



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Abertawe Bro Morgannwg  
University Health Board



AN EXAMPLE

<b>Meeting Date</b>	<b>17<sup>th</sup> May 2018</b>	<b>Agenda Item</b>	<b>3a</b>
<b>Report Title</b>	<b>Draft Annual Accounts 2017/18</b>		
<b>Report Author</b>	Andrew Biston, Head of Accounting & Governance		
<b>Report Sponsor</b>	Lynne Hamilton, Director of Finance		
<b>Presented by</b>	Lynne Hamilton, Director of Finance		
<b>Freedom of Information</b>	Closed		
<b>Purpose of the Report</b>	To provide the Audit Committee with the draft annual accounts for ABMU Health Board for 2017/18 and to provide an opportunity for the Audit Committee to raise any questions or concerns in relation to the accounts.		
<b>Key Issues</b>	<p>The draft annual accounts were submitted to Welsh Government by midday 27<sup>th</sup> April in accordance with the timetable issued in the 2017/18 Welsh Government Manual for Accounts.</p> <p>Wales Audit Office commenced their audit of the accounts on 30<sup>th</sup> April and will provide their report on the accounts to the Audit Committee and Board on 30<sup>th</sup> May 2018.</p> <p>The audited accounts, ratified by the Board will need to be submitted to Welsh Government by midday on Friday 2<sup>nd</sup> June 2018.</p>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
		✓	
<b>Recommendations</b>	<p>Members are asked to:</p> <p><b>Discuss and Note</b></p> <p><b>The draft annual accounts for 2017/18 which are currently subject to audit by Wales Audit Office.</b></p>		

## **1. INTRODUCTION**

- 1.1. The draft annual accounts were submitted to Welsh Government by midday on 27<sup>th</sup> April 2018 in accordance with the timetable issued in the 2017/18 Welsh Government Manual for Accounts. The draft accounts remain subject to audit and may therefore be amended prior to formal approval by the Audit Committee and the Health Board on 30<sup>th</sup> May 2018.

## **2. BACKGROUND**

- 2.1. The health board has prepared a set of accounts in line with the Welsh Government Manual for Accounts and relevant International Financial Reporting Standards (IFRS).
- 2.2. The audit process is currently being undertaken. Wales Audit Office aim to issue their draft ISA 260 report on the accounts for discussion with the health board on 24<sup>th</sup> May 2018 and it is envisaged that this report will be agreed and circulated to Audit Committee and Board members on Friday 25<sup>th</sup> May together with the final accounts in readiness for the Audit Committee and board meetings on 30<sup>th</sup> May 2018. Any changes recommended by Wales Audit Office and accepted by the health board will be included in the final accounts and reported to the 30<sup>th</sup> May Audit Committee. The Audit Committee will then be asked to approve the accounts at the meeting on 30<sup>th</sup> May for ratification by the Board at the meeting following the Audit Committee.
- 2.3. The timetable prescribed for draft accounts submission by Welsh Government continues to be a considerable challenge. In order to achieve the timetable a pragmatic approach is taken on areas requiring estimations and judgements, with these approaches discussed and agreed with Wales Audit Office at both a local and national level and reported to the Audit Committee at its March 2018 meeting.

## **3. GOVERNANCE AND RISK ISSUES**

- 3.1. The health board is required by Welsh Government to achieve 3 financial targets and comply with the CBI prompt payment guidance for payment of its non NHS invoices. Performance against each of these areas is described below:

### **Revenue Resource Limit**

The health board is required to remain within its revenue resource limit over a 3 year rolling period. For 2017/18 the health board did not remain within this limit, exceeding it by £32.417m. Over the rolling 3 year period from 2015/16 to 2017/18 the health board exceeded its revenue resource limit by £71.647m as detailed on page 21 of the accounts meaning that this target was not achieved.

### **Capital Resource Limit**

Similarly the health board is required to remain within its capital resource limit over a 3 year rolling period. For 2017/18 the health board achieved this target with an under spend of £0.042m. The target was also achieved over the 3 year period from 2015/16 to 2017/18 with a cumulative under spend of £0.173m as detailed on page 21 of the accounts.

### **Integrated Medium Term Plan**

The health board also has a financial duty to have a 3 year approved Integrated Medium Term Plan. The health board has not achieved this financial target for 2017/18.

### **Public Sector Prompt Payment (PSPP) Target**

The health board is expected to comply with the CBI prompt payment guidance of paying 95% of its non NHS creditor invoices within 30 days of receipt of the goods or a valid invoice whichever is the latter. The health board did not achieve this target in 2017/18 with performance being 94%, this being due to delays in the payment of nurse bank invoices earlier in the financial year. The health board performance with regard to payment of NHS invoices was poor with only 83.8% of NHS invoices paid within 30 days and action will be taken in 2018/19 to improve this performance.

## **4. ANALYSIS OF ACCOUNTS**

- 4.1. A detailed analytical review of the accounts will be presented to the Committee at the meeting on 17<sup>th</sup> May. However, the high level issues to note from the accounts main statements are as follows:

### **Statement of Comprehensive Net Expenditure (SOCNE) - Page 2**

This statement reports the net costs of the health board's operating activities.

Primary care services expenditure totalled £242.052m, an increase of £9.262m or 3.98% against the previous year. The main increases were in General Medical Services £5.669m, Prescribed Drugs and Appliances ££2.759m and General Dental Services £1.307m.

Expenditure on healthcare from other providers totalled £238.469m, a small increase of 0.89% against the previous year. The main movements saw increases in NHS Funded Nursing Care (£3.880m) and goods and services from WHSSC (£4.590m) offset by reductions in goods and services from NHS Wales Trusts (£2.242m) and in expenditure with private providers (£2.791m).

Expenditure on hospital and community services increased by £18.665m which included an increase of £8.343m in fixed asset impairments and reversals which can fluctuate considerably from year to year and is funded based on actual costs by Welsh Government. The majority of the remaining

increases were due to staff costs of £5.073m, clinical supplies and services costs of £3.248m and external contractors' costs of £2.135m.

#### **Statement of Financial Position – Balance Sheet - Page 4**

This statement provides a summary of the organisation's assets and liabilities.

##### **Assets**

The total value of property plant and equipment increased by £10.516m. A detailed analysis of the movement will be provided in the presentation supporting the draft accounts.

Trade and other receivables, current and non current have increased by £59.827m. The biggest change relates to amounts due/recoverable from Welsh Risk Pool which has increased by £61.037m to reflect changes in clinical negligence provisions/payments as a result of the change in the discount rate for personal injury claims from 2.5% to -0.5% announced by the Lord Chancellor in March 2017. The analysis of other movements in trade and other receivables is provided in the presentation supporting the draft accounts.

##### **Liabilities**

Trade and other liabilities current and non current reduced by £1.845m. Although the overall movement was small there were two large in year offsetting movements, with an increase in accruals and a reduction in capital creditors, with the bulk of the overall reduction linked to the PFI deferred creditor.

##### **Provisions**

Provisions, current and non current increased by £58.584m with the bulk of this increase being in clinical negligence provisions (£57.879m) following the change in the personal injury discount rate referred to earlier. There was also an increase in the provision for retrospective CHC claims following the All Wales agreement to provide for phase 3 claims.

#### **Statement of Changes in Taxpayers Equity - Page 5**

This statement reports movements in the general fund and revaluation reserve. The general fund is the cumulative year on year position of cash funding received from Welsh Government less net operating costs. Cash funding in 2017/18 amounted to £1.124m with net operating costs amounting to £1.129m. The revaluation reserve records retained increases in asset values as a result of indexation or previous upward revaluations. The net increase of £20.815m is mainly due to the quinquennial fixed asset revaluation.

### **Statement of Cash Flows –Page 7**

This statement provides a summary of the cash transactions for the year. Cash spent on revenue activities amounted to £1,076m with capital activities resulting in a cash outflow of £48.6m. These cash outflows were funded by £1,124m of cash from Welsh Government of which £11.221m cash was provided for movement in working capital balances and £30.528m in repayable strategic cash assistance to support the revenue deficit position.

## **5. RECOMMENDATIONS**

- 5.1. The Audit Committee is asked to note the draft annual accounts for 2017/18, subject to any issues that may arise from the ongoing audit of the accounts by Wales Audit Office.

## ABERTAWE BRO MORGANNWG 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 1 October 2009.

#### **Performance Management and Financial Results**

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

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

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

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2018**

	Note	2017-18 £'000	2016-17 £'000
Expenditure on Primary Healthcare Services	3.1	<b>242,052</b>	232,790
Expenditure on healthcare from other providers	3.2	<b>238,469</b>	236,363
Expenditure on Hospital and Community Health Services	3.3	<b>887,422</b>	868,757
		<b>1,367,943</b>	1,337,910
Less: Miscellaneous Income	4	<b>(243,248)</b>	(240,222)
<b>LHB net operating costs before interest and other gains and losses</b>		<b>1,124,695</b>	1,097,688
Investment Revenue	5	<b>0</b>	0
Other (Gains) / Losses	6	<b>(127)</b>	30
Finance costs	7	<b>4,924</b>	4,966
<b>Net operating costs for the financial year</b>		<b>1,129,492</b>	1,102,684

See note 2 on page 21 for details of performance against Revenue and Capital allocations.

The notes on pages 8 to 67 form part of these accounts.

## Other Comprehensive Net Expenditure

	<b>2017-18</b>	2016-17
	<b>£'000</b>	£'000
Net gain / (loss) on revaluation of property, plant and equipment	<b>17,074</b>	1,944
Net gain / (loss) on revaluation of intangibles	<b>0</b>	0
Net gain / (loss) on revaluation of available for sale financial assets	<b>(44)</b>	<b>(1,347)</b>
(Gain) / loss on other reserves	<b>0</b>	0
Impairment and reversals	<b>0</b>	0
Release of Reserves to Statement of Comprehensive Net Expenditure	<b>0</b>	0
Other comprehensive net expenditure for the year	<b>17,030</b>	597
<b>Total comprehensive net expenditure for the year</b>	<b>1,112,462</b>	1,102,087

**Statement of Financial Position as at 31 March 2018**

	Notes	31 March 2018 £'000	31 March 2017 £'000
<b>Non-current assets</b>			
Property, plant and equipment	11	603,428	592,912
Intangible assets	12	2,474	1,993
Trade and other receivables	15	153,983	83,525
Other financial assets	16	0	0
<b>Total non-current assets</b>		<b>759,885</b>	<b>678,430</b>
<b>Current assets</b>			
Inventories	14	9,725	10,455
Trade and other receivables	15	55,901	66,532
Other financial assets	16	0	0
Cash and cash equivalents	17	491	725
		<b>66,117</b>	<b>77,712</b>
Non-current assets classified as "Held for Sale"	11	330	1,875
<b>Total current assets</b>		<b>66,447</b>	<b>79,587</b>
<b>Total assets</b>		<b>826,332</b>	<b>758,017</b>
<b>Current liabilities</b>			
Trade and other payables	18	(150,778)	(149,419)
Other financial liabilities	19	0	0
Provisions	20	(24,092)	(35,570)
<b>Total current liabilities</b>		<b>(174,870)</b>	<b>(184,989)</b>
<b>Net current assets/ (liabilities)</b>		<b>(108,423)</b>	<b>(105,402)</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	(43,018)	(46,222)
Other financial liabilities	19	0	0
Provisions	20	(160,437)	(90,375)
<b>Total non-current liabilities</b>		<b>(203,455)</b>	<b>(136,597)</b>
<b>Total assets employed</b>		<b>448,007</b>	<b>436,431</b>
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		399,366	408,605
Revaluation reserve		48,641	27,826
<b>Total taxpayers' equity</b>		<b>448,007</b>	<b>436,431</b>

The financial statements on pages 2 to 7 were approved by the Board on 30th May 2018 and signed on its behalf by:

Chief Executive .....

Date .....

30th May 2018

The notes on pages 8 to 67 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 1 April 2017</b>	408,605	27,826	436,431
Net operating cost for the year	(1,129,492)	-	(1,129,492)
Net gain/(loss) on revaluation of property, plant and equipment	0	17,074	17,074
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	(44)	(44)
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	(3,785)	3,785	0
Release of reserves to SoCNE	0	0	0
Transfers to/from LHBs	(505)	0	(505)
<b>Total recognised income and expense for 2017-18</b>	<b>(1,133,782)</b>	20,815	<b>(1,112,967)</b>
Net Welsh Government funding	1,124,543	-	1,124,543
<b>Balance at 31 March 2018</b>	<b>399,366</b>	<b>48,641</b>	<b>448,007</b>

The notes on pages 8 to 67 form part of these accounts.

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2017**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2016-17</b>			
<b>Balance at 1 April 2016</b>	416,106	30,171	446,277
Net operating cost for the year	(1,102,684)	(1,102,684)	(1,102,684)
Net gain/(loss) on revaluation of property, plant and equipment	0	1,944	1,944
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	(1,347)	(1,347)
Impairments and reversals	0	0	0
Movements in other reserves	0	0	0
Transfers between reserves	2,942	(2,942)	0
<b>Release of reserves to SoCNE</b>	0	0	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for 2016-17</b>	(1,099,742)	(2,345)	(1,102,087)
Net Welsh Government funding	1,092,241	1,092,241	1,092,241
<b>Balance at 31 March 2017</b>	<b>408,605</b>	<b>27,826</b>	<b>436,431</b>

The notes on pages 8 to 67 form part of these accounts.

**Statement of Cash Flows for year ended 31 March 2018**

	2017-18 £'000	2016-17 £'000
<b>Cash Flows from operating activities</b>		
Net operating cost for the financial year	(1,129,492)	(1,102,684)
Movements in Working Capital	27 (52,251)	(17,912)
Other cash flow adjustments	28 131,449	78,313
Provisions utilised	20 (25,868)	(18,361)
<b>Net cash outflow from operating activities</b>	<b>(1,076,162)</b>	<b>(1,060,644)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(49,716)	(32,143)
Proceeds from disposal of property, plant and equipment	2,043	52
Purchase of intangible assets	(942)	(971)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(48,615)</b>	<b>(33,062)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(1,124,777)</b>	<b>(1,093,706)</b>
<b>Cash Flows from financing activities</b>		
Welsh Government funding (including capital)	1,124,543	1,092,241
Capital receipts surrendered	0	0
Capital grants received	0	0
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>1,124,543</b>	<b>1,092,241</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(234)</b>	<b>(1,465)</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2017</b>	<b>725</b>	<b>2,190</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2018</b>	<b>491</b>	<b>725</b>

The notes on pages 8 to 67 form part of these accounts.

## Notes to the Accounts

### 1. Accounting policies

The Cabinet Secretary 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 2017-18 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.

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 asset's 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 IFRS13.

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

### Subsequent expenditure

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

## 1.7 Intangible assets

### Recognition

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

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

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

### Measurement

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

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

## 1.8 Depreciation, amortisation and impairments

Freehold land, 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's 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 2017-18. The WRP is hosted by Velindre NHS Trust.

### **1.15 Financial assets**

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

#### **1.15.1 Financial assets are initially recognised at fair value**

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

#### **1.15.2 Financial assets at fair value through SoCNE**

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

#### **1.15.3 Held to maturity investments**

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

#### **1.15.4 Available for sale financial assets**

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

#### **1.15.5 Loans and receivables**

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

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

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

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

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

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

### **1.16 Financial liabilities**

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

#### **1.16.1 Financial liabilities are initially recognised at fair value**

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

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

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

#### **1.16.3 Other financial liabilities**

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

### **1.17 Value Added Tax**

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

### **1.18 Foreign currencies**

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

### **1.19 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 29 to the accounts.

### **1.20 Losses and Special Payments**

Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

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

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

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

### **1.21 Pooled budget**

The LHB has entered into 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.

### **1.22 Critical Accounting Judgements and key sources of estimation uncertainty**

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

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

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

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

The Health Board provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this the Health Board is carrying a bad debt provision of £2.222m (2016-17: £1.165m) for Non NHS organisations. Whilst this provision is considered prudent and accurate as at the Statement of Financial Position date, due to the trading relationships covered there could be gains or losses with regard to the amounts provided for.

Clinical Negligence and Personal Injury provisions are as advised by Welsh Health Legal Services.

Given the nature of such claims this figure could be subject to significant changes in future periods. However, the potential effect of such uncertainty is mitigated by the fact that the Health Board's ultimate liability in respect of individual cases is capped at £0.025m, with amounts above this excess level being reimbursed by the Welsh Risk Pool.

#### Annual Leave Accrual

In line with International Accounting Standard (IAS) 19, the Health Board has reviewed the level of annual leave taken by its staff to 31st March 2018. Based on a sample, the Health Board has accrued £1.310m (2016-17: £1.546m) for untaken annual leave. This is based on a sample of the leave records of 8% (2016-17: 9%) of all LHB staff and reflects the Health Board's policy of only allowing staff to carry over annual leave in exceptional circumstances. However, it must be noted that in some instances, the annual leave year for staff, particularly Consultant Medical Staff, does not run co-terminus with the financial year and for these staff the untaken annual leave has been calculated on a pro-rata basis to arrive at the figure as at 31st March 2018. The Health Board is aware of the EU ruling on Holiday pay but given the significant work required to identify any potential liabilities arising from this judgement, the Health Board is not yet in a position to have identified if there are any such liabilities arising from the ruling.

#### Retrospective Continuing Healthcare Claims

The Health Board has an estimated liability of £2.467m (2016-17: £2.102m) in respect of retrospective claims for continuing healthcare funding. The provision is based upon an assessment of the likelihood of claims meeting the criteria for continuing healthcare and is based on actual costs incurred by individuals in care homes. The provision is based on information available to the Health Board as at the Statement of Financial Position date and could be subject to change as outcomes are determined. In 2017/18, as in 2016/17, the provision is based on the average weekly rate reimbursed for successful claims together with the success factor for the claims made against the LHB.

As in previous years, due to the short timescale available to prepare the year end accounts, the primary care expenditure disclosed contains a number of significant estimates where the value of the actual liabilities was not available prior to the date for accounts submission, the most material areas being:

#### General Medical Services Quality and Outcomes Framework

An amount of £2.299m (2016-17: £2.238m) was accrued on the basis of the number of points achieved by each GP Practice in 2017/18 capped at 567 points which is the maximum number of points available under this scheme. Of the 567 QOF points available, during 2017/18 GP practices were able to opt out of over 75% of the total points. The only elements of QOF which practices were not able to opt out of during the period to 31st March 2018 were the two influenza indicators and the cluster network domain indicators. The intention of Welsh Government was to ensure that no GP practice lost out financially as a result of QOF relaxation. The Health Board has estimated that around 50% of practices would benefit from the relaxation of QOF and therefore the outturn QOF points from 2016/17 have been increased by 1% and the cost per point for 2017/18 uplifted by 2.43% in accordance with the inflation uplift advised by Welsh Government.

