

3.2

Draft Annual Accounts 2018/19

*Presenter: Huw Thomas*

*Please note - the Draft Annual Accounts document is a scanned version of the WG Excel file. Being a scanned document, this does not have all the functionality usually offered by iBabs in terms of highlighting, etc. If we are able to obtain a non-scanned version, we will add this in due course. Apologies for the inconvenience.*

SBAR Draft Annual Accounts ARAC May 2019

Annual Accounts Presentation ARAC May 2019

HDHB LHB ACCA



**PWYLLGOR ARCHWILIO A SICRWYDD RISG  
AUDIT AND RISK ASSURANCE COMMITTEE**

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	07 May 2019
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Draft Annual Accounts 2018/19
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Huw Thomas, Director of Finance

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Ar Gyfer Trafodaeth/For Discussion

**ADRODDIAD SCAA  
SBAR REPORT**

**Sefyllfa / Situation**

The draft Statutory Annual Accounts have been prepared in accordance with the Welsh Government timetable and guidelines. The Audit & Risk Assurance Committee (ARAC) is asked to review and discuss the draft Accounts.

The draft Accounts was submitted to Welsh Government on the 26<sup>th</sup> April 2019. The Accounts are now being scrutinised by Wales Audit Office, and the Final Accounts will be presented to ARAC on the 29<sup>th</sup> May 2019 in readiness to send to Welsh Government by the 31<sup>st</sup> May 2019.

**Cefndir / Background**

Under the National Health Service Act (Wales) 2006 the Health Board is required to prepare accounts for each financial year.

The Accounts must comply with the accounting guidance of the Government Reporting Manual (FReM) which is in force for the financial year in which the accounts are prepared and has been applied by Welsh Government and detailed in the NHS Wales LHB Manual of Accounts.

In preparing the accounts the Directors are required to apply on a consistent basis the accounting principles laid down by Welsh Ministers, make judgements and estimates which are responsible and prudent and state whether applicable accounting standards have been followed.

**Asesiad / Assessment**

The Draft Annual Accounts are enclosed for discussion.

**Argymhelliad / Recommendation**

The Audit & Risk Assurance Committee is asked to discuss the draft annual accounts.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference Cyfeirnod Cylch Gorchwyl y Pwyllgor	4.4 The Committee's principle duties encompass the following: 4.4.2 Maintain an appropriate financial focus demonstrated through robust financial reporting and maintenance of sound systems of internal control. 5.13 Approve the writing off of losses or the making of special payments within delegated limits. 5.15 Receive a report on all Single Tender Actions and extensions of contracts.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	BAF S09-PR20 BAF SO10-PR33
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability 7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve efficiency and quality of services through collaboration with people, communities and partners

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on the Health Board's financial reporting system. Activity recorded in the AR and AP modules of the Oracle business system, activity recorded in the procurement Bravo system.
Rhestr Termiau: Glossary of Terms:	AP-Accounts Payable AR –Accounts Receivable CF –Counter Fraud COS-Contracted Out Service VAT ECN- Error Correction Notice EOY – End Of Year ERs NI-Employers National Insurance HMRC-Her Majesty's Revenue and Customs HOLD- Invoices that cannot be paid, as there is a query with the price or quantity or validity NWSSP-NHS Wales Shared Services Partnership NIC-National Insurance Contribution PID –Patient identifiable data PO –Purchase Order PSP-Public Sector Payment Policy

	RTI-Real Time Information(transmitted to HMRC from the Payroll system) STA-Single Tender Action VAT-Value Added Tax
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg: Parties / Committees consulted prior to Audit and Risk Assurance Committee:	UHB's Finance Team UHB's Management Team Executive Team Finance Committee

<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Financial implications are inherent within the report
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	Risk to our financial position affects our ability to discharge timely and effective care to patients
<b>Gweithlu:</b> <b>Workforce:</b>	Overpayments are reported within this report.
<b>Risg:</b> <b>Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol:</b> <b>Legal:</b>	The UHB has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
<b>Enw Da:</b> <b>Reputational:</b>	Adverse variance against the UHB's financial plan will affect our reputation with Welsh Government, the Wales Audit Office, and with external stakeholders
<b>Gyfrinachedd:</b> <b>Privacy:</b>	Not applicable
<b>Cydraddoldeb:</b> <b>Equality:</b>	Not applicable

# Annual Accounts 2018/19

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# Statement of Comprehensive Net Expenditure For the year ended 31 March 2019

	2018-19 £'m	2017-18 £'m	Change £'m	Change %
Expenditure on Primary Healthcare Services	185.3	184.0	1.4	1%
Expenditure on healthcare from other providers	200.2	197.5	2.7	1%
Expenditure on Hospital and Community Health Services	534.1	506.4	27.7	5%
				Movement predominately due to £15m pay award, £4m increase in drugs spend and £4m additional impairment cost in relation to 2 major schemes
	919.6	887.9	31.8	4%
Less: Miscellaneous Income	(57.2)	(54.3)	2.8	5%
<b>LHB net operating costs before interest and other gains and losses</b>	<b>862.4</b>	<b>833.5</b>	<b>28.9</b>	<b>3%</b>
Other (Gains) / Losses	(0.0)	(0.0)	(0.0)	
Finance costs	0.0	0.0	0.0	
<b>Net operating costs for the financial year</b>	<b>862.4</b>	<b>833.5</b>	<b>28.9</b>	<b>3%</b>
			-	
General ophthalmic services expenditure and other non-cash limited expenditure	1.7	2.0	(0.2)	
<b>Total operating expenses</b>	<b>864.1</b>	<b>835.5</b>	<b>28.7</b>	
Revenue Resource Allocation	828.7	766.0	62.7	8%
<b>(Over) spend against allocation</b>	<b>(35.4)</b>	<b>(69.4)</b>	<b>34.0</b>	<b>-49%</b>

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# Statement of the Financial Position as at 31 March 2019

	31 March 2019 £'m	31 March 2018 £'m	Change £'m	Change %	
<b>Non-current assets</b>					
Property, plant and equipment	266.2	254.4	11.8	5%	Movement driven by fixed assets acquired in year offset by depreciation and impairments charges.
Intangible assets	1.6	1.0	0.6	55%	
Trade and other receivables	43.2	14.7	28.5	194%	Increase relates to Welsh Risk Pool, corresponding liability in Provisions
<b>Total non-current assets</b>	<b>311.0</b>	<b>270.1</b>	<b>40.9</b>	<b>15%</b>	
<b>Current assets</b>					
Inventories	8.1	7.9	0.2	3%	
Trade and other receivables	34.3	39.6	(5.3)	-13%	£6m movement relates to reduction in Welsh Risk Pool asset held in Short-term
Other financial assets	-	0.3	(0.3)	-100%	
Cash and cash equivalents	1.5	1.5	(0.1)	-4%	
<b>Total current assets</b>	<b>43.9</b>	<b>49.3</b>	<b>(5.4)</b>	<b>-11%</b>	
<b>Total assets</b>	<b>354.9</b>	<b>319.4</b>	<b>35.5</b>	<b>11%</b>	
<b>Current liabilities</b>					
Trade and other payables	(93.5)	(95.1)	1.6	-2%	
Provisions	(23.5)	(27.8)	4.2	-15%	Increase relates to Welsh Risk Pool, corresponding asset in Long-term Trade and other receivables
<b>Total current liabilities</b>	<b>(117.0)</b>	<b>(122.9)</b>	<b>5.8</b>	<b>-5%</b>	
<b>Net current assets/ (liabilities)</b>	<b>(73.2)</b>	<b>(73.5)</b>	<b>0.4</b>	<b>-1%</b>	
<b>Non-current liabilities</b>					
Provisions	(43.5)	(15.0)	(28.5)	191%	Increase relates to Welsh Risk Pool, corresponding asset in Long-term Trade and other receivables
<b>Total non-current liabilities</b>	<b>(43.5)</b>	<b>(15.0)</b>	<b>(28.5)</b>	<b>191%</b>	
<b>Total assets employed</b>	<b>194.4</b>	<b>181.6</b>	<b>12.8</b>	<b>7%</b>	
<b>Financed by :</b>					
<b>Taxpayers' equity</b>					
General Fund	167.6	154.8	12.8	8%	
Revaluation reserve	26.8	26.8	0.0		
<b>Total taxpayers' equity</b>	<b>194.4</b>	<b>181.6</b>	<b>12.8</b>	<b>7%</b>	

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# Statement of Cash Flows for year ended 31 March 2019

