b>	<b>530,563</b>
Charged to capital				691	786
Charged to revenue				544,960	529,777
				<b>545,651</b>	<b>530,563</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)				366	(3)

### 5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2014-15
	Number	Number	Number	Number	Restated Number
Administrative, clerical and board members	1,874	2	14	1,890	1,856
Medical and dental	1,276	5	35	1,316	1,317
Nursing, midwifery registered	3,632	0	62	3,694	3,606
Professional, Scientific, and technical staff	545	2	10	557	551
Additional Clinical Services	2,422	0	15	2,437	2,367
Allied Health Professions	745	3	3	751	715
Healthcare Scientists	454	0	9	463	447
Estates and Ancillary	1,053	0	0	1,053	1,065
Students	15	0	0	15	19
<b>Total</b>	<b>12,016</b>	<b>12</b>	<b>148</b>	<b>12,176</b>	<b>11,943</b>

### 5.3. Retirements due to ill-health

During 2015-16 there were 15 early retirements from the LHB agreed on the grounds of ill-health (33 in 2014-15 - £ 2,059,439) The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £895,831.

### 5.4 Employee benefits

The LHB does not have an employee benefit scheme.

## 5.5 Reporting of other compensation schemes - exit packages

	2015-16	2015-16	2015-16	2015-16	2014-15
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	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	3	3	3	5
£10,000 to £25,000	1	7	8	7	24
£25,000 to £50,000	0	3	3	3	18
£50,000 to £100,000	0	2	2	2	7
£100,000 to £150,000	0	0	0	0	2
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	1
Total	1	15	16	15	57

	2015-16	2015-16	2015-16	2015-16	2014-15
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	0	21,973	21,973	21,973	45,987
£10,000 to £25,000	17,946	133,950	151,896	133,950	414,488
£25,000 to £50,000	0	98,563	98,563	98,563	613,079
£50,000 to £100,000	0	136,966	136,966	136,966	495,059
£100,000 to £150,000	0	0	0	0	261,811
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	214,836
Total	17,946	391,452	409,398	391,452	2,045,260

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). Exit costs in this note are accounted for in full in the year of departure on a cash basis in this note as specified in EPN 380 Annex 13C. Where the LHB has agreed early retirements, the additional costs are met by the LHB and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pension's 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 15 special payments are severance payments, the highest payment was £68,483, the lowest payment was £6,303 and the median payment was for £22,236.

2 exit packages were above the LHBs contractual limits - as per Welsh Government guidelines approval was sought and received from the Director General for Health and Social Services.

## 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 2015-16 was £210,000 - £215,000 (2014-15, £200,000 - £205,000). This was 7.56 times (2014-15, 7.18) the median remuneration of the workforce, which was £28,094 (2014-15, £28,186). In 2015-16 the highest paid director was the Medical Director, in 2014-15 the highest paid director was the Chief Executive.

	<b>2015-16</b>	<b>2014-15</b>
Band of Chief Executive Remuneration	200-205	200-205
Median Total Remuneration £	28,094	28,186
Ratio	7.21	7.18
Band of Highest Paid Director's Remuneration	210-215	200-205
Median Total Remuneration £	28,094	28,186
Ratio	7.56	7.18

In 2015-16, 2 (2014-15, 7) employees received remuneration in excess of the highest-paid director. Remuneration for these staff ranged from £215,000 to £225,000 (2014-15 £205,000 to £225,000). 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.

During 2015-16 the Medical Director has been awarded a Silver Clinical Excellence award which is of a higher level than the Bronze Clinical Excellence award he held in 2014-15. These awards are not made by the LHB but are awarded at a National level by the Advisory Committee on Clinical Excellence awards (ACCEA) which is an independent, advisory Non-Departmental Public Body (NDPB) and succeeded the Advisory Committee on Distinction awards (ACDA). The awards are given to recognise and reward the exceptional contribution of NHS consultants, over and above that normally expected in a job, to the values and goals of the NHS and to patient care. All Clinical Excellence awards and Distinction awards are funded separately to the LHB by the Welsh Government.

This Clinical Excellence award is the major contributor to the increase of the ratio between the median remuneration of the workforce and the highest paid director. The absolute decrease in the Median Total Remuneration is reflective of a slight change to the overall composition of the workforce.

### **5.7 Pension costs**

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that 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 scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) 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 scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 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. These accounts can be viewed on the NHS Pensions website and are published annually. 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 schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed 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) 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.

### **5.7 Pension costs (continued)**

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £42,385 for the 2015-2016 tax year.

NEST has an annual contribution limit of £4,700 for the 2015-16 tax year (£4,600 for 2014-15). This means the most that can be contributed to a single pot in the current tax year is £4,700. 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, such as a member's partner or spouse.

## 6. Operating leases

### LHB as lessee

The UHB currently has 20 operating leases agreements in place for the leases of premises, 7 arrangements in respect of equipment and 64 in respect of vehicles, with 15 expiring in year. The periods in which the remaining 76 agreements expire are shown below:

Payments recognised as an expense	2015-16 £000	2014-15 £000
Minimum lease payments	1,155	1,158
Contingent rents	0	0
Sub-lease payments	0	0
<b>Total</b>	<b>1,155</b>	<b>1,158</b>

### Total future minimum lease payments

Payable	£000	£000
Not later than one year	1,113	1,015
Between one and five years	3,117	2,811
After 5 years	3,516	4,342
<b>Total</b>	<b>7,746</b>	<b>8,168</b>

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	2	7	4	13
Between one and five years	4	44	1	49
After 5 years	14	0	0	14
<b>Total</b>	<b>20</b>	<b>51</b>	<b>5</b>	<b>76</b>

<b>Charged to the income statement (£000)</b>	<b>812</b>	<b>120</b>	<b>132</b>	<b>1,064</b>
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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
<b>Total revenue rental</b>	<b>0</b>	<b>0</b>

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

## 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.

The figures for 2015-16 exclude both the number and value of non-NHS bills paid to primary care services and contractor services.

The comparators for 2014-15 have been restated to reflect this treatment.

	2015-16	2015-16	2014-15	2014-15
NHS	Number	£000	Number	£000
Total bills paid	14,912	210,308	5,329	191,904
Total bills paid within target	11,627	194,230	3,665	178,399
Percentage of bills paid within target	78.0%	92.4%	68.8%	93.0%
<b>Non-NHS</b>			Restated	Restated
Total bills paid	244,279	355,592	233,470	369,684
Total bills paid within target	227,109	321,702	206,598	334,651
Percentage of bills paid within target	93.0%	90.5%	88.5%	90.5%
<b>Total</b>			Restated	Restated
Total bills paid	259,191	565,900	238,799	561,588
Total bills paid within target	238,736	515,932	210,263	513,050
Percentage of bills paid within target	92.1%	91.2%	88.1%	91.4%

As per Welsh Government Technical Update note dated 18th February 2016, NHS Supply Chain from 1st October 2015 has been classified and treated as an NHS Body for part year. Consequently this has seen an increase in NHS number within target rising from 65% to 78%. There has been no material change to the other targets.

During 2015/16 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 2016/17 performance.

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

	2015-16	2014-15
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	769.79	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>769.79</b>	<b>0</b>



**8. Investment Income**

	2015-16 £000	2014-15 £000
<b>Rental revenue :</b>		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue :</b>		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**9. Other gains and losses**

	2015-16 £000	2014-15 £000
Gain/(loss) on disposal of property, plant and equipment	20	(1)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	609
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>20</b>	<b>608</b>

**10. Finance costs**

	2015-16 £000	2014-15 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	23	28
Interest on obligations under PFI contracts		
main finance cost	1,327	1,333
contingent finance cost	0	0
Interest on late payment of commercial debt	1	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>1,351</b>	<b>1,361</b>
Provisions unwinding of discount	(1,504)	(1,370)
Other finance costs	0	0
<b>Total</b>	<b>(153)</b>	<b>(9)</b>

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
<b>Cost or valuation at 1 April 2015</b>	120,799	409,123	5,253	57,775	107,014	2,083	19,051	209	721,307
Indexation	2,348	4,468	300	0	0	0	0	0	7,116
Additions									
- purchased	0	6,830	0	27,054	5,480	0	954	0	40,318
- donated	0	128	0	115	541	0	62	0	846
- 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	2,616	0	(2,616)	0	0	0	0	0
Revaluations	0	(242)	0	0	0	0	0	0	(242)
Reversal of impairments	20	18,873	0	0	0	0	0	0	18,893
Impairments	(171)	(1,619)	0	0	0	0	0	0	(1,790)
Reclassified as held for sale	(48)	(146)	0	0	0	0	0	0	(194)
Disposals	0	0	0	0	(7,076)	(178)	(2,450)	0	(9,704)
<b>At 31 March 2016</b>	122,948	440,031	5,553	82,328	105,959	1,905	17,617	209	776,550
<b>Depreciation at 1 April 2015</b>	0	40,189	451	0	72,656	1,863	13,088	209	128,456
Indexation	0	875	26	0	0	0	0	0	901
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(1,115)	0	0	0	0	0	0	(1,115)
Reversal of impairments	0	1,382	0	0	0	0	0	0	1,382
Impairments	0	(752)	0	0	0	0	0	0	(752)
Reclassified as held for sale	0	(34)	0	0	0	0	0	0	(34)
Disposals	0	0	0	0	(7,043)	(178)	(2,450)	0	(9,671)
Provided during the year	0	14,865	159	0	7,981	83	2,282	0	25,370
<b>At 31 March 2016</b>	0	55,410	636	0	73,594	1,768	12,920	209	144,537
<b>Net book value at 1 April 2015</b>	120,799	368,934	4,802	57,775	34,358	220	5,963	0	592,851
<b>Net book value at 31 March 2016</b>	122,948	384,621	4,917	82,328	32,365	137	4,697	0	632,013
<b>Net book value at 31 March 2016 comprises :</b>									
Purchased	122,948	372,595	4,917	82,213	27,457	137	4,515	0	614,782
Donated	0	12,026	0	115	4,908	0	182	0	17,231
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	122,948	384,621	4,917	82,328	32,365	137	4,697	0	632,013
<b>Asset financing :</b>									
Owned	113,775	350,549	3,926	82,328	31,905	137	4,697	0	587,317
Held on finance lease	0	2,136	0	0	460	0	0	0	2,596
On-SoFP PFI contracts	9,173	31,936	991	0	0	0	0	0	42,100
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	122,948	384,621	4,917	82,328	32,365	137	4,697	0	632,013

The net book value of land, buildings and dwellings at 31 March 2016 comprises :

	£000
Freehold	468,250
Long Leasehold	17,410
Short Leasehold	26,826
	<b>512,486</b>

Of the totals at 31st March 2016, £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 £0.089m. (2) Part of Whitchurch Hospital will now be retained by the UHB and (£0.384m) has been charged for the reversal of accelerated depreciation. (3) Part of a Paediatrics block at UHW hospital which was scheduled to be demolished in 2015 is now being retained by the UHB and (£0.567m) has been credited for the reversal of accelerated depreciation. (4) Rookwood Hospital which has been earmarked for closure, £0.345m. (5) CRI West Wing which has been earmarked for disposal, £0.093m.