#### Prescribing Costs

The Health Board has accrued a total of £15.137m (2016-17: £15.598m) in respect of prescribing costs for the months of February and March 2018. The costs were derived using the highest average daily charge after September 2017 to derive an average weighted daily run rate for prescribing. This weighted daily run rate is based on 50% calendar days in the month and 50% prescribing days in the month. This average cost was then applied to the number of days in February and March to arrive at an amount for accrual. This amount was then reviewed to take into account the estimated impact of category M changes effective from January 2018 which impact in February and March. In addition No Cheaper Stock Option (NCSO) information was assessed to determine whether adjustments needed to be made for any specific drugs within the accrual methodology

#### Pharmacy

A total of £4.638m (2016-17: £4.631m) was accrued for February and March pharmacy contract payments and £0.525m (2016-17: £0.550m) for the February and March costs of GMS dispensing. For the past three years, the run rate for November to January was used to accrue for February and March due to several changes to the fees and allowances within the pharmacy contract from April to October. This approach was used again for 2017/18 with estimated adjustments made for the increase in contract price per item for February and March 2018.

The basis of the primary care estimates disclosed above was agreed in advance with the Health Board's Auditors and reported to the Health Board's Audit Committee in March 2018.

### **1.24 Private Finance Initiative (PFI) transactions**

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

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

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

#### **Services received**

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

#### **PFI asset**

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17.

Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

#### **PFI liability**

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

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

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

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

#### **Lifecycle replacement**

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

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

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

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

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

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

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

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

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

**1.25 Contingencies**

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

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

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

**1.26 Carbon Reduction Commitment Scheme**

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

### **1.27 Absorption accounting**

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

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

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

The 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

IFRS 9 Financial Instruments

IFRS14 Regulatory Deferral Accounts

IFRS15 Revenue from contracts with customers

IFRS 16 Leases

***Further information on the impact of the introduction of IFRS9 and IFRS 15 is disclosed in Note 34 to these accounts***

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

During 2017-18 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

### **1.30 Charities**

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

However, the LHB has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will consolidate 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			
	2015-16 £'000	2016-17 £'000	2017-18 £'000	Total £'000
<b>Net operating costs for the year</b>	<b>1,033,143</b>	<b>1,102,684</b>	<b>1,129,492</b>	<b>3,265,319</b>
Less general ophthalmic services expenditure and other non-cash limited expenditure	(2,716)	(147)	726	(2,137)
Less revenue consequences of bringing PFI schemes onto SoFP	(2,118)	(2,283)	(1,551)	(5,952)
Total operating expenses	1,028,309	1,100,254	1,128,667	3,257,230
Revenue Resource Allocation	1,028,395	1,060,938	1,096,250	3,185,583
<b>Under / (over) spend against Allocation</b>	<b>86</b>	<b>(39,316)</b>	<b>(32,417)</b>	<b>(71,647)</b>

Abertawe Bro Morgannwg University LHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2015-16 to 2017-18.

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

The Health Board received £30.528 million repayable cash only support in 2017-18. The accumulated cash only support provided to the Health Board by the Welsh Government is £55.292 million as at 31 March 2018. 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

	2015-16	2016-17	2017-18	Total
	£'000	£'000	£'000	£'000
<b>Gross capital expenditure</b>	<b>40,426</b>	<b>44,241</b>	<b>42,663</b>	<b>127,330</b>
Add: Losses on disposal of donated assets	0	0	0	0
Less NBV of property, plant and equipment and intangible assets disposed	(132)	(83)	(1,918)	(2,133)
Less capital grants received	0	0	0	0
Less donations received	(282)	(407)	(694)	(1,383)
Charge against Capital Resource Allocation	40,012	43,751	40,051	123,814
Capital Resource Allocation	40,049	43,845	40,093	123,987
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>37</b>	<b>94</b>	<b>42</b>	<b>173</b>

Abertawe Bro Morgannwg University LHB has met its financial duty to break-even against its Capital Resource Limit over the 3 years 2015-16 to 2017-18.

### 2.3 Duty to prepare a 3 year plan

The NHS Wales Planning Framework for the period 2017-18 to 2019-20 issued to LHBs placed a requirement upon them to prepare and submit Integrated Medium Term Plans to the Welsh Government.

The LHB submitted an Integrated Medium Term Plan for the period 2017-18 to 2019-20 in accordance with NHS Wales Planning Framework.

**2017-18  
to  
2019-20**

The Cabinet Secretary for Health and Social Services approval status

Not Approved

The LHB has therefore not met its statutory duty to have an approved financial plan for the period 2017-18 to 2019-20.

The LHB Integrated Medium Term Plan was not approved in 2016-17.

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2017-18 Total £'000	2016-17 £'000
General Medical Services	78,116		78,116	72,447
Pharmaceutical Services	27,252	(6,441)	20,811	21,528
General Dental Services	34,802		34,802	33,495
General Ophthalmic Services	1,374	5,715	7,089	7,121
Other Primary Health Care expenditure	2,430		2,430	2,154
Prescribed drugs and appliances	98,804		98,804	96,045
<b>Total</b>	<b>242,778</b>	<b>-726</b>	<b>242,052</b>	<b>232,790</b>

#### 3.2 Expenditure on healthcare from other providers

	2017-18 £'000	2016-17 £'000
Goods and services from other NHS Wales Health Boards	23,936	24,884
Goods and services from other NHS Wales Trusts	13,016	15,258
Goods and services from other non Welsh NHS bodies	1,784	1,854
Goods and services from WHSSC / EASC	118,494	113,904
Local Authorities	9,630	9,586
Voluntary organisations	4,155	3,503
NHS Funded Nursing Care	12,543	8,663
Continuing Care	49,537	50,553
Private providers	5,364	8,155
Specific projects funded by the Welsh Government	0	0
Other	10	3
<b>Total</b>	<b>238,469</b>	<b>236,363</b>

Included within GMS expenditure in Note 3.1 is £640k in respect of the salaries of staff in GP practices which are directly managed by the Health Board. In 2016/17 this sum amounted to £151k.

GMS Expenditure in Note 3.1 includes £2.996m (2016/17 £3.501m) of rates rebates received in respect of GP premises rates for previous financial years following a successful appeal against the rateable value of GP premises. The GMS expenditure of £78.116m for 2017/18 (2016/17 £72.447m) is therefore net of the rates rebates received.

Expenditure with Local Authorities in Note 3.2 is in respect of Continuing Healthcare Costs for services provided to the Health Board's residents within Local Authority Residential and Nursing Homes and in respect of contributions to the Community Equipment Pooled Budgets schemes with City & County of Swansea and Rhondda Cynon Taff County Borough Council. Expenditure in respect of other projects run by Local Authorities but where contributions are made by the Health Board are also included here such as the contributions to the Assisted Recovery in the Community (ARC) pooled budget detailed in Note 32 to the accounts.

### 3.3 Expenditure on Hospital and Community Health Services

	2017-18 £'000	2016-17 £'000
Directors' costs	1,799	1,969
Staff costs	627,156	622,083
Supplies and services - clinical	134,734	131,486
Supplies and services - general	11,117	11,838
Consultancy Services	476	658
Establishment	14,817	15,152
Transport	3,208	2,911
Premises	28,866	28,386
External Contractors	3,829	2,812
Depreciation	32,495	30,360
Amortisation	607	482
Fixed asset impairments and reversals (Property, plant & equipment)	14,716	6,373
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	412	412
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	3,739	6,188
Research and Development	4,982	6,071
Other operating expenses	4,469	1,576
<b>Total</b>	<b>887,422</b>	<b>868,757</b>

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

	2017-18 £'000	2016-17 £'000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	85,246	37,743
Personal injury	(170)	2,140
All other losses and special payments	221	213
Defence legal fees and other administrative costs	1,235	1,235
Gross increase/(decrease) in provision for future payments	<b>86,532</b>	<b>41,331</b>
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	0	0
<b>Less: income received/due from Welsh Risk Pool</b>	<b>(82,793)</b>	<b>(35,143)</b>
<b>Total</b>	<b>3,739</b>	<b>6,188</b>

Personal injury includes -£3k (2016-17 £1,079k) in respect of permanent injury benefits.

Clinical Redress arising during the year was £631k (2016-17 £466k).

Other operating expenses in Note 3.3 in 2016/17 are net of £1.412m in respect of the PFI De Minimus Fund, covering the period from the commencement of the PFI contract up to 31st March 2017 in line with the terms of the PFI contract.

#### 4. Miscellaneous Income

	2017-18 £'000	2016-17 £'000
Local Health Boards	67,042	66,425
WHSSC /EASC	102,615	98,455
NHS trusts	6,808	5,916
Other NHS England bodies	3,227	3,248
Foundation Trusts	0	0
Local authorities	7,504	7,513
Welsh Government	8,170	7,670
Non NHS:		
Prescription charge income	0	1
Dental fee income	6,818	6,358
Private patient income	3,817	3,129
Overseas patients (non-reciprocal)	202	263
Injury Costs Recovery (ICR) Scheme	2,367	2,011
Other income from activities	3,103	3,215
Patient transport services	0	0
Education, training and research	22,548	21,202
Charitable and other contributions to expenditure	368	513
Receipt of donated assets	694	407
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	643	631
NWSSP	0	0
Deferred income released to revenue	245	6,060
Contingent rental income from finance leases	0	0
Rental income from operating leases	522	547
Other income:		
Provision of laundry, pathology, payroll services	233	356
Accommodation and catering charges	3,196	3,568
Mortuary fees	344	330
Staff payments for use of cars	1,690	1,363
Business Unit	0	0
Other	1,092	1,041
<b>Total</b>	<b>243,248</b>	<b>240,222</b>

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of 22.84% to reflect expected rates of collection

	2017-18 £'000	2016-17 £'000
Other Income Includes		
Grant Income	5	4
Pharmacy and Other Sales Income	106	280
Clinical Trial Income	96	145
Search Fee Income	159	163
Surgical Materials Testing Laboratory Income	0	100
Syrian Refugee Income	279	14
All Other Income	447	335
<b>Total</b>	<b>1,092</b>	<b>1,041</b>

## 5. Investment Revenue

	2017-18 £000	2016-17 £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

	2017-18 £000	2016-17 £000
Gain/(loss) on disposal of property, plant and equipment	37	(30)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	90	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>127</b>	<b>(30)</b>

## 7. Finance costs

	2017-18 £000	2016-17 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	39	51
Interest on obligations under PFI contracts		
main finance cost	2,673	2,786
contingent finance cost	2,194	2,037
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>4,906</b>	<b>4,874</b>
Provisions unwinding of discount	18	92
Other finance costs	0	0
<b>Total</b>	<b>4,924</b>	<b>4,966</b>

## 8. Operating leases

### LHB as lessee

The LHB has a number of operating leases for buildings and equipment.  
The terms of the lease and the renewal or purchase options are specific to each lease.

<b>Payments recognised as an expense</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	<b>6,524</b>	6,428
Contingent rents	<b>0</b>	0
Sub-lease payments	<b>0</b>	0
<b>Total</b>	<b>6,524</b>	6,428

### **Total future minimum lease payments**

<b>Payable</b>	<b>£000</b>	<b>£000</b>
Not later than one year	<b>6,150</b>	6,050
Between one and five years	<b>15,021</b>	16,082
After 5 years	<b>8,455</b>	7,146
<b>Total</b>	<b>29,626</b>	29,278

There are no future sublease payments expected to be received.

### LHB as lessor

The LHB leases a small number of building properties on which it earns rental income.

<b>Rental revenue</b>	<b>£000</b>	<b>£000</b>
Rent	<b>522</b>	547
Contingent rents	<b>0</b>	0
<b>Total revenue rental</b>	<b>522</b>	547

### **Total future minimum lease payments**

<b>Receivable</b>	<b>£000</b>	<b>£000</b>
Not later than one year	<b>383</b>	501
Between one and five years	<b>871</b>	1,506
After 5 years	<b>1,309</b>	1,769
<b>Total</b>	<b>2,563</b>	3,776

## 9. Employee benefits and staff numbers

### 9.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	2016-17
	£000	£000	£000	£000	£000	£000
Salaries and wages	505,676	0	19,518	0	525,194	525,850
Social security costs	47,628	0	0	0	47,628	46,967
Employer contributions to NHS Pension Scheme	62,174	0	0	0	62,174	60,242
Other pension costs	177	0	0	0	177	185
Other employment benefits	0	0	0	0	0	0
Termination benefits	117	0	0	0	117	103
<b>Total</b>	<b>615,772</b>	<b>0</b>	<b>19,518</b>	<b>0</b>	<b>635,290</b>	<b>633,347</b>
Charged to capital					743	698
Charged to revenue					634,547	632,649
					<b>635,290</b>	<b>633,347</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)					(236)	35

Please explain what is included under the other heading

### 9.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	2016-17
	Number	Number	Number		Number	Number
Administrative, clerical and board members	2,475	0	26	0	2,501	2,494
Medical and dental	1,351	0	35	0	1,386	1,376
Nursing, midwifery registered	4,458	0	109	0	4,567	4,540
Professional, Scientific, and technical staff	439	0	0	0	439	473
Additional Clinical Services	2,780	0	18	0	2,798	2,795
Allied Health Professions	904	0	3	0	907	890
Healthcare Scientists	322	0	6	0	328	320
Estates and Ancillary	1,384	0	35	0	1,419	1,451
Students	9	0	0	0	9	14
<b>Total</b>	<b>14,122</b>	<b>0</b>	<b>232</b>	<b>0</b>	<b>14,354</b>	<b>14,353</b>

### 9.3. Retirements due to ill-health

During 2017-18 there were 11 early retirements from the LHB agreed on the grounds of ill-health (17 in 2016-17 at a cost of £1,060,509.) The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £600,398.

### 9.4 Employee benefits

The LHB does not have an employee benefit scheme.

9.5 Reporting of other compensation schemes - exit packages

Exit packages cost band (including any special payment element)	2017-18	2017-18	2017-18	2017-18	2016-17
	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	0	0	0	0
£10,000 to £25,000	0	1	1	0	0
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	1	1	0	2
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	1
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>3</b>

Exit packages cost band (including any special payment element)	2017-18	2017-18	2017-18	2017-18	2016-17
	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	0	0	0	0
£10,000 to £25,000	0	24,421	24,421	0	0
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	92,328	92,328	0	103,433
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	166,665
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>116,749</b>	<b>116,749</b>	<b>0</b>	<b>270,098</b>

Of the packages disclosed above, 1 package comprise s redundancy and other departure costs paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS).

The remaining package relates to a payments made to the former Director of Human Resources Chief Executive who left the Health Board on 21st July 2017. This package comprised payments in lieu of notice and an Ex-Gratia Payment on termination.

Exit costs in this note are accounted for in full in the year of departure. Where the LHB has agreed early retirements, the additional costs are met by the LHB and not by the NHS pensions scheme. Ill health retirement costs are met by the NHS pensions scheme and are not included in the table.

The disclosure reports the number and value of exit packages agreed in the year in line with the Welsh Government manual for accounts

## 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 2017-18 was £210,000-£215,000 (2016-17, £210,000 - £215,000). This was 7.4 times (2016-17, 7.7) the median remuneration of the workforce, which was £28,667 (2016-17, £27,552).

As in 2016-17 the highest paid director in the LHB in 2017-18 was the Medical Director. Whilst the remuneration for the post of Medical Director is below that of the Chief Executive, the Medical Director is in receipt of a Clinical Excellence Award, the value of which when added to the remuneration as Medical Director results in the Medical Director becoming the highest-paid director.

The banded remuneration of the Chief Executive in the LHB in the financial year 2017-18 was £200,000-£205,000 (2016-17 was £200,000 - £205,000). This was 7.1 times (2016-17 7.3) the median remuneration of the workforce which was £28,667 (2016-17, £27,552).

In 2017-18, 2 (2016-17, 3) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £16,523 to £222,051 (2016-17 £16,132 to £289,519).

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.

The employees who received remuneration in excess of the highest paid director in 2017-18 were all medical staff as in 2016-17. None of these staff are related to the Chairman, Executive Directors or Non Officer Members.

## 9.7 Pension costs

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

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

### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 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 last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

### **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 2% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing 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 £5,876 and £45,000 for the 2017-18 tax year (2016-17 £5,824 and £43,000).

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.

	2017-18 Number	2017-18 £000	2016-17 Number	2016-17 £000
<b>NHS</b>				
Total bills paid	5,822	176,146	5,807	180,254
Total bills paid within target	4,881	164,686	4,747	168,768
Percentage of bills paid within target	83.8%	93.5%	81.7%	93.6%
<b>Non-NHS</b>				
Total bills paid	300,160	379,963	297,931	358,739
Total bills paid within target	282,150	354,208	286,394	339,787
Percentage of bills paid within target	94.0%	93.2%	96.1%	94.7%
<b>Total</b>				
Total bills paid	305,982	556,109	303,738	538,993
Total bills paid within target	287,031	518,894	291,141	508,555
Percentage of bills paid within target	93.8%	93.3%	95.9%	94.4%

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

	2017-18 £	2016-17 £
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
<b>Cost or valuation at 1 April 2017</b>	59,854	528,613	12,714	18,504	131,274	1,710	34,751	7,743	795,163
Indexation	0	0	0	0	0	0	0	0	0
Additions									
- purchased	771	3,005	0	22,359	10,149	0	4,514	228	41,026
- donated	0	16	0	199	287	0	164	7	673
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	(110)	(396)	0	0	0	0	0	0	(506)
Reclassifications	0	22,755	0	(25,521)	31	0	2,611	0	(124)
Revaluations	(3,040)	(63,360)	(197)	0	0	0	0	0	(66,597)
Reversal of impairments	8	5,487	385	0	0	0	0	0	5,880
Impairments	(1,477)	(19,046)	(73)	0	0	0	0	0	(20,596)
Reclassified as held for sale	(330)	0	0	0	0	0	0	0	(330)
Disposals	(36)	0	0	0	(8,498)	(125)	(57)	0	(8,716)
<b>At 31 March 2018</b>	<b>55,640</b>	<b>477,074</b>	<b>12,829</b>	<b>15,541</b>	<b>133,243</b>	<b>1,585</b>	<b>41,983</b>	<b>7,978</b>	<b>745,873</b>
<b>Depreciation at 1 April 2017</b>	0	76,413	1,590	0	96,279	1,275	22,088	4,606	202,251
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	(12)	0	0	12	0	0	0	0
Revaluations	0	(81,864)	(1,763)	0	0	0	0	0	(83,627)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(8,492)	(125)	(57)	0	(8,674)
Provided during the year	0	15,939	342	0	11,213	122	4,197	682	32,495
<b>At 31 March 2018</b>	<b>0</b>	<b>10,476</b>	<b>169</b>	<b>0</b>	<b>99,012</b>	<b>1,272</b>	<b>26,228</b>	<b>5,288</b>	<b>142,445</b>
<b>Net book value at 1 April 2017</b>	<b>59,854</b>	<b>452,200</b>	<b>11,124</b>	<b>18,504</b>	<b>34,995</b>	<b>435</b>	<b>12,663</b>	<b>3,137</b>	<b>592,912</b>
<b>Net book value at 31 March 2018</b>	<b>55,640</b>	<b>466,598</b>	<b>12,660</b>	<b>15,541</b>	<b>34,231</b>	<b>313</b>	<b>15,755</b>	<b>2,690</b>	<b>603,428</b>
<b>Net book value at 31 March 2018 comprises :</b>									
Purchased	55,640	462,781	12,660	15,539	33,539	305	15,285	2,653	598,402
Donated	0	3,817	0	2	672	0	352	7	4,850
Government Granted	0	0	0	0	20	8	118	30	176
<b>At 31 March 2018</b>	<b>55,640</b>	<b>466,598</b>	<b>12,660</b>	<b>15,541</b>	<b>34,231</b>	<b>313</b>	<b>15,755</b>	<b>2,690</b>	<b>603,428</b>
<b>Asset financing :</b>									
Owned	53,640	416,195	12,660	15,541	33,601	313	15,755	2,690	550,395
Held on finance lease	0	0	0	0	630	0	0	0	630
On-SoFP PFI contracts	2,000	50,403	0	0	0	0	0	0	52,403
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>55,640</b>	<b>466,598</b>	<b>12,660</b>	<b>15,541</b>	<b>34,231</b>	<b>313</b>	<b>15,755</b>	<b>2,690</b>	<b>603,428</b>

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

	£000
Freehold	480,002
Long Leasehold	54,896
Short Leasehold	0
	<b>534,898</b>

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. LHB s 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.