	2018-19 £'m	2017-18 £'m
<b>Cash Flows from operating activities</b>		
Net operating cost for the financial year	(862.4)	(833.5)
Movements in Working Capital	(27.6)	6.6
Other cash flow adjustments	56.8	24.2
		Non cash adjustments relating to depreciation and amortisation (£21m) and provisions for Welsh Risk Pool (£37m)
Provisions utilised	(12.9)	(8.2)
		Welsh Risk Pool utilisation
<b>Net cash outflow from operating activities</b>	<b>(846.1)</b>	<b>(811.0)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(28.1)	(17.4)
Proceeds from disposal of property, plant and equipment	0.0	0.3
Purchase of intangible assets	(0.9)	(0.2)
Payment for other financial assets	-	(0.4)
Proceeds from disposal of other financial assets	-	0.3
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(29.0)</b>	<b>(17.4)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(875.1)</b>	<b>(828.4)</b>
<b>Cash Flows from financing activities</b>		
Welsh Government funding (including capital)	874.1	828.0
Capital grants received	1.0	0.6
<b>Net financing</b>	<b>875.0</b>	<b>828.7</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(0.1)</b>	<b>0.3</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2018</b>	<b>1.5</b>	<b>1.2</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2019</b>	<b>1.5</b>	<b>1.5</b>





GIG  
CYMRU  
NHS  
WALES

Bwrdd Iechyd Prifysgol  
Hywel Dda  
University Health Board

# Key Judgemental Areas

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## Provisions

- Provisions, long term and short term, total £67m as at 31 March 2019. Of this £65m relates to clinical negligence and personal injury claims. The £2m balance relates to CHC retrospective claims.
- This liability is offset by the Welsh Risk Pool asset held in long term and short term assets.
- For a provision to be recognised in the accounts there must :
  - be a legal or constructive obligation as a result of a past event
  - it is probable that the obligation will be settled
  - a reliable estimate can be made of the obligation

### Provisions as at 31 March 2019

£m's

	Opening Balance	Arising during year	Utilised during year	Reversed unused	Transfer	Closing Balance
Short term	27.8	15.4	(11.7)	(10.3)	2.3	23.5
Long term	15.0	32.5	(1.2)	(0.5)	(2.3)	43.5
<b>Total</b>	<b>42.8</b>	<b>47.9</b>	<b>(12.9)</b>	<b>(10.8)</b>	<b>-</b>	<b>67.0</b>

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## CHC

- CHC Retrospective review claims provision of £2m is included within the overall provisions balance.
- The provision relates to care home fees that have been paid by individuals where the fee should have been paid by the NHS.
- Where the value of the claim is known, but payment has not yet been made, these are recorded within accruals.
- Where the actual settlement value is not yet known, an estimate based on the average value of claims processed, is made and recorded within provisions.

CHC Provisions - included within overall provisions figure  
£m's

	Opening Balance	Arising during year	Utilised during year	Closing Balance
Short term	0.2	2.3	(0.9)	1.6
<b>Total</b>	<b>0.2</b>	<b>2.3</b>	<b>(0.9)</b>	<b>1.6</b>

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## Fixed Assets

- Fixed assets are measured initially at cost.
- Land and buildings are stated at their revalued amounts, being fair value at the date of revaluation. Revaluations are carried out every 5 years as part of the all Wales review.
- Plant and equipment are assessed every 3 years for impairment.
- Fixed assets are depreciated over their useful economic lives.

Depreciations rates are as follows:

Land	Not depreciated
Buildings	35 years
Plant & machinery, furniture & fittings, IT	5 years

- Fixed assets are only recognised if
  - It is to be used to deliver services or for administrative purposes
  - It is probable that the economic benefit will flow to the HB
  - It is expected to be used for more than one year
  - Its cost can be measured reliably

**Fixed Assets as at 31 March 2019**

£m's

	Land	Buildings	Assets under construction	Plant & machinery	IT	Furniture & fittings	Total
Carrying value	26.2	195.5	22.1	12.8	8.5	1.1	266.2

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## HYWEL DDA UNIVERSITY 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 1st June 2009 and became operational on 1st October 2009 and comprises the former organisations of Hywel Dda NHS Trust and Carmarthenshire, Ceredigion and Pembrokeshire Local Health Boards.

#### 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.

# Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Expenditure on Primary Healthcare Services	3.1	185,316	183,962
Expenditure on healthcare from other providers	3.2	200,169	197,462
Expenditure on Hospital and Community Health Services	3.3	534,120	506,430
		<b>919,605</b>	887,854
Less: Miscellaneous Income	4	(57,187)	(54,345)
<b>LHB net operating costs before interest and other gains and losses</b>		<b>862,418</b>	833,509
Investment Revenue	5	0	0
Other (Gains) / Losses	6	(13)	(11)
Finance costs	7	9	3
<b>Net operating costs for the financial year</b>		<b>862,414</b>	833,501

See note 2 on page 22 for details of performance against Revenue and Capital allocations.

The notes on pages 8 to 65a form part of these accounts

**Other Comprehensive Net Expenditure**

	2018-19 £'000	2017-18 £'000
Net (gain) / loss on revaluation of property, plant and equipment	1,185	14,435
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	(1,053)
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0
Other comprehensive net expenditure for the year	<u>1,185</u>	<u>13,382</u>
<b>Total comprehensive net expenditure for the year</b>	<b><u>861,229</u></b>	<b><u>820,119</u></b>

## Statement of Financial Position as at 31 March 2019

	Notes	31 March 2019 £'000	31 March 2018 £'000
<b>Non-current assets</b>			
Property, plant and equipment	11	266,222	254,395
Intangible assets	12	1,621	1,045
Trade and other receivables	15	43,183	14,697
Other financial assets	16	0	0
<b>Total non-current assets</b>		<b>311,026</b>	<b>270,137</b>
<b>Current assets</b>			
Inventories	14	8,084	7,875
Trade and other receivables	15	34,330	39,598
Other financial assets	16	0	305
Cash and cash equivalents	17	1,460	1,528
		<b>43,874</b>	<b>49,306</b>
Non-current assets classified as "Held for Sale"	11	0	0
<b>Total current assets</b>		<b>43,874</b>	<b>49,306</b>
<b>Total assets</b>		<b>354,900</b>	<b>319,443</b>
<b>Current liabilities</b>			
Trade and other payables	18	(93,484)	(95,090)
Other financial liabilities	19	0	0
Provisions	20	(23,541)	(27,764)
<b>Total current liabilities</b>		<b>(117,025)</b>	<b>(122,854)</b>
<b>Net current assets/ (liabilities)</b>		<b>(73,151)</b>	<b>(73,548)</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	0	0
Other financial liabilities	19	0	0
Provisions	20	(43,497)	(14,971)
<b>Total non-current liabilities</b>		<b>(43,497)</b>	<b>(14,971)</b>
<b>Total assets employed</b>		<b>194,378</b>	<b>181,618</b>
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		167,572	154,822
Revaluation reserve		26,806	26,796
<b>Total taxpayers' equity</b>		<b>194,378</b>	<b>181,618</b>

The financial statements on pages 2 to 7 were approved by the Board on 30th May 2019 and signed on its behalf by:

On Behalf of the Chief Executive and Accountable Officer .....

30th May 2019

The notes on pages 8 to 65a form part of these accounts



# Statement of Changes in Taxpayers' Equity

## For the year ended 31 March 2019

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2018-19</b>			
Balance as at 31 March 2018	154,822	26,796	<b>181,618</b>
Adjustment for Implementation of IFRS 9	-82	0	-82
Balance at 1 April 2018	154,740	26,796	181,536
Net operating cost for the year	(862,414)		(862,414)
Net gain/(loss) on revaluation of property, plant and equipment	0	1,185	<b>1,185</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	1,175	(1,175)	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers to/from (please specify)	0	0	<b>0</b>
<b>Total recognised income and expense for 2018-19</b>	(861,239)	10	(861,229)
Net Welsh Government funding	<b>874,071</b>		<b>874,071</b>
<b>Balance at 31 March 2019</b>	<b>167,572</b>	<b>26,806</b>	<b>194,378</b>

The notes on pages 8 to 65a form part of these accounts

# Statement of Changes in Taxpayers' Equity

## For the year ended 31 March 2018

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2017-18</b>			
<b>Balance at 31 March 2017</b>	157,520	16,183	<b>173,703</b>
Net operating cost for the year	(833,501)		<b>(833,501)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	14,435	<b>14,435</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	(1,053)	<b>(1,053)</b>
Movements in other reserves	0	0	<b>0</b>
Transfers between reserves	2,769	(2,769)	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers to/from (please specify)	0	0	<b>0</b>
<b>Total recognised income and expense for 2017-18</b>	<b>(830,732)</b>	<b>10,613</b>	<b>(820,119)</b>
Net Welsh Government funding	828,034		<b>828,034</b>
<b>Balance at 31 March 2018</b>	<b>154,822</b>	<b>26,796</b>	<b>181,618</b>

The notes on pages 8 to 65a form part of these accounts

**Statement of Cash Flows for year ended 31 March 2019**

	2018-19 £'000	2017-18 £'000
<b>Cash Flows from operating activities</b>	notes	
Net operating cost for the financial year	(862,414)	(833,501)
Movements in Working Capital	27 (27,602)	6,595
Other cash flow adjustments	28 56,848	24,150
Provisions utilised	20 (12,908)	(8,194)
<b>Net cash outflow from operating activities</b>	<b>(846,076)</b>	<b>(810,950)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(28,082)	(17,373)
Proceeds from disposal of property, plant and equipment	12	276
Purchase of intangible assets	(945)	(229)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	(365)
Proceeds from disposal of other financial assets	0	289
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(29,015)</b>	<b>(17,402)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(875,091)</b>	<b>(828,352)</b>
<b>Cash Flows from financing activities</b>		
Welsh Government funding (including capital)	874,071	828,034
Capital receipts surrendered	0	0
Capital grants received	952	634
Capital element of payments in respect of finance leases and on-SoFP	0	0
Cash transferred (to)/ from other NHS bodies	0	0
<b>Net financing</b>	<b>875,023</b>	<b>828,668</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(68)</b>	<b>316</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2018</b>	<b>1,528</b>	<b>1,212</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2019</b>	<b>1,460</b>	<b>1,528</b>

The notes on pages 8 to 65a form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Local Health Boards (LHB) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2018-19 Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the LHB Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the LHB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the LHB are described below. They have been applied consistently 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.