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2014</b>	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)
<b>At 31 March 2015</b>	120,799	409,123	5,253	57,775	107,014	2,083	19,051	209	721,307
<b>Depreciation at 1 April 2014</b>	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
<b>At 31 March 2015</b>	0	40,189	451	0	72,656	1,863	13,088	209	128,456
<b>Net book value at 1 April 2014</b>	120,390	319,966	4,716	60,683	23,073	289	4,094	0	533,211
<b>Net book value at 31 March 2015</b>	120,799	368,934	4,802	57,775	34,358	220	5,963	0	592,851
<b>Net book value at 31 March 2015 comprises :</b>									
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
<b>At 31 March 2015</b>	120,799	368,934	4,802	57,775	34,358	220	5,963	0	592,851
<b>Asset financing :</b>									
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
<b>At 31 March 2015</b>	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
	<b>494,535</b>

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. Property, plant and equipment (continued)

### i) Donated additions 2015/2016

Of the donated additions shown in Note 11.1, £0.518m 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. The LHB's Charitable Fund contributed £0.318m towards the purchase of building and equipment during the year. Capital equipment worth £0.010m 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. From 2015-16, the LHB must comply with IFRS 13 Fair Value Measurement in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. The UHB has 3 assets which meet the criteria for valuation under IFRS 13 in 2015/2016. As a result advice was requested from the Valuation Office Agency (VAO) as to how the new standard would impact on the carrying value of the assets in question. The advice subsequently obtained confirmed that no adjustment would be required.

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 1 such revaluation the total effect of which was:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£0.396m).

The significant scheme brought into use was:

UHW Wardblock C (JAG & Cardiac Ward) (Valuation Date: 01/03/2016) (£0.396m) 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 2015/2016 and an upward revaluation of £0.873m was set against reserves. As part of the building of the new accommodation for parents being built near the Noah's Ark Children's Hospital for Wales a block is being demolished, (£0.471m) has been charged to the SoCNE. As per Welsh Government guidance the LHB has applied an Indexation factor to its Land and Buildings for 2015/2016, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £17.511m 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 (£0.170m) has been charged to the SoCNE, see Note 11.2 for further detail. During the year one of the properties already Held for Sale was reviewed and a reversal of impairment of £0.233m was credited to the SoCNE in respect of Land and (£1.000m) was charged in respect of the building, these figures are 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
<b>Balance brought forward 1 April 2015</b>	1,200	1,000	0	0	0	2,200
Plus assets classified as held for sale in the year	48	112	0	0	0	160
Revaluation	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	233	0	0	0	0	233
Less impairment of assets held for sale	0	(1,000)	0	0	0	(1,000)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2016</b>	<b>1,481</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,593</b>
<b>Balance brought forward 1 April 2014</b>	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
<b>Balance carried forward 31 March 2015</b>	<b>1200</b>	<b>1000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2200</b>

**Assets sold in the period**

There were no disposals made during 2015/16.

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

As mentioned on page 35 during 2015/16 the LHB has decided to sell one of its properties and a plot of land. Both sales are anticipated to occur during 2016/2017.

At the time the properties were classified as Held for Sale they were revalued appropriately and any adjustments for these properties have 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
<b>Cost or valuation at 1 April 2015</b>	4,046	0	0	0	0	0	<b>4,046</b>
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	567	0	112	0	0	0	679
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	92	0	0	0	0	0	92
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
<b>Gross cost at 31 March 2016</b>	<b>4,705</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,817</b>
<b>Amortisation at 1 April 2015</b>	2,648	0	0	0	0	0	<b>2,648</b>
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	511	0	0	0	0	0	511
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
<b>Amortisation at 31 March 2016</b>	<b>3,159</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,159</b>
<b>Net book value at 1 April 2015</b>	<b>1,398</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,398</b>
<b>Net book value at 31 March 2016</b>	<b>1,546</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,658</b>
<b>At 31 March 2016</b>							
Purchased	1,454	0	112	0	0	0	1,566
Donated	92	0	0	0	0	0	92
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2016</b>	<b>1,546</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,658</b>

**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
<b>Cost or valuation at 1 April 2014</b>	<b>3,318</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,318</b>
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
<b>Gross cost at 31 March 2015</b>	<b>4,046</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,046</b>
<b>Amortisation at 1 April 2014</b>	<b>2,191</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,191</b>
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
<b>Amortisation at 31 March 2015</b>	<b>2,648</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,648</b>
<b>Net book value at 1 April 2014</b>	<b>1,127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,127</b>
<b>Net book value at 31 March 2015</b>	<b>1,398</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,398</b>
<b>At 31 March 2015</b>							
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
<b>Total at 31 March 2015</b>	<b>1,398</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,398</b>

**Additional disclosures re Intangible Assets**

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

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

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



**13 . Impairments**

	<b>2015-16</b>		<b>2014-15</b>	
	<b>Property, plant &amp; equipment £000</b>	<b>Intangible assets £000</b>	<b>Property, plant &amp; equipment £000</b>	<b>Intangible assets £000</b>
Impairments arising from :				
Loss or damage from normal operations	471	0	10	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)	(16,178)	0	17,991	0
<b>Total of all impairments</b>	<b>(15,707)</b>	<b>0</b>	<b>18,001</b>	<b>0</b>
<b>Analysis of impairments charged to reserves in year :</b>				
Charged to the Statement of Comprehensive Net Expenditure	(15,707)	0	18,001	0
Charged to Revaluation Reserve	0	0	0	0
	<b>(15,707)</b>	<b>0</b>	<b>18,001</b>	<b>0</b>

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 1 such revaluation the total effect of which was:

Impairments written off via the Statement of Comprehensive Net Expenditure (SoCNE) were (£0.396m).

The significant scheme brought into use was:

UHW Wardblock C (JAG & Cardiac Ward) (Valuation Date: 01/03/2016) (£0.396m) was written off the carrying value via the SoCNE.

As part of the building of the new accommodation for parents being built near the Noah's Ark Children's Hospital for Wales a block is being demolished, (£0.471m) has been charged to the SoCNE. As per Welsh Government guidance the LHB has applied an Indexation factor to its Land and Buildings for 2015/2016, for a handful of sites this has resulted in a reversal of a prior period Impairment charge and therefore £17.511m 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 (£0.170m) has been charged to the SoCNE, see Note 11.2 for further detail. During the year one of the properties already Held for Sale was reviewed and a reversal of impairment of £0.233m was credited to the SoCNE in respect of Land and (£1.000m) was charged in respect of the building, these figures are 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**

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
Drugs	<b>4,342</b>	4,337
Consumables	<b>10,715</b>	10,941
Energy	<b>52</b>	37
Work in progress	<b>0</b>	0
Other	<b>0</b>	0
<b>Total</b>	<b>15,109</b>	15,315
Of which held at realisable value	<b>0</b>	0

**14.2 Inventories recognised in expenses**

	<b>31 March</b>	Restated 31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
Inventories recognised as an expense in the period	<b>1,788</b>	1,656
Write-down of inventories (including losses)	<b>77</b>	30
Reversal of write-downs that reduced the expense	<b>0</b>	0
<b>Total</b>	<b>1,865</b>	<b>1,686</b>

The 2015-16 Manual for Accounts was updated to provide additional clarification as to the calculation of the figures contained in this note. As a result the UHB has ammended its methodology to comply with the revised guidance. The comparative figure has been restated as part of this.

**15. Trade and other Receivables**

<b>Current</b>	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Welsh Government	915	199
WHSSC / EASC	3,941	1,676
Welsh Health Boards	6,252	6,251
Welsh NHS Trusts	795	1,372
Non - Welsh Trusts	1,648	2,000
Other NHS	181	1
Welsh Risk Pool	83,305	87,868
Local Authorities	2,427	2,922
Capital debtors	0	0
Other debtors	14,868	14,507
Provision for irrecoverable debts	(2,922)	(2,602)
Pension Prepayments	0	0
Other prepayments	2,775	2,845
Other accrued income	0	0
<b>Sub total</b>	<b>114,185</b>	<b>117,039</b>
<b>Non-current</b>		
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	5,677	15,082
Local Authorities	0	0
Capital debtors	0	0
Other debtors	3,315	4,071
Provision for irrecoverable debts	(1,132)	(1,179)
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0
<b>Sub total</b>	<b>7,860</b>	<b>17,974</b>
<b>Total</b>	<b>122,045</b>	<b>135,013</b>
<b>Receivables past their due date but not impaired</b>		
By up to three months	6,295	6,936
By three to six months	753	1,129
By more than six months	5,678	5,951
	<b>12,726</b>	<b>14,016</b>

Of the debtors past due (but not impaired) which are greater than six months old, £5.246m relates to RTA and personal injury income (2014-15 £5.305m).

**Provision for impairment of receivables**

Balance at 1 April	(3,868)	(2,115)
Transfer to other NHS Wales body	0	0
Amount written off during the year	126	32
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	(404)	(1,785)
Bad debts recovered during year	0	0
Balance at 31 March	<b>(4,146)</b>	<b>(3,868)</b>

In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies

**Receivables VAT**

Trade receivables	0	0
Other	1,025	999
<b>Total</b>	<b>1,025</b>	<b>999</b>

**16. Trade and other payables**

<b>Current</b>	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Welsh Government	116	7
WHSCC / EASC	1,596	1,885
Welsh Health Boards	3,968	5,906
Welsh NHS Trusts	5,147	4,616
Other NHS	15,842	11,806
Taxation and social security payable / refunds	5,293	5,249
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	5,219	4,986
Non-NHS creditors	24,169	19,785
Local Authorities	7,263	5,482
Capital Creditors	8,414	10,637
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	477	477
Imputed finance lease element of on SoFP PFI contracts	94	62
Pensions: staff	0	0
Accruals	56,009	43,350
Deferred Income:		
Deferred Income brought forward	945	941
Deferred Income Additions	277	209
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(283)	(205)
Other creditors	15,838	10,618
PFI assets –deferred credits	293	292
Payments on account	745	981
<b>Total</b>	<b>151,422</b>	<b>127,084</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSCC / 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	1,411	1,887
Imputed finance lease element of on SoFP PFI contracts	9,240	9,334
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	309	602
Payments on account	0	0
<b>Total</b>	<b>10,960</b>	<b>11,823</b>

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:**

<b>Amounts falling due:</b>	<b>31-Mar-16 £000</b>	<b>31-Mar-15 £000</b>
Between one and two years	739	869
Between two and five years	1,729	1,861
In five years or more	8,492	9,093
<b>Sub-total</b>	<b>10,960</b>	<b>11,823</b>

## 17. Provisions

	At 1 April 2015	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 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	79,992	(2,089)	(4,417)	12,111	25,986	(13,120)	(27,988)	(1,474)	69,001
Personal injury	1,247	0	0	(13)	1,863	(917)	(639)	22	1,563
All other losses and special payments	0	0	0	0	545	(545)	0	0	0
Defence legal fees and other administration	1,719	0	0	378	1,967	(809)	(834)		2,421
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	214			123	60	(212)	0	23	208
Restructuring	0			0	0	0	0	0	0
Other	4,363		(732)	0	326	(701)	(259)		2,997
<b>Total</b>	<b>87,535</b>	<b>(2,089)</b>	<b>(5,149)</b>	<b>12,599</b>	<b>30,747</b>	<b>(16,304)</b>	<b>(29,720)</b>	<b>(1,429)</b>	<b>76,190</b>
<b>Non Current</b>									
Clinical negligence	14,976	0	0	(12,111)	2,719	(75)	0	(43)	5,466
Personal injury	2,933	0	0	13	0	0	0	0	2,946
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	445	0	0	(378)	318	(28)	(5)		352
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,550			(123)	0	0	0	0	1,427
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>19,904</b>	<b>0</b>	<b>0</b>	<b>(12,599)</b>	<b>3,037</b>	<b>(103)</b>	<b>(5)</b>	<b>(43)</b>	<b>10,191</b>
<b>TOTAL</b>									
Clinical negligence	94,968	(2,089)	(4,417)	0	28,705	(13,195)	(27,988)	(1,517)	74,467
Personal injury	4,180	0	0	0	1,863	(917)	(639)	22	4,509
All other losses and special payments	0	0	0	0	545	(545)	0	0	0
Defence legal fees and other administration	2,164	0	0	0	2,285	(837)	(839)		2,773
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	1,764			0	60	(212)	0	23	1,635
Restructuring	0			0	0	0	0	0	0
Other	4,363		(732)	0	326	(701)	(259)		2,997
<b>Total</b>	<b>107,439</b>	<b>(2,089)</b>	<b>(5,149)</b>	<b>0</b>	<b>33,784</b>	<b>(16,407)</b>	<b>(29,725)</b>	<b>(1,472)</b>	<b>86,381</b>
<b>Expected timing of cash flows:</b>									
	In year to 31 March 2017	Between 1 April 2017 31 March 2022	Between 1 April 2022 31 March 2027	Thereafter	Total				
					£000				
Clinical negligence	69,001	5,466	0	0	74,467				
Personal injury	1,563	899	721	1,326	4,509				
All other losses and special payments	0	0	0	0	0				
Defence legal fees and other administration	2,421	352	0	0	2,773				
Pensions relating to former directors	0	0	0	0	0				
Pensions relating to other staff	208	1,008	419	0	1,635				
Restructuring	0	0	0	0	0				
Other	2,997	0	0	0	2,997				
<b>Total</b>	<b>76,190</b>	<b>7,725</b>	<b>1,140</b>	<b>1,326</b>	<b>86,381</b>				

The Clinical Negligence provision includes £0.141m in respect of 16 potential claims under The Welsh Government "Putting Things Right" Redress Scheme. In addition 37 claims were settled during the year under this scheme to the value of £0.315m.

