

## 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 1st 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 2019**

	Note	2018-19 £'000	2017-18 £'000
Expenditure on Primary Healthcare Services	3.1	<b>245,546</b>	242,052
Expenditure on healthcare from other providers	3.2	<b>250,518</b>	238,469
Expenditure on Hospital and Community Health Services	3.3	<b>898,238</b>	887,423
		<b>1,394,302</b>	1,367,944
Less: Miscellaneous Income	4	<b>(255,796)</b>	(243,248)
<b>LHB net operating costs before interest and other gains and losses</b>		<b>1,138,506</b>	1,124,696
Investment Revenue	5	<b>0</b>	0
Other (Gains) / Losses	6	<b>(292)</b>	(127)
Finance costs	7	<b>5,165</b>	4,923
<b>Net operating costs for the financial year</b>		<b>1,143,379</b>	1,129,492

See note 2 on page 23 for details of performance against Revenue and Capital allocations.

The notes on pages 2 to 70 form part of these accounts

## Other Comprehensive Net Expenditure

	<b>2018-19</b>	2017-18
	<b>£'000</b>	£'000
Net (gain) / loss on revaluation of property, plant and equipment	<b>3,526</b>	17,074
Net (gain) / (loss) on revaluation of intangibles	<b>0</b>	0
Net (gain) / loss on revaluation of available for sale financial assets	<b>0</b>	<b>(44)</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>3,526</b>	17,030
<b>Total comprehensive net expenditure for the year</b>	<b>1,139,853</b>	1,112,462

The Net (gain) / loss on revaluation of property, plant and equipment figure reported in 2017-18 includes the impact of the revaluation of the NHS estate undertaken by the Valuation Office Agency effective from 1st April 2017.

**Statement of Financial Position as at 31 March 2019**

	<b>31 March</b>	31 March
	<b>2019</b>	2018
<b>Notes</b>	<b>£'000</b>	£'000
<b>Non-current assets</b>		
Property, plant and equipment	11 <b>611,982</b>	603,428
Intangible assets	12 <b>2,751</b>	2,474
Trade and other receivables	15 <b>108,880</b>	153,983
Other financial assets	16 <b>0</b>	0
<b>Total non-current assets</b>	<b>723,613</b>	759,885
<b>Current assets</b>		
Inventories	14 <b>10,234</b>	9,725
Trade and other receivables	15 <b>66,331</b>	55,901
Other financial assets	16 <b>0</b>	0
Cash and cash equivalents	17 <b>830</b>	491
	<b>77,395</b>	66,117
Non-current assets classified as "Held for Sale"	11 <b>155</b>	330
<b>Total current assets</b>	<b>77,550</b>	66,447
<b>Total assets</b>	<b>801,163</b>	826,332
<b>Current liabilities</b>		
Trade and other payables	18 <b>(151,171)</b>	(150,778)
Other financial liabilities	19 <b>0</b>	0
Provisions	20 <b>(35,458)</b>	(24,092)
<b>Total current liabilities</b>	<b>(186,629)</b>	(174,870)
<b>Net current assets/ (liabilities)</b>	<b>(109,079)</b>	(108,423)
<b>Non-current liabilities</b>		
Trade and other payables	18 <b>(40,178)</b>	(43,018)
Other financial liabilities	19 <b>0</b>	0
Provisions	20 <b>(115,048)</b>	(160,437)
<b>Total non-current liabilities</b>	<b>(155,226)</b>	(203,455)
<b>Total assets employed</b>	<b>459,308</b>	448,007
<b>Financed by :</b>		
<b>Taxpayers' equity</b>		
General Fund	<b>408,417</b>	399,366
Revaluation reserve	<b>50,891</b>	48,641
<b>Total taxpayers' equity</b>	<b>459,308</b>	448,007

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

On Behalf of the Chief Executive and Accountable Officer .....Date .....  
30th May 2019

The notes on pages 2 to 70 form part of these accounts

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2019**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2018-19</b>			
Balance as at 31 March 2018	399,366	48,641	<b>448,007</b>
Adjustment for Implementation of IFRS 9	(504)	0	<b>-504</b>
Balance at 1 April 2018	398,862	48,641	447,503
Net operating cost for the year	(1,143,379)		<b>(1,143,379)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	3,526	<b>3,526</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Movements in other reserves	0	0	<b>0</b>
Transfers between reserves	1,276	(1,276)	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers to/from (please specify)	0	0	<b>0</b>
<b>Total recognised income and expense for 2018-19</b>	<b>(1,142,103)</b>	2,250	<b>(1,139,853)</b>
Net Welsh Government funding	1,151,658		<b>1,151,658</b>
<b>Balance at 31 March 2019</b>	<b>408,417</b>	<b>50,891</b>	<b>459,308</b>

The notes on pages 2 to 70 form part of these accounts

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2018**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2017-18</b>			
<b>Balance at 31 March 2017</b>	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
<b>Release of reserves to SoCNE</b>	0	0	0
Transfers to/from (please specify)	(505)	0	(505)
<b>Total recognised income and expense for 2017-18</b>	(1,133,782)	20,815	(1,112,967)
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 2 to 70 form part of these accounts

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

	<b>2018-19</b>	2017-18
	<b>£'000</b>	£'000
<b>Cash Flows from operating activities</b>		
Net operating cost for the financial year	<b>(1,143,379)</b>	(1,129,492)
Movements in Working Capital	27 <b>27,348</b>	(52,251)
Other cash flow adjustments	28 <b>22,203</b>	131,449
Provisions utilised	20 <b>(25,389)</b>	(25,868)
<b>Net cash outflow from operating activities</b>	<b>(1,119,217)</b>	(1,076,162)
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(35,340)</b>	(49,716)
Proceeds from disposal of property, plant and equipment	<b>644</b>	2,043
Purchase of intangible assets	<b>(994)</b>	(942)
Proceeds from disposal of intangible assets	<b>0</b>	0
Payment for other financial assets	<b>0</b>	0
Proceeds from disposal of other financial assets	<b>0</b>	0
Payment for other assets	<b>0</b>	0
Proceeds from disposal of other assets	<b>0</b>	0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(35,690)</b>	(48,615)
<b>Net cash inflow/(outflow) before financing</b>	<b>(1,154,907)</b>	(1,124,777)
<b>Cash Flows from financing activities</b>		
Welsh Government funding (including capital)	<b>1,151,658</b>	1,124,543
Capital receipts surrendered	<b>0</b>	0
Capital grants received	<b>384</b>	0
Capital element of payments in respect of finance leases and on-SoFP	<b>3,204</b>	0
Cash transferred (to)/ from other NHS bodies	<b>0</b>	0
<b>Net financing</b>	<b>1,155,246</b>	1,124,543
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>339</b>	(234)
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2018</b>	<b>491</b>	725
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2019</b>	<b>830</b>	491

The notes on pages 2 to 70 form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

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

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

#### 1.3 Income and funding

The main source of funding for the Local Health Boards (LHBs) are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the Local Health Board. Welsh Government funding is recognised in the financial period in which the cash is received.

Non-discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the General Fund.

Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHB for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHB in its provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

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

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

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

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

#### **1.4 Employee benefits**

##### **Short-term employee benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

##### **Retirement benefit costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme, this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

##### **NEST Pension Scheme**

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

#### **1.5 Other expenses**

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

## 1.6 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised if:

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

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

### Valuation

All property, plant and equipment is 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 and
- Specialised buildings – depreciated replacement cost

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

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

In 2017-18 a formal revaluation exercise was applied to land and properties. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

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

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

In accordance with the adaptation of IAS 16 in table 6.2 of the FRoM, 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, and
- 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 cost or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

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

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

### **1.9 Research and Development**

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

### **1.10 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

### **1.11 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### **1.11.1 The Local Health Board as lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Net Expenditure.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

#### **1.11.2 The Local Health Board as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHB net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### **1.12 Inventories**

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the weighted average or "first-in first-out" cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

### 1.13 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

### 1.14 Provisions

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the LHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

#### 1.14.1 Clinical negligence and personal injury costs

The Welsh Risk Pool (WRP) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. ***The risk sharing option was not implemented in 2018-19.*** The WRP is hosted by Velindre NHS Trust.

### 1.15 Financial Instruments

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

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

### 1.16 Financial assets

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

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FR&M should utilise IFRS 9's simplified approach to impairment for relevant assets.

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

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

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

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

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

#### **1.16.3 Held to maturity investments**

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

#### **1.16.4 Available for sale financial assets**

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

#### **1.16.5 Loans and receivables**

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of

Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision of impairment of receivables.

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

#### **1.17 Financial liabilities**

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

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

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

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

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

##### **1.17.3 Other financial liabilities**

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

#### **1.18 Value Added Tax**

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

#### **1.19 Foreign currencies**

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

#### **1.20 Third party assets**

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

#### **1.21 Losses and Special Payments**

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

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

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

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

### **1.22 Pooled budget**

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

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

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

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

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

### **1.24 Key sources of estimation uncertainty**

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

#### **Provisions**

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

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

**Probable & Certain Cases – Accounting Treatment**

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

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

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

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

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

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 2019. Based on a sample, the Health Board has accrued £1.019m (2017-18 £1.310m) for untaken annual leave. This is based on a sample of the leave records of 8% (2017-18: 8%) 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 2019. 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 £1.166m (2017-18: £2.467m) 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 2018/19, as in 2017/18, 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:

#### Primary Care Expenditure

##### General Medical Services Quality and Outcomes Framework

An amount of £2.422m (2017-18: £2.299m) was accrued on the basis of the number of points achieved by each GP Practice in 2018/19 capped at 567 points which is the maximum number of points available under this scheme. Unlike in both 2016/17 and 2017/18 the relaxation of QOF ceased in 2018/19 and therefore no adjustment for relaxation is included in the accrual. The cost per point for QOF included within the accrual for 2018/19 has been uplifted by 3.05% in accordance with the inflation uplift advised by Welsh Government.

##### Prescribing Costs

The Health Board has accrued a total of £14.725m (2017-18: £15.815m) in respect of prescribing costs for the months of February and March 2019. The costs were derived using the average daily charge for the 4 month period October to January 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 2019 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 £4.560m (2017-18: £4.638m) was accrued for February and March pharmacy contract payments and £0.466m (2017-18: £0.525m) for the February and March costs of GMS dispensing. For the past four 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 2018/19 with estimated adjustments made for the increase in contract price per item for February and March 2019.

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 2019.

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

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

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

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

#### **Services received**

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

#### **PFI asset**

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

#### **PFI liability**

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

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

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

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

#### **Lifecycle replacement**

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

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

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

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

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

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

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

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

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

### **1.26 Contingencies**

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

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

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

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

### **1.27 Carbon Reduction Commitment Scheme**

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

### **1.28 Absorption accounting**

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

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

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

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

IFRS14 Regulatory Deferral Accounts (The European Financial Reporting Advisory Group recommended in October 2015 that the Standard should not be endorsed as it is unlikely to be adopted by many EU countries.), IFRS 16 Leases, HMT have confirmed that IFRS 16 Leases, as interpreted and adapted by the FReM is to be effective from 1st April 2020.  
IFRS 17 Insurance Contracts,  
IFRIC 23 Uncertainty over Income Tax Treatment.

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

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

### **1.31 Charities**

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the LHB has established that as the LHB is the corporate trustee of the 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 standard 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			
	2016-17 £'000	2017-18 £'000	2018-19 £'000	Total £'000
<b>Net operating costs for the year</b>	<b>1,102,684</b>	<b>1,129,492</b>	<b>1,143,379</b>	<b>3,375,555</b>
Less general ophthalmic services expenditure and other non-cash limited expenditure	(147)	726	1,484	2,063
Less revenue consequences of bringing PFI schemes onto SoFP	(2,283)	(1,551)	(1,684)	(5,518)
Total operating expenses	1,100,254	1,128,667	1,143,179	3,372,100
Revenue Resource Allocation	1,060,938	1,096,250	1,133,300	3,290,488
<b>Under / (over) spend against Allocation</b>	<b>(39,316)</b>	<b>(32,417)</b>	<b>(9,879)</b>	<b>(81,612)</b>

Abertawe Bro Morgannwg University LHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2016-17 to 2018-19.

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

The Health Board received £7.979m cash only support in 2018-19. The accumulated cash support provided to the Health Board by the Welsh Government is £63.271m as at 31st March 2019. The cash only support is provided to assist the Health Board with ensuring payments to staff and suppliers. There is no interest payable on cash only support. Repayment of this cash assistance will be in accordance with the Health Board's future Integrated Medium Term Plan.

### 2.2 Capital Resource Performance

	2016-17	2017-18	2018-19	Total
	£'000	£'000	£'000	£'000
<b>Gross capital expenditure</b>	<b>44,241</b>	<b>42,663</b>	<b>37,873</b>	<b>124,777</b>
Add: Losses on disposal of donated assets	0	0	0	0
Less: NBV of property, plant and equipment and intangible assets disposed	(83)	(1,918)	(352)	(2,353)
Less: capital grants received	0	0	(384)	(384)
Less: donations received	(407)	(694)	(730)	(1,831)
Charge against Capital Resource Allocation	43,751	40,051	36,407	120,209
Capital Resource Allocation	43,845	40,093	36,447	120,385
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>94</b>	<b>42</b>	<b>40</b>	<b>176</b>

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

### 2.3 Duty to prepare a 3 year plan

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

The LHB submitted an Integrated Medium Term Plan for the period 2018-19 to 2020-21 in accordance with NHS Wales Planning Framework.

**2018-19  
to  
2020-21**

The Minister for Health and Social Services approval status

**Not Approved**

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

The LHB Integrated Medium Term Plan was not approved in 2017-18.

Following the LHB being placed in Targeted Intervention in September 2016, it was not in a position to submit a three -year Integrated Medium Term Plan for 2018-21. The LHB has since operated, in agreement with Welsh Government, under annual planning arrangements. The LHB's Annual Operating Plan for 2018-19, which identified a planned annual deficit of £25 million, was approved by its Board in March 2018. The Board subsequently approved further amendments to the Annual Operating Plan, resulting in a reduction in the planned annual deficit to £10m. The LHB's eventual deficit for 2018/19 was £9.879m.

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2018-19 Total £'000	2017-18 £'000
General Medical Services	86,542		86,542	78,116
Pharmaceutical Services	27,447	(7,189)	20,258	20,811
General Dental Services	36,325		36,325	34,802
General Ophthalmic Services	1,415	5,705	7,120	7,089
Other Primary Health Care expenditure	957		957	2,430
Prescribed drugs and appliances	94,344		94,344	98,804
<b>Total</b>	<b>247,030</b>	<b>-1,484</b>	<b>245,546</b>	<b>242,052</b>

The Total expenditure above includes £0.460m in respect of staff costs (£0.640m 2017-18).