From 2018-19, IFRS 15 Revenue from Contracts with Customers is applied, as interpreted and adapted for the public sector, in the Financial Reporting Manual (FReM). It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. Upon transition the accounting policy to retrospectively restate in accordance with IAS 8 has been withdrawn. All entities applying the FReM shall recognise the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening general fund within Taxpayer's equity. A review consistent with the portfolio approach was undertaken by the NHS Technical Accounting Group members, which

- identified that the only material income that would potentially require adjustment under IFRS 15 was that for patient care provided under Long term Agreements (LTAs) for episodes of care which had started but not concluded as at the end of the financial period;
- demonstrated that the potential amendments to NHS Wales NHS Trust and Local Health Board Accounts as a result of the adoption of IFRS 15 are significantly below materiality levels.

Under the Conceptual IFRS Framework due consideration must be given to the users of the accounts and the cost restraint of compliance and reporting and production of financial reporting. Given the income for LTA activity is recognised in accordance with established NHS Terms and Conditions affecting multiple parties across NHS Wales it was considered reasonable to continue recognising in accordance with those established terms on the basis that this provides information that is relevant to the user and to do so does not result in a material misstatement of the figures reported.

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 2017-18 a formal revaluation exercise was applied to land and properties. 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 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 IFRS 13.

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, assets under construction and assets held for sale 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 of 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 weighted average or "first-in first-out" 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 Cash flows, 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 (WRP) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2018-19. The WRP is hosted by Velindre NHS Trust.

**1.15 Financial Instruments**

From 2018-19 IFRS 9 Financial Instruments is applied, as interpreted and adapted for the public sector, in the FReM. The principal impact of IFRS 9 adoption by NHS Wales bodies, will be to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM shall recognise the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening general fund within Taxpayer's equity.

**1.16 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.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease

receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

NHS Wales Technical Accounting Group members reviewed the IFRS 9 requirements and determined a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS9 to construct a provision matrix.

#### **1.16.1 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.

#### **1.16.2 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.

#### **1.16.3 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.

#### **1.16.4 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.

#### **1.16.5 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 of 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.

#### **1.17 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.

##### **1.17.1 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.

##### **1.17.2 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.

##### **1.17.3 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.

#### **1.18 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.

#### **1.19 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.

#### **1.20 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 29 to the accounts.

#### **1.21 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.

### **1.22 Pooled budget**

The LHB has entered into pooled budgets with Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in Note 32.

The pool is hosted by one organisation. Payments for services provided are accounted for as miscellaneous income. The LHB accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

### **1.23 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.

### **1.24 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.

### **Provisions**

The Health Board provides for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Following settlement to individual claimants by the Health Board or Trust, the full cost is recognised in year and matched to income (less a £25K excess) via a WRPS debtor, until reimbursement has been received from the WRPS Committee.

**Probable & Certain Cases – Accounting Treatment**

A provision for these cases is calculated in accordance with IAS 37. Cases are assessed and divided into four categories according to their probability of settlement;

<b>Remote</b>	Probability of Settlement Accounting Treatment	0 – 5% Contingent Liability.
<b>Possible</b>	Probability of Settlement Accounting Treatment	6% - 49% Defence Fee - Provision Contingent Liability for all other estimated expenditure.
<b>Probable</b>	Probability of Settlement Accounting Treatment	50% - 94% Full Provision
<b>Certain</b>	Probability of Settlement Accounting Treatment	95% - 100% Full Provision

The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership.

The solicitor will estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of -0.75%.

Future liabilities for certain & probable cases with a probability of 95%-100% and 50%- 94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

**1.25 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.

**1.26 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.

Remote contingent liabilities are those that are disclosed under Parliamentary reporting requirements and not under IAS 37 and, where practical, an estimate of their financial effect is required.

**1.27 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.

**1.28 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.

**1.29 Accounting standards that have been issued but not yet been adopted**

The following accounting standards have been issued and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM



IFRS14 Regulatory Deferral Accounts (The European Financial Reporting Advisory Group recommended in October 2015 that the Standard should not be endorsed as it is unlikely to be adopted by many EU countries.), IFRS 16 Leases, HMT have confirmed that IFRS 16 Leases, as interpreted and adapted by the FReM is to be effective from 1st April 2020.

IFRS 17 Insurance Contracts,

IFRIC 23 Uncertainty over Income Tax Treatment.

#### **1.30 Accounting standards issued that have been adopted early**

During 2018-19 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

#### **1.31 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 (Hywel Dda Charities), it is considered for accounting standards compliance to have control of Hywel Dda Health Charities as a subsidiary and therefore is required to consolidate the results of Hywel Dda Health Charities within the statutory accounts of the LHB.

The determination of control is an accounting standard test of control and there has been no change to the operation of Hywel Dda Charities 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) was at the end of 2016-17, being the first 3 year period of assessment.

Welsh Health Circular WHC/2016/054 "Statutory and Financial Duties of Local Health Boards and NHS Trusts" clarifies the statutory financial duties of NHS Wales bodies effective from 2016-17.

### 2.1 Revenue Resource Performance

#### Annual financial performance

	2016-17	2017-18	2018-19	Total
	£'000	£'000	£'000	£'000
<b>Net operating costs for the year</b>	809,895	833,501	862,414	<b>2,505,810</b>
Less general ophthalmic services expenditure and other non-cash limited expenditure	1,086	1,956	1,722	<b>4,764</b>
Less revenue consequences of bringing PFI schemes onto SoFP	0	0	0	<b>0</b>
Total operating expenses	810,981	835,457	864,136	<b>2,510,574</b>
Revenue Resource Allocation	761,368	766,027	828,698	<b>2,356,093</b>
<b>Under / (over) spend against Allocation</b>	<b>(49,613)</b>	<b>(69,430)</b>	<b>(35,438)</b>	<b>(154,481)</b>

Hywel Dda UHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2016-17 to 2018-19.

The Health Board did not receive any repayable brokerage during the year.

The Health Board received £31.3 million repayable cash only support in 2018-19. The accumulated cash only support provided to the Health Board by the Welsh Government is £160.964 million as at 31 March 2019. The cash only support is provided to assist the Health Board with ensuring payments to staff and suppliers, there is no interest payable on cash only support. Repayment of this cash assistance will be in accordance with the Health Board's future Integrated Medium Term Plan submissions.

### 2.2 Capital Resource Performance

	2016-17	2017-18	2018-19	Total
	£'000	£'000	£'000	£'000
<b>Gross capital expenditure</b>	18,970	18,474	31,820	<b>69,264</b>
Add: Losses on disposal of donated assets	0	0	0	<b>0</b>
Less: NBV of property, plant and equipment and intangible assets disposed	(258)	(265)	0	<b>(523)</b>
Less: capital grants received	(9)	(11)	0	<b>(20)</b>
Less: donations received	(1,159)	(623)	(952)	<b>(2,734)</b>
Charge against Capital Resource Allocation	17,544	17,575	30,868	<b>65,987</b>
Capital Resource Allocation	17,574	17,613	30,893	<b>66,080</b>
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>30</b>	<b>38</b>	<b>25</b>	<b>93</b>

The LHB met its financial duty to break-even against its Capital Resource Limit over the 3 years 2016-17 to 2018-19.

### 2.3 Duty to prepare a 3 year plan

The NHS Wales Planning Framework for the period 2018-19 to 2020-21 issued to LHBs placed a requirement upon them to prepare and submit Integrated Medium Term Plans (IMTP) to the Welsh Government.

Following discussion between Hywel Dda University Health Board and Welsh Government, the Health Board acknowledged that it was not in a position to submit an IMTP for the period 2018-19 to 2020-21 given the status of the Transforming Clinical Services and Turnaround Programmes. In the absence of an IMTP, the Health Board developed an Annual Plan that was submitted to Welsh Government by the Board on 29th March 2018.