**Note 17. 2015/2016 (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 £88.982m has been shown within note 15 (Trade and Other receivables) in respect of such expected reimbursements.

**Other Provisions include:**

Continuing Healthcare IRP & Ombudsman claims £2.710m  
Potential Payments to staff in respect of time off in lieu £0.287m

**Continuing Healthcare Cost uncertainties**

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. The 31<sup>st</sup> July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1<sup>st</sup> 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 1<sup>st</sup> April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [17] sets out the £2.710m provision made for probable continuing care costs relating to 83 claims received;

Note [18.1] sets out the £4.850m contingent liability for possible continuing care costs relating to 83 claims received;

However, in addition the LHB has a further 242 claims, which were received by the 31<sup>st</sup> 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. Claims received after 31<sup>st</sup> July 2014 total 30. 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.

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

The prescribed treatment in the 2015/2016 Manual for Accounts (MFA) in respect of the above has changed from that in the 2014/2015 MFA. The UHB has complied fully with the methodology outlined in the 2015/2016 MFA and has provided for defence fees on Possible claims based on rates that such provisions has historically crystallised. As a result Defence fees on Possible Clinical Negligence claims have been provided for at 51% and Personal Injury claims at 93%.

## 17. Provisions (continued)

	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
<b>Current</b>									
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
<b>Total</b>	<b>71,049</b>	<b>(2,818)</b>	<b>(4,181)</b>	<b>2,123</b>	<b>55,089</b>	<b>(17,674)</b>	<b>(14,897)</b>	<b>(1,156)</b>	<b>87,535</b>
<b>Non Current</b>									
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
<b>Total</b>	<b>16,384</b>	<b>0</b>	<b>0</b>	<b>(2,123)</b>	<b>8,193</b>	<b>(486)</b>	<b>(1,882)</b>	<b>(182)</b>	<b>19,904</b>
<b>TOTAL</b>									
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
<b>Total</b>	<b>87,433</b>	<b>(2,818)</b>	<b>(4,181)</b>	<b>0</b>	<b>63,282</b>	<b>(18,160)</b>	<b>(16,779)</b>	<b>(1,338)</b>	<b>107,439</b>

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 31<sup>st</sup> July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1<sup>st</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> 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 years 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 31<sup>st</sup> as a result of this deviation from the MFA is approximately £0.277m



## 18. Contingencies

### 18.1 Contingent liabilities

	2015-16 £'000	2014-15 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	72,538	42,579
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	944	996
Continuing Health Care costs	4,850	5,941
Other	0	0
Total value of disputed claims	78,332	49,516
Amounts recovered in the event of claims being successful	70,696	41,031
<b>Net contingent liability</b>	<b>7,636</b>	<b>8,485</b>

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 £2.080m re clinical negligence and £0.706m re personal injury.

#### Continuing Healthcare Cost Uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. The 31<sup>st</sup> July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1<sup>st</sup> 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 1<sup>st</sup> April 2003 costs and the financial statements include the following amounts relating to those uncertain continuing healthcare costs:

Note [17] sets out the £2.710m provision made for probable continuing care costs relating to 83 claims received;

Note [18.1] sets out the £4.850m contingent liability for possible continuing care costs relating to 83 claims received;

However, in addition the LHB has a further 242 claims, which were received by the 31<sup>st</sup> 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. Claims received after 31<sup>st</sup> July 2014 total 30. 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 2015/16 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.

**18.2 Remote Contingent liabilities**

	<b>2015-16</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>
Please disclose the values of the following categories of remote contingent liabilities :		
Guarantees	0	0
Indemnities	40	56
Letters of Comfort	0	0
<b>Total</b>	<b>40</b>	<b>56</b>

The figure shown above under indemnities relates to Clinical Negligence claims against the LHB, where our legal advisors have informed us that the claimants chance of success is remote

**18.3 Contingent assets**

	<b>2015-16</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>
	0	0
	0	0
	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

	<b>2015-16</b>	<b>2014-15</b>
	<b>£'000</b>	<b>£'000</b>
Property, plant and equipment	8,171	16,505
Intangible assets	0	48
<b>Total</b>	<b>8,171</b>	<b>16,553</b>

The in year decrease in commitments disclosed is largely due to the progress made in the year in respect of the construction of the new Adult Acute Mental Health Unit at Llandough Hospital, patient transfers to the new unit will commence early 2016/2017.

## 20. 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 2016		Approved to write-off to 31 March 2016	
	Number	£	Number	£
Clinical negligence	152	16,749,593	103	10,795,903
Personal injury	75	1,220,382	44	1,056,791
All other losses and special payments	282	964,478	282	964,478
<b>Total</b>	<b>509</b>	<b>18,934,453</b>	<b>429</b>	<b>12,817,172</b>

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

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £300,000</b>	Case type			
05RWMMN0011	Clinical Negligence	964,785	1,077,000	0
07RWMMN0024	Clinical Negligence	1,698,623	2,340,220	0
08RWMMN0038	Clinical Negligence	56,000	1,370,649	1,370,649
09RWMMN0026	Clinical Negligence	300,000	1,270,000	0
09RWMMN0035	Clinical Negligence	119,000	575,433	0
09RWMMN0049	Clinical Negligence	87,500	500,819	0
10RWMMN0005	Clinical Negligence	900,000	1,100,000	0
10RWMMN0013	Clinical Negligence	600,000	1,716,250	0
10RWMMN0043	Clinical Negligence	1,350,000	1,850,000	0
11RWMMN0005	Clinical Negligence	1,887,000	2,210,000	0
11RWMMN0027	Clinical Negligence	339,320	545,000	0
11RWMMN0050	Clinical Negligence	500,000	825,000	0
11RWMMN0073	Clinical Negligence	25,000	752,758	752,758
11RWMMN0079	Clinical Negligence	6,782	503,187	503,187
11RWMMN0092	Clinical Negligence	0	388,273	388,273
12RWMMN0007	Clinical Negligence	588,104	638,104	638,104
12RWMMN0011	Clinical Negligence	60,000	657,272	657,272
12RWMMN0037	Clinical Negligence	0	428,332	428,332
12RWMMN0050	Clinical Negligence	430,000	2,049,444	2,049,444
13RWMMN0014	Clinical Negligence	433,500	648,500	0
13RWMMN0021	Clinical Negligence	410,000	410,000	0
13RWMMN0031	Clinical Negligence	55,000	345,127	0
13RWMMN0037	Clinical Negligence	142,922	538,102	538,102
14RWMMN0060	Clinical Negligence	323,500	373,500	0
10RWMPI0064	Personal Injury	303,666	308,666	308,666
<b>Sub-total</b>		<b>11,580,702</b>	<b>23,421,636</b>	<b>7,634,787</b>
<b>All other cases</b>		<b>7,353,751</b>	<b>11,231,327</b>	<b>5,182,385</b>
<b>Total cases</b>		<b>18,934,453</b>	<b>34,652,963</b>	<b>12,817,172</b>

## 21. Cash and cash equivalents

	2015-16 £000	2014-15 £000
Balance at 1 April	562	762
Net change in cash and cash equivalent balances	2,133	(200)
Balance at 31 March	<u>2,695</u>	<u>562</u>
Made up of:		
Cash held at GBS	2,479	421
Commercial banks	138	74
Cash in hand	78	67
Current Investments	<u>0</u>	<u>0</u>
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>2,695</b>	<b>562</b>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	<u>0</u>	<u>0</u>
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b><u>2,695</u></b>	<b><u>562</u></b>

## 22. Other Financial Assets

	Current		Non-current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
<b>Financial assets</b>				
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
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**23. Other financial liabilities**

<b>Financial liabilities</b>	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 24. 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 @ 31/3/16 £'000s	Creditor @ 31/3/16 £'000s	Income £'000s	Expenditure £'000s
Welsh Government	915	116	917,137	159
Abertawe Bro Morgannwg University LHB	2,450	1,792	12,111	15,613
Aneurin Bevan Health Board	754	687	28,797	3,670
Betsi Cadwaladr LHB	118	307	533	995
Cwm Taf LHB	2,125	1,073	24,113	8,816
Hywel Dda LHB	593	88	5,909	886
Powys LHB	211	21	1,467	230
Velindre NHS Trust	529	3,951	7,513	25,311
Public Health Wales NHS Trust	257	894	3,251	5,522
Welsh Ambulance Trust	9	302	409	3,654
Welsh Health Specialised Services Committee	3,941	1,596	190,676	112,372
Total £'000s	11,902	10,827	1,191,916	177,228

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. He is an Honorary Visiting Professor at Cardiff University.

Dr Sharon Hopkins is the Executive Director of Public Health. During the 2015-16 she was appointed Chair of the Public Health Advisory Committee NICE. Her husband has a private cardiology practice at Spire in Cardiff.

Mrs Abigail Harris is the Executive Director of Planning. Has a relative who is a Trustee of the Teenage Cancer Trust.

Mr Christopher Lewis was acting Executive Director of Finance up to 8th December 2015. During 2015/16 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 is Board Secretary of Cardiff and Vale University Local Health Board. His son is a freelance web designer for Rhys Welsh Ltd and his wife is an optician at RN Roberts and GL Rees Opticians.

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

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.

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.

Mrs Margaret McLaughlin is an Independent Member of Cardiff and Vale University Local Health Board. She is also a trustee of Safer Wales and has provided assistance to GVS during the financial year. Her husband is Professor of Human Molecular Genetics at Cardiff University and in the past has been sponsored by Pfizer Ltd.

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

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

Mrs Sian Walker-McAllister was an Associate Member of Cardiff and Vale University Health Board up to 30th September 2015 during this time she was also Director of Health and Social Care at Cardiff Council.

**24. Related Party Transactions (Continued)**

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
Cardiff & Vale Health Charity	220	573	14	130
Cardiff City and County Council	11,365	7,632	6,100	2,144
Cardiff University	8,045	8,586	6,566	1,856
GVS Filter Technology UK Ltd	8	-	-	-
Healthcare Financial Management Association (HFMA)	14	-	3	-
National Institute for Health and Care Excellence (NICE)	-	873	-	-
Pfizer Ltd	-	13	-	-
Rhys Welsh Ltd	1	-	1	-
RN Roberts and GL Rees Opticians	326	-	-	-
Safer Wales Ltd	11	-	10	-
Spire Healthcare	1,006	78	400	26
Teenage Cancer Trust	-	95	-	11
University of South Wales	186	-	32	-
Vale of Glamorgan Council	4,511	1,135	1,098	268
YMCA	91	-	-	-
<b>Total</b>	<b>25,784</b>	<b>18,985</b>	<b>14,224</b>	<b>4,435</b>

We bring to your attention that during 2015/16 one invoice to Cardiff University was part cancelled to the value of £0.016m. The cancellation was due to normal operational issues and was not influenced by the related parties named above.