#### 3.2 Expenditure on healthcare from other providers

	2018-19 £'000	2017-18 £'000
Goods and services from other NHS Wales Health Boards	21,969	23,936
Goods and services from other NHS Wales Trusts	14,126	13,016
Goods and services from Health Education and Improvement Wales (HEIW)	0	0
Goods and services from other non Welsh NHS bodies	1,641	1,784
Goods and services from WHSSC / EASC	123,210	118,494
Local Authorities	12,913	9,630
Voluntary organisations	5,158	4,155
NHS Funded Nursing Care	10,169	12,543
Continuing Care	52,076	49,537
Private providers	9,251	5,364
Specific projects funded by the Welsh Government	0	0
Other	5	10
<b>Total</b>	<b>250,518</b>	<b>238,469</b>

GMS Expenditure in Note 3.1 includes £0.068m (2017/18 £2.996m) 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 £86.542m for 2018/19 (2017/18 £78.116m) 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

	2018-19 £'000	2017-18 £'000
Directors' costs	1,846	1,799
Staff costs	657,097	627,156
Supplies and services - clinical	130,772	134,734
Supplies and services - general	10,886	11,117
Consultancy Services	530	476
Establishment	14,365	14,817
Transport	2,881	3,208
Premises	29,340	28,866
External Contractors	3,816	3,829
Depreciation	30,529	32,495
Amortisation	772	607
Fixed asset impairments and reversals (Property, plant & equipment)	1,089	14,716
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	406	407
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	3,035	3,739
Research and Development	5,978	4,982
Other operating expenses	4,896	4,475
<b>Total</b>	<b>898,238</b>	<b>887,423</b>

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

	2018-19 £'000	2017-18 £'000
<b>Increase/(decrease) in provision for future payments:</b>	<b>£'000</b>	<b>£'000</b>
Clinical negligence	(9,988)	85,246
Personal injury	396	(170)
All other losses and special payments	693	221
Defence legal fees and other administrative costs	1,458	1,235
Gross increase/(decrease) in provision for future payments	(7,441)	86,532
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>10,476</b>	<b>(82,793)</b>
<b>Total</b>	<b>3,035</b>	<b>3,739</b>

Personal injury includes £276k (2017-18 -£3k) in respect of permanent injury benefits.

Clinical Redress expenditure during the year was £523k in respect of 76 cases (2017-18 £631k re 95 cases).

#### 4. Miscellaneous Income

	2018-19 £'000	2017-18 £'000
Local Health Boards	69,037	67,042
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	107,369	102,615
NHS trusts	6,059	6,808
Health Education and Improvement Wales (HEIW)	5,976	0
Other NHS England bodies	3,521	3,227
Foundation Trusts	0	0
Local authorities	7,404	7,504
Welsh Government	11,168	8,170
Non NHS:		
Prescription charge income	0	0
Dental fee income	6,843	6,818
Private patient income	3,862	3,817
Overseas patients (non-reciprocal)	144	202
Injury Costs Recovery (ICR) Scheme	2,685	2,367
Other income from activities	3,545	3,103
Patient transport services	0	
Education, training and research	17,460	22,548
Charitable and other contributions to expenditure	784	368
Receipt of donated assets	730	694
Receipt of Government granted assets	384	0
Non-patient care income generation schemes	656	643
NHS Wales Shared Services Partnership (NWSSP)	0	0
Deferred income released to revenue	822	245
Contingent rental income from finance leases	0	0
Rental income from operating leases	509	522
Other income:		
Provision of laundry, pathology, payroll services	267	233
Accommodation and catering charges	3,380	3,196
Mortuary fees	322	344
Staff payments for use of cars	1,916	1,690
Business Unit	0	0
Other	953	1,092
<b>Total</b>	<b>255,796</b>	<b>243,248</b>

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of **21.89%** to reflect expected rates of collection.

	2018-19	2017-18
Other Income includes:		
Grant Income	20	5
Pharmacy and Other Sales Income	97	106
Clinical Trials Income	96	96
Search Fee Income	34	159
Syrian Refugee Income	109	279
All Other Income	597	447
<b>Total</b>	<b>953</b>	<b>1,092</b>

Health Education and Improvement Wales (HEIW) came into being on 1st October 2018. The income received from HEIW prior to 1st October 2018 is included in Education, Training & Research income .

## 5. Investment Revenue

	2018-19 £000	2017-18 £000
<b>Rental revenue :</b>		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue :</b>		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 6. Other gains and losses

	2018-19 £000	2017-18 £000
Gain/(loss) on disposal of property, plant and equipment	142	37
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	150	90
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>292</b>	<b>127</b>

## 7. Finance costs

	2018-19 £000	2017-18 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	26	39
Interest on obligations under PFI contracts		
main finance cost	2,529	2,673
contingent finance cost	2,604	2,194
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>5,159</b>	<b>4,906</b>
Provisions unwinding of discount	6	17
Other finance costs	0	0
<b>Total</b>	<b>5,165</b>	<b>4,923</b>

## 8. Operating leases

### LHB as lessee

As at 31st March 2019 the LHB had 27 operating leases agreements in place for the leases of premises, 230 arrangements in respect of equipment and 363 in respect of vehicles, with 2 premises, 88 equipment and 45 vehicle leases having expired in year. The periods in which the remaining 620 agreements expire are shown below:

<b>Payments recognised as an expense</b>	<b>2018-19</b>	2017-18
	<b>£000</b>	£000
Minimum lease payments	<b>7,207</b>	6,524
Contingent rents	<b>0</b>	0
Sub-lease payments	<b>0</b>	0
<b>Total</b>	<b>7,207</b>	6,524

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

<b>Payable</b>	<b>£000</b>	£000
Not later than one year	<b>6,815</b>	6,150
Between one and five years	<b>15,759</b>	15,021
After 5 years	<b>11,264</b>	8,455
<b>Total</b>	<b>33,838</b>	29,626

<b>Number of operating leases expiring</b>	<b>Land &amp; Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
Not later than one year	8	82	44	<b>134</b>
Between one and five years	2	281	185	<b>468</b>
After 5 years	17	0	1	<b>18</b>
<b>Total</b>	<b>27</b>	<b>363</b>	<b>230</b>	<b>620</b>

<b>Charged to the income statement (£000)</b>	<b>1,504</b>	<b>1,030</b>	<b>4,673</b>	<b>7,207</b>
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There are no future sublease payments expected to be received

### LHB as lessor

<b>Rental revenue</b>	<b>£000</b>	£000
Rent	<b>509</b>	522
Contingent rents	<b>0</b>	0
<b>Total revenue rental</b>	<b>509</b>	522

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

<b>Receivable</b>	<b>£000</b>	£000
Not later than one year	<b>361</b>	383
Between one and five years	<b>1,143</b>	871
After 5 years	<b>1,718</b>	1,309
<b>Total</b>	<b>3,222</b>	2,563

## 9. Employee benefits and staff numbers

### 9.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total 2018-19	2017-18
	£000	£000	£000	£000	£000	£000
Salaries and wages	522,131	936	26,217	0	549,284	525,182
Social security costs	49,917	0	0	0	49,917	47,634
Employer contributions to NHS Pension Scheme	65,202	0	0	0	65,202	62,180
Other pension costs	196	0	0	0	196	177
Other employment benefits	0	0	0	0	0	0
Termination benefits	70	0	0	0	70	117
<b>Total</b>	<b>637,516</b>	<b>936</b>	<b>26,217</b>	<b>0</b>	<b>664,669</b>	<b>635,290</b>
Charged to capital					708	743
Charged to revenue					663,961	634,547
					<b>664,669</b>	<b>635,290</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)					1,086	(236)