The statutory financial duty under section 175 (2A) of the National Health Services (Wales) Act 2006 to prepare a three year plan was therefore not met.

2018-19  
to  
2020-21

The Minister for Health and Social Services approval status

**Not Approved**

The LHB has not therefore met its statutory duty to have an approved financial plan for the period 2018-19 to 2020-21.

The LHB prepared an Annual Plan for 2017-18 therefore there was not an approved Integrated Medium Term Plan in 2017-18.

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2018-19 Total £'000	2017-18 £'000
General Medical Services	71,645		71,645	69,407
Pharmaceutical Services	19,453	(5,821)	13,632	13,354
General Dental Services	19,925		19,925	20,002
General Ophthalmic Services	1,238	4,099	5,337	4,983
Other Primary Health Care expenditure	3,943		3,943	4,806
Prescribed drugs and appliances	70,834		70,834	71,410
<b>Total</b>	<b>187,038</b>	<b>-1,722</b>	<b>185,316</b>	<b>183,962</b>

Staff Costs of £4.75m paid by the Health Board are included in General Medical Services (£4.93m 2017-18)

#### 3.2 Expenditure on healthcare from other providers

	2018-19 £'000	2017-18 £'000
Goods and services from other NHS Wales Health Boards	38,754	38,946
Goods and services from other NHS Wales Trusts	7,324	6,878
Goods and services from Health Education and Improvement Wales (HEIW)	0	0
Goods and services from other non Welsh NHS bodies	1,189	3,000
Goods and services from WHSSC / EASC	85,495	79,714
Local Authorities	9,331	9,179
Voluntary organisations	1,970	1,819
NHS Funded Nursing Care	3,125	3,744
Continuing Care	47,012	47,599
Private providers	5,790	6,430
Specific projects funded by the Welsh Government	0	0
Other	179	153
<b>Total</b>	<b>200,169</b>	<b>197,462</b>

Expenditure with Local Authorities in Note 3.2 includes expenditure on pooled budgets as reported in note 32.

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

	2018-19 £'000	2017-18 £'000
Directors' costs	2,451	2,212
Staff costs	400,701	385,248
Supplies and services - clinical	74,317	67,363
Supplies and services - general	5,547	5,672
Consultancy Services	1,691	993
Establishment	8,554	8,357
Transport	1,539	1,245
Premises	15,638	13,653
External Contractors	371	1,646
Depreciation	15,255	15,347
Amortisation	369	352
Fixed asset impairments and reversals (Property, plant & equipment)	4,979	1,139
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Audit fees	392	387
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	1,856	1,648
Research and Development	0	0
Other operating expenses	460	1,168
<b>Total</b>	<b>534,120</b>	<b>506,430</b>

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

	2018-19 £'000	2017-18 £'000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	33,970	5,289
Personal injury	368	(207)
All other losses and special payments	167	337
Defence legal fees and other administrative costs	707	267
Gross increase/(decrease) in provision for future payments	35,212	5,686
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	99	38
<b>Less: income received/due from Welsh Risk Pool</b>	<b>(33,455)</b>	<b>(4,076)</b>
<b>Total</b>	<b>1,856</b>	<b>1,648</b>

Personal injury includes £20k (2017-18 £143k) in respect of permanent injury benefits.

Clinical Redress expenditure during the year was £352k in respect of 62 cases (2017-18 £225k re 93 cases).

## 4. Miscellaneous Income

	2018-19 £'000	2017-18 £'000
Local Health Boards	18,730	18,103
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	2,152	2,071
NHS trusts	3,837	3,206
Health Education and Improvement Wales (HEIW)	659	0
Other NHS England bodies	4,342	4,503
Foundation Trusts	0	0
Local authorities	4,535	4,954
Welsh Government	2,963	1,706
Non NHS:		
Prescription charge income	7	6
Dental fee income	3,276	3,240
Private patient income	15	97
Overseas patients (non-reciprocal)	334	349
Injury Costs Recovery (ICR) Scheme	1,272	1,129
Other income from activities	536	556
Patient transport services	0	0
Education, training and research	7,151	8,087
Charitable and other contributions to expenditure	779	833
Receipt of donated assets	952	623
Receipt of Government granted assets	0	11
Non-patient care income generation schemes	481	399
NHS Wales Shared Services Partnership (NWSSP)	0	0
Deferred income released to revenue	399	371
Contingent rental income from finance leases	0	0
Rental income from operating leases	356	0
Other income:		
Provision of laundry, pathology, payroll services	127	78
Accommodation and catering charges	1,459	1,688
Mortuary fees	145	164
Staff payments for use of cars	243	251
Business Unit	0	0
Other	2,437	1,920
<b>Total</b>	<b>57,187</b>	<b>54,345</b>

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of 21.89% re personal injury claims

**5. Investment Revenue**

	2018-19 £000	2017-18 £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>

**6. Other gains and losses**

	2018-19 £000	2017-18 £000
Gain/(loss) on disposal of property, plant and equipment	13	11
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>13</b>	<b>11</b>

**7. Finance costs**

	2018-19 £000	2017-18 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts		
main finance cost	0	0
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>0</b>	<b>0</b>
Provisions unwinding of discount	9	3
Other finance costs	0	0
<b>Total</b>	<b>9</b>	<b>3</b>

## 8. Operating leases

### LHB as lessee

As at 31st March 2019 the LHB had 24 operating leases agreements in place for the leases of premises, 209 arrangement in respect of equipment and 201 in respect of vehicles, with 1 premises, 10 equipment and no vehicle leases having expired in year. The periods in which the remaining 434 agreements expire are shown below:

Payments recognised as an expense	2018-19 £000	2017-18 £000
Minimum lease payments	3,247	1,663
Contingent rents	0	0
Sub-lease payments	0	0
<b>Total</b>	<b>3,247</b>	<b>1,663</b>

Total future minimum lease payments	£000	£000
<b>Payable</b>		
Not later than one year	1,197	611
Between one and five years	2,135	297
After 5 years	2,909	0
<b>Total</b>	<b>6,241</b>	<b>908</b>

Number of operating leases expiring	Land & Buildings	Vehicles	Equipment	Total
Not later than one year	3	59	12	74
Between one and five years	7	142	197	346
After 5 years	14	0	0	14
<b>Total</b>	<b>24</b>	<b>201</b>	<b>209</b>	<b>434</b>

<b>Charged to the income statement (£000)</b>	<b>0</b>	<b>3,006</b>	<b>241</b>	<b>3,247</b>
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There are no future sublease payments expected to be received

### LHB as lessor

Rental revenue	£000	£000
Rent	304	0
Contingent rents	0	0
<b>Total revenue rental</b>	<b>304</b>	<b>0</b>

Total future minimum lease payments	£000	£000
<b>Receivable</b>		
Not later than one year	303	0
Between one and five years	1,210	0
After 5 years	2,019	0
<b>Total</b>	<b>3,532</b>	<b>0</b>



**9. Employee benefits and staff numbers**

<b>9.1 Employee costs</b>	<b>Permanent Staff</b>	<b>Staff on Inward Secondment</b>	<b>Agency Staff</b>	<b>Other Staff</b>	<b>Total 2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries and wages	320,784	3,743	15,009	4,999	344,535	332,172
Social security costs	31,219	0	0	274	31,493	30,077
Employer contributions to NHS Pension Scheme	38,566	0	0	11	38,577	36,677
Other pension costs	94	0	0	0	94	38
Other employment benefits	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0
<b>Total</b>	<b>390,663</b>	<b>3,743</b>	<b>15,009</b>	<b>5,284</b>	<b>414,699</b>	<b>398,964</b>
Charged to capital					464	388
Charged to revenue					414,235	398,576
					<b>414,699</b>	<b>398,964</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)					(351)	7

**9.2 Average number of employees**

	<b>Permanent Staff</b>	<b>Staff on Inward Secondment</b>	<b>Agency Staff</b>	<b>Other Staff</b>	<b>Total 2018-19</b>	<b>2017-18</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Administrative, clerical and board members	1,545	35	3	0	1,583	1,498
Medical and dental	678	20	1	70	769	733
Nursing, midwifery registered	2,652	2	202	0	2,856	2,860
Professional, Scientific, and technical staff	306	0	0	0	306	281
Additional Clinical Services	1,692	0	3	0	1,695	1,675
Allied Health Professions	523	1	0	18	542	531
Healthcare Scientists	166	0	1	0	167	157
Estates and Ancillary	782	0	0	0	782	793
Students	11	0	0	0	11	16
<b>Total</b>	<b>8,355</b>	<b>58</b>	<b>210</b>	<b>88</b>	<b>8,711</b>	<b>8,544</b>

**9.3. Retirements due to ill-health**

During 2018-19 there were 15 early retirements from the LHB agreed on the grounds of ill-health (13 in 2017-18 - £597,853). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £567,507.