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 £11.333m in respect of claims made. In addition as at March 31st the LHB had a debtor balance of £88.982m 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 not been made aware of any direct relationship between Assembly Members or their families and Cardiff and Vale University Health Board.

**25. Third Party assets**

The LHB held £180,062 cash at bank and in hand at 31 March 2016 (31 March 2015, £179,798) 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 Patients' Investment Accounts in either 2015-16 or 2014-15. 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 2016 was £9,841,075 (£9,293,736, 31st March 2015).



**26. Finance leases****26.1 Finance leases obligations (as lessee)**

As at 31st March 2016 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 1 finance lease agreement in place for the lease of equipment which is due to expire in 2020/21. 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:**

<b>Land</b>	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

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

<b>Buildings</b>	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
<b>Minimum lease payments</b>		
Within one year	405	405
Between one and five years	1,057	1,253
After five years	0	210
Less finance charges allocated to future periods	(34)	(52)
Minimum lease payments	1,428	1,816
Included in:		
Current borrowings	391	387
Non-current borrowings	1,037	1,429
	1,428	1,816

**Present value of minimum lease payments**

Within one year	371	367
Between one and five years	918	1,084
After five years	0	343
Present value of minimum lease payments	1,289	1,794
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

**Other**

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
<b>Minimum lease payments</b>		
Within one year	94	94
Between one and five years	377	376
After five years	0	94
Less finance charges allocated to future periods	(12)	(17)
Minimum lease payments	459	547
Included in:		
Current borrowings	90	89
Non-current borrowings	369	458
	459	547

**Present value of minimum lease payments**

Within one year	87	86
Between one and five years	327	324
After five years	0	76
Present value of minimum lease payments	414	486
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	0	0

**26.2 Finance leases obligations (as lessor) continued**

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

**Amounts receivable under finance leases:**

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
<b>Gross Investment in leases</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
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. Private Finance Initiative contracts

### 27.1 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 2016 £000	31 March 2015 £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

### 27.2 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/Macrob 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 £3.452m.

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

	On SoFP PFI Capital element 31 March 2016 £000	On SoFP PFI Imputed interest 31 March 2016 £000	On SoFP PFI Service charges 31 March 2016 £000
Total payments due within one year	94	1,317	2,128
Total payments due between 1 and 5 years	815	5,063	8,278
Total payments due thereafter	8,425	7,679	19,286
Total future payments in relation to PFI contracts	9,334	14,059	29,692

	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

Total present value of obligations for on-SoFP PFI contracts **£21.560m**

The capital value of the scheme included in property, plant and equipment (note 11) is £14.219m

**27.3 Charges to expenditure**

	2015-16	2014-15
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	2,063	2,402
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	2,063	2,402

The LHB is committed to the following annual charges

	31 March 2016	31 March 2015
	£000	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	2,128	1,967
Later than one year, not later than five years	8,278	7,640
Later than five years	19,286	19,307
<b>Total</b>	<b>29,692</b>	<b>28,914</b>

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

**27.4 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

	Off- statement of financial position
<b>PFI Contract</b>	
Number of PFI contracts which individually have a total commitment > £500m	0

**PFI Contract**

St David's Hospital On

**27.5 The LHB had 4 Public Private Partnerships during the year**

In addition to the St David's PFI Scheme set out previously in Note 27.2, 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 (now trading as Indigo) 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 £13.452m for the buildings and £8.055m 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 £3.754m. 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 2015/16 was £0.187m

**27.5 The LHB had 4 Public Private Partnerships during the year (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 £3.490m for the buildings and £0.598m 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 2015/16 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 £0.991m and the land at £0.520m 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 2015/16 was £0.018m.

## **27.5 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 £0.777m on the LHB's statement of financial position as at March 31st 2016.

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 was subsequently exercised, coming to an end on March 31st 2016 at which point the provider surrendered its rights and interest in the theatre to the UHB.

## 28. 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 2015-16 of £1.678m of which Cardiff & Vale UHB's contribution was £1.135m. In addition Cardiff and Vale made an agreed contribution of £0.041m towards the cost of two drivers/installers.

Overall the Pooled Budget was overspent by £0.153m in the year. However, as the Health element of the Pool was slightly underspent Cardiff and Vale UHB is not liable for any of the deficit and so has not made any provision in these accounts for any sums arising from this overspend.



**29. 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.

**30. Movements in working capital**

	2015-16	2014-15
	£000	£000
(Increase)/decrease in inventories	206	(483)
(Increase)/decrease in trade and other receivables - non - current	10,114	(2,773)
(Increase)/decrease in trade and other receivables - current	2,854	(26,011)
Increase/(decrease) in trade and other payables - non - current	(863)	(820)
Increase/(decrease) in trade and other payables - current	24,630	22,735
<b>Total</b>	<b>36,941</b>	<b>(7,352)</b>
Adjustment for accrual movements in fixed assets -creditors	2,223	(5,895)
Adjustment for accrual movements in fixed assets -debtors	0	0
Other adjustments	538	607
	<b>39,702</b>	<b>(12,640)</b>

**31. Other cash flow adjustments**

	2015-16	2014-15
	£000	£000
Depreciation	25,370	23,720
Amortisation	511	457
(Gains)/Loss on Disposal	(20)	(608)
Impairments and reversals	(15,707)	18,001
Release of PFI deferred credits	(292)	(292)
Donated assets received credited to revenue but non-cash	(938)	(7,805)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	(4,651)	38,166
<b>Total</b>	<b>4,273</b>	<b>71,639</b>

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

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

### 33. 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 2015/16 these accounts contain income of £2.789m and expenditure of £2.002m in respect of WEQAS. The UHB does not consider the amounts involved to be sufficiently material to be reported as a separate segment.

## 34. 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 £0.321m.

### 35. Remuneration Report

#### Salary and Pension entitlements of Senior Managers

##### Salaries of Senior Managers

31-Mar-2016						
Name and title	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind (Rounded to the nearest £00)	Pension Benefits (Rounded to the nearest £000)	Total (bands of £5,000)
	£000	£000	£000	£00	£000	£000
<b><u>Cardiff and Vale University Local Health Board</u></b>						
<b><u>Officer Members</u></b>						
Adam Cairns, Chief Executive	200-205	0	0	0	7	205-210
Alice Casey, Chief Operating Officer	145-150	0	0	0	0	145-150
Abigail Harris, Executive Director of Planning	125-130	0	0	0	20	145-150
Bob Chadwick, Executive Director of Finance (1)	50-55	0	0	0	8	55-60
Christopher Lewis, Acting Executive Director of Finance (2)	90-95	0	0	0	153	245-250
Dr Sharon Hopkins, Executive Director of Public Health	135-140	0	0	0	43	180-185
Fiona Jenkins, Executive Director of Therapies & Health Science	95-100	0	0	0	3	100-105
Dr Graham Shortland, Executive Medical Director	160-165	0	45-50	0	116	325-330
Ruth Walker, Executive Director of Nursing	130-135	0	0	0	80	210-215
<b><u>Other Directors</u></b>						
Peter Welsh, Board Secretary	95-100	0	0	0	0	95-100
<b><u>Independent Members (IM)</u></b>						
Maria Battle, Chair	65-70	0	0	6	0	70-75
Marcus Longley, Vice Chair	55-60	0	0	0	0	55-60
Ivar Grey, IM - Finance	15-20	0	0	2	0	15-20
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Elizabeth Treasure, IM - University	0	0	0	0	0	0
Margaret McLaughlin, IM - Third (Voluntary) Sector	15-20	0	0	0	0	15-20
Councillor Christopher Elmore, IM - Local Government (3)	10-15	0	0	0	0	10-15
Martyn Waygood, IM - Legal	15-20	0	0	20	0	15-20
Saleem Kidwai, IM - Community	15-20	0	0	0	0	15-20
Brendan Sadka, IM - Estates	15-20	0	0	1	0	15-20
Stuart Egan, IM - Trade Union	0	20-25	0	0	0	20-25
<b><u>Associate Members</u></b>						
Paula Martyn, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Rosemarie Whittle, Chair, Health Professionals' Forum (4)	0	25-30	0	0	0	25-30
Sian Walker, Associate Member - Local Authority (5)	0	0	0	0	0	0

The pension benefit is not an amount which has been paid to an individual by the LHB during the year, it is a calculation which uses information from the pension benefit table. These figures can be influenced by many factors e.g. changes in a persons salary, whether or not they choose to make additional contributions to the pension scheme from their pay and other valuation factors affecting the pension scheme as a whole.

### 35. Remuneration Report (continued)

#### Salary and Pension entitlements of Senior Managers

##### Salaries of Senior Managers

Name and title	31-Mar-2015					
	Salary	Other	Bonus	Benefits in	Pension	Total
	(bands of £5,000)	Remuneration (bands of £5,000)	Payments (bands of £5,000)	kind (Rounded to the nearest £00)	Benefits (Rounded to the nearest £000)	(bands of £5,000)
	£000	£000	£000	£00	£000	£000
<b><u>Cardiff and Vale University Local Health Board</u></b>						
<b><u>Officer Members</u></b>						
Adam Cairns, Chief Executive	200-205	0	0	9	0	200-205
Tracy Myhill, Executive Director of Workforce & Organisational Development / Deputy Chief Executive	65-70	0	0	0	3	70-75
Alice Casey, Chief Operating Officer	145-150	0	0	0	0	145-150
Abigail Harris, Executive Director of Planning	125-130	0	0	1	69	190-195
Charlotte Moar, Executive Director of Finance	160-165	0	0	0	86	250-255
Christopher Lewis, Acting Executive Director of Finance	45-50	0	0	0	0	45-50
Dr Sharon Hopkins, Executive Director of Public Health	110-115	0	0	0	0	115-120
Fiona Jenkins, Executive Director of Therapies & Health Science	95-100	0	0	5	0	100-105
Dr Graham Shortland, Executive Medical Director	160-165	0	35-40	0	0	195-200
Ruth Walker, Executive Director of Nursing	125-130	0	0	0	0	125-130
<b><u>Other Directors</u></b>						
Peter Welsh, Board Secretary	45-50	0	0	1	0	45-50
Alison Gerrard, Board Secretary	140-145	0	0	0	0	140-145
<b><u>Independent Members (IM)</u></b>						
Maria Battle, Chair	65-70	0	0	5	0	70-75
Marcus Longley, Vice Chair	55-60	0	0	0	0	55-60
Ivar Grey, IM - Finance	15-20	0	0	2	0	15-20
Eileen Brandreth, IM - Information Communication & Technology	15-20	0	0	0	0	15-20
Professor Elizabeth Treasure, IM - University	0	0	0	0	0	0
Margaret McLaughlin, IM - Third (Voluntary) Sector	15-20	0	0	0	0	15-20
Councillor Christopher Elmore, IM - Local Government	15-20	0	0	0	0	15-20
Martyn Waygood, IM - Legal	15-20	0	0	20	0	15-20
Saleem Kidwai, IM - Community	15-20	0	0	0	0	15-20
Brendan Sadka, IM - Estates	15-20	0	0	0	0	15-20
Stuart Egan, IM - Trade Union	0	20-25	0	0	0	20-25
<b><u>Associate Members</u></b>						
John Harrison, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Paula Martyn, Chair, Stakeholder Reference Group	0	0	0	0	0	0
Rosemarie Whittle, Chair, Health Professionals' Forum	0	55-60	0	1	0	55-60
Sian Walker, Associate Member - Local Authority	0	0	0	0	0	0

### **35. Remuneration Report (continued)**

#### **Salary and Pension entitlements of Senior Managers**

We wish to bring to your attention that the column for Bonus payments contains amounts paid to Consultants under the national Clinical Excellence and Distinction award scheme.