### 9.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total 2018-19	2017-18
	Number	Number	Number	Number	Number	Number
Administrative, clerical and board members	2,490	11	34	0	2,535	2,501
Medical and dental	1,355	0	37	0	1,392	1,386
Nursing, midwifery registered	4,480	0	156	0	4,636	4,567
Professional, Scientific, and technical staff	448	0	0	0	448	439
Additional Clinical Services	2,744	0	23	0	2,767	2,798
Allied Health Professions	909	0	12	0	921	907
Healthcare Scientists	323	0	1	0	324	328
Estates and Ancillary	1,390	0	20	0	1,410	1,419
Students	5	0	0	0	5	9
<b>Total</b>	<b>14,144</b>	<b>11</b>	<b>283</b>	<b>0</b>	<b>14,438</b>	<b>14,354</b>

### 9.3. Retirements due to ill-health

During 2018-19 there were 15 early retirements from the LHB agreed on the grounds of ill-health (2017-18, 11). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £660,912 (2017-18, £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)	2018-19	2018-19	2018-19	2018-19	2017-18
	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	0	0	0	1
£25,000 to £50,000	0	1	1	0	0
£50,000 to £100,000	0	0	0	0	1
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>2</b>

Exit packages cost band (including any special payment element)	2018-19	2018-19	2018-19	2018-19	2017-18
	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	0	0	0	24,421
£25,000 to £50,000	0	45,805	45,805	0	0
£50,000 to £100,000	0	0	0	0	92,328
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>45,805</b>	<b>45,805</b>	<b>0</b>	<b>116,749</b>

The exit package disclosed for 2018/19 comprises departure costs paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS).

Of the packages disclosed above for 2017/18, 1 package comprises departure costs paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). The remaining package relates to a payment made to the former Director of Human Resources 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 pension scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

### 9.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

In 2018-19 the highest paid director in the LHB was the Chief Executive, in 2017-18 it was the Medical Director who left the LHB in July 2018.

The banded remuneration of the Chief Executive in the LHB in the financial year 2018-19 was £200,000 - £205,000 (2017-18, £200,000- £205,000). This was 7.0 times (2017-18, 7.1) the median remuneration of the workforce, which was £28,840 (2017-18, £28,667).

In 2018-19, 11 (2017-18, 2) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £17,460 to £245,038 (2017-18 £16,523 to £222,051).

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 2018-19 were all medical staff as in 2017-18. None of these staff are related to the Chairman, Executive Directors or Non Officer Members.

## 9.7 Pension costs

### PENSION COSTS

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

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

#### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). and are published annually. Copies can also be obtained from The Stationery Office.

#### b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

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

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

### **c) National Employment Savings Trust (NEST)**

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

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

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

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

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

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

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

### 10.1 Prompt payment code - measure of compliance

The Welsh Government requires that Health Boards pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government has set as part of the Health Board financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

	<b>2018-19</b>	<b>2018-19</b>	2017-18	2017-18
<b>NHS</b>	<b>Number</b>	<b>£000</b>	Number	£000
Total bills paid	<b>5,770</b>	<b>189,151</b>	5,822	176,146
Total bills paid within target	<b>4,845</b>	<b>182,341</b>	4,881	164,686
Percentage of bills paid within target	<b>84.0%</b>	<b>96.4%</b>	83.8%	93.5%
<b>Non-NHS</b>				
Total bills paid	<b>310,861</b>	<b>374,262</b>	300,160	379,963
Total bills paid within target	<b>294,597</b>	<b>353,753</b>	282,150	354,208
Percentage of bills paid within target	<b>94.8%</b>	<b>94.5%</b>	94.0%	93.2%
<b>Total</b>				
Total bills paid	<b>316,631</b>	<b>563,413</b>	305,982	556,109
Total bills paid within target	<b>299,442</b>	<b>536,094</b>	287,031	518,894
Percentage of bills paid within target	<b>94.6%</b>	<b>95.2%</b>	93.8%	93.3%

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

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

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 2018</b>	55,640	477,074	12,829	15,541	133,243	1,585	41,983	7,978	745,873
Indexation	987	2,519	129	0	0	0	0	0	3,635
Additions									
- purchased	136	5,237	0	16,486	9,371	165	4,121	250	35,766
- donated	0	38	0	188	398	0	106	0	730
- government granted	0	0	0	383	0	0	1	0	384
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	10,830	0	(11,867)	592	0	323	66	(56)
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	126	2,253	0	0	0	0	0	0	2,379
Impairments	113	(3,887)	0	0	0	0	0	0	(3,774)
Reclassified as held for sale	(155)	0	0	0	0	0	0	0	(155)
Disposals	(20)	65	0	0	(6,940)	(124)	(3,127)	(2,638)	(12,784)
<b>At 31 March 2019</b>	<b>56,827</b>	<b>494,129</b>	<b>12,958</b>	<b>20,731</b>	<b>136,664</b>	<b>1,626</b>	<b>43,407</b>	<b>5,656</b>	<b>771,998</b>
<b>Depreciation at 1 April 2018</b>	0	10,476	169	0	99,012	1,272	26,228	5,288	142,445
Indexation	0	105	2	0	0	0	0	0	107
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	3	0	0	0	3
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	(306)	0	0	0	0	0	0	(306)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	65	0	0	(6,938)	(124)	(3,127)	(2,638)	(12,762)
Provided during the year	0	16,504	354	0	8,220	111	4,778	562	30,529
<b>At 31 March 2019</b>	<b>0</b>	<b>26,844</b>	<b>525</b>	<b>0</b>	<b>100,297</b>	<b>1,259</b>	<b>27,879</b>	<b>3,212</b>	<b>160,016</b>
<b>Net book value at 1 April 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 2019</b>	<b>56,827</b>	<b>467,285</b>	<b>12,433</b>	<b>20,731</b>	<b>36,367</b>	<b>367</b>	<b>15,528</b>	<b>2,444</b>	<b>611,982</b>
<b>Net book value at 31 March 2019 comprises :</b>									
Purchased	56,827	463,491	12,433	20,234	35,455	362	15,111	2,418	606,331
Donated	0	3,720	0	188	897	0	354	5	5,164
Government Granted	0	74	0	309	15	5	63	21	487
<b>At 31 March 2019</b>	<b>56,827</b>	<b>467,285</b>	<b>12,433</b>	<b>20,731</b>	<b>36,367</b>	<b>367</b>	<b>15,528</b>	<b>2,444</b>	<b>611,982</b>
<b>Asset financing :</b>									
Owned	54,787	416,318	12,433	20,731	35,947	367	15,528	2,444	558,555
Held on finance lease	0	0	0	0	420	0	0	0	420
On-SoFP PFI contracts	2,040	50,967	0	0	0	0	0	0	53,007
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>56,827</b>	<b>467,285</b>	<b>12,433</b>	<b>20,731</b>	<b>36,367</b>	<b>367</b>	<b>15,528</b>	<b>2,444</b>	<b>611,982</b>