**9.4 Employee benefits**

The LHB does not have an employee benefit scheme.

Included in permanent staff in Note 9.2 above there are 577 (522, 2017-18) who are on Fixed Term temporary contracts of which 305 (261, 2017-18) are Medical and Dental

## 9.5 Reporting of other compensation schemes - exit packages

	2018-19	2018-19	2018-19	2018-19	2017-18
Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made	Total number of exit packages
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	1	1	0	0
£10,000 to £25,000	0	0	0	0	0
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	0	0	0	1
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>

	2018-19	2018-19	2018-19	2018-19	2017-18
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	6,180	6,180	0	0
£10,000 to £25,000	0	0	0	0	0
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	0	0	0	76,203
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>6,180</b>	<b>6,180</b>	<b>0</b>	<b>76,203</b>

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). 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 pensions scheme and are not included in the table.

## 9.6 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 2018-19 was £180,000-£185,000 (2017-18, £175,000 - £180,000). This was 7 times (2017-18, 7) the median remuneration of the workforce, which was £28,330 (2017-18, £26,624).

In 2018-19, 34 (2017-18, 39) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £17,460 to £307,299 (2017-18 £15,404 to £295,365).

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

## 9.7 Pension costs

### 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 for Health 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 is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 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 report of the scheme actuary, which forms part of the annual NHS Pension Scheme 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 recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

### **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.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 5% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 2% of this. The legal minimum level of contribution level is due to increase to 8% in April 2019.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,032 and £46,350 for the 2018-19 tax year (2017-18 £5,876 and £45,000 ).

Restrictions on the annual contribution limits were removed on 1st April 2017.

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

### 10.1 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.

	2018-19	2018-19	2017-18	2017-18
	Number	£000	Number	£000
<b>NHS</b>				
Total bills paid	3,748	230,575	3,908	219,791
Total bills paid within target	3,451	227,570	3,504	217,250
Percentage of bills paid within target	92.1%	98.7%	89.7%	98.8%
<b>Non-NHS</b>				
Total bills paid	186,631	334,724	177,339	315,875
Total bills paid within target	179,436	326,310	170,221	305,520
Percentage of bills paid within target	96.1%	97.5%	96.0%	96.7%
<b>Total</b>				
Total bills paid	190,379	565,299	181,247	535,666
Total bills paid within target	182,887	553,880	173,725	522,770
Percentage of bills paid within target	96.1%	98.0%	95.8%	97.6%

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

	2018-19	2017-18
	£	£
Amounts included within finance costs (note 7) from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2018	25,661	196,113	7,494	10,771	65,016	245	22,810	5,821	333,931
Indexation	308	837	75	0	0	0	0	0	1,220
Additions									
- purchased	35	1,833	0	20,926	3,972	0	2,934	222	29,922
- donated	0	576	0	11	200	0	67	98	952
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/to other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	9,632	0	(9,632)	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	205	1,122	0	0	0	0	0	0	1,327
Impairments	0	(7,033)	0	0	0	0	0	0	(7,033)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,494)	(5)	(4,950)	0	(6,449)
At 31 March 2019	26,209	203,080	7,569	22,076	67,694	240	20,861	6,141	353,870
Depreciation at 1 April 2018	0	7,511	343	0	51,822	244	15,092	4,524	79,536
Indexation	0	32	3	0	0	0	0	0	35
Transfer from/to other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	44	0	0	0	0	0	0	44
Impairments	0	(771)	0	0	0	0	0	0	(771)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,496)	(5)	(4,950)	0	(6,451)
Provided during the year	0	7,674	343	0	4,543	1	2,188	506	15,255
At 31 March 2019	0	14,490	689	0	54,869	240	12,330	5,030	87,648
Net book value at 1 April 2018	25,661	188,602	7,151	10,771	13,194	1	7,718	1,297	254,395
Net book value at 31 March 2019	26,209	188,590	6,880	22,076	12,825	0	8,531	1,111	266,222
Net book value at 31 March 2019 comprises :									
Purchased	25,954	184,872	6,880	22,076	11,819	0	8,398	893	260,892
Donated	255	3,718	0	0	1,005	0	107	215	5,301
Government Granted	0	0	0	0	0	0	26	3	29
At 31 March 2019	26,209	188,590	6,880	22,076	12,825	0	8,531	1,111	266,222
Asset financing :									
Owned	26,209	188,590	6,880	22,076	12,825	0	8,531	1,111	266,222
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2019	26,209	188,590	6,880	22,076	12,825	0	8,531	1,111	266,222

The net book value of land, buildings and dwellings at 31 March 2019 comprises :

	£000
Freehold	219,938
Long Leasehold	1,741
Short Leasehold	0
	<u>221,679</u>

The land and buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. LHBs are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

## 11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2017	25,285	200,937	8,120	9,244	65,631	245	19,811	5,593	334,866
Indexation	0	0	0	0	0	0	0	0	0
Additions									
- purchased	0	1,711	0	10,217	2,510	0	2,983	190	17,611
- donated	0	204	0	0	376	0	5	38	623
- government granted	0	0	0	0	0	0	11	0	11
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	842	3,746	0	(4,577)	(11)	0	0	0	0
Revaluations	657	397	(538)	0	0	0	0	0	516
Reversal of impairments	5	(4,857)	47	0	0	0	0	0	(4,805)
Impairments	(1,128)	(6,017)	(135)	(4,113)	0	0	0	0	(11,393)
Reclassified as held for sale	0	(8)	0	0	0	0	0	0	(8)
Disposals	0	0	0	0	(3,490)	0	0	0	(3,490)
At 31 March 2018	25,661	196,113	7,494	10,771	65,016	245	22,810	5,821	333,931
Depreciation at 1 April 2017	0	26,411	1,547	0	50,170	243	13,240	3,941	95,552
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(12,391)	(1,528)	0	0	0	0	0	(13,919)
Reversal of impairments	0	(12,250)	4	0	0	0	0	0	(12,246)
Impairments	0	(1,764)	(19)	0	0	0	0	0	(1,783)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(3,415)	0	0	0	(3,415)
Provided during the year	0	7,505	339	0	5,067	1	1,852	583	15,347
At 31 March 2018	0	7,511	343	0	51,822	244	15,092	4,524	79,536
Net book value at 1 April 2017	25,285	174,526	6,573	9,244	15,461	2	6,571	1,652	239,314
Net book value at 31 March 2018	25,661	188,602	7,151	10,771	13,194	1	7,718	1,297	254,395
Net book value at 31 March 2018 comprises :									
Purchased	25,411	185,355	7,151	10,771	12,053	1	7,604	1,139	249,485
Donated	250	3,247	0	0	1,141	0	73	153	4,864
Government Granted	0	0	0	0	0	0	41	5	46
At 31 March 2018	25,661	188,602	7,151	10,771	13,194	1	7,718	1,297	254,395
Asset financing :									
Owned	25,661	188,602	7,151	10,771	13,194	1	7,718	1,297	254,395
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2018	25,661	188,602	7,151	10,771	13,194	1	7,718	1,297	254,395

The net book value of land, buildings and dwellings at 31 March 2018 comprises :

	£000
Freehold	219,602
Long Leasehold	1,812
Short Leasehold	0
	<u>221,414</u>



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

i) Acquisitions shown as donated assets within Note 11 were bought using monies donated by the public into the Hywel Dda Charities and contributions from Ty Bryngwyn Hospice, League of Friends and other charities and organisations.

During 2018-19 fixed assets purchased to the following value were funded by the following:

Hywel Dda General Fund Charity (1147863) Plant and Machinery	£154,528
Hywel Dda General Fund Charity (1147863) Furniture and Fittings	£ 98,112
Hywel Dda General Fund Charity (1147863) Buildings	£ 38,368
Hywel Dda General Fund Charity (1147863) Information Technology	£ 58,344
Ty Bryngwyn Hospice Committee	£547,482
League of Friends & Other Contributions	£54,952

<b>Total Donated Assets</b>	<b>£951,786</b>
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**Other Disclosures**

i) The LHB is not carrying any temporary idle assets.

Gross carrying amount of all fully depreciated assets still in use as at 31st March 2019 is  
£52,203,495

**IFRS 13 - Fair Value Measurement**

AS at 31st March 2019, the Health Board does not hold any fixed assets at fair value as defined by IFRS 13.