Within the Note above reclassifications of (£124k) are shown. This is due to the reclassification of an intangible asset from assets under construction and the opposite entry is shown in Note 12.

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2016</b>	59,403	505,158	12,714	28,338	119,246	1,710	29,316	6,765	762,650
Indexation	1,932	0	0	0	0	0	0	0	1,932
Additions									
- purchased	130	2,356	0	21,505	13,506	0	4,523	843	42,863
- donated	0	33	0	0	275	0	91	0	399
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	(225)	0	0	0	(225)
Reclassifications	0	28,759	0	(31,339)	1,516	0	898	144	(22)
Revaluations	(1,335)	0	0	0	0	0	0	0	(1,335)
Reversal of impairments	325	0	0	0	0	0	0	0	325
Impairments	0	(7,693)	0	0	0	0	0	0	(7,693)
Reclassified as held for sale	(601)	0	0	0	0	0	0	0	(601)
Disposals	0	0	0	0	(3,044)	0	(77)	(9)	(3,130)
<b>At 31 March 2017</b>	59,854	528,613	12,714	18,504	131,274	1,710	34,751	7,743	795,163
<b>Depreciation at 1 April 2016</b>	0	61,032	1,314	0	90,314	1,143	18,478	3,878	176,159
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	(202)	0	0	0	(202)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	(995)	0	0	0	0	0	0	(995)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(2,992)	0	(70)	(9)	(3,071)
Provided during the year	0	16,376	276	0	9,159	132	3,680	737	30,360
<b>At 31 March 2017</b>	0	76,413	1,590	0	96,279	1,275	22,088	4,606	202,251
<b>Net book value at 1 April 2016</b>	59,403	444,126	11,400	28,338	28,932	28,173	(11,713)	2,887	586,491
<b>Net book value at 31 March 2017</b>	59,854	452,200	11,124	18,504	34,995	435	12,663	3,137	592,912
<b>Net book value at 31 March 2017 comprises :</b>									
Purchased	59,854	448,530	11,124	18,504	34,381	425	12,213	3,099	588,130
Donated	0	3,312	0	0	583	0	269	0	4,164
Government Granted	0	358	0	0	31	10	181	38	618
<b>At 31 March 2017</b>	59,854	452,200	11,124	18,504	34,995	435	12,663	3,137	592,912
<b>Asset financing :</b>									
Owned	57,694	404,781	11,124	18,504	34,154	435	12,663	3,137	542,492
Held on finance lease	0	0	0	0	841	0	0	0	841
On-SoFP PFI contracts	2,160	47,419	0	0	0	0	0	0	49,579
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	59,854	452,200	11,124	18,504	34,995	435	12,663	3,137	592,912

The net book value of land, buildings and dwellings at 31 March 2017 comprises :

	£000
Freehold	472,640
Long Leasehold	50,538
Short Leasehold	0
	<u>523,178</u>

Within the Note above reclassifications of (£22k) are shown. This is due to the reclassification of an intangible asset from assets under construction and the opposite entry is shown in Note 12.

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

The majority of donated assets were purchased by the Abertawe Bro Morgannwg University Health Board Charity and donated to the health board. Additional donations were received from Wales Air Ambulance and the Ty Olwen Trust.

Building asset lives are as determined by the District valuer and range from 2 to 84 years.

Equipment lives are as follows:

Short Life Medical Equipment - 5 Years

Medium Life Medical Equipment - 10 Years

Long Life Medical Equipment - 15 Years

Radiology Scanners - 5 Years (except MRI Scanners which are 7 years)

Vehicles - 5 Years

Furniture - 10 Years

IMT Hardware & Software - 5 years or reflects contract life for some software assets

The following assets were valued on completion by the District Valuer:

Morrison Hospital Cardiac Catheterisation Laboratories - May 2017

Morrison Hospital Human Resources Department Refurbishment - May 2017

Llansamlet Laundry Refurbishment - November 2017

Singleton Hospital Linear Accelerator Installation - March 2018

Singleton Hospital Endoscopy Refurbishment - March 2018

Singleton Hospital Infrastructure - March 2018

Princess of Wales Hospital Infrastructure - March 2018

IFRS13 Fair value measurement

There are no assets requiring fair value measurement under IFRS 13 in 2017-18.

**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 2017</b>	1,875	0	0	0	0	1,875
Plus assets classified as held for sale in the year	330	0	0	0	0	330
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(1,875)	0	0	0	0	(1,875)
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 2018</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>330</b>
<b>Balance brought forward 1 April 2016</b>	1,274	0	0	0	0	1,274
Plus assets classified as held for sale in the year	1,875	0	0	0	0	1,875
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	(1,274)	0	0	0	0	(1,274)
<b>Balance carried forward 31 March 2017</b>	<b>1,875</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,875</b>

The following asset was sold in year:

**Land Plot Cefn Coed Hospital**

The following asset was classified as held for sale in the year

**Fairwood Hospital**

**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>	6,135	0	9	0	0	0	6,144
Revaluation	0	0	0	0	0	0	0
Reclassifications	124	0	0	0	0	0	124
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	672	0	270	0	0	0	942
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	22	0	0	0	0	0	22
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>6,953</b>	<b>0</b>	<b>279</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,232</b>
<b>Amortisation at 1 April 2017</b>	4,151	0	0	0	0	0	4,151
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	605	0	2	0	0	0	607
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>4,756</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,758</b>
<b>Net book value at 1 April 2017</b>	<b>1,984</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,993</b>
<b>Net book value at 31 March 2018</b>	<b>2,197</b>	<b>0</b>	<b>277</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,474</b>
<b>At 31 March 2018</b>							
Purchased	2,164	0	277	0	0	0	2,441
Donated	33	0	0	0	0	0	33
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2018</b>	<b>2,197</b>	<b>0</b>	<b>277</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,474</b>

The reclassification of £124k in this note relates to the transfer of an asset in year from assets under construction disclosed in Note 11.1

**12. Intangible non-current assets**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2016</b>	5,143	0	0	0	0	0	5,143
Revaluation	0	0	0	0	0	0	0
Reclassifications	22	0	0	0	0	0	22
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	962	0	9	0	0	0	971
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	8	0	0	0	0	0	8
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 2017</b>	<b>6,135</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,144</b>
<b>Amortisation at 1 April 2016</b>	3,669	0	0	0	0	0	3,669
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	482	0	0	0	0	0	482
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 2017</b>	<b>4,151</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,151</b>
<b>Net book value at 1 April 2016</b>	<b>1,474</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,474</b>
<b>Net book value at 31 March 2017</b>	<b>1,984</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,993</b>
<b>At 31 March 2017</b>							
Purchased	1,967	0	9	0	0	0	1,976
Donated	17	0	0	0	0	0	17
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2017</b>	<b>1,984</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,993</b>

The reclassification of £22k in this note relates to the transfer of an asset in year from assets under construction disclosed in Note 11.1

**Additional disclosures re Intangible Assets**

For each class of intangible asset disclose :

the effective date of revaluation - **None**

the methods and significant assumptions applied in estimating fair values - **Estimated at cost less depreciation to date**

the carrying amount had they been told at cost - **£0**

For each class of intangible asset, distinguishing between internally generated intangible assets and others disclose :  
whether the useful lives are indefinite or finite - **Finite**

if finite, the useful lives or the amortisation rates used.- **Standard Life of 5 years or the period that the licence covers as applicable**

Intangible assets, assessed as having indefinite useful lives - **None**

the carrying amount of each asset - **£0**

### 13 . Impairments

	2017-18		2016-17	
	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	13	0	7	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	445	0	0	0
Others (specify)	26,563	0	6,690	0
Reversal of impairments	(5,881)	0	(324)	0
<b>Total of all impairments</b>	<b>21,140</b>	<b>0</b>	<b>6,373</b>	<b>0</b>

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

Charged to the Statement of Comprehensive Net Expenditure	14,716	0	6,373	0
Charged to Revaluation Reserve	6,424	0	0	0
	<b>21,140</b>	<b>0</b>	<b>6,373</b>	<b>0</b>

The impairment losses disclosed as "other" above comprise:

£18.271m as a result of the 5 year District valuer Revaluation

£3.724m impairment review

£4.568m for the write down to depreciated replacement cost following the initial professional valuation on completion of the following 5 specialised building assets:

Morrison Hospital Cardiac Catheterisation laboratories - £2.173m  
 Morrison Hospital Human Resources Department Refurbishment - £0.240m  
 Singleton Hospital Linear Accelerator Installation - £0.917m  
 Singleton Hospital Endoscopy Refurbishment - £0.198m  
 Llansamlet Laundry Refurbishment - £1.041m

## 14.1 Inventories

	<b>31 March</b>	31 March
	<b>2018</b>	2017
	<b>£000</b>	£000
Drugs	<b>4,523</b>	4,883
Consumables	<b>5,092</b>	5,441
Energy	<b>110</b>	131
Work in progress	<b>0</b>	0
Other	<b>0</b>	0
<b>Total</b>	<b>9,725</b>	10,455
Of which held at realisable value	<b>0</b>	0

## 14.2 Inventories recognised in expenses

	<b>31 March</b>	31 March
	<b>2018</b>	2017
	<b>£000</b>	£000
Inventories recognised as an expense in the period	<b>0</b>	0
Write-down of inventories (including losses)	<b>0</b>	0
Reversal of write-downs that reduced the expense	<b>0</b>	0
<b>Total</b>	<b>0</b>	0

Note 14.1 discloses the stock values held at 31st March 2018. Where stock is counted manually stock takes are undertaken throughout February and March in order to ensure that stock valuations are available at the balance sheet date due to the time taken to price the items of stock counted.

Note 14.2 only requires completion where inventories are purchased for sale.  
ABMU LHB does not purchase inventories for sale.

## 15. Trade and other Receivables

Current	31 March 2018 £000	31 March 2017 £000
Welsh Government	1,858	2,684
WHSSC / EASC	1,675	2,199
Welsh Health Boards	4,069	5,347
Welsh NHS Trusts	1,340	512
Non - Welsh Trusts	32	49
Other NHS	551	579
Welsh Risk Pool	31,106	40,527
Local Authorities	2,609	1,365
Capital debtors	13	40
Other debtors	9,209	8,973
Provision for irrecoverable debts	(2,222)	(1,165)
Pension Prepayments	0	0
Other prepayments	5,334	5,205
Other accrued income	327	217
<b>Sub total</b>	<b>55,901</b>	<b>66,532</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	153,983	83,525
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>153,983</b>	<b>83,525</b>
<b>Total</b>	<b>209,884</b>	<b>150,057</b>
<b>Receivables past their due date but not impaired</b>		
By up to three months	3,509	3,464
By three to six months	529	195
By more than six months	745	189
	<b>4,783</b>	<b>3,848</b>
<b>Provision for impairment of receivables</b>		
Balance at 1 April	(1,165)	(1,298)
Transfer to other NHS Wales body	0	0
Amount written off during the year	155	96
Amount recovered during the year	377	574
(Increase) / decrease in receivables impaired	(1,589)	(537)
Bad debts recovered during year	0	0
Balance at 31 March	<b>(2,222)</b>	<b>(1,165)</b>
<p>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.</p>		
<b>Receivables VAT</b>		
Trade receivables	1,219	1,073
Other	0	0
Total	<b>1,219</b>	<b>1,073</b>

## 16. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	£000	£000	£000	£000
<b>Financial assets</b>				
Shares and equity type investments				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Deposits	0	0	0	0
Loans	0	0	0	0
Derivatives	0	0	0	0
Other (Specify)				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 17. Cash and cash equivalents

	2017-18	2016-17
	£000	£000
Balance at 1 April	725	2,190
Net change in cash and cash equivalent balances	(234)	(1,465)
Balance at 31 March	491	725
Made up of:		
Cash held at GBS	329	597
Commercial banks	0	0
Cash in hand	162	128
Current Investments	0	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>491</b>	<b>725</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>491</b>	<b>725</b>

## 18. Trade and other payables

Current	31 March	31 March
	2018	2017
	£000	£000
Welsh Government	18	0
WHSSC / EASC	925	570
Welsh Health Boards	3,282	5,916
Welsh NHS Trusts	1,877	2,846
Other NHS	810	174
Taxation and social security payable / refunds	5,621	5,410
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	101	107
Other taxes payable to HMRC	0	2
NI contributions payable to HMRC	7,257	6,986
Non-NHS creditors	20,923	20,750
Local Authorities	4,109	4,768
Capital Creditors	9,989	18,707
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	258	246
Imputed finance lease element of on SoFP PFI contracts	2,945	2,309
Pensions: staff	9,305	8,942
Accruals	79,668	70,950
Deferred Income:		
Deferred Income brought forward	253	6,070
Deferred Income Additions	2,711	244
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(245)	(6,060)
Other creditors	971	482
PFI assets –deferred credits	0	0
Payments on account	0	0
<b>Total</b>	<b>150,778</b>	<b>149,419</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	481	739
Imputed finance lease element of on SoFP PFI contracts	42,537	45,483
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>43,018</b>	<b>46,222</b>

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

The Pensions : Staff figure includes £9,298k due to the NHS pensions Agency and £7k to the National Employment Savings Trust (NEST).

**19. Other financial liabilities**

Financial liabilities	Current		Non-current	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	£000	£000	£000	£000
Financial Guarantees:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
Derivatives at fair value through SoCNE	0	0	0	0
Other:				
At amortised cost	0	0	0	0
At fair value through SoCNE	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 20. Provisions

	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	29,338	0	(1,652)	(930)	20,434	(18,658)	(10,945)	0	17,587
Personal injury	1,661	0	0	435	768	(940)	(930)	16	1,010
All other losses and special payments	0	0	0	0	221	(221)	0	0	0
Defence legal fees and other administration	1,945	0	0	(539)	1,562	(661)	(818)		1,489
Pensions relating to former directors	2			4	0	(2)	0	0	4
Pensions relating to other staff	146			64	75	(142)	(5)	1	139
Restructuring	0			0	0	0	0	0	0
Other	2,478		0	0	4,009	(1,296)	(1,328)		3,863
<b>Total</b>	<b>35,570</b>	<b>0</b>	<b>(1,652)</b>	<b>(966)</b>	<b>27,069</b>	<b>(21,920)</b>	<b>(14,026)</b>	<b>17</b>	<b>24,092</b>
<b>Non Current</b>									
Clinical negligence	83,278	0	(3,200)	930	92,362	(3,857)	(16,605)	0	152,908
Personal injury	6,479	0	0	(435)	153	0	(161)	0	6,036
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	338	0	0	539	491	(91)	0		1,277
Pensions relating to former directors	20			(4)	0	0	0	0	16
Pensions relating to other staff	260			(64)	4	0	0	0	200
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>90,375</b>	<b>0</b>	<b>(3,200)</b>	<b>966</b>	<b>93,010</b>	<b>(3,948)</b>	<b>(16,766)</b>	<b>0</b>	<b>160,437</b>
<b>TOTAL</b>									
Clinical negligence	112,616	0	(4,852)	0	112,796	(22,515)	(27,550)	0	170,495
Personal injury	8,140	0	0	0	921	(940)	(1,091)	16	7,046
All other losses and special payments	0	0	0	0	221	(221)	0	0	0
Defence legal fees and other administration	2,283	0	0	0	2,053	(752)	(818)		2,766
Pensions relating to former directors	22			0	0	(2)	0	0	20
Pensions relating to other staff	406			0	79	(142)	(5)	1	339
Restructuring	0			0	0	0	0	0	0
Other	2,478		0	0	4,009	(1,296)	(1,328)		3,863
<b>Total</b>	<b>125,945</b>	<b>0</b>	<b>(4,852)</b>	<b>0</b>	<b>120,079</b>	<b>(25,868)</b>	<b>(30,792)</b>	<b>17</b>	<b>184,529</b>

### Expected timing of cash flows:

	In year to 31 March 2019	Between 1 April 2019 and 31 March 2023	Thereafter	Total
				£000
Clinical negligence	17,587	152,908	0	170,495
Personal injury	1,010	2,061	3,975	7,046
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,489	1,277	0	2,766
Pensions relating to former directors	4	16	0	20
Pensions relating to other staff	140	165	34	339
Restructuring	0	0	0	0
Other	3,863	0	0	3,863
<b>Total</b>	<b>24,093</b>	<b>156,427</b>	<b>4,009</b>	<b>184,529</b>

20. Provisions (continued)

	At 1 April 2016	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 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	17,577	0	(1,420)	19,314	16,517	(12,464)	(10,186)	0	29,338
Personal injury	1,538	0	0	372	1,563	(1,420)	(477)	85	1,661
All other losses and special payments	0	0	0	0	213	(213)	0	0	0
Defence legal fees and other administration	1,052	0	0	773	1,212	(725)	(367)		1,945
Pensions relating to former directors	2			4	0	(4)	0	0	2
Pensions relating to other staff	146			74	68	(146)	(3)	7	146
Restructuring	0			0	0	0	0	0	0
Other	1,684		0	0	1,971	(600)	(577)		2,478
<b>Total</b>	<b>21,999</b>	<b>0</b>	<b>(1,420)</b>	<b>20,537</b>	<b>21,544</b>	<b>(15,572)</b>	<b>(11,610)</b>	<b>92</b>	<b>35,570</b>
<b>Non Current</b>									
Clinical negligence	73,927	0	0	(19,314)	34,745	(2,747)	(3,333)	0	83,278
Personal injury	5,797	0	0	(372)	1,054	0	0	0	6,479
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	763	0	0	(773)	399	(42)	(9)		338
Pensions relating to former directors	23			(4)	1	0	0	0	20
Pensions relating to other staff	322			(74)	13	0	(1)	0	260
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>80,832</b>	<b>0</b>	<b>0</b>	<b>(20,537)</b>	<b>36,212</b>	<b>(2,789)</b>	<b>(3,343)</b>	<b>0</b>	<b>90,375</b>
<b>TOTAL</b>									
Clinical negligence	91,504	0	(1,420)	0	51,262	(15,211)	(13,519)	0	112,616
Personal injury	7,335	0	0	0	2,617	(1,420)	(477)	85	8,140
All other losses and special payments	0	0	0	0	213	(213)	0	0	0
Defence legal fees and other administration	1,815	0	0	0	1,611	(767)	(376)		2,283
Pensions relating to former directors	25			0	1	(4)	0	0	22
Pensions relating to other staff	468			0	81	(146)	(4)	7	406
Restructuring	0			0	0	0	0	0	0
Other	1,684		0	0	1,971	(600)	(577)		2,478
<b>Total</b>	<b>102,831</b>	<b>0</b>	<b>(1,420)</b>	<b>0</b>	<b>57,756</b>	<b>(18,361)</b>	<b>(14,953)</b>	<b>92</b>	<b>125,945</b>

## 21. Contingencies

### 21.1 Contingent liabilities

	<b>2017-18</b>	2016-17
	<b>£'000</b>	£'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	<b>80,325</b>	112,735
Doubtful debts	<b>0</b>	0
Equal Pay costs	<b>0</b>	0
Defence costs	<b>2,892</b>	4,257
Continuing Health Care costs	<b>0</b>	2,249
Other	<b>0</b>	0
Total value of disputed claims	<b>83,217</b>	119,241
Amounts recovered in the event of claims being successful	<b>70,422</b>	108,478
<b>Net contingent liability</b>	<b>12,795</b>	10,763

### Continuing Healthcare Cost Uncertainties

At the end of the 2016/17 financial year, the LHB disclosed a contingent liability of £2,249,067 in respect of 190 continuing healthcare claims for which the assessment process remained incomplete. At that stage the LHB did not have the information to make a judgement on the likely success or otherwise of those claims, but recognised that they may result in significant additional costs to the LHB which could not be quantified at that time.