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

	£000
Freehold	481,080
Long Leasehold	55,465
Short Leasehold	0
	<b>536,545</b>

Within the note above, reclassifications of (£56k) are shown. This is due to the recalcification 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 2017</b>	59,854	528,613	12,714	18,504	131,274	1,710	34,751	7,743	<b>795,163</b>
Indexation	0	0	0	0	0	0	0	0	0
Additions									
- purchased	771	3,005	0	22,359	10,149	0	4,514	228	<b>41,026</b>
- donated	0	16	0	199	287	0	164	7	<b>673</b>
- government granted	0	0	0	0	0	0	0	0	<b>0</b>
Transfer from/into other NHS bodies	(110)	(396)	0	0	0	0	0	0	<b>(506)</b>
Reclassifications	0	22,755	0	(25,521)	31	0	2,611	0	<b>(124)</b>
Revaluations	(3,040)	(63,360)	(197)	0	0	0	0	0	<b>(66,597)</b>
Reversal of impairments	8	5,487	385	0	0	0	0	0	<b>5,880</b>
Impairments	(1,477)	(19,046)	(73)	0	0	0	0	0	<b>(20,596)</b>
Reclassified as held for sale	(330)	0	0	0	0	0	0	0	<b>(330)</b>
Disposals	(36)	0	0	0	(8,498)	(125)	(57)	0	<b>(8,716)</b>
<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	<b>202,251</b>
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	<b>0</b>
Revaluations	0	(81,864)	(1,763)	0	0	0	0	0	<b>(83,627)</b>
Reversal of impairments	0	0	0	0	0	0	0	0	<b>0</b>
Impairments	0	0	0	0	0	0	0	0	<b>0</b>
Reclassified as held for sale	0	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	(8,492)	(125)	(57)	0	<b>(8,674)</b>
Provided during the year	0	15,939	342	0	11,213	122	4,197	682	<b>32,495</b>
<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	<b>598,402</b>
Donated	0	3,817	0	2	672	0	352	7	<b>4,850</b>
Government Granted	0	0	0	0	20	8	118	30	<b>176</b>
<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	<b>550,395</b>
Held on finance lease	0	0	0	0	630	0	0	0	<b>630</b>
On-SoFP PFI contracts	2,000	50,403	0	0	0	0	0	0	<b>52,403</b>
PFI residual interests	0	0	0	0	0	0	0	0	<b>0</b>
<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. LHBs are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

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

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

### Additional disclosures re Property, Plant and Equipment

The majority of donated assets were purchased by the Abertawe Bro Morgannwg University Health Board Charity and donated to the health board.

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

Equipment assets are allocated lives on based on the professional judgement and past experience of clinicians, finance staff and other Health Board professionals. The appropriateness of these lives is reviewed regularly. The equipment lives are as follows:

Medical Equipment range from 5 to 15 Years

Non-clinical Equipment - 5 Years

Vehicles - 7 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 Renal Unit Refurbishment - June 2018

Morrison Hospital Chiller Replacement - June 2018

Singleton Hospital Pharmacy Aseptic Development- June 2018

### IFRS 13 Fair value measurement

There are no assets requiring Fair Value measurement under IFRS 13 in 2018-19

**11. Property, plant and equipment**

**11.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance brought forward 1 April 2018</b>	330	0	0	0	0	<b>330</b>
Plus assets classified as held for sale in the year	155	0	0	0	0	155
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(330)	0	0	0	0	(330)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2019</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>155</b>
<b>Balance brought forward 1 April 2017</b>	1,875	0	0	0	0	<b>1,875</b>
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>

**Assets sold in the period**

Fairwood Hospital

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

Coelbren Health Centre

**12. Intangible non-current assets**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2018</b>	6,953	0	279	0	0	0	7,232
Revaluation	0	0	0	0	0	0	0
Reclassifications	56	0	0	0	0	0	56
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	797	0	196	0	0	0	993
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2019</b>	<b>7,806</b>	<b>0</b>	<b>475</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,281</b>
<b>Amortisation at 1 April 2018</b>	4,756	0	2	0	0	0	4,758
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	619	0	153	0	0	0	772
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 2019</b>	<b>5,375</b>	<b>0</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,530</b>
<b>Net book value at 1 April 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>Net book value at 31 March 2019</b>	<b>2,431</b>	<b>0</b>	<b>320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,751</b>
<b>At 31 March 2019</b>							
Purchased	2,408	0	320	0	0	0	2,728
Donated	22	0	0	0	0	0	22
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2019</b>	<b>2,430</b>	<b>0</b>	<b>320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,750</b>

The reclassification of £56k 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 2017</b>	6,135	0	9	0	0	0	<b>6,144</b>
Revaluation	0	0	0	0	0	0	<b>0</b>
Reclassifications	124	0	0	0	0	0	<b>124</b>
Reversal of impairments	0	0	0	0	0	0	<b>0</b>
Impairments	0	0	0	0	0	0	<b>0</b>
Additions- purchased	672	0	270	0	0	0	<b>942</b>
Additions- internally generated	0	0	0	0	0	0	<b>0</b>
Additions- donated	22	0	0	0	0	0	<b>22</b>
Additions- government granted	0	0	0	0	0	0	<b>0</b>
Reclassified as held for sale	0	0	0	0	0	0	<b>0</b>
Transfers	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	0	0	<b>0</b>
<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	<b>4,151</b>
Revaluation	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	0	0	0	0	0	<b>0</b>
Reversal of impairments	0	0	0	0	0	0	<b>0</b>
Impairment	0	0	0	0	0	0	<b>0</b>
Provided during the year	605	0	2	0	0	0	<b>607</b>
Reclassified as held for sale	0	0	0	0	0	0	<b>0</b>
Transfers	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	0	0	<b>0</b>
<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	<b>2,441</b>
Donated	33	0	0	0	0	0	<b>33</b>
Government Granted	0	0	0	0	0	0	<b>0</b>
Internally generated	0	0	0	0	0	0	<b>0</b>
<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

**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 sold 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**

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**

### 13 . Impairments

	2018-19		2017-18	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	24	0	13	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	10	0	445	0
Others (specify)	3,434	0	26,563	0
Reversal of impairments	(2,379)	0	(5,881)	0
<b>Total of all impairments</b>	<b>1,089</b>	<b>0</b>	<b>21,140</b>	<b>0</b>

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

Charged to the Statement of Comprehensive Net Expenditure	1,089	0	14,716	0
Charged to Revaluation Reserve	0	0	6,424	0
	<b>1,089</b>	<b>0</b>	<b>21,140</b>	<b>0</b>

The impairment losses disclosed above as "other" comprise:

£3.434m for the write down to depreciated replacement cost following the initial professional valuation on completion of 3 specialised assets as detailed below

Morrison Hospital Renal Unit Refurbishment - £2.189m  
Morrison Hospital Chiller Replacement - £0.096m  
Singleton Hospital Pharmacy Aseptic Development - £1.149m

## 14.1 Inventories

	<b>31 March</b>	31 March
	<b>2019</b>	2018
	<b>£000</b>	£000
Drugs	<b>4,525</b>	4,523
Consumables	<b>5,334</b>	5,092
Energy	<b>375</b>	110
Work in progress	<b>0</b>	0
Other	<b>0</b>	0
<b>Total</b>	<b>10,234</b>	9,725
Of which held at realisable value	<b>0</b>	0

## 14.2 Inventories recognised in expenses

	<b>31 March</b>	31 March
	<b>2019</b>	2018
	<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>	<b>0</b>

Note 14.1 discloses the stock values held at 31st March 2019. 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 2019 £000	31 March 2018 £000
Welsh Government	4,853	1,858
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	1,981	1,675
Welsh Health Boards	3,612	4,069
Welsh NHS Trusts	1,640	1,340
Health Education and Improvement Wales (HEIW)	329	0
Non - Welsh Trusts	75	32
Other NHS	253	551
Welsh Risk Pool	38,211	31,106
Local Authorities	2,235	2,609
Capital debtors	0	13
Other debtors	10,522	9,209
Provision for irrecoverable debts	(3,068)	(2,222)
Pension Prepayments	0	0
Other prepayments	5,037	5,334
Other accrued income	651	327
<b>Sub total</b>	<b>66,331</b>	<b>55,901</b>
<b>Non-current</b>		
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	108,880	153,983
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>108,880</b>	<b>153,983</b>
<b>Total</b>	<b>175,211</b>	<b>209,884</b>
<b>Receivables past their due date but not impaired</b>		
By up to three months	6,772	3,509
By three to six months	358	529
By more than six months	467	745
	<b>7,597</b>	<b>4,783</b>