**11. Property, plant and equipment****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 2018</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0
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	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance brought forward 1 April 2017</b>	205	0	0	0	0	205
Plus assets classified as held for sale in the year	8	0	0	0	0	8
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(190)	0	0	0	0	(190)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	(23)	0	0	0	0	(23)
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 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Assets sold in the period

Assets classified as held for sale during the year

**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 2018</b>	2,548	0	79	0	0	0	2,627
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	945	0	0	0	0	0	945
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	(134)	0	(2)	0	0	0	(136)
<b>Gross cost at 31 March 2019</b>	<b>3,359</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,436</b>
<b>Amortisation at 1 April 2018</b>	1,511	0	71	0	0	0	1,582
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	361	0	8	0	0	0	369
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(134)	0	(2)	0	0	0	(136)
<b>Amortisation at 31 March 2019</b>	<b>1,738</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,815</b>
<b>Net book value at 1 April 2018</b>	<b>1,037</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,045</b>
<b>Net book value at 31 March 2019</b>	<b>1,621</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,621</b>
<b>At 31 March 2019</b>							
Purchased	1,613	0	0	0	0	0	1,613
Donated	8	0	0	0	0	0	8
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2019</b>	<b>1,621</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,621</b>

## 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 2017</b>	2,319	0	79	0	0	0	2,398
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	229	0	0	0	0	0	229
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 2018</b>	<b>2,548</b>	<b>0</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,627</b>
<b>Amortisation at 1 April 2017</b>	1,172	0	58	0	0	0	1,230
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	339	0	13	0	0	0	352
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 2018</b>	<b>1,511</b>	<b>0</b>	<b>71</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,582</b>
<b>Net book value at 1 April 2017</b>	<b>1,147</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,168</b>
<b>Net book value at 31 March 2018</b>	<b>1,037</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,045</b>
<b>At 31 March 2018</b>							
Purchased	1,026	0	8	0	0	0	1,034
Donated	10	0	0	0	0	0	10
Government Granted	1	0	0	0	0	0	1
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2018</b>	<b>1,037</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,045</b>

**Additional disclosures re Intangible Assets**

Computer Software & Licences are capitalised at their purchased price.

Computer Software & Licences are not indexed as IT assets are not subject to indexation.

The assets are amortised monthly over their expected life.

The gross carrying amount of fully amortised intangible assets still in use as at 31 March 2019 was £964,805.

**13 . Impairments**

	2018-19		2017-18	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	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)	(6,262)	0	(9,633)	0
Reversal of impairments	1,283	0	7,441	0
<b>Total of all impairments</b>	<b>(4,979)</b>	<b>0</b>	<b>(2,192)</b>	<b>0</b>

**Analysis of impairments charged to reserves in year :**

Charged to the Statement of Comprehensive Net Expenditure	(4,979)	0	(1,139)	0
Charged to Revaluation Reserve	0	0	(1,053)	0
	<b>(4,979)</b>	<b>0</b>	<b>(2,192)</b>	<b>0</b>

**14.1 Inventories**

	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Drugs	3,776	3,531
Consumables	4,096	4,153
Energy	212	191
Work in progress	0	0
Other	0	0
<b>Total</b>	<b>8,084</b>	<b>7,875</b>
Of which held at realisable value	0	0

**14.2 Inventories recognised in expenses**

	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Inventories recognised as an expense in the period	0	0
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**15. Trade and other Receivables**

<b>Current</b>	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Welsh Government	1,679	1,222
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	95	450
Welsh Health Boards	1,403	1,183
Welsh NHS Trusts	910	404
Health Education and Improvement Wales (HEIW)	96	0
Non - Welsh Trusts	1	2
Other NHS	682	618
Welsh Risk Pool	21,892	27,639
Local Authorities	1,157	2,010
Capital debtors	0	0
Other debtors	5,499	5,299
Provision for irrecoverable debts	(1,053)	(872)
Pension Prepayments	0	0
Other prepayments	1,969	1,643
Other accrued income	0	0
<b>Sub total</b>	<b>34,330</b>	<b>39,598</b>
<b>Non-current</b>		
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	43,183	14,697
Local Authorities	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0
<b>Sub total</b>	<b>43,183</b>	<b>14,697</b>
<b>Total</b>	<b>77,513</b>	<b>54,295</b>
<b>Receivables past their due date but not impaired</b>		
By up to three months	279	339
By three to six months	71	71
By more than six months	30	68
	<b>380</b>	<b>478</b>

**Expected Credit Losses (ECL) / Provision for impairment of receivables**

Balance at 31 March 2018	(872)	
Adjustment for implementation of IFRS 9	(82)	
Balance at 1 April 2018	(954)	(834)
Transfer to other NHS Wales body	0	0
Amount written off during the year	55	5
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	(154)	(43)
Bad debts recovered during year	0	0
Balance at 31 March	<b>(1,053)</b>	<b>(872)</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	582	613
Other	0	0
<b>Total</b>	<b>582</b>	<b>613</b>



**16. Other Financial Assets**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<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	305	0	0
Available for sale at FV	0	0	0	0
<b>Total</b>	<b>0</b>	<b>305</b>	<b>0</b>	<b>0</b>

**17. Cash and cash equivalents**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	1,528	1,212
Net change in cash and cash equivalent balances	(68)	316
Balance at 31 March	<b>1,460</b>	<b>1,528</b>
Made up of:		
Cash held at GBS	1,347	1,708
Commercial banks	88	(202)
Cash in hand	25	22
Current Investments	0	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>1,460</b>	<b>1,528</b>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>1,460</b>	<b>1,528</b>

The movement relates to cash, no comparative information is required by IAS 7 in 2018-19.

## 18. Trade and other payables

Current	31 March 2019 £000	31 March 2018 £000
Welsh Government	4	1
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	1,148	133
Welsh Health Boards	1,113	1,318
Welsh NHS Trusts	1,345	790
Health Education and Improvement Wales (HEIW)	0	0
Other NHS	9,182	10,151
Taxation and social security payable / refunds	1,008	3,784
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	1,317	4,550
Non-NHS creditors	6,157	4,283
Local Authorities	2,995	6,064
Capital Creditors	8,068	5,276
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	0	0
Accruals	54,373	51,084
Deferred Income:		
Deferred Income brought forward	399	385
Deferred Income Additions	418	385
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(399)	(371)
Other creditors	6,356	7,257
PFI assets –deferred credits	0	0
Payments on account	0	0
<b>Total</b>	<b>93,484</b>	<b>95,090</b>
<b>Non-current</b>		
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	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	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
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	0	0
Payments on account	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

Amounts falling due more than one year are expected to be settled as follows:

	31-Mar-19 £000	31-Mar-18 £000
Between one and two years	0	0
Between two and five years	0	0
In five years or more	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>

**19. 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>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</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>

## 20. Provisions

	At 1 April 2018	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 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	22,286	0	0	2,185	11,453	(9,094)	(9,225)	0	17,606
Personal injury	3,299	0	0	0	592	(530)	(224)	9	3,146
All other losses and special payments	0	0	0	0	167	(167)	0	0	0
Defence legal fees and other administration	545	0	0	129	827	(345)	(463)		693
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	46			0	13	(22)	0	0	37
Restructuring	0			0	0	0	0	0	0
Other	1,588		0	0	2,391	(1,505)	(414)		2,060
<b>Total</b>	<b>27,764</b>	<b>0</b>	<b>0</b>	<b>2,314</b>	<b>15,443</b>	<b>(11,663)</b>	<b>(10,326)</b>	<b>9</b>	<b>23,541</b>
<b>Non Current</b>									
Clinical negligence	14,614	0	0	(2,185)	32,186	(1,123)	(444)	0	43,048
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	367	0	0	(129)	376	(122)	(33)		449
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>14,971</b>	<b>0</b>	<b>0</b>	<b>(2,314)</b>	<b>32,562</b>	<b>(1,245)</b>	<b>(477)</b>	<b>0</b>	<b>43,497</b>
<b>TOTAL</b>									
Clinical negligence	36,900	0	0	0	43,639	(10,217)	(9,669)	0	60,653
Personal injury	3,299	0	0	0	592	(530)	(224)	9	3,146
All other losses and special payments	0	0	0	0	167	(167)	0	0	0
Defence legal fees and other administration	902	0	0	0	1,203	(467)	(496)		1,142
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	46			0	13	(22)	0	0	37
Restructuring	0			0	0	0	0	0	0
Other	1,588		0	0	2,391	(1,505)	(414)		2,060
<b>Total</b>	<b>42,735</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48,005</b>	<b>(12,908)</b>	<b>(10,803)</b>	<b>9</b>	<b>67,038</b>

## Expected timing of cash flows:

	In year to 31 March 2020	Between 1 April 2020 31 March 2024	Thereafter	Total £000
Clinical negligence	17,605	43,048	0	60,653
Personal injury	3,146	0	0	3,146
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	693	449	0	1,142
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	37	0	0	37
Restructuring	0	0	0	0
Other	2,060	0	0	2,060
<b>Total</b>	<b>23,541</b>	<b>43,497</b>	<b>0</b>	<b>67,038</b>