Significant progress has been made during the 2017/18 financial year in both assessing these claims and making payments against the claims received. This progress has enabled the LHB to be in a position as at 31st March 2018 to make a provision for these claims and this provision amounting to £2.467m is disclosed in note 20 of these accounts.

The continuing healthcare claims managed by Powys Teaching Health Board which were received by 31st July 2014 will be completed by the end of November 2018.

**21.2 Remote Contingent liabilities**

	<b>2017-18</b>	2016-17
	<b>£'000</b>	£'000
Please disclose the values of the following categories of remote contingent liabilities :		
Guarantees	144	1,150
Indemnities	0	0
Letters of Comfort	0	0
<b>Total</b>	<b>144</b>	<b>1,150</b>

**21.3 Contingent assets**

	<b>2017-18</b>	2016-17
	<b>£'000</b>	£'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**

	<b>2017-18</b>	2016-17
	<b>£'000</b>	£'000
Property, plant and equipment	1,032	6,116
Intangible assets	0	0
<b>Total</b>	<b>1,032</b>	<b>6,116</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 2018		Approved to write-off to 31 March 2018	
	Number	£	Number	£
Clinical negligence	125	21,882,532	21	2,172,097
Personal injury	49	482,089	22	502,786
All other losses and special payments	232	220,727	232	220,727
<b>Total</b>	<b>406</b>	<b>22,585,348</b>	<b>275</b>	<b>2,895,610</b>

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

Cases exceeding £300,000	Case type	Amounts	Cumulative	Approved to
		paid out in year £	amount £	write-off in year £
02RVCMN0022	Clinical Negligence	10,170	4,103,448	0
04RVCMN0045	Clinical Negligence	0	2,176,151	0
06RVCMN0066	Clinical Negligence	110,006	1,308,500	0
07RVCMN0045	Clinical Negligence	325,000	710,000	0
08RVCMN0021	Clinical Negligence	0	1,104,996	0
08RVCMN0035	Clinical Negligence	0	708,000	0
09RVCMN0077	Clinical Negligence	6,723,266	8,500,000	0
10RYMMN0033	Clinical Negligence	850,000	1,100,000	0
10RYMMN0057	Clinical Negligence	217,343	2,306,056	0
10RYMMN0173	Clinical Negligence	0	831,250	0
10RYMMN0205	Clinical Negligence	0	481,250	0
10RYMMN0212	Clinical Negligence	0	701,100	0
10RYMMN0223	Clinical Negligence	330,000	930,000	0
11RYMMN0179	Clinical Negligence	0	839,224	0
12RYMMN0001	Clinical Negligence	1,110,000	1,170,000	0
12RYMMN0025	Clinical Negligence	0	1,106,171	0
12RYMMN0106	Clinical Negligence	0	845,541	0
12RYMMN0108	Clinical Negligence	0	736,164	0
13RYMMN0004	Clinical Negligence	0	319,550	0
13RYMMN0010	Clinical Negligence	645,000	645,311	0
13RYMMN0078	Clinical Negligence	532,500	532,500	0
13RYMMN0140	Clinical Negligence	20,000	735,000	0
13RYMMN0188	Clinical Negligence	80,000	360,000	360,000
13RYMMN0235	Clinical Negligence	1,050,000	1,185,000	0
14RYMMN0034	Clinical Negligence	200,000	890,000	0
14RYMMN0103	Clinical Negligence	830,724	949,289	0
14RYMMN0109	Clinical Negligence	62,500	425,000	425,000
14RYMMN0169	Clinical Negligence	0	481,517	0
14RYMMN0207	Clinical Negligence	15,000	615,000	0
15RYMMN0030	Clinical Negligence	0	393,525	0
15RYMMN0106	Clinical Negligence	626,000	626,000	0
15RYMMN0240	Clinical Negligence	200,000	340,000	0
16RYMMN0120	Clinical Negligence	460,000	460,000	0
17RYMMN0030	Clinical Negligence	375,000	700,000	0
97RVCMN0005	Clinical Negligence	988,950	4,959,637	0
<b>Sub-total</b>		<b>15,761,459</b>	<b>44,275,180</b>	<b>785,000</b>
<b>All other cases</b>		<b>6,823,889</b>	<b>15,269,672</b>	<b>2,110,611</b>
<b>Total cases</b>		<b>22,585,348</b>	<b>59,544,852</b>	<b>2,895,611</b>

**24. Finance leases**

**24.1 Finance leases obligations (as lessee)**

The Health Board has one lease arrangement classified as a finance lease under IFRS for the lease hire and use of hospital beds.

All rentals paid incur a standard rental charge with no index linked payments. The Health Board has no contingent rentals to disclose on these arrangements.

Future sub lease payments expected to be received total £Nil (2016-17 £Nil).

Contingent rents recognised as an expense £Nil (2016-17 £Nil).

The Health Board does not hold any finance leases in respect of land and buildings.

**Amounts payable under finance leases:**

<b>Land</b>	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

24.1 Finance leases obligations (as lessee) continue

Amounts payable under finance leases:

<b>Buildings</b>	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<b>0</b>	<b>0</b>
Included in:		
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
Present value of minimum lease payments	<b>0</b>	<b>0</b>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<b>0</b>	<b>0</b>

**Other**

	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
<b>Minimum lease payments</b>		
Within one year	284	284
Between one and five years	498	782
After five years	0	0
Less finance charges allocated to future periods	(43)	(81)
Minimum lease payments	<b>739</b>	<b>985</b>
Included in:		
Current borrowings	258	246
Non-current borrowings	481	739
	<b>739</b>	<b>985</b>

**Present value of minimum lease payments**

Within one year	258	246
Between one and five years	481	739
After five years	0	0
Present value of minimum lease payments	<b>739</b>	<b>985</b>
Included in:		
Current borrowings	258	246
Non-current borrowings	481	739
	<b>739</b>	<b>985</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</b>	31 March
	<b>2018</b>	2017
	<b>£000</b>	£000
<b>Gross Investment in leases</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

## 25. Private Finance Initiative contracts

### 25.1 PFI schemes off-Statement of Financial Position

*The Health Board has no PFI operational schemes deemed to be off balance sheet*

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2018 £000	31 March 2017 £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	<u>0</u>	<u>0</u>
Total estimated capital value of off-SoFP PFI contracts	0	0

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

*On 12th May 2000 a 30 year Private Finance Initiative (PFI) contract was signed between the Health Board's predecessor organisation, Bro Morgannwg NHS Trust and Baglan Moor Healthcare.*

*The first payment on the contract was made in December 2002. The annual payments to the contractor amount to approximately £11.634m. The hospital becomes the property of the Health board at the end of the contract.*

*Under IFRS the hospital is recognised in the Health Board's accounts as an asset. A corresponding liability for payment of the asset is similarly recognised.*

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

	On SoFP PFI Capital element 31 March 2018 £000	On SoFP PFI Imputed interest 31 March 2018 £000	On SoFP PFI Service charges 31 March 2018 £000
Total payments due within one year	2,946	5,133	3,846
Total payments due between 1 and 5 years	11,620	19,978	19,159
Total payments due thereafter	30,916	44,126	29,447
Total future payments in relation to PFI contracts	<u>45,482</u>	<u>69,237</u>	<u>52,452</u>

	On SoFP PFI Capital element 31 March 2017 £000	On SoFP PFI Imputed interest 31 March 2017 £000	On SoFP PFI Service charges 31 March 2017 £000
Total payments due within one year	2,309	4,866	4,459
Total payments due between 1 and 5 years	11,668	20,249	17,604
Total payments due thereafter	33,815	48,989	34,849
Total future payments in relation to PFI contracts	<u>47,792</u>	<u>74,104</u>	<u>56,912</u>

Total present value of obligations for on-SoFP PFI contracts	<b>45,483</b>		
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<b>25.3 Charges to expenditure</b>	<b>2017-18</b>	2016-17
	<b>£000</b>	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	<b>2,428</b>	2,368
Total expense for Off Statement of Financial Position PFI contracts	<b>0</b>	0
The total charged in the year to expenditure in respect of PFI contracts	<b>2,428</b>	2,368

The LHB is committed to the following annual charges

	<b>31 March 2018</b>	31 March 2017
	<b>£000</b>	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	<b>0</b>	0
Later than one year, not later than five years	<b>0</b>	0
Later than five years	<b>11,925</b>	11,634
<b>Total</b>	<b>11,925</b>	11,634

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**

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

**PFI Contract**

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

**PFI Contract**

Neath Port Talbot Hospital On

## **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**

	<b>2017-18</b>	2016-17
	<b>£000</b>	£000
(Increase)/decrease in inventories	730	404
(Increase)/decrease in trade and other receivables - non-current	(70,458)	(9,027)
(Increase)/decrease in trade and other receivables - current	10,631	(19,698)
Increase/(decrease) in trade and other payables - non-current	(3,204)	(2,901)
Increase/(decrease) in trade and other payables - current	1,359	24,030
<b>Total</b>	<b>(60,942)</b>	<b>(7,192)</b>
Adjustment for accrual movements in fixed assets - creditors	8,718	(10,760)
Adjustment for accrual movements in fixed assets - debtors	(27)	40
Other adjustments	0	0
	<b>(52,251)</b>	<b>(17,912)</b>

**28. Other cash flow adjustments**

	<b>2017-18</b>	2016-17
	<b>£000</b>	£000
Depreciation	32,495	30,360
Amortisation	607	482
(Gains)/Loss on Disposal	(127)	30
Impairments and reversals	14,716	6,373
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	(694)	(407)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	84,452	41,475
<b>Total</b>	<b>131,449</b>	<b>78,313</b>

## **29. Third Party assets**

The LHB held £645,388 cash at bank and in hand at 31 March 2018 (31 March 2017, £568,594) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £638,071 at 31 March 2018 (31 March 2017, £663,972). This has been excluded from the Cash and Cash equivalents figure reported in the Accounts.

**30. Events after the Reporting Period**

None

### 31. Related Party Transactions

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

Name	Details	Interests
Mrs. C Patel	Non Officer Member	Vice Chair of Gower College Boardmember and chair of OD and workforce of POBL/Gwalia
Mrs.D Evans -Williams	Non Officer Member until 08.05.17	Board Member at Swansea University Board Member of Swansea Bay Futures
Mrs. E. Woollett	Vice Chairman from 01.10.17	Non Executive Director of University Hospital Bristol NHS Foundation Trust
Mrs G.Richards	Non Officer Member until, 30.09.17	Executive Director of NPTCBC Voluntary Service
Mrs J. Davies	Non Officer Member from 01.10.17	Board Member at Royal College of Nursing Wales
M. Child	Non Officer Member	Cabinet Member for Health and Wellbeing for Swansea Council
Cllr M. Nott	Non Officer Member until 04.05.17	Councillor at Bridgend County Borough Council
Mrs. S. Miller	Non Officer Member until 30.09.17	Cabinet Member of Neath County Borough Council
Mrs S.Cooper	Associate Board member	Director of Social Services and Wellbeing at Bridgend County Borough Council
Professor T. Crick	Non Officer Member from 16.10.17	Non Executive Director of Welsh Water/Dwr Cymru

The total value of transactions with Board members and key senior staff in 2017/18 were as follows:

Board Member	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£	£	£	£
C Patel	105,997	889	3,000	0
D Williams	7,095,254	714,054	671,101	128,083
E. Woollett	492,520	4,773	0	555
G. Richards	124,612	0	71	0
J. Davies	12,780	834	0	0
M. Child	12,557,224	12,191,540	1,156,984	1,044,532
M. Nott	7,079,381	4,597,027	1,462,546	612,546
S. Miller	7,039,925	7,029,875	1,471,664	822,775
S. Cooper	7,079,381	4,597,027	1,462,546	642,546
Professor T. Crick	1,262,100	72,000	0	0

The Welsh Government is regarded as a related party. During the year ABMU Local Health Board has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body, namely :

Entity	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£000	£000	£000	£000
Welsh Assembly Government	71	1,149,955	18	1,858
Welsh Health Specialised Services Commission	118,621	102,630	925	1,675
Aneurin Bevan LHB	1,823	3,312	212	396
Betsi Cadwaladr LHB	(494)	485	97	15
Cardiff & Vale LHB	11,203	15,933	1,484	1,927
Cwm Taf LHB	7,334	356	1,418	356
Hywel Dda LHB	4,229	35,135	35	894
Powys LHB	1,511	9,341	35	481
Public Health Wales NHS Trust	4,554	4,673	142	276
Velindre NHS Trust	25,829	7,675	1,724	880
Welsh Ambulance Services NHS Trust	3,765	691	11	184
<b>Total</b>	<b>178,446</b>	<b>1,330,186</b>	<b>6,101</b>	<b>8,942</b>

### 32. Pooled budgets

The Health Board has entered into a pooled budget with Bridgend County Borough Council. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the provision of an Assisted Recovery in the Community Service which is a Day Opportunity Service for individuals with mental illness. A memorandum note to the accounts provides details of the joint income and expenditure.

The pool is hosted by Bridgend County Borough Council. The financial operation of the pool is governed by a pooled budget agreement between Bridgend County Borough Council and the Health Board. Contributions to the pool from the Health Board amounted to £158,135 for the 2017/18 financial year. The 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.

<b><u>Pooled Budget Memorandum Account</u></b>	<b>2017/18</b>	<b>2016/17</b>
<b><u>Gross Funding</u></b>	£	£
Bridgend County Borough Council	401,488	318,028
ABMU Health Board	158,135	277,671
<b>Total Funding</b>	<b>559,623</b>	<b>595,699</b>
<b><u>Expenditure</u></b>		
Provision of Day Opportunities to individuals recovering from mental health problems	559,623	595,699
<b>Net Under/Over Spend</b>	<b>0</b>	<b>0</b>

## 32. Pooled budgets (cont'd)

The Health Board (Swansea Locality) has participated in a formal pooled budget arrangement in 2017/18 which commenced in April 2012 and replaced previous agreements in place between 2008/09 and March 2012.

### Section 33 Partnership : Community Equipment

#### 1. Statutory Partners

City & County of Swansea  
 Neath Port Talbot County Borough Council  
 Abertawe Bro Morgannwg University Local Health Board

#### 2. Aims of the Partnership

To provide an integrated community equipment service that meets the defining criteria and good practice within the guidance

To provide a flexible and responsive service for users and practitioners through a unified assessment and provisioning system which avoids duplication and barriers to provision.

To meet national and local standards and performance indicators, in particular to provide a high percentage of equipment and minor adaptations within a seven day target.

To support intermediate care, palliative care and hospital discharge initiatives and to build on and consolidate existing joint arrangements.

To develop more accessible services with consistent eligibility criteria, which will improve co-ordination between partner agencies and service users.

To provide an assessment, demonstration display and learning facility for service users and practitioners from health, education and social services.

To meet the above in respect of beds, mattresses and cot sides and other equipment.

#### 3. Pooled Budget Memorandum Account

<b>Gross Funding</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
City & County of Swansea	0	615,741
Neath Port Talbot County Borough Council	0	388,130
ABMU Local Health Board	0	970,003
Other Income	0	97,359
Prior Years Underspend Carried Forward	0	0
<b>Total Funding</b>	<b>0</b>	<b>2,071,233</b>
<b>Expenditure</b>	<b>0</b>	<b>2,071,233</b>
<b>Net (under)/over spend</b>	<b>0</b>	<b>0</b>

## 32. Pooled budgets (cont'd)

The Health Board has participated in a formal pooled budget arrangement in 2017/18 which commenced in June 2012. This replaced the previous agreement which ran from 2008/09 to March 2012.

### Section 33 Partnership : Rhondda Cynon Taff, Bridgend and Merthyr Tydfil Integrated Community Equipment

#### 1. Statutory Partners

Rhondda Cynon Taff County Borough Council

Merthyr Tydfil County Borough Council

Bridgend County Borough Council

Cwm Taf Local Health Board

Abertawe Bro Morgannwg University Local Health Board (Bridgend Locality)

#### 2. Aims of the Partnership

To provide an integrated community equipment service that meets the defining criteria and good practice within the

To provide a flexible and responsive service for users and practitioners through a unified assessment and provisioning

To meet national and local standards and performance indicators, in particular to provide a high percentage of

To support intermediate care, palliative care and hospital discharge initiatives and to build on and consolidate existing

To develop more accessible services with consistent eligibility criteria, which will improve co-ordination between

To maintain recycling, cleaning and maintenance of equipment to meet national standards.