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

Balance at 31 March 2018	(2,222)	
Adjustment for Implementation of IFRS 9	(504)	
Balance at 1 April 2018	(2,726)	(1,165)
Transfer to other NHS Wales body	0	0
Amount written off during the year	635	155
Amount recovered during the year	94	377
(Increase) / decrease in receivables impaired	(1,071)	(1,589)
Bad debts recovered during year	0	0
Balance at 31 March	(3,068)	(2,222)

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

### Receivables VAT

Trade receivables	2,373	1,219
Other	0	0
<b>Total</b>	<b>2,373</b>	<b>1,219</b>

## 16. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	£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

	2018-19	2017-18
	£000	£000
Balance at 1 April	491	725
Net change in cash and cash equivalent balances	339	(234)
Balance at 31 March	<b>830</b>	491
Made up of:		
Cash held at GBS	708	329
Commercial banks	0	0
Cash in hand	122	162
Current Investments	0	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>830</b>	491
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>830</b>	491

In response to the IAS 7 requirement for additional disclosure, the changes in liabilities arising for financing activities are;

Lease Liabilities £258k  
PFI liabilities £2,946k

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

## 18. Trade and other payables

<b>Current</b>	<b>31 March 2019 £000</b>	31 March 2018 £000
Welsh Government	16	18
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	650	925
Welsh Health Boards	4,532	3,282
Welsh NHS Trusts	2,540	1,877
Health Education and Improvement Wales (HEIW)	0	0
Other NHS	1,192	810
Taxation and social security payable / refunds	5,896	5,621
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	241	101
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	7,571	7,257
Non-NHS creditors	19,622	20,923
Local Authorities	6,285	4,109
Capital Creditors	10,643	9,989
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	270	258
Imputed finance lease element of on SoFP PFI contracts	2,569	2,945
Pensions: staff	10,297	9,305
Accruals	75,354	79,668
Deferred Income:		
Deferred Income brought forward	2,720	253
Deferred Income Additions	1,061	2,711
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(822)	(245)
Other creditors	534	971
PFI assets –deferred credits	0	0
Payments on account	0	0
<b>Total</b>	<b>151,171</b>	<b>150,778</b>
<b>Non-current</b>		
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	211	481
Imputed finance lease element of on SoFP PFI contracts	39,967	42,537
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>40,178</b>	<b>43,018</b>

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

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

	<b>31-Mar-19 £000</b>	<b>31-Mar-18 £000</b>
Between one and two years	3,042	2,840
Between two and five years	10,878	11,020
In five years or more	26,258	29,158
Sub-total	40,178	43,018

**19. Other financial liabilities**

Financial liabilities	Current		Non-current	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	£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 2018	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	17,587	0	(714)	43,837	27,946	(20,347)	(37,912)	0	30,397
Personal injury	1,010	0	0	446	554	(976)	(312)	6	728
All other losses and special payments	0	0	0	0	693	(693)	0	0	0
Defence legal fees and other administration	1,489	0	0	275	2,389	(862)	(1,137)		2,154
Pensions relating to former directors	4			4	0	(4)	0	0	4
Pensions relating to other staff	139			47	96	(139)	(4)	0	139
Restructuring	0			0	0	0	0	0	0
Other	3,863		0	0	1,437	(1,247)	(2,017)		2,036
<b>Total</b>	<b>24,092</b>	<b>0</b>	<b>(714)</b>	<b>44,609</b>	<b>33,115</b>	<b>(24,268)</b>	<b>(41,382)</b>	<b>6</b>	<b>35,458</b>
<b>Non Current</b>									
Clinical negligence	152,908	0	0	(43,837)	5,067	(1,104)	(5,089)	0	107,945
Personal injury	6,036	0	0	(446)	275	0	(121)	0	5,744
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	1,277	0	0	(275)	210	(17)	(4)		1,191
Pensions relating to former directors	16			(4)	0	0	0	0	12
Pensions relating to other staff	200			(47)	4	0	(1)	0	156
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>160,437</b>	<b>0</b>	<b>0</b>	<b>(44,609)</b>	<b>5,556</b>	<b>(1,121)</b>	<b>(5,215)</b>	<b>0</b>	<b>115,048</b>
<b>TOTAL</b>									
Clinical negligence	170,495	0	(714)	0	33,013	(21,451)	(43,001)	0	138,342
Personal injury	7,046	0	0	0	829	(976)	(433)	6	6,472
All other losses and special payments	0	0	0	0	693	(693)	0	0	0
Defence legal fees and other administration	2,766	0	0	0	2,599	(879)	(1,141)		3,345
Pensions relating to former directors	20			0	0	(4)	0	0	16
Pensions relating to other staff	339			0	100	(139)	(5)	0	295
Restructuring	0			0	0	0	0	0	0
Other	3,863		0	0	1,437	(1,247)	(2,017)		2,036
<b>Total</b>	<b>184,529</b>	<b>0</b>	<b>(714)</b>	<b>0</b>	<b>38,671</b>	<b>(25,389)</b>	<b>(46,597)</b>	<b>6</b>	<b>150,506</b>

### Expected timing of cash flows:

	In year to 31 March 2020	Between 1 April 2020 31 March 2024	Thereafter	Total
				£000
Clinical negligence	30,397	107,945	0	138,342
Personal injury	728	1,978	3,766	6,472
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	2,154	1,191	0	3,345
Pensions relating to former directors	4	12	0	16
Pensions relating to other staff	139	135	21	295
Restructuring	0	0	0	0
Other	2,036	0	0	2,036
<b>Total</b>	<b>35,458</b>	<b>111,261</b>	<b>3,787</b>	<b>150,506</b>

The expected timing of cashflows are based on best available information; but they could change on the basis of individual case changes.

The Clinical Negligence provision arising from redress includes £523k arising and £523k utilised in year.

Other provisions includes £1.166m in respect of retrospective Continuing Healthcare claims (CHC) which are subject to review by CHC teams in Powys and ABMU Health Boards. Other provisions also include £0.607m in respect of payments to HMRC in respect of the HMRC review of employment status of GP's undertaking GP out of Hours sessions for the Health Board.

Reimbursements are anticipated from the Welsh Risk Pool for Clinical Negligence, Personal Injury and Defence Fee payments against these provisions above amounting to £147.091m. This amount is recognised in Note 15 Trade and Other Receivables

20. Provisions (continued)

	At 1 April 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	29,338	0	(1,652)	(930)	18,640	(18,658)	(9,151)	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>25,275</b>	<b>(21,920)</b>	<b>(12,232)</b>	<b>17</b>	<b>24,092</b>
<b>Non Current</b>									
Clinical negligence	83,278	0	(3,200)	930	82,005	(3,857)	(6,248)	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>82,653</b>	<b>(3,948)</b>	<b>(6,409)</b>	<b>0</b>	<b>160,437</b>
<b>TOTAL</b>									
Clinical negligence	112,616	0	(4,852)	0	100,645	(22,515)	(15,399)	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>107,928</b>	<b>(25,868)</b>	<b>(18,641)</b>	<b>17</b>	<b>184,529</b>

The expected timing of cashflows are based on best available information; but they could change on the basis of individual case changes.