Clinical Excellence and Distinction awards are awarded at a National level by the Advisory Committee on Clinical Excellence awards (ACCEA) which is an independent, advisory Non-Departmental Public Body (NDPB) and succeeded the Advisory Committee on Distinction awards (ACDA). The awards are given to recognise and reward the exceptional contribution of NHS consultants, over and above that normally expected in a job, to the values and goals of the NHS and to patient care. All Clinical Excellence awards and Distinction awards are funded separately to the LHB by the Welsh Government.

Neither Stuart Egan or Rosemarie Whittle are remunerated as Members of the Board, however they are employees of the Health Board and their salary costs are shown in the Other Remuneration column.

The Board Secretary is a member of the NHS Wales Lease Car Salary benefit scheme, which is open to all UHB employees. An element of an employee's salary is 'swapped' for the use of a new car. In the Remuneration table for 2015-16 the amount of £4,454 swapped for the use of the car has been included in the Salary column.

#### **Changes to Board Membership in 2015/2016**

- (1) Bob Chadwick - commenced 9th December 2015.
- (2) Christopher Lewis - commenced 17th November 2014 and ended 8th December 2015 when he reverted back to his substantive role.
- (3) Christopher Elmore - board role suspended from 30th March 2015 as he was standing for a Parliamentary seat in the General Election. He did not win a seat in Parliament and resumed his Board role from the 8th May 2015.
- (4) Rosemarie Whittle - commenced 6th September 2011 and ended 30th September 2015.
- (5) Sian Walker - commenced 25th March 2014 and ended 30th September 2015.



### 35. Remuneration Report (continued)

#### Salary and Pension entitlements of Senior Managers

##### Pension Benefits

Name and title	Real increase in pension at pension age (bands of £2,500) £000	Real increase in pension lump sum at pension age (bands of £2,500) £000	Total accrued pension at pension age at 31/03/16 (bands of £5,000) £000	Lump sum at pension age related to accrued pension at 31/03/2016 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2016 £000	Cash Equivalent Transfer Value at 31 March 2015 £000	Real increase (decrease) in Cash Equivalent Transfer Value £000	Employer's contribution to stakeholder pension  To nearest £100
Adam Cairns - Chief Executive	0-2.5	2.5-5	80-85	240-245	1,562	1,504	40	
Abigail Harris, Executive Director of Planning	0-2.5	(2.5) - 0	30-35	85-90	480	454	20	
Bob Chadwick - Executive Director of Finance (From 09/12/2015)	0-2.5	0-2.5	70-75	220-225	1,658	1,596	13	
Christopher Lewis - Acting Executive Director of Finance (From 17/11/2014 to 08/12/2015)	5-7.5	17.5-20	45-50	130-135	806	617	125	
Dr Sharon Hopkins - Executive Director of Public Health	2.5-5	7.5-10	35-40	105-110	739	669	62	
Fiona Jenkins, Executive Director of Therapies & Health Science	0-2.5	0-2.5	40-45	130-135	922	886	26	
Dr Graham Shortland - Executive Medical Director	5-7.5	17.5-20	90-95	275-280	1,941	1,771	149	
Ruth Walker - Executive Director of Nursing	2.5-5	12.5-15	45-50	145-150	895	798	87	
Peter Welsh, Board Secretary	(2.5) - 0	(5) - (2.5)	40-45	125-130	970	976	(18)	

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

The LHB is also contributing to the NEST (National Employment Savings Trust) Pension Scheme in respect of Alice Casey, Chief Operating Officer.

The LHB was unable to obtain pension benefit information from NEST in time for publication, however as the LHB has only paid £366 Employers Pension Contributions to this scheme in 2015/2016 it does not expect the pension benefit would have been material.

##### Cash Equivalent Transfer Values

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

##### Real Increase in CETV

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

**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.....2016 ..... Chief Executive

2nd June 2016 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:**

On behalf of the Chairman:..... Dated: .....2016  
Marcus Longley (Vice Chairman) 2nd June 2016

Chief Executive: ..... Dated: .....2016  
Adam Cairns 2nd June 2016

Director of Finance: ..... Dated: .....2016  
Robert Chadwick 2nd June 2016

# Annual Governance Statement 2015-2016

# SETTING THE SCENE

Our Mission is: (This is why we exist)

**CARING FOR PEOPLE KEEPING PEOPLE WELL**

Our Vision is: (This is what we want to do)

A person's chance of leading a healthy life is the same wherever they live and whoever they are

Our Strategy is: (This is our game plan)

Achieve joined up care based on 'home first', avoiding harm, waste and variation, empowering people and delivering outcomes that matter to them

For Our Population (This is what we are offering to do)

**Deliver Outcomes that Matter to People**

I want to understand my care choices

I want to be healed and my pain eased

Give me hope

I want to be healthy

I want my family and me to be supported

Be there for me at the end of my life

Our Service Priorities (This is what we will focus on most)

**Offer services that deliver the improvements in population health that our citizens are entitled to expect**

Cancer

Stroke

Long Term Conditions (Diabetes)

Dementia

Mental Health

Oral and Eye Health

Early Years and Maternal Health

Sustainability (This is where we want to excel)

**Join up what we do for the people we serve and strive for operational excellence making the best use of the resources we have**

A new unplanned care system

Balance capacity and demand for all our services

Avoid harm, waste and variation

Culture (This is what we want working here and with us to be like)

Working better together across care sectors through people, innovation, improvement, research and technology

Being a great place to work and learn

**OUR VALUES** (These are what are important to us)

Care | Trust | Respect | Personal Responsibility | Integrity | Kindness

Updated 15-4-15



GIG  
CYMRU  
NHS  
WALES

Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

## 1. 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 achievements 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 duties 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 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 strong links with 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 2015/2016. This responsibility is monitored and managed through a robust Corporate Risk and Assurance Framework (CRAF).

## 2. THE HEALTH BOARD'S GOVERNANCE/ASSURANCE FRAMEWORK

The Health Board has been constituted to comply with the Local Health Board (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.

The principal 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 Health Board and its community to ensure its services are planned and responsive to identified needs.
- 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. 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 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 a review of these arrangements commenced to support the further development of the UHB's 10 year Strategy 'Shaping our Future Wellbeing'.

## **2.1 The Board and its committees**

The Board provides leadership and direction to the organisation and has a key role in ensuring governance arrangements are 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 by a number of committees, each chaired by an independent member. 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 also the Board's website. A summary of the committees' responsibilities and Terms of Reference are also on the Cardiff and Vale University Health Board's website.

The Board agreed work plans for each of the committees in early 2015. All committees reviewed their Terms of Reference during 2015/16 and prepared a Work Plan for 2016/17 to support the Board's business for this period.

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/audit-committee>

The Annual Quality Statement for 2015/16 will be published in September 2016 and 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. To ensure consistency and links between committees, the Health Board has Governance Co-ordinating Group, chaired by the Chair of the Health Board.

The following table sets out the dates of Board and committee meetings held during 2015/2016

Board/ Committee	Dates of Meetings in 2015/2016											
Board		05.05.15	02.06.15 special board	07.07.15		24.09.15		26.11.15		28.01.16		31.03.16
Audit	14.04.15	26.05.15 workshop	02.06.15			22.09.15			08.12.15		09.02.16	
Charitable Funds			23.06.15			29.09.15			22.12.15			08.03.16
Health and Safety	28.04.15			28.07.15			06.10.15			26.01.16		
Mental Health Act Monitoring		19.05.15				08.09.15		03.11.15			02.02.16	
People, Planning and Performance Committee		12.05.15		21.07.15		15.09.15		10.11.15		19.01.16		15.03.16
Quality, Safety and Experience	21.04.15		16.06.15			01.09.15	20.10.15		15.12.15		23.02.16	
Remuneration and Terms of Service	07.04.15	20.05.15			06.08.15	10.09.15 & 30.09.15		03.11.15	16.12.15		03.02.16	

All meetings were quorate except for the Charitable Funds meeting on 08.03.16 and the Quality, Safety and Experience meeting on 01.09.15. All decisions at those meetings were ratified at the subsequent Charitable Funds Committee meeting and the Quality, Safety and Experience 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 support of the Board, the UHB is also required to have three Advisory Groups. These are:

- Stakeholder Reference Group
- Local Partnership Forum
- Healthcare Professionals' Forum

The three advisory groups have all met 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 and service change proposals across South Wales.

Key business and risk matters considered by the Health Board and its committees during 2015/2016 included:



- Overseeing the implementation of the 2014-2017, three 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;
- Receiving update on the South Wales collaborative e.g. neonatal services.
- Receiving regular reports on Patient Experience and feedback ensuring that where concerns are raised, these are escalated to the Board and, where necessary, result in the Board proactively activating agreed multiagency procedures in co-operation with partners.
- Routinely considering the Board's performance in relation to key national and local targets and agreeing 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.
- 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 updates on the Action Plan in response to the Emergency Services Independent Review Update.
- Agreeing our priorities for quality improvement aligned to our Quality Strategy.
- Receiving positive feedback from the Ministerial unannounced spot check visits to our hospitals; the unannounced HIW inspection visits and our own Independent Board Member visits.
- 'Putting Things Right' and introduced revised local arrangements to speed up the engagement and response to concerns.
- 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.
- Receiving regular update on the Health Board Corporate Risk and Assurance Framework.
- Annual Review of Standing Orders and Standing Financial Instructions.
- Board and committee Work plans for 2015-16 and Review of Board Committee Terms of Reference.
- Dementia three year Plan – End of Year 1 Report.
- Delayed Transfers of Care.
- Winter Plan Review and preparation for 2015/16.
- Results of Patient Satisfaction Survey.
- Shaping Our Future Wellbeing Strategy 2015-2025.
- Staff survey results 2015.
- Annual Health and Care Monitoring audit 2015.
- Child and Adolescent Mental Health Services (CAMHS)
- Prudent Healthcare.

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 Committees and the Board annual work plans.

During 2015/16, key aspects of Board business and issues delegated to the Audit Committee for consideration and advice, including action taken included:

- Agreement of the Internal and External Audit Plans for the year.
- Receiving Internal and External Audit Reports and subsequently monitoring progress against Audit Action Plans.
- Agreeing the annual counter fraud plan and monitoring counter fraud activities.
- Regular review of the register of gifts and hospitality.
- Sign off the Health Board Annual Accounts, as delegated by the Board.
- Monitoring of Governance Arrangements across the organisation, included hosted bodies.
- Monitoring overall risk management process by reviewing the UHB Risk Register at each meeting.

Appendix 1 sets out details of Board and committee membership, meetings attended during the tenure of the individual in 2015/2016 and any Champion Roles performed.

All decisions made by the Board and committees are included on an Action Log and at each of the meetings progress is monitored. These Action Logs are also published on the Health Board Internet.

## 2.2 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 have accountability for professional standards.

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

Executive Positions	Start Date*	Finish Date
Christopher Lewis, Acting Director of Finance	17 <sup>th</sup> November 2014	8 <sup>th</sup> December 2015
Robert Chadwick, Director of Finance	9 <sup>th</sup> December 2015	
Independent Members		
Saleem Kidwai	1 <sup>st</sup> April 2012	31 <sup>st</sup> March 2016
Brendan Sadka	1 <sup>st</sup> April 2013	31 <sup>st</sup> March 2016
Christopher Elmore Note: Stood down temporarily between 30 <sup>th</sup> March and 7 <sup>th</sup> May 2015 as standing for Parliament.	Re-joined 8 <sup>th</sup> May 2015	31 <sup>st</sup> March 2016
Rose Whittle, Associate Independent Member – Chair of Health Professional Forum Post	11 <sup>th</sup> February 2014	30 <sup>th</sup> September 2015
Sian Walker – Associate Independent Member, Local Authority	25 <sup>th</sup> March 2014	30 <sup>th</sup> September 2015

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 management.
- 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.

### **3. 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 2016 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.