To provide an assessment, demonstration display and learning facility for service users and practitioners from health,

#### 3. Financial Value of the Pooled Budget

<b>Gross Funding</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Rhondda Cynon Taff County Borough Council	788,151	1,124,991
Merthyr Tydfil County Borough Council	130,468	213,000
Bridgend County Borough Council	608,833	629,203
Cwm Taf Local Health Board	223,325	245,034
Abertawe Bro Morgannwg Local Health Board	694,076	304,643
Other Income Received	200,938	128,447
<b>Total Funding</b>	<b>2,645,791</b>	<b>2,645,318</b>
<b>Total Expenditure</b>	<b>2,732,513</b>	<b>2,573,643</b>
<b>Pool (Deficit)/Surplus</b>	<b>(86,722)</b>	<b>71,675</b>

### 33. Operating segments

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

ABMU Health Board has organised its operational services into 6 Service Delivery Units (SDU)s.

Four of these units are centred on the Health Board's main hospital sites of Morriston, Neath Port Talbot, Princess of Wales and Singleton. The remaining two SDU's cover Mental Health and Learning Disabilities Services and Primary Care and Community Services.

The LHB has formed the view that the activities of its SDU's are sufficiently similar for the results of their operations not to have to be disclosed separately. In reaching this decision the Health Board is satisfied that the following criteria are met:-

1. Aggregation still allows users to evaluate the business and its operating environment.
2. Service Delivery Units have similar economic characteristics.
3. The Service Delivery Units are similar in respect of all of the following:-
  - > The nature of the service provided
  - > The Service Delivery Units operate fundamentally similar processes
  - > The end customers (the patients) fall into broadly similar categories
  - > The Service Delivery Units share a common regulatory environment

The LHB did operate as a home to one hosted body during 2017/18, which is the NHS Wales Delivery Unit (DU). This unit is responsible for the functions of assurance, improvement of performance and delivery for NHS Wales. with the unit being aligned to the priorities of and directly funded by the Welsh Government.

During 2017/18 these accounts contain income of £2.808m and expenditure of £2.800m in respect of the DU.

The LHB does not consider the amounts involved to be sufficiently material to be reported as a separate segment.

## 34. Other Information

### Accounting Standards to be Adopted 2018-19

#### IFRS9

IFRS9 Financial instruments is effective from 1st January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FReM) for the 2018/19 financial year.

Initial application impacts for the 2018/19 accounts will be recognised in opening retained earnings as mandated by the FReM.

The principal impact of IFRS9 adoption will be to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss basis. The FReM mandates the application of the simplified approach to impairment under the standard, requiring for short and long term receivables the recognition of a loss allowance for an amount equal to lifetime expected credit losses.

The impact of adopting IFRS9 in 2018/19 is not expected to have a material impact. Disclosure and presentation requirements of IFRS9 will be applied as required by the FReM and in accordance with the principles of streamlining and materiality.

#### IFRS15

IFRS15 Revenue from Contracts with Customers is effective from 1st January 2018 and will be applicable for public sector reporting as adapted by the Financial Reporting Manual (FReM) for the 2018/19 financial year.

The NHS Wales Technical Accounting Group and the Welsh Government (as Relevant Authority) are considering the detail of application of IFRS15 for Local Health Boards and NHS Trusts in Wales.

Final application guidance will be issued in the NHS Wales Manuals for Accounts for 2018/19.

Any initial application impacts arising for the 2018/19 accounts will be recognised in opening retained earnings as mandated by the FReM.

No material impacts are anticipated as a consequence of IFRS15 becoming effective in the FReM for 20

#### **NHS Funded Nursing Care Supreme Court Ruling**

During the 2017/18 financial year the Supreme Court delivered its ruling over the responsibility for the costs of nurses delivering care in nursing homes.

Following the outcome of the Supreme Court ruling the Health Board accrued £3.444million expenditure within its financial position for the 2017/18 financial year and this liability is included within the accrued expenditure line of Note 18 Trade and other payables.

### 34. Other Information (Cont'd)

On 1 October 2016 :

The South Wales Cancer Network and the Surgical Materials Testing Laboratory (SMTL) and their associated assets and liabilities were transferred from Abertawe Bro Morgannwg University (ABMU) Health Board.

The South Wales Cancer Network transferred to Public Health Wales NHS Trust and SMTL to Velindre NHS Trust (NWSSP). In accordance with the FReM, the transfer of functions were treated using absorption accounting, adapted for the issue of PDC. All transactions and balances related to those functions pre 1 October 2016 are included in the accounts of ABMU Health Board and post 1 October 2016 are included in the financial statements of the relevant transferee organisation.

The table below shows the amounts included in the accounts of ABMU Health Board for these services in 2016/17.

	<b>2016-17</b>
<b>Income</b>	<b>£000</b>
NHS Trusts	90
Local Health Boards	43
WHSCC	258
Charitable & other Contributions to Expenditure	292
Other income from activities	63
Other Income	100
<b>Total</b>	<b>846</b>

	<b>2016-17</b>
<b>Expenditure</b>	<b>£000</b>
<b>Note 3.2</b>	
Goods and services from other Welsh Health Boards	1,100
Goods and services from other NHS Wales Trusts	3,451
<b>Total</b>	<b>4,551</b>

<b>Note 3.3</b>	
Staff Costs	904
Premises	51
Other Operating Expenses	528
Establishment	139
Supplies & Services General	3
Supplies & Services Clinical	64
Consultancy	0
<b>Total</b>	<b>1,689</b>

**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

**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**

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Bwrdd Iechyd Prifysgol  
Abertawe Bro Morgannwg  
University Health Board

# ABMU FINANCE DEPT. PRESENTATION TO AUDIT COMMITTEE 2017/18 DRAFT ANNUAL ACCOUNTS

Lynne Hamilton  
Director of Finance  
17<sup>th</sup> May 2018

1. Financial Context of the 2017/18 year
2. Performance against Financial Targets
3. Analytical review of Comprehensive Net Expenditure
  - a) Expenditure on Primary Healthcare Services
  - b) Expenditure on Healthcare from Other Providers
  - c) Expenditure on Hospital & Community Health Services
  - d) Miscellaneous Income
4. Staffing Analysis
5. Analytical review of Statement of Financial Position (Balance Sheet)
  - a) Property, Plant & Equipment
  - b) Receivables, Payables & Provisions
  - c) Taxpayers Equity
6. Summary & Next Steps

<b>The 2017/18 IMTP Financial Framework</b>	
	<b>£m</b>
<b>2016/17 Carry Forward Deficit</b>	53.0
<b>Cost &amp; Demand Growth</b>	28.9
<b>Total Cost Requirement</b>	<b>81.9</b>
<b>Additional Welsh Government Funding:</b>	
<b>Additional Allocations</b>	-20.9
<b>Savings &amp; Cost Containment</b>	-25.0
<b>2017/18 IMTP Financial Framework Shortfall</b>	<b>36.0</b>

**Note 2.1 (Page 21)****1. Revenue Resource Performance (Statutory)**

From 1<sup>st</sup> April 2014, Health Boards were required to ensure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years.

The Health Board received £30.528 million repayable cash only support in 2017-18. The accumulated cash only support provided to the Health Board by the Welsh Government is £55.292 million as at 31 March 2018.

	Year 1 2015/16	Year 2 2016/17	Year 3 2017/18	Total
	£000	£000	£000	£000
Revenue Resource Funding	1,028,395	1,060,938	1,096,250	3,185,583
Total Operating Expenses	1,028,309	1,100,254	1,128,667	3,257,230
<b>Under/(Over) spend against Allocation</b>	<b>86</b>	<b>(39,316)</b>	<b>(32,417)</b>	<b>(71,647)</b>
<b>As a % of Target</b>	<b>0.01%</b>	<b>3.71%</b>	<b>2.96%</b>	<b>2.25%</b>

**ABMU Health Board has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2015/16 to 2017/18**

**Note 2.1 (Page 21)****2. Capital Resource Performance (Statutory)**

From 1<sup>st</sup> April 2014, Health Boards were required to ensure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years.

	Year 1 2015/16	Year 2 2016/17	Year 3 2017/18	Total
	£000	£000	£000	£000
Capital Resource Allocation	40,049	43,845	40,093	123,987
Charge against Capital Resource Allocation	40,012	43,751	40,051	123,814
<b>Under /(Over) Spend Against Allocation</b>	<b>37</b>	<b>94</b>	<b>42</b>	<b>173</b>
<b>As % of Target</b>	<b>0.09%</b>	<b>0.21%</b>	<b>0.10%</b>	<b>0.14%</b>

**ABMU Health Board has met its duty to break-even against its Capital Resource Limit over the 3 years 2015/16 to 2017/18**

### Note 2.3 (Page 22)

### 3. Duty to prepare a 3 Year Plan (Statutory)

From 1st April 2014, Health Boards were required to prepare a plan in accordance with planning directions issued by Welsh Ministers, to secure compliance with the duty, 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 Health Board IMTP Plan was approved in 2015/16

The Health Board IMTP Plan was not approved in 2016/17

The Cabinet Secretary for Health & Social Services approval status for 2017/18 to 2019/20 is Not Approved

**The Health Board has therefore not met its statutory duty to have an approved IMTP for the period 2017/18 to 2019/20**

**Note 7.1 (Page 33)****4. Prompt Payment Code (Non Statutory)**

The Welsh Government requires that Health Boards pay their trade creditors in accordance with the **CBI Prompt Payment Code (PSPP)** and Government Accounting rules. The financial target is to pay 95% of these non NHS invoices (number, not financial value) within 30 days of delivery.

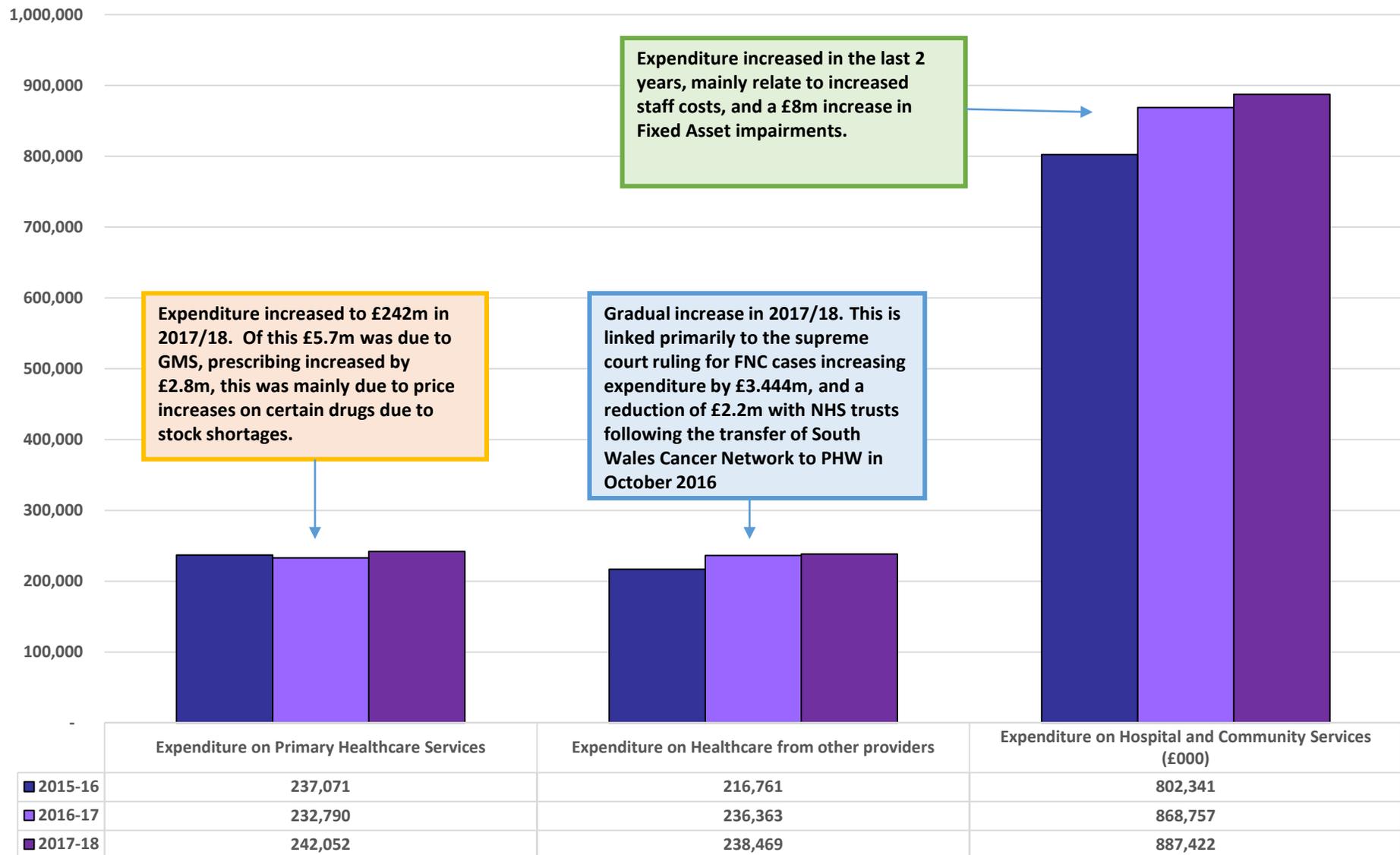
This service is provided to all Health Boards by NWSSP Accounts Payable Services

Non-NHS Invoices	2017/18	2016/17	2015/16
Total number of Invoices Paid	<b>300,160</b>	297,931	284,228
Total number paid within Target	<b>282,150</b>	286,394	270,776
<b>% of Invoices Paid within Target</b>	<b>94.0%</b>	<b>96.1%</b>	<b>95.3%</b>

**ABMU Health Board did not achieve the best practice PSPP target for 2017/18. This was mainly due to delays in processing nurse bank invoices early in 2017/18.**

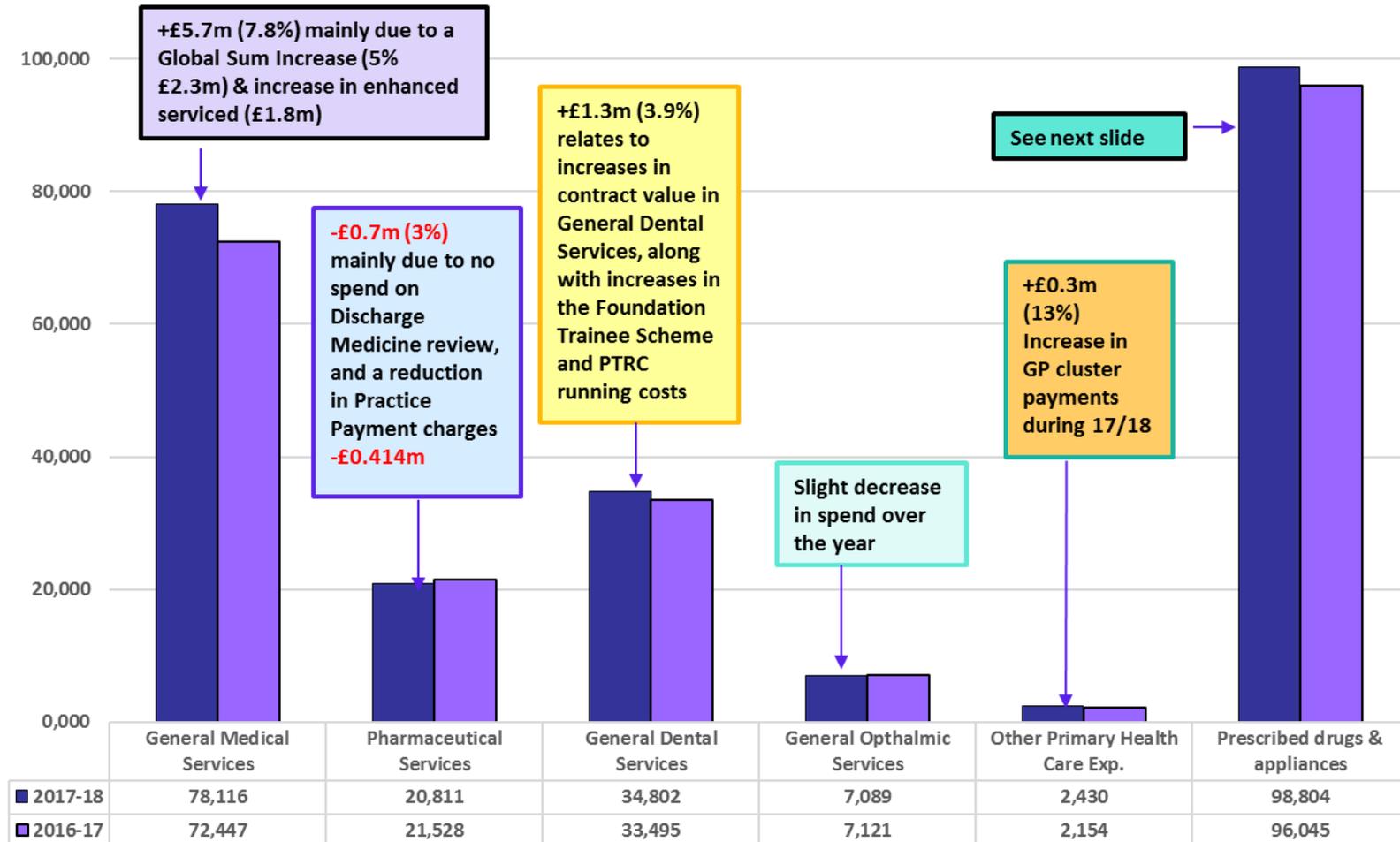
## Statement of Comprehensive Net Expenditure (SOCNE) (Page 2)

	2017/18	2016/17	Key Variances	
	£000	£000	£000	%
Expenditure on Primary Health Care	241,859	232,790	+9,069	+3.9
Expenditure on Healthcare from Other Providers	238,125	236,363	+1,762	+0.7
Expenditure on Hospital & Community Health Services	887,959	868,757	+19,202	+2.2
<b>Sub Total</b>	<b>1,367,943</b>	<b>1,337,910</b>	<b>+30,033</b>	<b>+2.2</b>
Less Miscellaneous Income	-243,248	-240,222	-3,026	-1.3
<b>Net Operating Costs Before Interest and Other Gains &amp; Losses</b>	<b>1,124,695</b>	<b>1,097,688</b>	<b>+27,007</b>	<b>+2.5</b>
Other (Gains)/Losses	-127	30	-157	
Finance Costs	4,924	4,966	-42	
<b>Net Operating Costs for the Financial Year</b>	<b>1,129,492</b>	<b>1,102,684</b>	<b>+26,808</b>	<b>+2.4</b>