The Clinical Negligence provision arising from redress includes £631k arising and £631k utilised in year.

Other provisions includes £2.467m in respect of retrospective Continuing Healthcare claims (CHC) which are subject to review by CHC teams in Powys and ABMU Health Boards.

Reimbursements are anticipated from the Welsh Risk Pool for Clinical Negligence, Personal Injury and Defence Fee payments against these provisions above amounting to £185.089m. This amount is recognised in Note 15 Trade and Other Receivables

## 21. Contingencies

### 21.1 Contingent liabilities

	<b>2018-19</b>	2017-18
	<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>146,656</b>	80,325
Doubtful debts	<b>0</b>	0
Equal Pay costs	<b>0</b>	0
Defence costs	<b>3,831</b>	2,892
Continuing Health Care costs	<b>3,398</b>	8,336
Other	<b>0</b>	0
Total value of disputed claims	<b>153,885</b>	91,553
Amounts (recovered) in the event of claims being successful	<b>(138,606)</b>	<b>(70,422)</b>
<b>Net contingent liability</b>	<b>15,279</b>	<b>21,131</b>

### Continuing Healthcare Cost Uncertainties

Liabilities for continuing healthcare costs continue to be a significant issue for the LHB. The 31st July 2014 deadline for the submission of any claims dating back to 1st April 2003 resulted in a large increase in the number of claims registered (phase 2 claims).

ABMU LHB is responsible for the post 1st April 2003 costs and the financial statements include the following amounts relating to these uncertain continuing healthcare costs:

Note 20 sets out the £6,090 provision made for probable continuing care costs relating to the 1 claim remaining.

There are no remaining contingent liabilities for phase 2 claims.

During the 2017/18 financial year, the health board made significant progress in assessing phase 3, 4 and 5 continuing healthcare claims and, enabling provisions to be made in the health board's accounts for the year ended 31st March 2018. Further progress has been made in 2018/19 in assessing phase 7 claims which are also now able to be included within both the provisions figure reported in Note 20 and within the contingent liabilities figure reported above. Therefore as at 31st March 2019, the LHB has included the following amounts relating to these uncertain continuing healthcare costs for these claims:

Note 20 sets out the £1,159,839 provision for probable continuing care costs relating to 95 claims received.

Note 21.1 sets out the £3,398,130 contingent liability for possible continuing care costs relating to 71 claims received.

**21.2 Remote Contingent liabilities**

	<b>2018-19</b>	2017-18
	<b>£'000</b>	£'000
Please disclose the values of the following categories of remote contingent liabilities :		
Guarantees	<b>290</b>	144
Indemnities	<b>0</b>	0
Letters of Comfort	<b>0</b>	0
<b>Total</b>	<b>290</b>	<b>144</b>

**21.3 Contingent assets**

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

**22. Capital commitments**

**Contracted capital commitments at 31 March**

	<b>2018-19</b>	2017-18
	<b>£'000</b>	£'000
Property, plant and equipment	<b>8,214</b>	1,032
Intangible assets	<b>0</b>	0
<b>Total</b>	<b>8,214</b>	<b>1,032</b>

### 23. Losses and special payments

Losses and special payments are charged to the Statement of Comprehensive Net Expenditure in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

#### Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial year

	Amounts paid out during period to 31 March 2019		Approved to write-off to 31 March 2019	
	Number	£	Number	£
Clinical negligence	143	20,928,034	13	1,054,590
Personal injury	43	421,976	26	217,774
All other losses and special payments	266	692,787	266	692,787
<b>Total</b>	<b>452</b>	<b>22,042,797</b>	<b>305</b>	<b>1,965,151</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 £
04RVCMN0045	Clinical Negligence	6,500	2,182,651	0
07RVCMN0045	Clinical Negligence	0	710,000	0
08RVCMN0021	Clinical Negligence	25,000	1,129,996	0
08RVCMN0035	Clinical Negligence	0	708,000	0
09RVCMN0077	Clinical Negligence	0	8,500,000	0
10RYMMN0033	Clinical Negligence	0	1,100,000	0
10RYMMN0057	Clinical Negligence	6,500	2,312,556	0
10RYMMN0173	Clinical Negligence	0	831,250	0
10RYMMN0205	Clinical Negligence	0	481,250	0
10RYMMN0212	Clinical Negligence	50,000	751,100	0
10RYMMN0223	Clinical Negligence	3,005,000	3,935,000	0
11RYMMN0156	Clinical Negligence	350,000	370,000	0
11RYMMN0179	Clinical Negligence	0	839,224	0
12RYMMN0001	Clinical Negligence	84,880	1,254,880	0
12RYMMN0047	Clinical Negligence	130,000	338,000	0
12RYMMN0106	Clinical Negligence	0	845,541	0
12RYMMN0108	Clinical Negligence	0	736,164	0
12RYMMN0130	Clinical Negligence	250,000	424,000	0
13RYMMN0004	Clinical Negligence	0	319,550	0
13RYMMN0010	Clinical Negligence	85,000	730,311	0
13RYMMN0078	Clinical Negligence	62,500	595,000	0
13RYMMN0094	Clinical Negligence	715,977	778,061	0
13RYMMN0235	Clinical Negligence	4,140,000	5,325,000	0
14RYMMN0034	Clinical Negligence	0	890,000	0
14RYMMN0047	Clinical Negligence	512,837	547,837	0
14RYMMN0103	Clinical Negligence	1,618,830	2,568,119	0
14RYMMN0110	Clinical Negligence	58,500	301,705	0
14RYMMN0120	Clinical Negligence	200,000	430,000	0
14RYMMN0169	Clinical Negligence	0	481,517	0
14RYMMN0207	Clinical Negligence	0	615,000	0
15RYMMN0036	Clinical Negligence	688,185	688,185	688,185
15RYMMN0105	Clinical Negligence	91,000	316,000	0
15RYMMN0106	Clinical Negligence	30,000	656,000	0
15RYMMN0176	Clinical Negligence	1,535,000	1,663,329	0
15RYMMN0232	Clinical Negligence	415,800	415,800	0
15RYMMN0240	Clinical Negligence	77,100	417,100	0
16RYMMN0120	Clinical Negligence	(18,021)	4,419,979	0
17RYMMN030	Clinical Negligence	660,284	1,360,284	0
<b>Sub-total</b>		<b>14,780,872</b>	<b>50,968,389</b>	<b>688,185</b>
<b>All other cases</b>		<b>7,261,925</b>	<b>18,344,658</b>	<b>1,276,966</b>
<b>Total cases</b>		<b>22,042,797</b>	<b>69,313,047</b>	<b>1,965,151</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 (2017-18 - £Nil)

Contingent rents recognised as an expense total £Nil (2017-18 - £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 2019 £000</b>	31 March 2018 £000
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>

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

**Amounts payable under finance leases:**

<b>Buildings</b>	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
<b>Minimum lease payments</b>	<b>0</b>	<b>0</b>
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
<b>Present value of minimum lease payments</b>	<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 2019 £000</b>	<b>31 March 2018 £000</b>
<b>Minimum lease payments</b>		
Within one year	284	284
Between one and five years	213	498
After five years	0	0
Less finance charges allocated to future periods	(16)	(43)
<b>Minimum lease payments</b>	<b>481</b>	<b>739</b>
Included in:		
Current borrowings	270	258
Non-current borrowings	211	481
	<b>481</b>	<b>739</b>

**Present value of minimum lease payments**

Within one year	270	258
Between one and five years	211	481
After five years	0	0
<b>Present value of minimum lease payments</b>	<b>481</b>	<b>739</b>
Included in:		
Current borrowings	270	258
Non-current borrowings	211	481
	<b>481</b>	<b>739</b>

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

The Health Board [has no](#) finance leases receivable as a lessor.