## 20. Provisions (continued)

	At 1 April 2017	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 2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	14,119	0	0	9,206	8,723	(5,802)	(3,960)	0	22,286
Personal injury	4,131	0	0	0	356	(628)	(563)	3	3,299
All other losses and special payments	0	0	0	0	340	(337)	(3)	0	0
Defence legal fees and other administration	495	0	0	134	597	(268)	(413)		545
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	53			0	14	(21)	0	0	46
Restructuring	0			0	0	0	0	0	0
Other	217		0	0	2,289	(883)	(35)		1,588
<b>Total</b>	<b>19,015</b>	<b>0</b>	<b>0</b>	<b>9,340</b>	<b>12,319</b>	<b>(7,939)</b>	<b>(4,974)</b>	<b>3</b>	<b>27,764</b>
<b>Non Current</b>									
Clinical negligence	23,525	0	0	(9,206)	1,011	(231)	(485)	0	14,814
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	432	0	0	(134)	84	(24)	(1)		357
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>23,957</b>	<b>0</b>	<b>0</b>	<b>(9,340)</b>	<b>1,095</b>	<b>(255)</b>	<b>(486)</b>	<b>0</b>	<b>14,971</b>
<b>TOTAL</b>									
Clinical negligence	37,644	0	0	0	9,734	(6,033)	(4,445)	0	36,900
Personal injury	4,131	0	0	0	356	(628)	(563)	3	3,299
All other losses and special payments	0	0	0	0	340	(337)	(3)	0	0
Defence legal fees and other administration	927	0	0	0	681	(292)	(414)		902
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	53			0	14	(21)	0	0	46
Restructuring	0			0	0	0	0	0	0
Other	217		0	0	2,289	(883)	(35)		1,588
<b>Total</b>	<b>42,972</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,414</b>	<b>(8,194)</b>	<b>(5,460)</b>	<b>3</b>	<b>42,735</b>

## 21. Contingencies

### 21.1 Contingent liabilities

	2018-19 £'000	2017-18 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	61,482	53,939
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	1,691	1,655
Continuing Health Care costs	6,925	13,600
Other	0	0
Total value of disputed claims	70,098	69,194
Amounts (recovered) in the event of claims being successful	(59,534)	(51,750)
<b>Net contingent liability</b>	<b>10,564</b>	<b>17,444</b>

**21.2 Remote Contingent liabilities**

	2018-19 £'000	2017-18 £'000
Guarantees	0	0
Indemnities	536	266
Letters of Comfort	0	0
<b>Total</b>	<b>536</b>	<b>266</b>

**21.3 Contingent assets**

	2018-19 £'000	2017-18 £'000
	0	0
	0	0
	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

	2018-19 £'000	2017-18 £'000
Property, plant and equipment	28,124	16,100
Intangible assets	0	0
<b>Total</b>	<b>28,124</b>	<b>16,100</b>

## 23. 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 2019		Approved to write-off to 31 March 2019	
	Number	£	Number	£
Clinical negligence	124	10,216,769	98	8,658,580
Personal injury	40	530,385	14	237,375
All other losses and special payments	295	167,037	295	167,037
<b>Total</b>	<b>459</b>	<b>10,914,191</b>	<b>407</b>	<b>9,062,992</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			
07RR6MN0006	MN	1,394,905	1,578,905	0
09RYNMN0061	MN	35,000	665,000	0
12RYNMN0077	MN	1,300,000	1,615,021	0
13RYNMN0032	MN	650,000	980,000	0
13RYNMN0074	MN	0	819,000	819,000
14RYNMN0005	MN	680,000	695,000	695,000
14RYNMN0069	MN	2,280,000	2,810,000	2,810,000
14RYNMN0105	MN	0	850,000	850,000
15RYNMN0026	MN	0	362,698	362,698
15RYNMN0034	MN	323,345	573,345	0
16RYNMN0063	MN	100,000	310,000	0
18RYNMN0084	MN	422,000	423,920	0
19RYNMN0007	MN	370,950	370,950	0
<b>Sub-total</b>		<b>7,556,200</b>	<b>12,053,839</b>	<b>5,536,698</b>
<b>All other cases</b>		<b>3,357,991</b>	<b>8,165,392</b>	<b>3,526,294</b>
<b>Total cases</b>		<b>10,914,191</b>	<b>20,219,231</b>	<b>9,062,992</b>



**24. Finance leases****24.1 Finance leases obligations (as lessee)****Amounts payable under finance leases:**

<b>Land</b>	<b>31 March 2019 £000</b>	<b>31 March 2018 £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
<b>Minimum lease payments</b>	<b>0</b>	<b>0</b>
<b>Included in:</b>		
Current borrowings	0	0
Non-current borrowings	0	0
	<b>0</b>	<b>0</b>
<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
<b>Present value of minimum lease payments</b>	<b>0</b>	<b>0</b>
<b>Included in:</b>		
Current borrowings	0	0
Non-current borrowings	0	0
	<b>0</b>	<b>0</b>

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

	31 March 2019 £000	31 March 2018 £000
<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
<b>Minimum lease payments</b>	<b>0</b>	<b>0</b>
<b>Included in:</b>		
Current borrowings	0	0
Non-current borrowings	0	0
	<b>0</b>	<b>0</b>

**Present value of minimum lease payments**

Within one year	0	0
Between one and five years	0	0
After five years	0	0
<b>Present value of minimum lease payments</b>	<b>0</b>	<b>0</b>
<b>Included in:</b>		
Current borrowings	0	0
Non-current borrowings	0	0
	<b>0</b>	<b>0</b>

**Other**

	31 March 2019 £000	31 March 2018 £000
<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
<b>Minimum lease payments</b>	<b>0</b>	<b>0</b>
<b>Included in:</b>		
Current borrowings	0	0
Non-current borrowings	0	0
	<b>0</b>	<b>0</b>

**Present value of minimum lease payments**

Within one year	0	0
Between one and five years	0	0
After five years	0	0
<b>Present value of minimum lease payments</b>	<b>0</b>	<b>0</b>
<b>Included in:</b>		
Current borrowings	0	0
Non-current borrowings	0	0
	<b>0</b>	<b>0</b>

**24.2 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 2019 £000</b>	<b>31 March 2018 £000</b>
<b>Gross Investment in leases</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
 <b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
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>

## 25. Private Finance Initiative contracts

### 25.1 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 2019 £000	31 March 2018 £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

### 25.2 PFI schemes on-Statement of Financial Position

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

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	0	0	0
	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000
Total payments due within one year	0	0	0
Total payments due between 1 and 5 years	0	0	0
Total payments due thereafter	0	0	0
Total future payments in relation to PFI contracts	0	0	0
Total present value of obligations for on-SoFP PFI contracts	£0m		

**25.3 Charges to expenditure**

	2018-19	2017-18
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	0	0
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	<u>0</u>	<u>0</u>

The LHB is committed to the following annual charges

	31 March 2019	31 March 2018
	£000	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	<u>0</u>	<u>0</u>
<b>Total</b>	<u>0</u>	<u>0</u>

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.

**25.4 Number of PFI contracts**

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

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

**PFI Contract**

**26. 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.

**27. Movements in working capital**

	2018-19 £000	2017-18 £000
(Increase)/decrease in inventories	(209)	201
(Increase)/decrease in trade and other receivables - non-current	(28,486)	8,888
(Increase)/decrease in trade and other receivables - current	5,573	(11,747)
Increase/(decrease) in trade and other payables - non-current	0	0
Increase/(decrease) in trade and other payables - current	(1,606)	10,125
<b>Total</b>	<b>(24,728)</b>	<b>7,467</b>
Adjustment for accrual movements in fixed assets - creditors	(2,792)	(872)
Adjustment for accrual movements in fixed assets - debtors	0	0
Other adjustments	(82)	0
	<b>(27,602)</b>	<b>6,595</b>

**28. Other cash flow adjustments**

	2018-19 £000	2017-18 £000
Depreciation	15,255	15,347
Amortisation	369	352
(Gains)/Loss on Disposal	(13)	(11)
Impairments and reversals	4,979	1,139
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	(952)	(623)
Government Grant assets received credited to revenue but non-cash	0	(11)
Non-cash movements in provisions	37,210	7,957
<b>Total</b>	<b>56,848</b>	<b>24,150</b>

## 29. Third Party assets

Hywel Dda University Health Board held £1,400,694 cash at bank and in hand at 31 March 2019 (31 March 2018, £1,178,113) which relates to monies held by the Health Board on behalf of patients. Cash held in Patient's Investment Accounts amounted to £666,248 at 31 March 2019 (31 March 2018, £664,921). This has been excluded from the Cash and Cash equivalents figure reported in the Accounts.