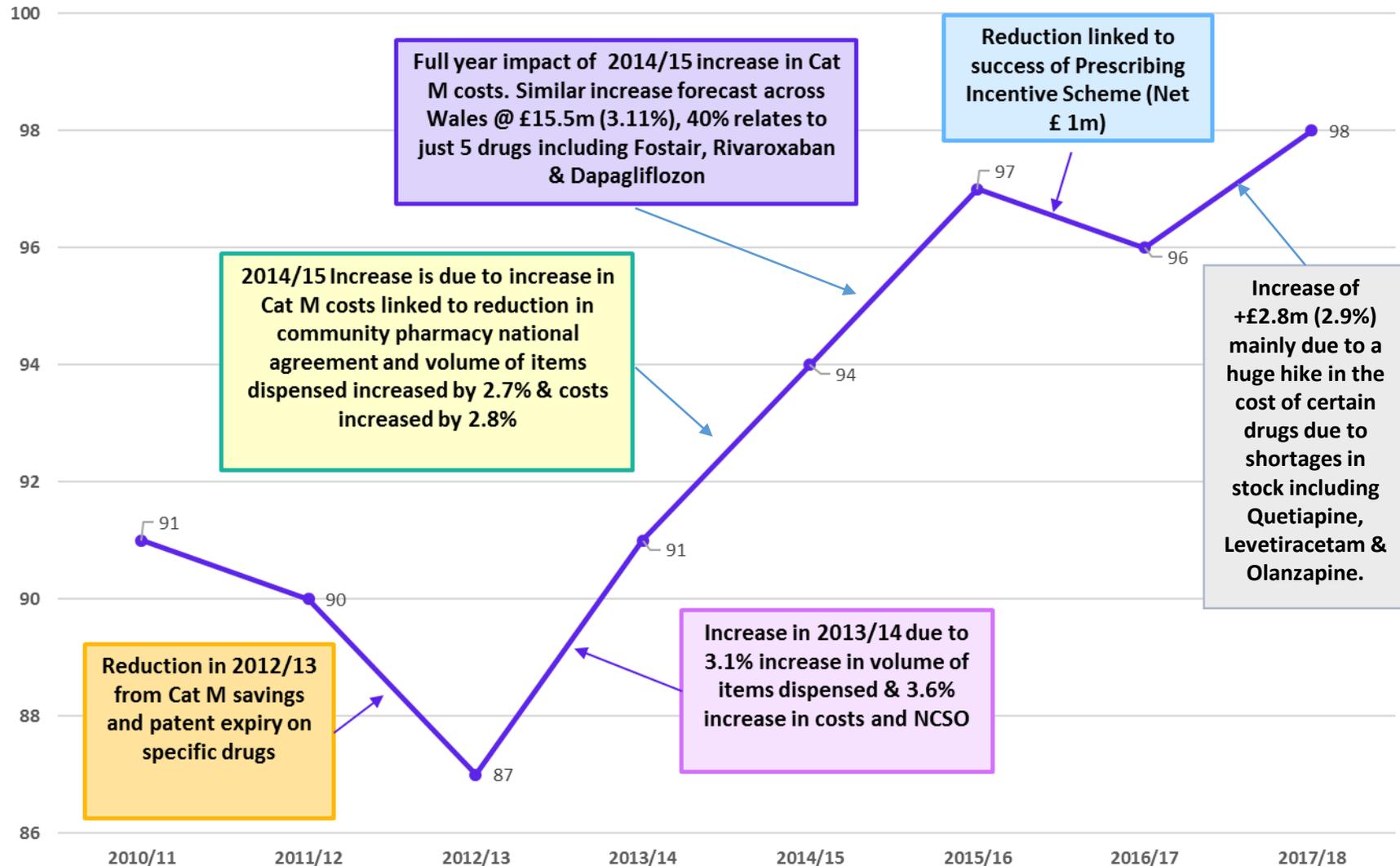


## Expenditure on Primary Healthcare Services (£000) – Note 3.1 (Page 23)

2017/18 £242m    2016/17 £233m    (3.8%)

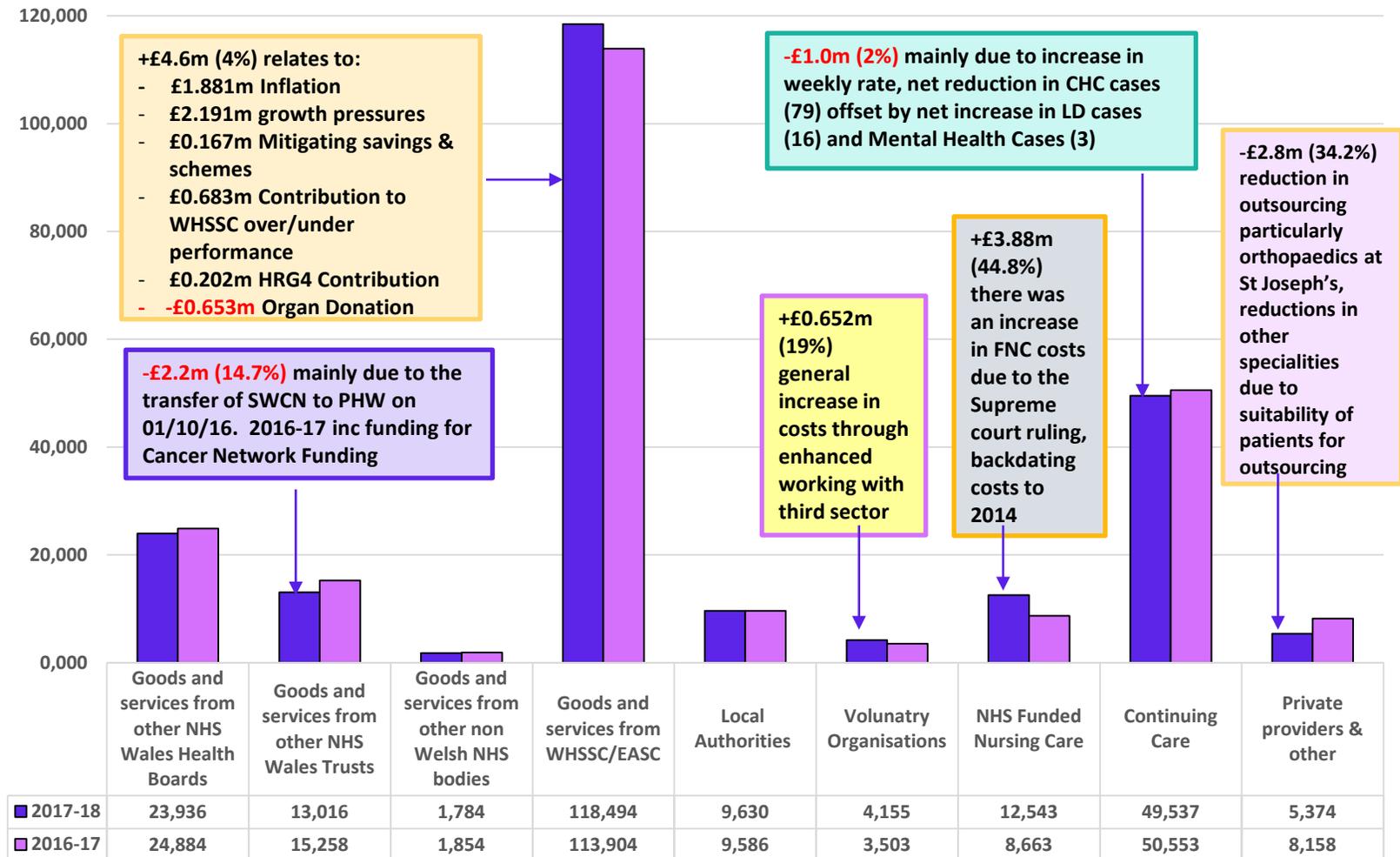


## Prescribed Drugs & Appliances 8 Year Expenditure Trend



## Expenditure on Healthcare from Other Providers (£000) Note 3.2 (Page 23)

2017/18 £238m    2016/17 £236m    (+0.89%)



## Expenditure on Hospital & Community Health Services (7.8%) – Note 3.3 (Page 24)

	2017/18 £000		2016/17 £000	
<b>Directors' costs</b>	1,799	73%	1,969	74%
<b>Staff costs</b>	627,156		622,083	
<b>Supplies and Services - Clinical</b>	134,734	15%	131,486	15%
Supplies and Services – General	11,117		11,838	
Consultancy Services	476		658	
Establishment	14,817		15,152	
Transport	3,208		2,911	
<b>Premises</b>	28,866	3%	28,386	3%
External Contractors	3,829		2,812	
<b>Depreciation</b>	32,495		30,360	
<b>Amortisation</b>	607	4%	482	4%
<b>Fixed asset impairments &amp; reversals</b>	14,716		6,373	
Audit fees	412		412	
Losses, special payments and irrecoverable debts	3,739		6,188	
Research and Development	4,982		6,071	
Other operating expenses	5,006		1,576	
<b>Total</b>	<b>887,959</b>		<b>868,757</b>	

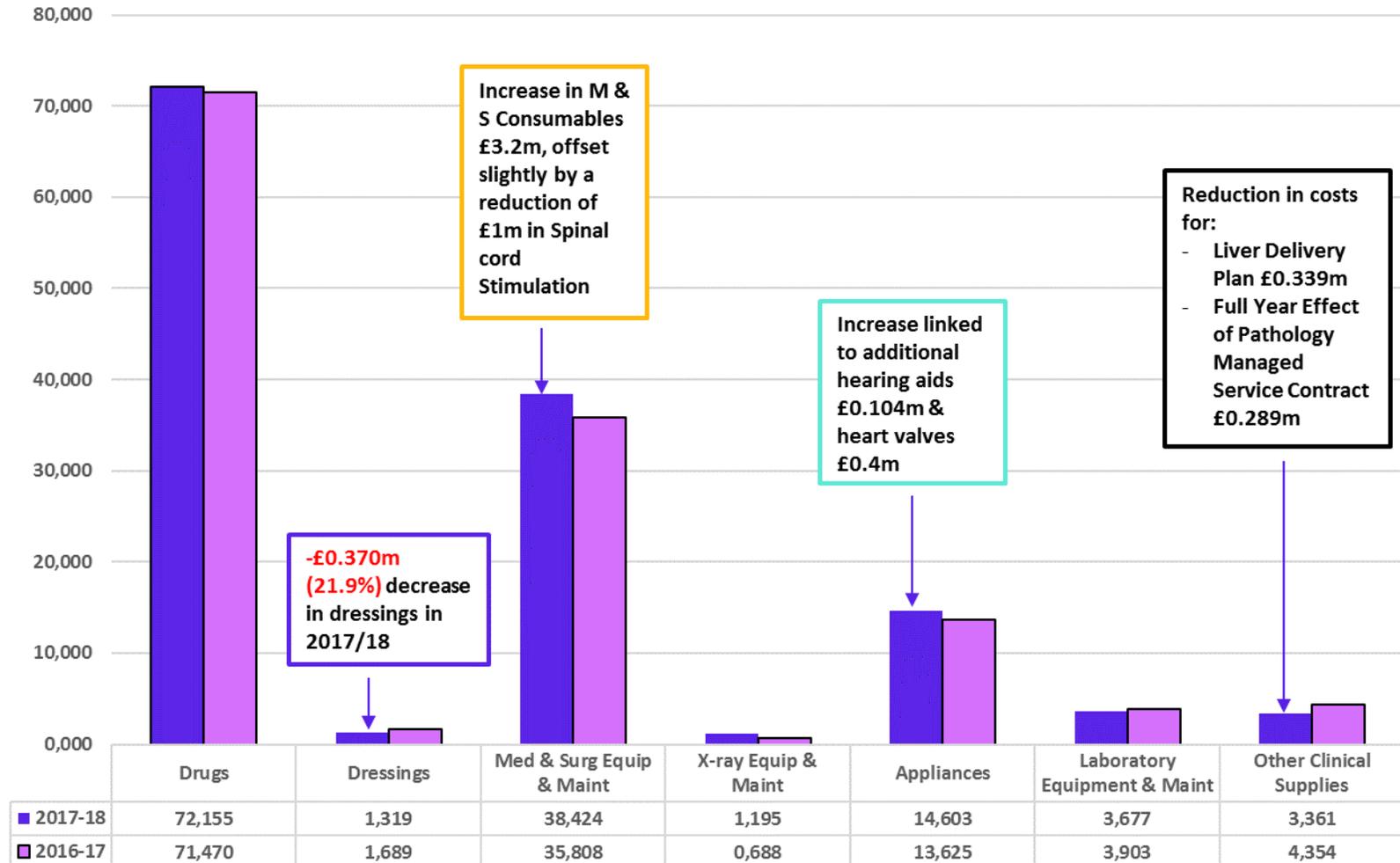
**Directors Costs -£0.170m (8.6%)**  
due to independent member vacancies and turnover and Chief Executive Officer Cover arrangements resulting in reduced costs.

**Staff Costs +£5.1m (0.8%)**  
mainly due to:

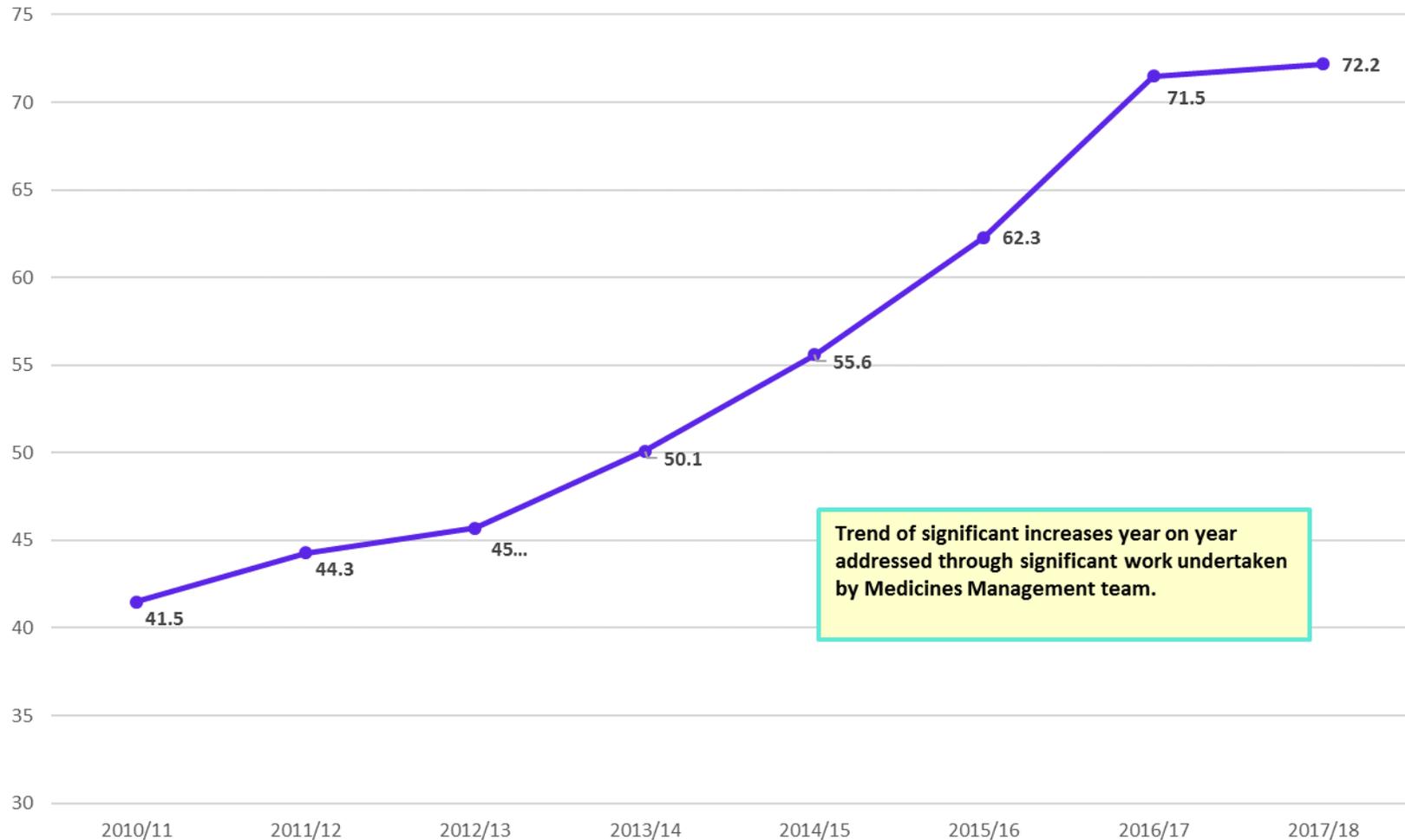
- £6m Pay Award (1%)
- £0.8m Living Wage
- £2.3m Apprenticeship Levy
- £0.3m Pension Admin Charge Change
- £0.9m Pension Auto-enrolment
- £1.5m Support for winter pressures and RTT
- £0.8m Additional WG investment in Mental Health and ICF services
- -£7.5m savings delivered through service redesign and reductions in variable pay