### **4. CAPACITY TO HANDLE RISK**

The Corporate Risk Assurance Framework (CRAF) has been further developed since being introduced in early 2014. In August 2015 the Board participated in an Audit Committee sponsored workshop which allowed members to focus on the extreme risks facing the Health Board. This discussion included the Board's 'Risk Appetite' and acceptance of certain risks and their management and mitigation. This led to a further refining and refocusing on the principal risks that threaten the achievement of goals, the system 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.

In addition to the Board workshop, a further workshop/training session was held in November 2015 for assistant directors and corporate senior leads.

The Board regularly receives a report on the CRAF and the relevant extracts monitored by respective committees to provide further assurances. In addition the Stakeholder Reference Group (representing a range of public stakeholders) were briefed throughout the year on the management and mitigation of the highest risks.

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 three years. During the year any new high risks would be particularly brought to the attention of the committees and the Board.

The Board has a Risk Management Policy and supporting Risk Assessment Procedure that explains to staff its 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/risk-register>

The following table is an extract from that framework of the highest strategic risks (scoring 20 or more) facing the UHB in March 2016:

Principal Risks	Risk Score	Summary of Controls
<b>COMMISSIONING</b> – Failure to embed a commissioning approach to ensure services are based on evidence and population need	20	Commissioning Framework and priorities
<b>OPERATIONAL AND CLINICAL EXCELLENCE</b> – Failure to recognise deteriorating patients resulting in avoidable harm	20	ALERT training. Implementation of Critical Care Outreach Team (CCOT) in Surgery and Specialist Services at UHW Implementation of National Early Warning System (NEWS)/ RAILS tools and training Introduce staff working in Community Hospitals to NEWS training when they attend Intermediate Life Support (ILS) Training. Learning from mortality review meetings. All Resus/Cardiac Arrests are electronically recorded. Record of all high NEWS scores. Weekly review of Serious Incidents at meeting between Executive Nurse Director, Medical Director and Chief Operating Officer.
<b>OPERATIONAL AND CLINICAL EXCELLENCE</b> - Insufficient critical care capacity and workforce to meet need	20	Occupational therapists and Physiotherapists working together to improve services for Long Term Ventilated Patients. Recruited to most critical care nursing vacancies but retention of staff is a concern. Nursing establishment reviewed on an annual basis. Post Anaesthetic Care Unit opened Jan 2015 to support elective surgery. Rules in place re block booking of temporary staffing to cover shifts. Escalation policy in place. Psychology interventions in place to support staff and the CC recruitment and retention plan e.g. staff 1-1 service. Skills training for staff (communication & conflict resolution, resilience sessions) and staff wellbeing group (culture, value, Organisational Health Reviews). Local Delivery Plan for the Critically ill signed off by HSMB. Active involvement in newly established Theatres & Critical Care Planning Group (first meeting 8.03.16).
<b>OPERATIONAL AND CLINICAL EXCELLENCE</b> - Bone Marrow Transplantation – unacceptable waiting times leading to potential relapse or death	25	Written control documents in place. MDT discussion prior to patient being placed on list. Internal meetings and discussions to monitor waiting list Issue escalated to Clinical Board and Quality and Safety meetings. CNS input. Regular contact with Finance Directorate and WHSSC re: funding for services - business case (Phase 1 & 2) has been submitted and approved. Regular forecasts submitted. Regular SLA meetings set up with WHSSC. JACIE report received. Apheresis Nurse Specialist post in place. Number of beds available for transplant patients increased by 2, but this has led to number of general haematology beds reducing by 2. Pilot of Mobile Chemotherapy Unit underway.
<b>OPERATIONAL AND CLINICAL EXCELLENCE</b> - Identify clinical failures and patterns from information and data sources	20	Clinical Governance arrangements. Mortality Reviews. Electronic reporting of incidents and near misses implemented during 2015.

<b>RESOURCES</b> - Plan, resource and implement safe and adequate estate	<b>25</b>	<p>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.</p> <p>Maintenance requests and prioritisation.</p> <p>Development of robust Business Cases to secure capital investment from WG to support service change programmes inc. CRI, Making a Difference etc. Major Capital Group chaired by Chief Executive in response to facilities for paediatric assessment in the community not meeting the Quality Standards. In Paediatric Audiology clinics are being provided in UHW. Weekly clinics established for those "not able to test" in the community.</p>
<b>RESOURCES</b> - Meet statutory compliance in respect of estates maintenance	<b>25</b>	<p>Estates and statutory compliance. Audit process.</p> <p>Prioritisation of maintenance requests.</p> <p>Establishment of dedicated compliance team.</p> <p>External audit of statutory compliance</p>
<b>RESOURCES</b> - Risks to neonates and high risk mothers as a result of providing on-going care to neonates in a clinically unsuitable environment.	<b>25</b>	<p>Contingency for escalation agreed with Executive Team, Neonatal Network and both Directorates.</p> <ol style="list-style-type: none"> <li>1. Maternity Escalation Protocols in place.</li> <li>2. Joint interface meetings with Maternity &amp; Neonatal services set up to maintain close liaison.</li> <li>3. Database to record maternal and in-utero transfers in place along with risk assessments.</li> <li>4. Neonatal Network supporting better working across Welsh Network.</li> <li>5. Four bedded area made available in Delivery Suite and staffed to receive emergency Neonatal admissions for stabilisation and transfer only.</li> <li>6. Temporary staffing put in place to support separation of "clean" and "dirty" NICU.</li> <li>7. Daily SI meetings chaired by END.</li> <li>8. Liaison with WAST /CHANTs at the earliest possible opportunity.</li> <li>9. Create new admissions area in ward T1 which will allow the existing NICU to run down and commence the refurbishment work on the new capital build.</li> <li>10. Welsh Government has approved funding for Phases 1A and 1B.</li> <li>11. Unit open and accepting neonates up to 16 cots.</li> </ol>
<p><b>RESOURCES</b> - Vehicle congestion and traffic management on the UHW site leading to:-</p> <ol style="list-style-type: none"> <li>a) patients missing appointments/staff arriving late leading to service disruption</li> <li>b) Emergency service vehicles unable to flow freely on the site</li> <li>c) Potential contact with pedestrians and/or cyclists</li> <li>d) Contact/collision with other vehicles</li> <li>e) Increased environmental impact (new risk added March 2016)</li> </ol>	<b>20</b>	<p>Temporary traffic flow management and traffic lights to assist with vehicle flows at the busiest times.</p> <p>Indigo police manage the traffic on site and security staff are also occasionally utilised to manage traffic flows.</p> <p>The UHB has a Sustainable Travel Policy and Procedures to encourage site users to utilise alternative transport arrangements.</p> <p>The site has various cross-hatched road markings and yellow lines to keep traffic moving and to resist blocking key areas.</p> <p>Independent traffic survey completed.</p>
<b>RESOURCES</b> - Deliver financial balance and savings programmes	<b>25</b>	<p>Budgets and savings targets delegated to budget holders.</p> <p>Clinical Board Financial and savings plans peer reviewed and tested by senior finance team and Finance Director.</p> <p>Monthly monitoring on financial performance and savings plans.</p> <p>Focus of attention at HSMB, Management Executive meeting and the Big Room.</p> <p>Performance Management Framework / Clinical Board regular meetings.</p> <p>SBAR reports produced on key operational pressures for review by Management Executive.</p> <p>External support procured from GE Finnermore to drive forward transformational change with efficiency and cash releasing benefits.</p>

<b>RESOURCES</b> - Plan, fund and maintain effective & resilient IM&T systems	<b>20</b>	IM&T implementation programme. IM&T Sub-committee established to oversee progress. Health and Care Standard 3.4 - Information Governance and Communications Technology.
<b>RESOURCES</b> - Laboratory Information Management System (LIMS) - Risk of clinical governance and information governance concerns as LIMS goes live into additional laboratory areas due to the level of robustness of the system.	<b>20</b>	Internally developed risk management strategies. Collaboration with NWIS to develop solutions to national system issues. 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.
<b>GOVERNANCE</b> - Comply with relevant, up to date and accessible policies, procedures and other control documents	<b>20</b>	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. Staff training and awareness. Intranet and internet access arrangements. 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. Information regarding review of database presented to Lead Executive for their advice and oversight regarding their on-going review and maintenance.

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 2015/16 which have also required significant and focussed attention as follows:

- During 2015, the UHB established a multi-agency group to manage a patient safety concern relating to the practice of a dental practitioner, employed by a dental practice within Cardiff and the Vale of Glamorgan area. In October, the UHB undertook a Patient Notification Exercise (PNE) to inform patients (past and present) that the practice of a named dentist from Cardiff and Vale had fallen below acceptable standards for infection, prevention and control. The UHB has also commissioned an external review, the Terms of Reference of which have been jointly agreed with Public Health Wales and Healthcare Inspectorate Wales. We await this report.
- The Neonatal Unit (NNU) at the University Hospital of Wales experienced a number of closures due to infection, prevention and control outbreaks during 2015. In August and November, the NNU closed due to *Acinetobacter baumannii* outbreaks. On both occasions a multi-disciplinary and multi-agency group was established to manage the incident and to ensure that all possible measures were put in place to re-open the NNU, minimise risks to mothers and to babies and also to minimise the risk of re-occurrence. A fully re-furnished interim Neonatal Unit has been developed in a new location and a seven million pound capital investment has been secured from Welsh Government to develop a new, permanent Neonatal Unit at University Hospital Wales. This was discussed at the Quality, Safety and Experience Committee Meeting (oral 15 December 2015 minute UHB 15/210) and Board Meeting (24 September 2015 minute UHB 15/210). The UHB is currently in the process of commissioning an external review to a) review the process that was followed during the incident and b) to determine whether the UHB has put in place every reasonable measure to prevent a re-occurrence.

- 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 the UHB with independent assurance in relation to the quality of care across the UHB. Immediate assurance issues were identified in some inspections in both acute services and in primary care contractor services. Immediate actions have been taken where required and improvement plans have been developed to address other findings following the inspections.
- A series of unannounced Trusted to Care visits to Older Persons Mental Health services were carried out by Board members and senior nursing staff during December 2015 and January 2016. Overall the inspections revealed areas of noteworthy practice as well as areas for improvement. There were no areas identified requiring immediate assurances from the Clinical Board. The findings were reported to the February 2016, Quality, Safety and Experience Committee. The Community Health Council has also carried out a series of unannounced and announced visits to several of our mental health departments across the UHB during 2015 and confirmed to us that 'while there were some areas identified for improvement, there were no significant, systemic issues identified as were found in North Wales'.
- The UHB also commissioned an independent review of the Emergency Unit after staff raised concerns about the pressure and challenges being faced on a daily basis. The report was published in June 2015. A Steering Group, chaired by the Chief Operating Officer was established to oversee implementation of the recommendations. Report against progress is reported through the Quality, Safety and Experience Committee.
- Healthcare Inspectorate Wales published a Homicide Review in March 2015. Although the UHB had limited involvement with the perpetrator, it has contributed to a detailed multi-agency action plan to address the findings.

The Quality, Safety and Experience Committee received reports and continue to receive progress updates in relation to these matters. These will be detailed in the Annual Quality Statement that will be published in September 2016.

## 5. 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 will be described in the Annual Quality Statement to be published in September 2016 and will also be linked to our Annual Report for 2015/16.

During 2015/16 the Health Board has undertaken a considerable amount of work to implement and embed the revised Health and Care Standards Framework.

This has provided us with an opportunity to refresh and revise our approach to self-assessment and we have moved towards alignment with the internal processes for the development and monitoring of the Integrated Medium Term Plan. A pilot self-assessment has been undertaken during March 2016 and a full self-assessment will take place in May/June 2016. More detail on the Standards can be found on the following link: <http://www.wales.nhs.uk/governance-emanual/how-the-health-and-care-standards-are-st>

### Internal Audit review of the Health and Care Standards

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with Standards for Health and Care Standards is Reasonable Assurance.

During the current transition year the Health Board has made good initial progress towards the effective implementation of the new Health and Care Standards together with the piloting of an appropriate assessment process.