### 30. 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.

## 31. Related Party Transactions

Total value of transactions with Board members and key senior staff in 2018-19

	Payments to related party	from related party	Amounts owed to related party	Amounts due party
	£000	£	£	£
Age Concern Pembrokeshire	85	0	0	0
Blackpool Teaching Hospitals Foundation Trust	16	0	0	0
Carmarthenshire County Council	12,963	1,983	1,015	765
HMRC	2,325	0	37,507	0
Mencap	95	0	0	0
National Botanic Gardens of Wales	8	0	0	0
Pembrokeshire County Council	5,080	2,812	1,452	223
Public Health England	15	0	0	0
Spice Innovations Ltd	54	0	0	0
Swansea University	571	2	1,378	2
University of Wales Trinity St David	20	0	2	0

The Welsh Government is regarded as a related party. During the accounting period the Hywel Dda University 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-Mar-19	Creditor @ 31-Mar-19	Income @ 31-Mar-19	Expenditure @ 31-Mar-19
	£'000s	£'000s	£'000s	£'000s
Welsh Government	1,679	4	880,945	5
Abertawe Bro Morgannwg University Health Board	406	433	4,150	35,335
Aneurin Bevan University Health Board	23	74	762	808
Betsi Cadwaladr University Health Board	237	27	4,522	410
Cardiff & Vale University Health Board	187	165	553	6,359
Cwm Taf University Health Board	87	76	445	529
Powys Local Health Board	463	339	8,299	580
Public Health Wales NHS Trust	60	225	2,067	2,078
Velindre University NHS Trust	5,061	1,107	2,157	12,051
Welsh Ambulance Services Trust	40	12	178	3,093
Welsh Health Specialised Services Committee	95	1,148	2,152	85,495
Health Education and Improvement Wales (HEIW)	96	0	3,187	0
<b>Total £'000s</b>	<b>8,434</b>	<b>3,611</b>	<b>909,417</b>	<b>146,743</b>

A number of the LHB's Board members have interests in related parties as follows:

Name	Details	Interests
Anna Lewis	Independent Member	Board Trustee Spice Innovations Ltd Visiting Senior Lecturer Swansea University
Julie James	Independent Member	Health Assessor Welsh Government Health and Wellbeing at Work Corporate Standard Trustee National Botanic Garden of Wales Member of Court Swansea University Non-Executive Director Welsh Government Dept for Education and Local Government & Communities External Voting Member Carmarthenshire County Council Audit Committee Member Carmarthenshire County Council's Standards Committee
Michael Hearty	Associate Member	Finance Advisor Betsi Cadwaladr Health Board Non-Executive Director HMRC Non-Executive Director Blackpool Teaching Hospital Foundation Trust Non-Executive Director Public Health England
Philip Kloer	Medical Director	Honorary Professor Swansea University
Simon Hancock	Independent Member	Treasurer Age Concern Member Mencap Vice Chair Pembrokeshire County Council Member of Court Swansea University
Steve Moore	Chief Executive	Honorary Professor University of Wales Trinity St David

## 32. Pooled budgets

Hywel Dda University Health Board has entered into a pooled budget with Ceredigion County Council on the 1st April 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store. The pool is hosted by Ceredigion County Council and a memorandum note to the final accounts will provide details of the joint income and expenditure. The financial operation of the pool is governed by a pooled budget agreement between Ceredigion County Council and the Health Board. Payments for services provided by Ceredigion County Council in the sum of £306,000 are accounted for as expenditure in the accounts of the Health Board. Hywel Dda University Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

Hywel Dda University Health Board has entered into a pooled budget with Carmarthenshire County Council on the 1st October 2009. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store. The pool is hosted by Carmarthenshire County Council and a memorandum note to the final accounts will provide details of the joint income and expenditure. The financial operation of the pool is governed by a pooled budget agreement between Carmarthenshire County Council and the Health Board. Payments for services provided by Carmarthenshire County Council in the sum of £381,960 are accounted for as expenditure in the accounts of the Health Board. Hywel Dda University Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

Hywel Dda University Health Board has entered into an agreement with Carmarthenshire County Council on the 31st March 2011 under section 33 of the NHS (Wales) Act 2006 for the provision of Carmarthenshire Community Health and Social Care services. The section 33 agreement itself will initially only provide the framework for taking forward future schedules and therefore references all community based health, social care (adults & children) and related housing and public protection services so that if any future developments are considered a separate agreement will not have to be prepared. There are currently no pooled budgets related to this agreement.

Hywel Dda University Health Board has entered into an agreement with Pembrokeshire County Council on the 31st March 2011 under section 33 of the NHS (Wales) Act 2006 for the provision of an integrated community joint equipment store and from 1st October 2012 the agreement has operated as a pooled fund. The pool is hosted by Pembrokeshire County Council and a memorandum note to the final accounts will provide details of the joint income and expenditure. The financial operation of the pool is governed by a pooled budget agreement between Pembrokeshire County Council and the Health Board. Hywel Dda University Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement and the sum of £ 310,781 has been accounted for as expenditure in the accounts of the Health Board.

### 33. Operating segments

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

The Hywel Dda University Health Board has identified the organisations full Board as the Chief Operating Decision Maker (CODM) under IFRS 8. Only the full Board can allocate resources to the various services. The organisation is constituted as an integrated Local Health Board with seamless service delivery.

The management and reporting for the operations of Hywel Dda University Health Board to the CODM is through Acute Care and Counties. Whilst these may be seen as segments they each provide the same spectrum of integrated services and therefore the Local Health Board has aggregated them into one healthcare segment as provided for under IFRS 8. The Local Health Board has no non healthcare activities.

### 34. Other Information

#### IFRS15

Work was undertaken by the TAG IFRS sub group, consistent with the 'portfolio' approach allowed by the standard. Each income line in the notes from a previous year's annual accounts (either 2016/17 or 2017/18) was considered to determine how it would be affected by the implementation of IFRS 15. It was determined that the following types of consideration received from customers for goods and services (hereon referred to as income) fell outside the scope of the standard, as the body providing the income does not contract with the body to receive any direct goods or services in return for the income flow.

- Charitable Income and other contributions to Expenditure.
- Receipt of Donated Assets.
- WG Funding without direct performance obligation (e.g. SIFT/SIFT@/Junior Doctors & PDGME Funding).

Income that fell wholly or partially within the scope of the standard included:

- Welsh LHB & WHSCC LTA Income;
- Non Welsh Commissioner Income;
- NHS Trust Income;
- Foundation Trust Income;
- Other WG Income;
- Local Authority Income;
- ICR Income ;
- Training & Education income ;
- Accommodation & Catering income

It was identified that the only material income flows likely to require adjustment for compliance with IFRS15 was that for patient care provided under Long Term Agreements (LTA's). The adjustment being, for episodes of patient care which had started but not concluded (FCE's), as at period end, e.g. 31 March.

When calculating the income generated from these episodes, it was determined that it was appropriate to use length of stay as the best proxy for the attributable Work In Progress (WIP) value. In theory, as soon as an episode is opened, income is due. Under the terms and conditions of the contract this will only ever be realised on episode closure so the average length of stay would be the accepted normal proxy for the work in progress value.

For Hywel Dda University Health Board, the summary assessment of the impact of IFRS 15 is below -

Annual Accounts year looked at: 2016/17

Total Income per Accounts in the year 2016/17 :	£52.934m
Total Income looked at as part of the exercise:	£29.595m
Total Income looked at considered to be outside the scope of IFRS 15:	£ 3.873m
Total Income looked at that is inside the scope of IFRS 15	£25.722m
Total Income looked at that is inside the scope of IFRS 15 and potentially requires adjustment for incomplete service provision episodes	£15.014m
Total estimated adjustment required under IFRS 15	£ 0.059m

### 34. Other Information (continued)

#### IFRS 9

For consistency across Wales, the practical expedient provision matrix was used to estimate expected credit losses (ECLs) based on the 'age' of receivables as follows:

- Receivables were segregated into appropriate groups
- Each group, was analysed:
  - a) age-bands
    - 1-30 days (including current)
    - 31-60 days
    - 61-90 days
    - 91-180 days
    - 181- 365 days
    - > 1 year
  - b) at historical back-testing dates (data points)
- For each age-band, at each back-testing date the following were determined:
  - a) the gross receivables
  - b) the amounts ultimately collected/written-off. If material, adjustments should be made to exclude the effect of non-collections for reasons other than credit loss (e.g. credit notes issued for returns, short-deliveries or as a commercial price concession)

The average historical loss rate by age-band was calculated, and adjusted where necessary e.g. to take account of changes in:

- a) economic conditions
- b) types of customer
- c) credit management practices

Consideration was given as to whether ECLs should be estimated individually for any period-end receivables, e.g. because information was available specific debtors.

Loss rate estimates were applied to each age-band for the other receivables.

The percentages calculated have been applied to those invoices outstanding as at 31st March 2018 (which don't already have a specific provision against them) to recalculate the value of the HB/Trust non-specific provision under IFRS9.

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

**LOCAL HEALTH BOARDS**

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

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

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

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

**FORM AND CONTENT**

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

4. For the financial year ended 31 March 2011 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

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

**MISCELLANEOUS**

6. The direction shall be reproduced as an appendix to the published accounts.

7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated :

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