See separate slides

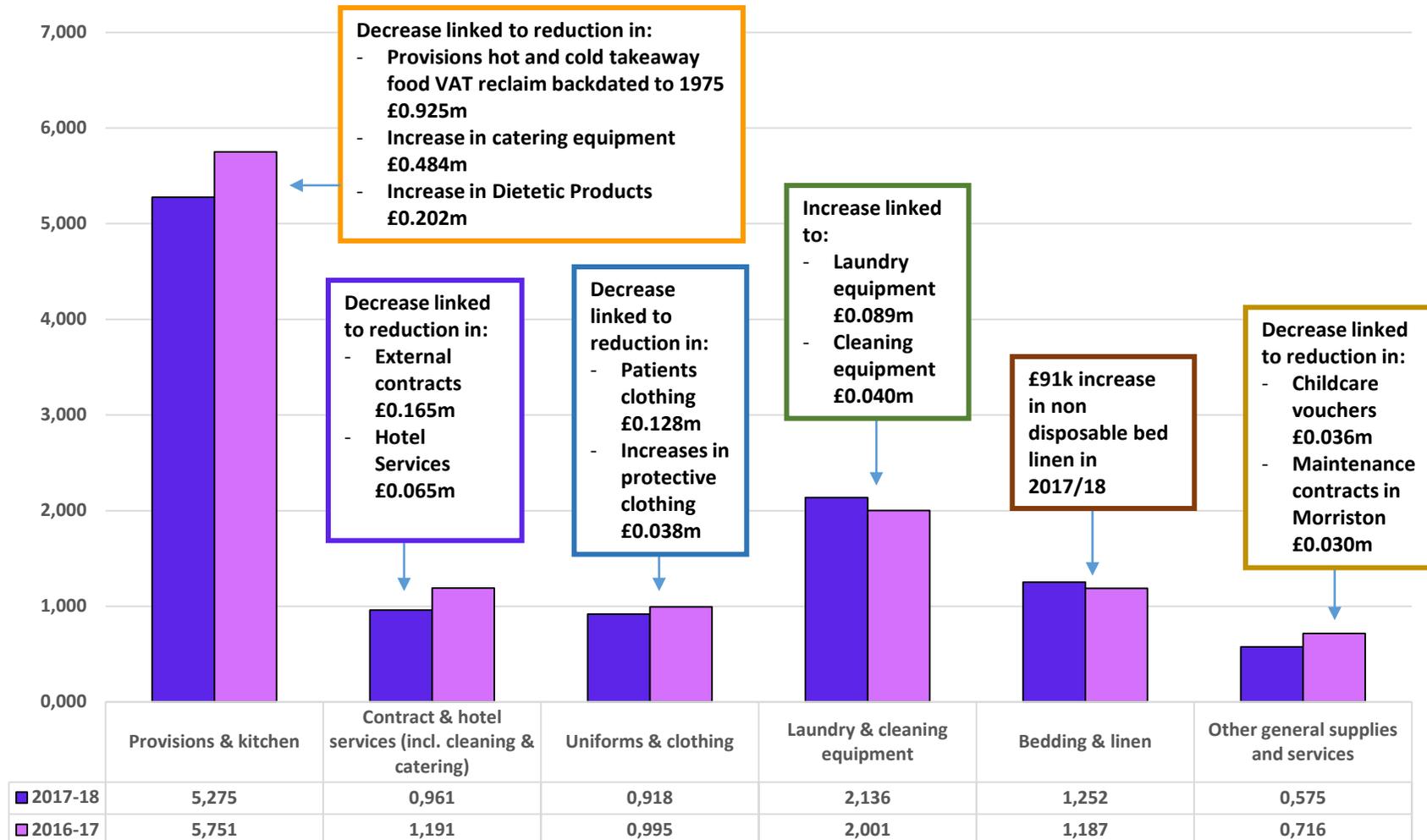
## Expenditure on Hospital & Community Services Non Pay Costs: Supplies & Services – Clinical (£000) 2017/18 £135m      2016/17 £132m



## Hospital & Community Drugs Expenditure 8 Year Trend (£m)



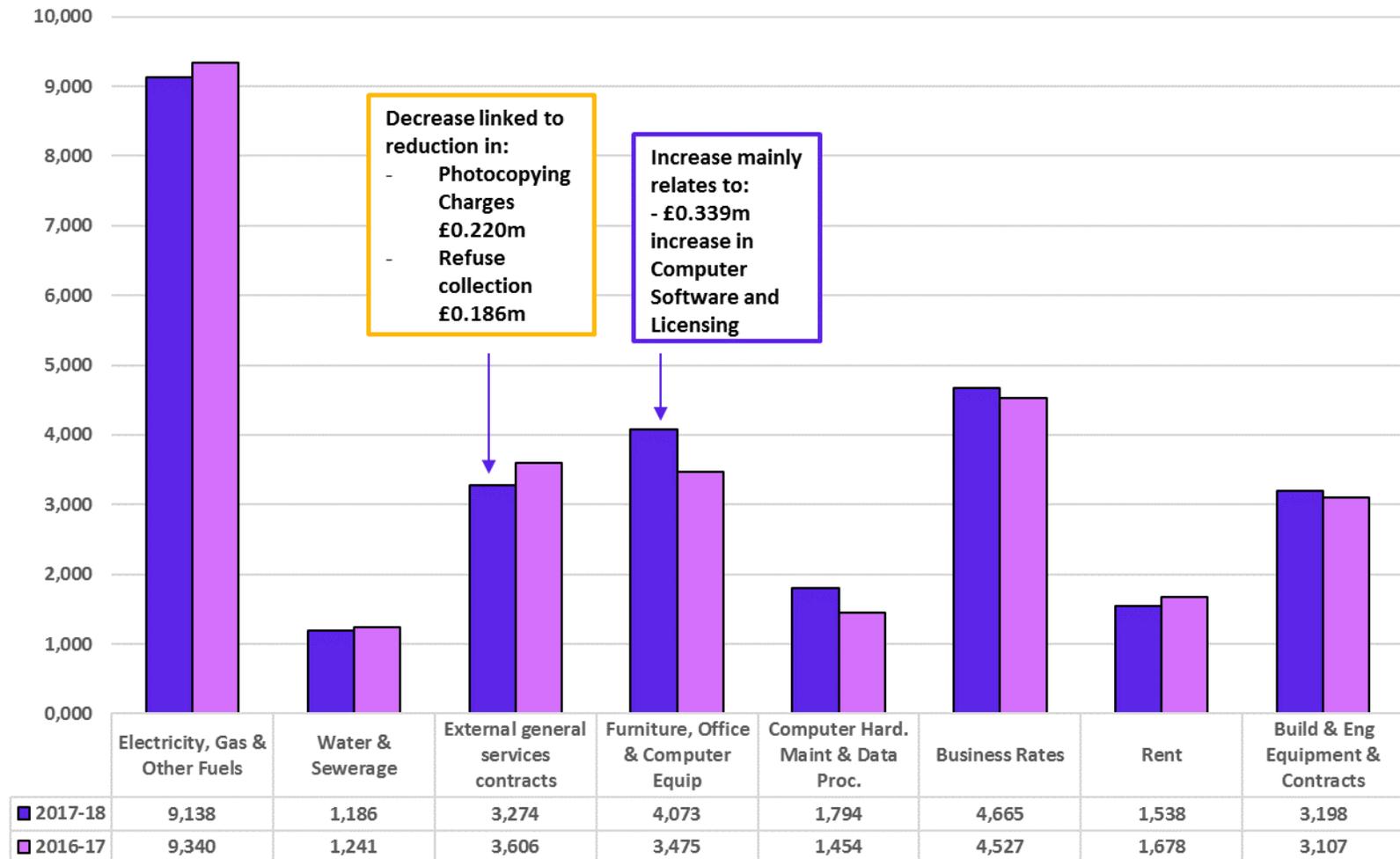
## Expenditure on Hospital & Community Services Non Pay Costs: General Supplies and Services (£000) 2017/18 £11.1m    2016/17 £11.8m



## Expenditure on Hospital & Community Services

Non Pay Costs: Premises (£000)

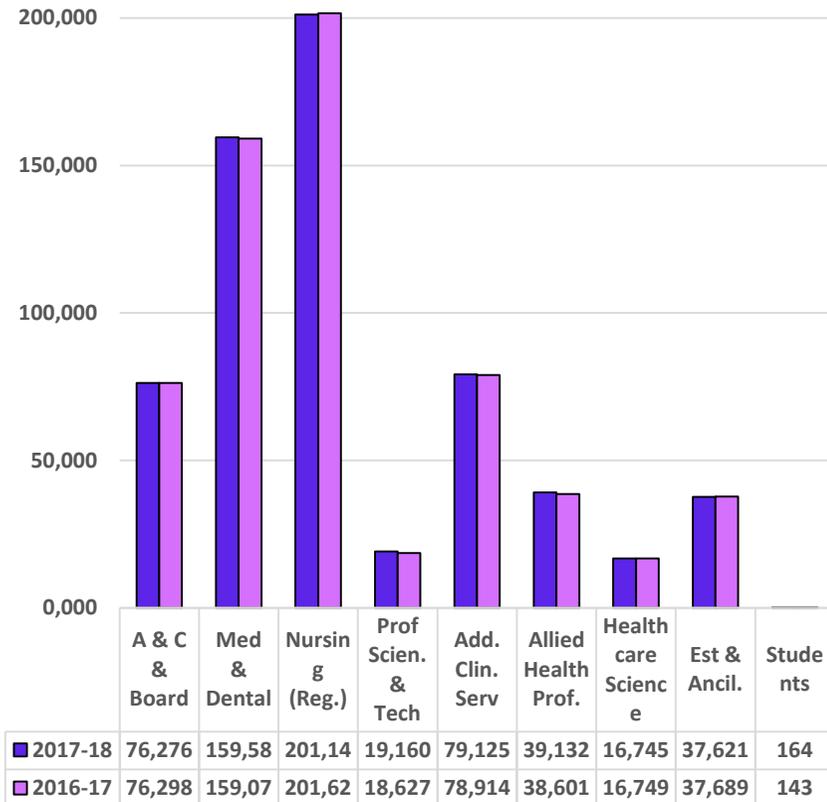
2017/18 £29m      2016/17 £28m



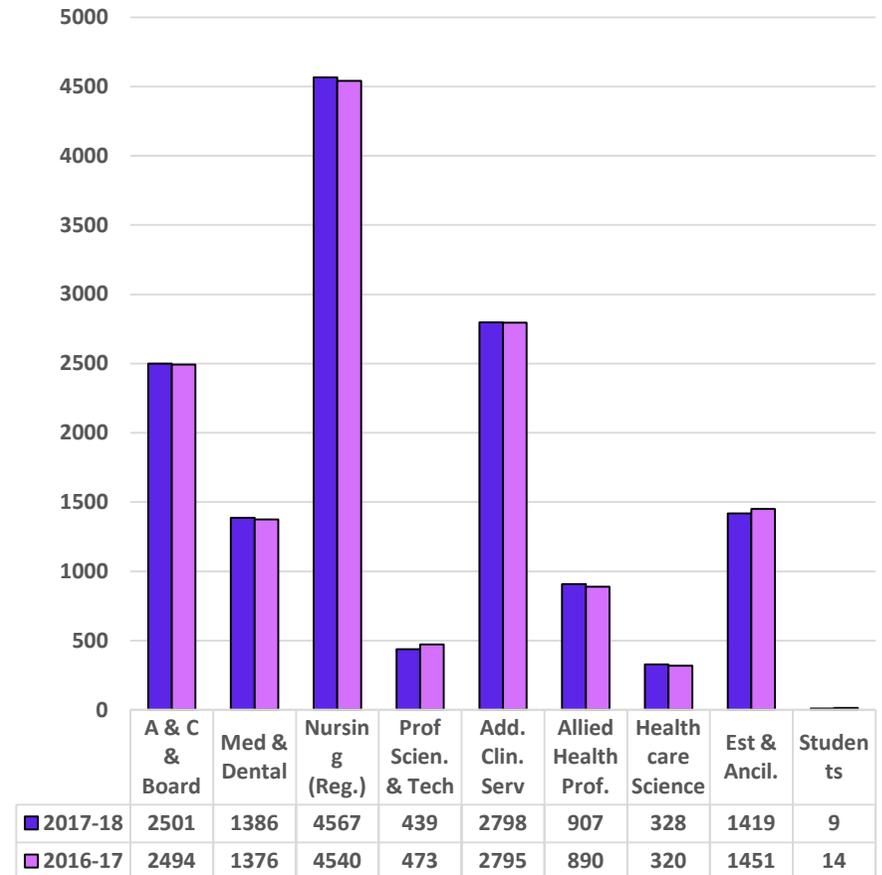


Directors & Staff Costs and WTE

Costs (£000)

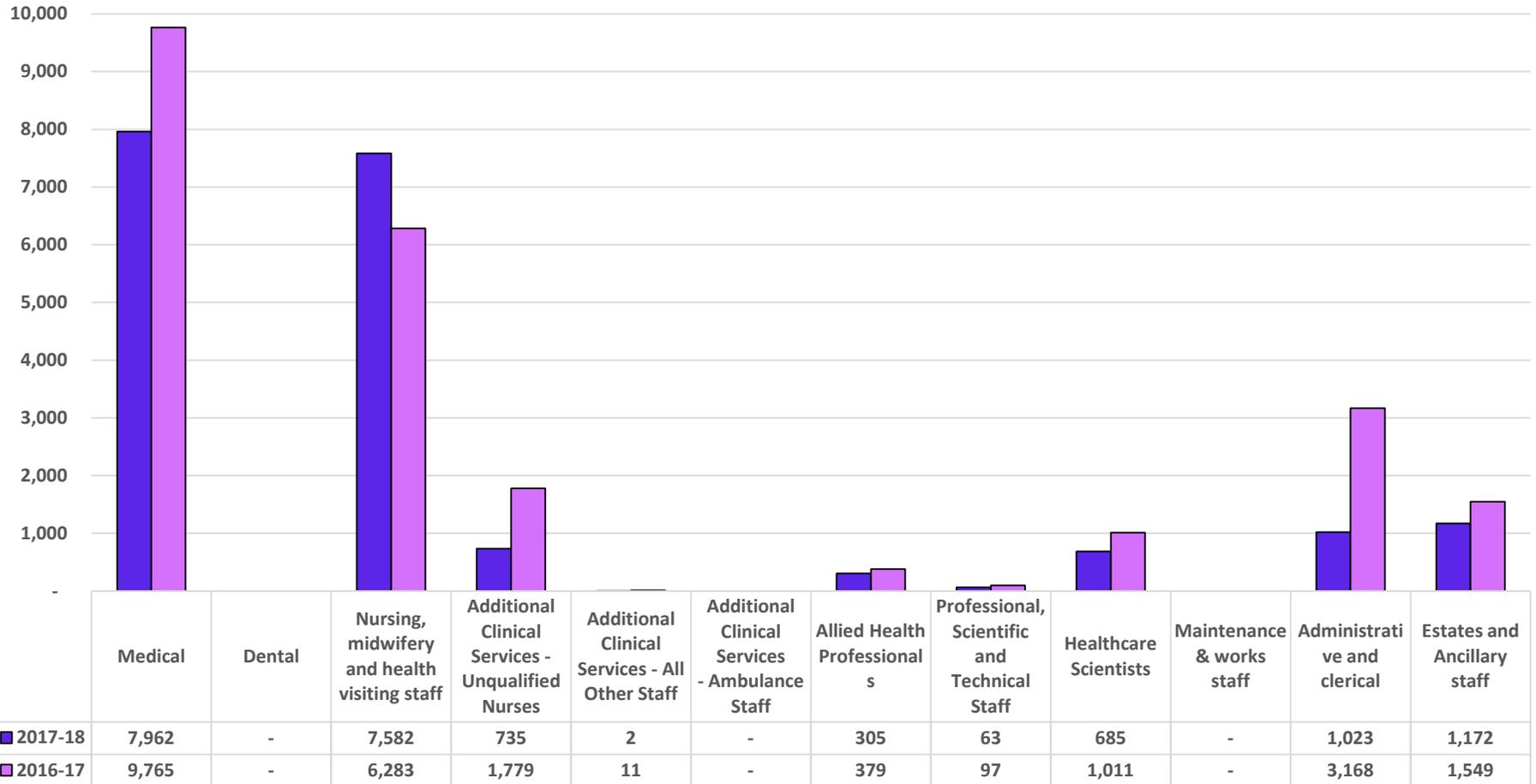


WTE



**Demonstrates improved financial control around staff appointments. In particular appointment of permanent staff to replace agency in the A&C staff group.**

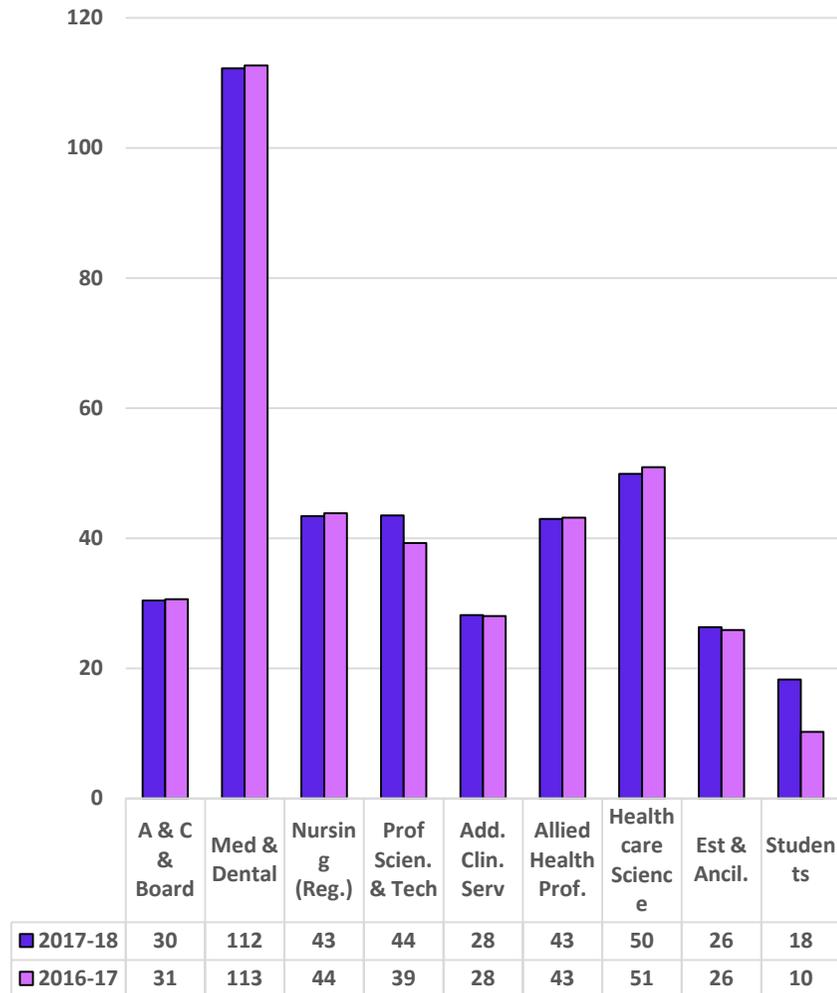
### Agency Cost Comparison



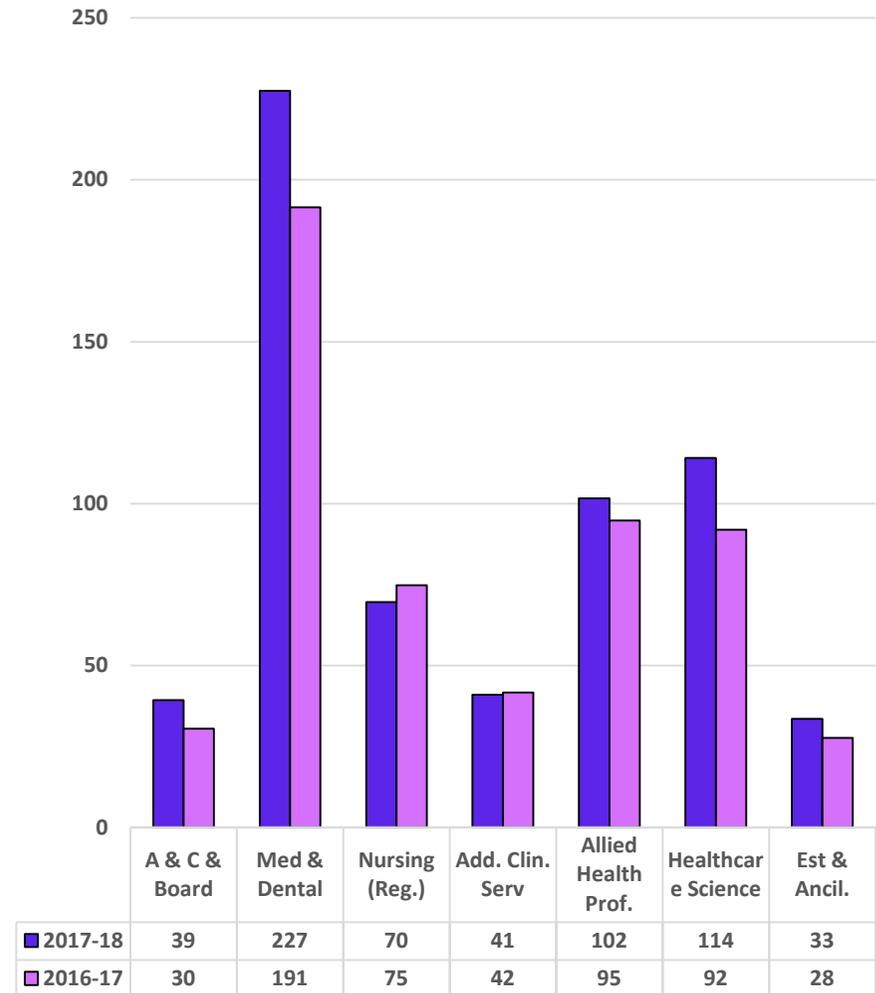
**Reduction in medical staff agency costs linked to the medical agency cap, Admin & clerical and Estates & Ancillary reduced due to permanent appointments. Nursing agency costs continue to increase.**