However, given that the formal timetable pertaining to the 2015/16 Health and Care Standards assessment extended into the early part of 2016/17 the current Audit review was unable to ascertain or provide comment or assurance relating to the review, approval and sign-off by Executive and Independent Member Leads and that of the UHB Quality and Safety Committee.

There is, however, documented intention that this will take place in addition to the introduction of a 'definition based' assessment scoring outcome to replace the piloted RAG rating when looking at the remaining 17 Standards, as used with the legacy Healthcare Standards for Wales.

Therefore, an additional internal audit review will be undertaken in the summer of 2016/17 to ensure that these outstanding elements are implemented accordingly, thereby providing additional assurance as to the newly introduced 2015/16 Health and Care Standards.

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 2014/15 self-assessment.
- Plans in place to achieve the improvement actions as part of our Integrated Medium Term Plan.

The process has been subject to independent internal assurance by the organisation's Head of Internal Audit. As referenced in the Head of Internal Audit Opinion and Annual Report, Audit and Assurance have reviewed the completed module and concluded that the completion and assessment was appropriate.

Governance and accountability	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 area 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				<input type="checkbox"/> ✓	
Enabling delivery			<input type="checkbox"/> ✓		
Delivering results achieving excellence			<input type="checkbox"/> ✓		
Overall Maturity level			<input type="checkbox"/> ✓		

- ☐ 2014/15 Assessment  
✓ 2015/16 Assessment



Key improvement themes for 2016/17 include:

### **5.1 Shaping our Future Wellbeing Strategy**

- Implementation and monitoring of BIG (Bold Improvement Goals), focussed work on the development of:
  - 1) Re-stratification of Medical Beds- to ensure we align wards to patient need.
  - 2) Perfect Locality – to develop a specification for a single perfect locality for commissioning from 2017/18.
  - 3) Value Based Outcomes - to dramatically improve outcomes and at the same time eliminate non-value adding or unnecessary activities, processes and costs.
- Progression of detailed Values & Behaviours work to improve patient experience and staff engagement in order to improve patient care quality and safety.

### **5.2 Patient Experience**

- Implementation of concerns performance management mechanisms for Clinical Board's Performance Reviews to drive improvements in their management.
- Increased visibility of the Patient Experience Team across UHB sites through the Information and Support Centres to encourage visitors, patients and carers to provide feedback utilising different methods.
- Implementation of Freedom to Speak Communications Plan to ensure that the new process is communicated effectively to staff and the public are aware of the work to improve their trust and confidence in the UHB.

### **5.3 Clinical Innovation**

- Establishment of the Clinical Innovation Hub at the UHW as the Clinical Innovation Centre for Cardiff and Vale.
- Alignment of the Faculty of Quality Improvement to the Clinical Innovation Programme.

In addition, the Health Board is in the process of completing a self-assessment against the Health and Care Standard on 'Governance, Leadership and Accountability' for presentation to the Quality, Safety and Experience Committee in September 2016.

## **6. 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 three-four 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. On a positive note 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.

## **7. MINISTERIAL DIRECTIONS**

A list of Ministerial Directions issued by the Welsh Government during 2015-16 are available at:- <http://gov.wales/legislation/subordinate/nonsi/nhswales/2015/?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:

- Directions to the Local Health Boards as to the Statement of Financial Entitlements (Amendment) (No5) Directions 2015. (2015 No.30, 2015 No.14, 2015 No.7)
- Directions to Local Health Boards as to the Personal Dental Services Statement of Financial Entitlements (Amendment) 2015 (2015 No.24)
- Directions to Local Health Boards as to the General Dental Services Statement of Financial Entitlements (Amendment) 2015 (2015 No.23)
- Directions to Local Health Boards as to the Statement of Financial Entitlements (Amendment) (No.4) 2015 (2015 No.20)
- The Primary Medical Services (directed Enhanced Services) (Wales) (Amendments) Directions 2015 (2015 No.19)
- The National Health Service (Cross-Border Healthcare) (Telemedicine) (Wales) Directions 2015 (No.17)
- NHS Blood and Transplant (Gwaed a thrawsblaniadau'r GIG) (Wales) (amendment) (No.2) Directions 2015
- The National Health Service (General Medical Services – Premises Costs) (Wales) Directions 2015 (2015 No.9)
- The Pharmaceutical Services (Advanced and Enhanced Services) (Wales) (Amendments) Directions 2015

A range of Health Circulars (WHCs) were published by Welsh Government during 2015-2016 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.

## **8. 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 twice a year 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 that 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. This will 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 two 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.

## **9. THREE YEAR INTEGRATED MEDIUM TERM PLAN**

Further to the National Health Service Finance (Wales) Act 2014 becoming law in Wales from 27 January 2014, new duties with regards to operational planning and finance were placed upon the Local Health Boards. These 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 three 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 three year Integrated Medium Term Plan. The Health Board agreed to submit its 2015/16-2017/18 plan to Welsh Government on 31 March 2015 despite it not being financially balanced. The Board noted this did not meet their statutory responsibility but continued to work with the Welsh Government towards achieving financial sustainability. Following further discussions with Welsh Government, the Health Board's final plan obtained Ministerial approval in August 2015.

A copy of the full 2015/16-17/18 Plan is available on the Health Board's website via the following link: [www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/CVUHB%20IMTP%202015-16%20final%20draft%20010415%20with%20appendix.pdf](http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/CVUHB%20IMTP%202015-16%20final%20draft%20010415%20with%20appendix.pdf)

A copy of the summary 2015/16 – 17/18 Plan is available on the Health board's website via the following link: [www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/imtp%20summary%202015%20-%202018.pdf](http://www.cardiffandvaleuhb.wales.nhs.uk/sitesplus/documents/1143/imtp%20summary%202015%20-%202018.pdf)

The 2015/16 – 17/18 Plan entitled 'Progressing Our Future', set out to continue to address the challenges of the stark health inequalities in our ageing population, the difficulties with patient flow out of hospital following an unplanned admission, staff shortages in some difficult to recruit to roles and our risks in relation to our estate, and medical and IT equipment.

The improvements delivered in 2014/15 were built on in 2015/16 through the publishing of our 10 year strategy 'Shaping Our Future Wellbeing' and the continued strengthening of our planning, performance and analytical capacity and capability. This has driven the desire to adopt a 'home first' principle in all that we do and has seen progress in delivering our 2015/16 Plan in the following areas:

- Our GP clusters have really developed over the year, and our primary care developments are supporting the shift in the balance of care away from hospitals. More people with a long term condition are being managed in the community (diabetes, INR and heart failure represent examples of transformation in the way we deliver care); our Community Resource Teams are now working seven days a week, helping to support timely discharges from acute hospital care, and preventing unnecessary admissions; we are providing more targeted health improvement interventions to increase immunisation and screening rates, and to improve healthy lifestyle behaviours, focusing on particular at risk communities.

- We have delivered the agreed plan for referral to treatment times, with a significant reduction in the number of people waiting over 52 and 36 weeks for treatment. This has been achieved by tackling the backlog of patients waiting, and putting in sustainable measures where demand outstrips capacity on an ongoing basis.
- We have improved our emergency care pathways resulting in the more timely delivery of unplanned (emergency) care – with key performance indicators showing the improvements made.
- We have introduced a number of actions to improve infection prevention and control, and whilst we did not achieve all of the national targets, considerable improvements have been sustained.
- We have recruited locally, nationally and globally to reduce our nursing vacancies and have reduce our sickness levels to a 4 ½ year low.
- We have delivered a number of significant capital development milestones including the Children's Hospital for Wales and the Adult Mental Health Unit at UHL.
- Despite the ongoing financial challenges and service pressures, we have delivered our financial plan.

Delivery against the Plan for 2015/2016 was monitored throughout the year through the respective Committees and the Board and in general terms progress was made against the key issues. In line with the rest of NHS Wales, 2015/16 presented the UHB with another year of considerable financial challenge. Despite the planned delivery of 3.5% savings and considerable cost avoidance schemes the UHB submitted a plan to Welsh Government with a forecast deficit of £13.2m for 2015/16. The Health Board has worked closely with Welsh Government all year in order to address this shortfall. Additional allocations have been made by Welsh Government and the reported year end outturn financial position is a surplus of £0.068m. The Health Board recognises that the delivery of this is supported by significant non recurrent allocations from Welsh Government and that further ongoing work and discussion with Welsh Government is required to achieve financial sustainability.

The first assessment of performance against the three year statutory duty will take place at the end of 2016/17. Despite delivering a balanced position in 2015/16, given the fact that the UHB ended 2014/15 with a £21.364m deficit, the delivery of a break even position by 31<sup>st</sup> March 2017 will be extremely challenging and difficult to achieve.

The UHB has produced a draft three year IMTP, which has been considered by the Board and was submitted to Welsh Government at the end of January 2016. This draft plan emphasises the application of our Future Wellbeing strategic principles:

- Empower the Person
- Home First
- Outcomes that matter to people
- Avoid Harm Waste and Variation

The draft plan has been discussed with Welsh Government and is currently being refined. The UHB intends to revise its draft plan and when this is complete it will be submitted to Welsh Government for formal consideration.

The context for the UHB is a very challenging three years. The UHB has to make significant savings to mitigate against the pressures of an underlying deficit, significant cost pressures and service change investments above allocation increase levels. Whilst the plan has yet to be finalised, over the three year period starting 2016/17 the UHB aims to make a minimum financial saving which is equivalent to 9% of the relevant budgets. Despite this ambitious savings plan, the UHB does not however, currently have a Financial Plan that manages to deliver a breakeven position over the three year period 2016/17 to 2018/19 (or delivery of a breakeven position for the current period which is 2014/15 to 2016/17). This will be subject to further consideration at Board level and the options to secure financial sustainability will need to be discussed further with Welsh Government.

## 10. REVIEW OF EFFECTIVENESS

As Accountable 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 letter and other reports.

Internal Sources	External Sources
Performance management reports. Service change management reports. Workforce information and surveys. Benchmarking. Internal and clinical audit reports. Board and committee reports. Local counter fraud work. Standards for health assessments board. Executive and Independent Member WalkRounds. Results of internal investigations and 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 (e.g. Mental Health Act/Health & Safety, Data Protection).	Population Health Information. Wales Audit Office. Welsh Risk Pool Assessment reports. Healthcare Inspectorate Wales reports. Community Health Councils visits. Feedback from healthcare and third sector partners. Royal College & Deanery visits. Regulatory, licensing and inspection bodies. External benchmarking and statistics. Accreditation Schemes. National audits. Peer reviews. Feedback from service users. Local networks (e.g. cancer networks). Welsh government reports and feedback.

The effectiveness of the system of Internal Control has been undertaken by the committees of the Board in respect of assurances received. This was also supported by the Corporate Risk Assurance Framework with high risk being closely monitored by the respective committee.

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.

## 11. 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 Audit's 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 with 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.

## 12. 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 an 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><b>Reasonable Assurance</b></p>		<p>The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <b>low to moderate impact on residual risk</b> exposure until resolved.</p>
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In reaching this audit opinion, it has been concluded that each of the eight assurance domains, including the three primary domains (Corporate Governance and Risk, Clinical Governance, Quality and Safety and Financial Governance), have been allocated reasonable assurance.

In total, 42 audit reviews were completed during the year, and it was pleasing to note that the number of reports receiving Limited Assurance had reduced from the previous year to six Limited Assurance and two No Assurance during 2015/16. Management action plans have been developed to address the issue raised and progress is regularly monitored.

It should also be noted that the Blood Management report which received Limited Assurance during the year was subsequently followed up and it was identified that good progress had been made in addressing many of the previously reported weaknesses and a revised assurance rating of Reasonable was then assigned.