## Staff Costs: Average Cost (£000) per Annum per WTE

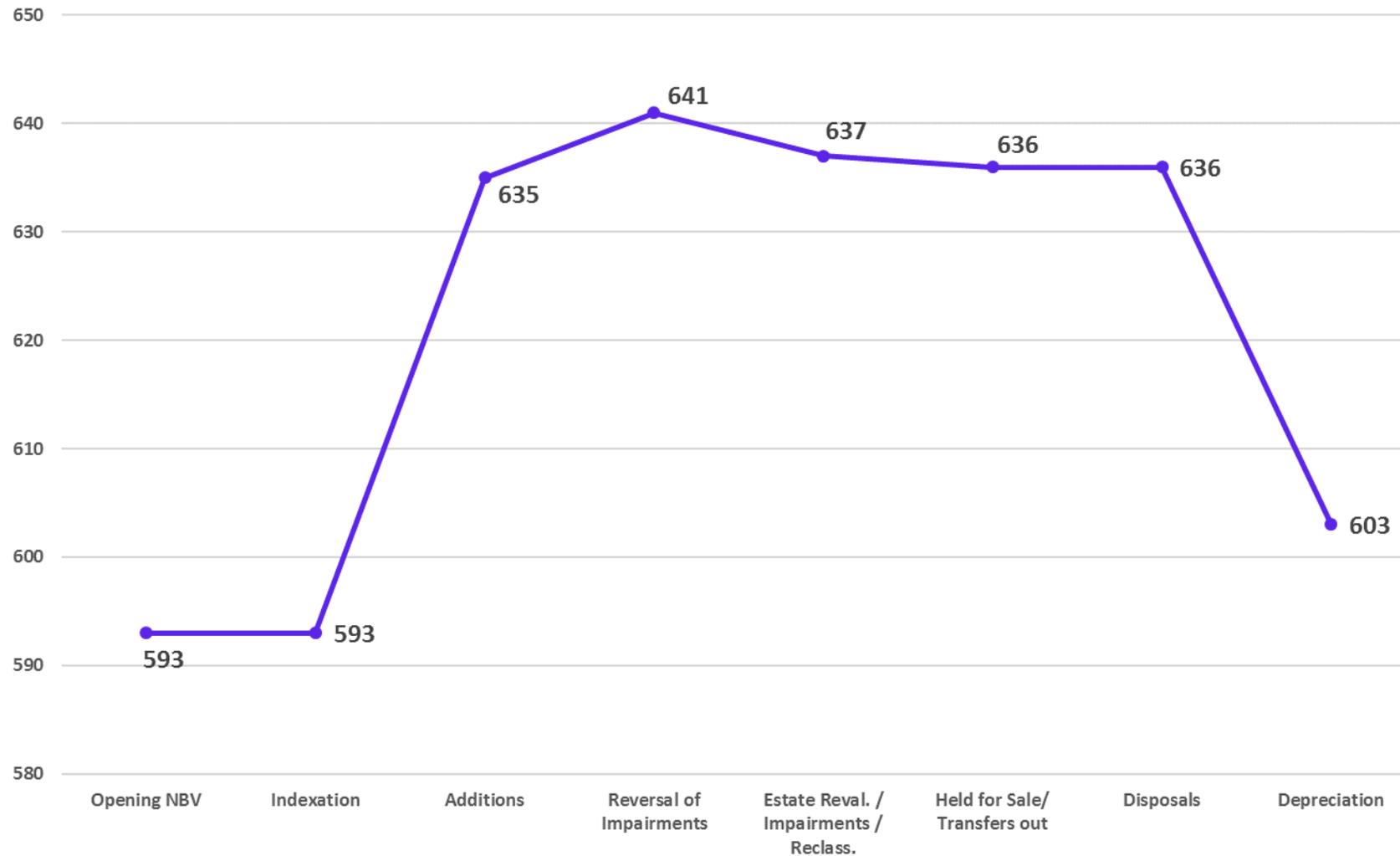
### Substantive Staff



### Agency Staff



		31 March 2018	31 March 2017	Key Variances
		£000	£000	£000
<b>Non Current Assets</b>	Property, Plant & Equipment	603,428	592,912	+10,516
	Intangible Assets	2,474	1,993	
	Trade & Other Receivables	153,983	83,525	+70,458
	<b>Total Non Current Assets</b>	<b>759,885</b>	<b>678,430</b>	<b>+81,455</b>
<b>Current Assets</b>	Inventories	9,725	10,455	
	Trade & Other Receivables	55,901	66,532	-10,631
	Cash & Cash Equivalents	491	725	
		<b>66,117</b>	<b>77,712</b>	<b>-11,595</b>
<b>Non Current Assets "Held for Sale"</b>		<b>330</b>	<b>1,875</b>	<b>-1,545</b>
	<b>Total Assets</b>	<b>826,332</b>	<b>758,017</b>	<b>+68,315</b>
<b>Current Liabilities</b>	Trade & Other Payables	150,778	149,419	+1,359
	Provisions	24,092	35,570	-11,478
	<b>Total Current Liabilities</b>	<b>174,870</b>	<b>184,989</b>	<b>-10,119</b>
	<b>Net Current Liabilities</b>	<b>-108,423</b>	<b>-105,402</b>	<b>-3,021</b>
<b>Non Current Liabilities</b>	Trade & Other Payables	43,018	46,222	-3,204
	Provisions	160,437	90,375	+70,062
	<b>Total Non Current Liabilities</b>	<b>203,455</b>	<b>136,597</b>	<b>+66,858</b>
	<b>Total Assets Employed</b>	<b>448,007</b>	<b>436,431</b>	<b>+11,576</b>
<b>Financed By:</b>				
<b>Taxpayers Equity</b>	General Fund	399,366	408,605	-9,239
	Revaluation Reserve	48,641	27,826	+20,815
	<b>Total Taxpayers Equity</b>	<b>448,007</b>	<b>436,431</b>	<b>+11,576</b>

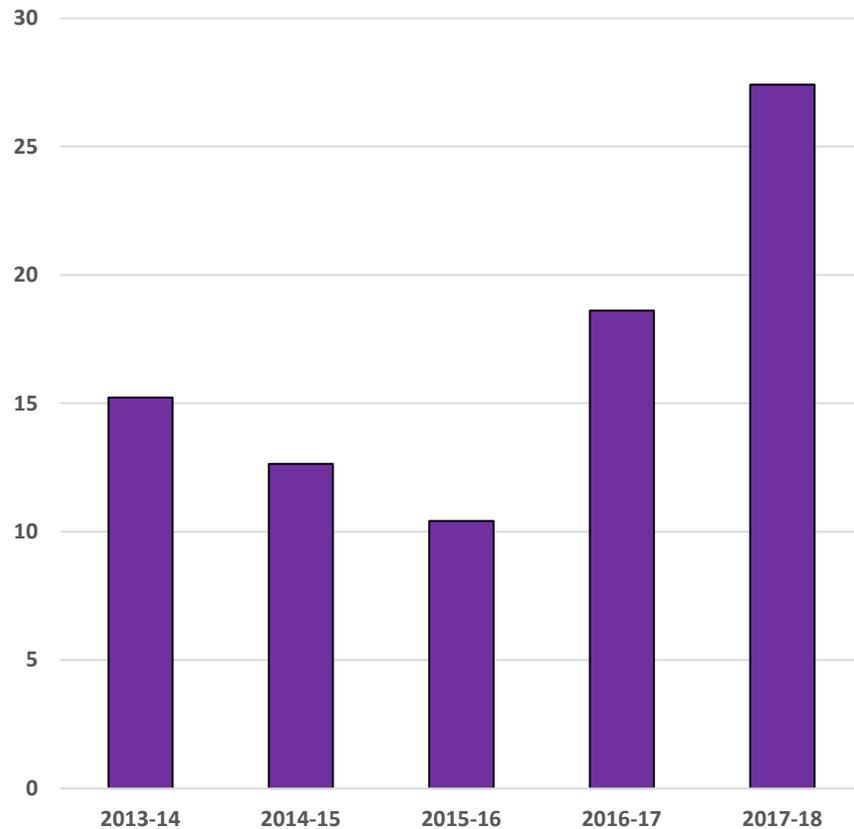
**Key Variance – Property, Plant & Equipment (+£6.4m) (£m) – Note 11.1 (Page 34)**

### Receivables / Payables / Provisions – Key Variances

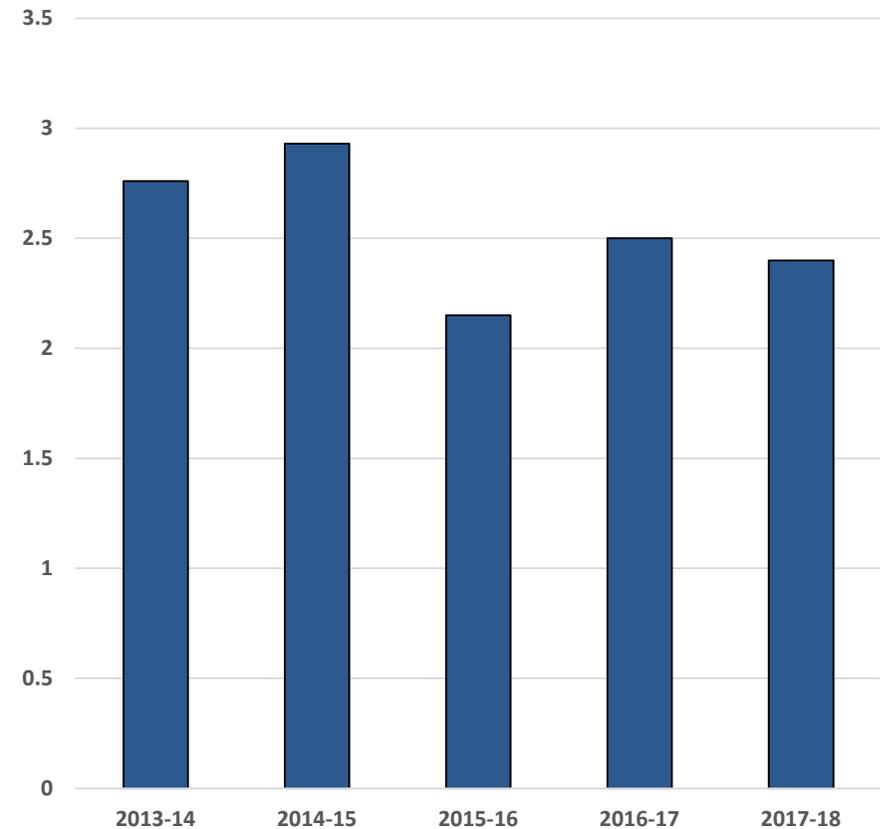
			Non Current £m	Current £m	Net Change £m
Note 15 P43	Welsh Risk Pool Debtor	Clinical Negligence / Personal Injury	+70.4	-9.4	
Receivables	Welsh Government	Reduction in ICF and R&D funding outstanding		-0.8	
	WHSCC/EASC	Risk Sharing Underperformance		-0.5	
	Welsh Health Boards	Hywel Dda outstanding NICE charges		-1.3	
	Other Debtors	LA Section 117 invoices		+1.4	
<b>Totals</b>			<b>+70.4</b>	<b>-10.6</b>	<b>+59.8</b>
Note 16 P45	Finance Leases & PFI Contracts	Reduction in deferred creditor, end of contract 1 year closer	-3.2		
Payables	Capital Creditors	High level of creditors in previous year due to late capital allocations		-8.7	
	HMRC & Pensions	Taxation, NI, Pensions & VAT		+0.8	
	Non NHS Creditors	Minimal change		+0.2	
	Other Creditors	Minimal change		+0.4	
	Accruals	FNC £3.444m, £3.2m clinical negligence creditors, £0.8m prescribing accrual		+8.7	
<b>Totals</b>			<b>-3.2</b>	<b>+1.4</b>	<b>-1.8</b>
Note 20 P47		Clin Neg, Personal Injury & Defence Fees	+70.1	-13.0	
Provisions		Retrospective CHC Cases		+0.4	
<b>Totals</b>			<b>+137.3</b>	<b>+2.5</b>	<b>+139.8</b>

## Losses and Special Payments

### 5 Year Gross Payments Trend (£m)



### 5 Year Net Losses Trend (£m)



**Increased payments linked to case mix, number of settlements and value of settlements linked to lord chancellor's decision to amend discount rate. Main impact is at WRP.**

### Clinical Negligence

	2016/17	2017/18	Movement
	£000	£000	£000
<b>Opening Provision</b>	91,504	112,616	
Transfer of Provisions to Creditors	-1,420	-4,852	
Arising during the year	+51,262	+112,796	
Utilised during the year	-15,211	-22,515	
Reversed unused	-13,519	-27,550	
<b>Closing Provision</b>	<b>112,616</b>	<b>170,495</b>	<b>+57,879</b>

### Clinical Negligence – Comparison of Cases

Cases Summary								
Probability			2017/18			2016/17		
			Cases	Provisions £000	%	Cases	Provisions £000	%
1	> 95%	Certain	122	163,244	96	101	87,847	78
2	50-95%	Probable	58	7,251	4	32	12,618	11
3	6-49%	Possible	233	-	-	345	-	-
4	0-5%	Remote	9	-	-	14	-	-
5		Closed/Settled	142	-	-	38	-	-
Change in Discount Rate			-	-	-	-	12,151	11
<b>Totals</b>			<b>564</b>	<b>170,495</b>	<b>100</b>	<b>530</b>	<b>112,616</b>	<b>100</b>

### Clinical Negligence Provisions – 10 Highest Provision Cases

	Support Unit	Specialty	Incident Date	Prob.	Revised Total Quantum £m	Less Payments made to 31/03/17 £m	Closing Net Liability (i.e. Provision) £m	% of Total Provision
1	Singleton	Obs & Gynae	22/09/2014	1	22.550	-0.100	22.450	
2	Singleton	Obs & Gynae	06/09/2010	1	19.050	-1.185	17.865	
3	POW	Obs & Gynae	31/03/2009	1	17.776	-0.701	17.074	
4	POW	Obs & Gynae	29/03/2009	1	16.630	-4.130	12.500	
5	Singleton	Obs & Gynae	17/11/2013	1	10.815	-0.100	10.715	
6	Singleton	Obs & Gynae	19/04/2009	1	10.072	-1.100	8.972	
7	Singleton	Obs & Gynae	28/10/2010	1	8.615	-0.045	8.570	
8	Singleton	Neonatal	18/06/2011	1	8.250	-0.174	8.076	
9	Singleton	Obs & Gynae	09/04/2013	1	8.700	-0.890	7.810	
10	Singleton	Obs & Gynae	29/01/1994	1	6.800	-0.000	6.800	
<b>Sub Totals</b>					<b>129.258</b>	<b>-8.425</b>	<b>120.832</b>	<b>71%</b>
<b>All Other Cases</b>							<b>49.662</b>	<b>29%</b>
<b>Totals</b>							<b>170.494</b>	<b>100%</b>

### Taxpayers Equity – Key Variances

➤ **General Fund – Decreased by £9.239m mainly due to:**

- +£44.612m      Funding drawn down to finance the Capital Programme
- -£49.560m      Non Cash Adjustments (Impairment & Depreciation Funding)
- +£4.291m      Transfer from Revaluation Reserve

➤ **Revaluation Reserve - Increased by £20.815m mainly due to:**

- +£17.074m      Land and Buildings Revaluation by Valuation Office Agency
- -£2.028m      Release of reserves to general fund following initial valuation on completion of schemes
- +£6.052m      Release of reserves to general fund to restate revaluation reserve balance following change in way reserves are held (completed on an all Wales basis)

**1. Subject to WAO completion of their Audit Review Work and Opinion:**

The Health Board met just two financial targets:

- |                                |                                |
|--------------------------------|--------------------------------|
| ✓ Capital Resource Performance | X Revenue Resource Performance |
| ✓ Public Sector Payment Policy | X 3 Year Approved IMTP         |

**2. Income & Expenditure has been analysed over the main headings with key variances between the 2 years explained.**

**3. Meeting of Audit Committee on Wednesday, 30<sup>th</sup> May 2018 to review the Audited Accounts & receive the ISA 260 Report from Wales Audit Office**

**4. Meeting of the Health Board on Wednesday, 30<sup>th</sup> May 2018 to adopt Audited Accounts**

**5. Submission of Audited Accounts to Welsh Government on Friday, 1<sup>st</sup> June 2017**

**6. Auditor General for Wales Opinion & Sign Off on TBC**

**7. Accounts laid before National Assembly for Wales is planned for TBC**

**8. Accounts included within the Annual Report issued at Health Board AGM (July)**