The following reviews received Limited Assurance:

Review Title	Objective and Action Taken
Blood Management	The overall objective was to ensure that the organisation has put in place systems and procedures that ensure that there is an adequate supply of safe, good quality blood products to treat users of their services. Agreed action was implemented during 2015/16 and this review was subsequently followed up and a revised rating of Reasonable Assurance was given in March 2016.
Medical Locums	The purpose of the review is to establish if the use of medical locums is appropriate and authorised and that the quality of care provided is appropriate. Agreed action included reviewing and updating the procedure and service level agreement, in addition to providing more detail regarding reasons for usage.
Deprivation of Liberty Safeguards (DoLS)	The purpose of the review was to establish if adequate procedures are in place within the Health Board to ensure that DoLS are consistently complied with and authorisations are obtained for all relevant UHB patients. The scope of the current review was limited to establishing the level of compliance with procedures and did not include any clinical review of the DoLS assessments. Agreed actions included enhancing the level of training, disseminating guidance, maintaining documentation and improving compliance with timescales.
Theatre Stock	The purpose of the review was to provide assurance to the Audit Committee that appropriate amounts of stock (including consignment) were held securely, with stock movements appropriately authorised and tracked. Agreed action included implementing an improved stock control system, reviewing and resetting required stock levels, updating the stock policy and improving consignment agreements.
Business Continuity Follow Up	Follow up review to assess progress with the implementation of agreed actions following the previous Limited Assurance Report. Agreed action included formalising continuity arrangements within clinical boards and ensuring adequate resource is in place for business continuity.
Management of staff Leavers – (draft report)	The purpose of the review is to ensure that management are clear on their responsibilities to ensure leavers are properly recorded and removed from all UHB systems and processes. Management action is currently being agreed. It should be noted that this report is still at draft stage.

The following reviews received No Assurance.

Review Title	Objective and Action Taken
Estates Department – Timesheets and Rotas	The overall objective of the review was to ensure that the UHB has appropriate structures in place to adequately manage rotas and time recording within the Estates Department. Agreed action included improving the authorisation process and consistency of timesheets, review current work rotas and improve the retention of documentation.
Llanishen Stores (draft report)	The purpose of the review is to provide assurance to the Audit Committee that an appropriate amount of stock is held securely, with stock movements appropriately authorised and tracked and that patients receive a timely service. Management action is currently being agreed. It should be noted that this report is still at draft stage.

### 13. WALES AUDIT OFFICE

The Audit Committee agreed the Wales Audit Office (WAO) Annual Plan for 2015/2016 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
Combined Follow-Up Review of Informatics and Communications Technology Audits	February 2015	June 2015	Information Governance Sub-Committee to People, Planning and Performance Committee
A Comparative Picture of Orthopaedic Services	February 2015	July 2015	People, Planning and Performance Committee
Medicines Management	June 2015	January 2016	People, Planning and Performance Committee
Follow-Up Review of Hospital Cleaning	September 2015	October 2015	Quality, Safety and Experience Committee
Management of Follow-Up Outpatient Appointments	October 2015	November 2015	People, Planning and Performance Committee
Diagnostic Review of ICT Capacity and Resources	November 2015	March 2016	IMT sub-Committee to People, Planning and Performance
Operating Theatres	January 2016	July 2016	People, Planning and Performance Committee
Structured Assessment	January 2016	February 2016	Board

The actions are recorded in a tracking report and the Audit Committee monitors progress in addressing them. A summary of the WAO Structured Assessment for 2015 of the Health Board's governance arrangements is included within the Annual Audit Report published in January 2016. This concluded:

Arrangements which support good governance and the efficient, effective and economical use of resources continue to evolve, but further improvement is needed particularly in relation to managing estate risks and achieving financial balance:

1. The Health Board has an approved Integrated Medium Term Plan (IMTP), but operational pressures and a failure to identify and deliver the required cost reductions mean that it is currently forecasting a deficit of £23.2 million, compared to a planned deficit of £13.2 million at the end of 2015-16.
2. The Board has set a clear vision and promotes an open and transparent culture through generally robust governance arrangements, but further improvements, including the continuing need to strengthen organisational capacity, are necessary.
3. The Health Board has set an ambitious change agenda, demonstrates strong community engagement and partnership working and has made positive progress in relation to workforce planning, but there remain significant risks around estates.



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 2016/17.

#### **14. EQUALITY AND DIVERSITY**

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

The control measures include:

- Health Board Equality Monitoring Annual Report.
- Equality reports to Quality, Safety and Experience Committee on the Health Board's objectives and actions.
- Reports to the Equality and Human Rights Commissions' enquiries.
- Reports to the Centre for Equality and Human Rights enquiries.
- Report to the Welsh Government Equalities team.
- Provision of evidence to the Health Care Standards Audit, specifically Standard 2.
- Equality Impact Assessments.

#### **15. DISCLOSURE STATEMENTS**

- The UHB records reported information governance incidents both through the Patient Safety e-DATIX system and the central Information Governance processes. Both work closely together to ensure consistency and accuracy of reporting. The Caldicott Guardian and through Information Governance sub-Group, monitor these incidents closely and provide an assurance function for the Board.
- The UHB did not report any serious incidents in respect of data breaches to the Information Commissioner's Office (ICO) in 2015/2016. There were a number of cases that were reported in previous years that remained under the scrutiny by the ICO in 2015. All cases were closed down in September 2015. No fines were enforced. In order to effect continuous improvement through learning and audit the UHB invited the ICO to audit its Data Protection Act arrangements in May 2016.

## 16. 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 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 the report, particularly in relation to Internal Audit reports where Limited or No Assurance has been received.

During 2015/2016 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 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.

The first assessment of performance against the three year statutory duty will take place at the end of 2016/17. Despite delivering a balanced position in 2015/16, given the fact that the UHB ended 2014/15 with a £21.364m deficit, the delivery of a three year break even position by 31<sup>st</sup> March 2017 will be extremely challenging and difficult to achieve.

We are working very closely with Welsh Government in respect of addressing this and other outstanding issues in order for our IMTP for 2016-19 to be approved.

Robust performance management arrangements are already in place to mitigate and manage performance and control issues during 2016/2017.

The 2015/2016 Annual 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  
2<sup>nd</sup> June 2016

## Appendix1 – Board Committee Membership

Name and position	Area of expertise representation role	Board and committee membership 1 April '15 – 31 March '16	Number of meetings attended during tenure	Champion roles
Abigail Harris Director of Planning		Board	6	n/a
Adam Cairns Chief Executive		Board	5	n/a
Alice Casey Chief Operating Officer		Board	4	n/a
Brendan Sadka Independent Member	Capital and Estates	Board People, Performance and Delivery Committee Audit Committee	17	Older People
Christopher Elmore Independent Member	Local Authority	Board Mental Health and Capacity Legislation Committee	3	Children and Young People
Christopher Lewis Acting Director of Finance (17.11.14 – 8.12.15)		Board Charitable Funds Committee	8	n/a
Eileen Brandreth Independent Member	Information Communication Technology	Board People, Performance and Delivery Committee Mental Health and Capacity Legislation Committee	8	Caldicott/Data Protection (Independent Member Contact)
Elizabeth Treasure Independent Member	University	Board (Chair) Quality, Safety and Experience Committee Audit Committee	14	Patient Safety (Cleaning, Hygiene and Infection Management)
Fiona Jenkins Director of Therapies and Health Sciences		Board Charitable Funds Committee	8	n/a
Graham Shortland Medical Director		Board	5	n/a
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	26	n/a
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	18	Mental Health Primary and Community
Margaret McLaughlin Independent Member	Third Sector	Board Mental Health and Capacity Legislation Committee Quality, Safety and Experience Committee Charitable funds Committee	18	Carers Welsh Language Equality and Human Rights
Maria Battle Chair		(Chair) Board (Chair) Remuneration and Terms of Service Committee	9	Public and Patient Involvement Concerns
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	22	Health and Safety Violence and Aggression

Name and position	Area of expertise representation role	Board and committee membership 1 April '15 – 31 March '16	Number of meetings attended during tenure	Champion roles
Paula Martyn Associate Member	Stakeholder Reference Group	Board	4	n/a
Robert Chadwick, Director of Finance (from 9.12.15)		Board Charitable Funds Committee	2	
Rosemarie Whittle Associate Independent Member (to 30 September 2015)	Healthcare Professionals Forum	Board	1	n/a
Ruth Walker Director of Nursing		Board	6	n/a
Saleem Kidwai Independent Member	Community	Board Quality, Safety and Experience Committee Mental Health and Capacity Legislation Committee	7	
Sharon Hopkins Director of Public Health		Board	5	n/a
Sian Walker Associate Independent Member (to 30 September 2015)	Local Authority	Board	2	n/a
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	25	Armed Forces and Veterans

**\* 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 2016 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 63 and 64, 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 Foreword and the Annual Governance Statement 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 2016 and of its net operating costs 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 in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements 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;
- the information contained in the Foreword and the Annual Governance Statement is consistent with the financial statements.

**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 92 to 93.

Huw Vaughan Thomas  
Auditor General for Wales  
8 June 2016

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 1<sup>st</sup> 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, Cardiff and Vale University Local Health Board's performance against them, and the implications for 2016-17.

### 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 exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend. For the 2015-16 financial year, any excess spend against annual financial allocations (set by the Welsh Government for financial management purposes) is not irregular expenditure and so does not affect my regularity opinion.

The **second financial duty** requires 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 2015-16 if it submitted a 2015-16 to 2017-18 plan approved by its Board to the Welsh Ministers who had then approved it by the date that the Accountable Officer signed the 2015-16 Financial Statements.

### LHB performance against duties

#### First Financial Duty

As set out above, the LHB will not be assessed 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 Health and Social Group to meet its own financial targets.

As shown in Note 2.1 and 2.2 to the Financial Statements, in 2015-16 the LHB:

- met its annual revenue resource allocation; and
- met its annual capital resource allocation.

The LHB's approved three year plan for 2015-16 to 2017-18 identified a gap of £13.2 million between its annual resource allocation and its planned net expenditure for 2015-16. Throughout the year the LHB paid close attention to the monthly reported outturn and to the forecast year end position and in August 2015 the LHB updated its year end forecast to a deficit of £23.209 million. The LHB received additional resource allocation of £9.660 million in December 2015 relating to financial support and £10.5 million in March 2016 for winter pressures. The LHB used these allocations to fund the forecast deficit. The year end outturn as shown in Note 2.1 to the accounts shows that the LHB met its annual revenue resource allocation with an underspend of £0.068 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 2015-16 to 2017-18.

The Minister for Health and Social Services approved the LHB's three year integrated medium term plan for the period 2015-16 to 2017-18 on 6 August 2015, subject to improved performance in a number of key areas.

## Look ahead to 2016-17

The NHS Planning Framework 2016/17 set Welsh Government's expectation that the LHB should obtain Ministerial approval by 30<sup>th</sup> June 2016 for its three-year plan 2016-17 to 2018-19. While previously the planning process and timetable envisaged that plans would be reviewed and approved during the first quarter this was not specified, with the potential flexibility that plans could have been approved up to a point prior to the Accountable Officer signing of the financial statements for the first year of the plan. The LHB is currently developing its three year plan 2016-17 to 2018-19.

If the LHB is to achieve its *first financial duty* to balance its books over a rolling three year period, the LHB will need to report a balanced position for 2016-17, which includes recovery of the excess spend incurred in 2014-15 of £21.364 million.

The monitoring return for April 2016 identified a gap of £33.9 million between its annual revenue resource allocation and its planned net expenditure for 2016-17. This excludes recovery of the excess spend incurred in 2014-15 of £21.364 million. At the end of April 2016, the LHB reported a year to date deficit of £2.948 million and a forecast year end deficit of £33.9 million.

Later this year I intend to publish a value for money study on the implementation by Welsh Government and NHS Wales of the NHS Finances (Wales) Act 2014.

Huw Vaughan Thomas  
Auditor General for Wales  
8 June 2016

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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)<sup>1</sup>, in the form specified in paragraphs [2] to [7] below.

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

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

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

**FORM AND CONTENT**

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