**Amounts receivable under finance leases:**

	<b>31 March</b>	31 March
	<b>2019</b>	2018
	<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 LHB has no PFI schemes which are deemed to be off-statement of financial position

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2019 £000	31 March 2018 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	<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 in respect of Neath Port Hospital.

The first payment on the contract was made in December 2002. The annual payments to the contractor amount to approximately £11.925 million. 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	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000
Total payments due within one year	2,569	4,897	4,757
Total payments due between 1 and 5 years	12,245	20,054	19,728
Total payments due thereafter	27,722	39,154	24,122
Total future payments in relation to PFI contracts	<u>42,536</u>	<u>64,105</u>	<u>48,607</u>

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000
Total payments due within one year	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>

Total present value of obligations for on-SoFP PFI contracts **£155m**

**25.3 Charges to expenditure**

	2018-19	2017-18
	<b>£000</b>	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	<b>2,488</b>	2,428
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>2,488</b>	2,428

The LHB is committed to the following annual charges

	31 March 2019	31 March 2018
	<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>12,223</b>	11,925
<b>Total</b>	<b>12,223</b>	11,925

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

**25.4 Number of PFI contracts**

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

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

**PFI Contract**

Neath Port Talbot Hospital	On
----------------------------	----

**25.5 The LHB had no Public Private Partnerships during the year**

## **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>2018-19</b>	2017-18
	<b>£000</b>	£000
(Increase)/decrease in inventories	<b>(509)</b>	730
(Increase)/decrease in trade and other receivables - non-current	<b>45,103</b>	(70,458)
(Increase)/decrease in trade and other receivables - current	<b>(10,430)</b>	10,631
Increase/(decrease) in trade and other payables - non-current	<b>(2,840)</b>	(3,204)
Increase/(decrease) in trade and other payables - current	<b>393</b>	1,359
<b>Total</b>	<b>31,717</b>	(60,942)
Adjustment for accrual movements in fixed assets - creditors	<b>(654)</b>	8,718
Adjustment for accrual movements in fixed assets - debtors	<b>(7)</b>	(27)
Other adjustments	<b>(3,708)</b>	0
	<b>27,348</b>	(52,251)

**28. Other cash flow adjustments**

	<b>2018-19</b>	2017-18
	<b>£000</b>	£000
Depreciation	<b>30,529</b>	32,495
Amortisation	<b>772</b>	607
(Gains)/Loss on Disposal	<b>(292)</b>	(127)
Impairments and reversals	<b>1,089</b>	14,716
Release of PFI deferred credits	<b>0</b>	0
Donated assets received credited to revenue but non-cash	<b>(730)</b>	(694)
Government Grant assets received credited to revenue but non-cash	<b>(384)</b>	0
Non-cash movements in provisions	<b>(8,781)</b>	84,452
<b>Total</b>	<b>22,203</b>	131,449

Other adjustments in Note 27 relate to the capital element of payments in respect of finance leases and on SoFP PFI schemes, (£3,204k) together with the non cash movement associated with the introduction of IFRS 9 with the prior year impact being adjusted through reserves (£504k)

## 29. Third Party assets

The LHB held £616,247 cash at bank and in hand at 31 March 2019 (31st March 2018, £645,388) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £721,755 at 31st March 2019 (31st March 2018, £638,071). This has been excluded from the cash and cash equivalents figure reported in the Accounts.

In addition the LHB had located on its premises a significant quantity of consignment stock. This stock remains the property of the supplier until it is used. The value of consignment stock at 31 March 2019 was £593,564 (£479,529 as at 31st March 2018).

### 30. Events after the Reporting Period

The Cabinet Secretary for Health and Social Services announced on 14 June 2018 that from 1 April 2019, the responsibility for providing healthcare services for the people in the Bridgend County Borough Council (BCBC) area will move from Abertawe Bro Morgannwg UHB to Cwm Taf UHB.

The Local Health Boards (Area Change) (Wales) (Miscellaneous Amendments) Order 2019 transfers the principal local government area of Bridgend from Abertawe Bro Morgannwg UHB to Cwm Taf UHB.

The Order also changes the health board names to Cwm Taf Morgannwg University Health Board and Swansea Bay University Health Board. In accordance with the Local Health Boards (Area Change) (Transfer of Staff, Property and Liabilities) (Wales) Order 2019 made on 19th March 2019 and effective on 1 April 2019.

Assets and liabilities relating to Bridgend services will transfer from Swansea Bay UHB to Cwm Taf Morgannwg UHB on 1 April 2019.

The transfer will be accounted for as a 'Transfer by Absorption' in accordance with the Government Financial Reporting Manual. The recorded amounts of net assets will be brought into the financial statements of Cwm Taf Morgannwg UHB from the 1 April 2019.

The impact of the transfer for Swansea Bay UHB is estimated to reduce the expenditure and associated funding by 28% for future financial years.

### 31. Related Party Transactions

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

Name	Details	Related Party Interest
Mr M. Child	Independent Member	Cabinet Member for Health and Wellbeing for Swansea Council
Mr R. Ciborowski	Independent Member 14th August to 31st December 2018	Trustee at Neath Port Talbot CVS
Mrs S. Cooper	Associate Board Member	Director of Social Services and Wellbeing, Bridgend County Borough Council
Professor T. Crick	Independent Member	Non Executive Director of Welsh Water/Dwr Cymru
Mrs J. Davies	Board Member - Staff Representative	Board Member at Royal College of Nursing Wales
Mr H. Laing	Executive Medical Director until 31st July 2018	Honorary Chair, Swansea University
Mrs. E. Woollett	Vice Chairman	Non Executive Director of University Hospital Bristol NHS Foundation Trust

The total value of transactions with related parties in 2018/19 were as follows:

Related Party	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
City & County of Swansea Council	13,982	1,999	2,679	769
Neath Port Talbot CVS	120	0	0	0
Bridgend County Borough Council	9,671	4,485	1,477	118
Welsh Water - Dwr Cymru	995	0	0	3
Royal College of Nursing	1	1	0	0
Swansea University	6,654	1,115	196	484
University Hospital Bristol NHS Foundation Trust	186	4	38	1

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 £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government	292	1,174,240	16	4,853
Welsh Health Specialised Services Commission	123,239	107,383	650	1,981
Aneurin Bevan LHB	1,164	3,480	138	198
Betsi Cadwaladr LHB	290	140	98	10
Cardiff & Vale LHB	11,292	16,821	1,469	2,034
Cwm Taf LHB	7,721	5,894	1,972	641
Health Education & Improvement Wales	0	7,311	0	329
Hywel Dda LHB	4,150	35,335	406	433
Powys LHB	1,673	9,218	448	297
Public Health Wales NHS Trust	4,498	4,439	411	371
Velindre NHS Trust	25,498	5,292	2,053	1,253
Welsh Ambulance Services NHS Trust	4,146	180	76	16
<b>Total</b>	<b>183,963</b>	<b>1,369,733</b>	<b>7,737</b>	<b>12,416</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 £300,077 for the 2018/19 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. The pooled budget arrangement is accounted for in accordance with IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities.

#### Pooled Budget Memorandum Account

	2018/19	2017/18
<b>Gross Funding</b>	£	£
Bridgend County Borough Council	300,077	401,488
ABMU Health Board	300,077	158,135
<b>Total Funding</b>	<b>600,154</b>	<b>559,623</b>
<b>Expenditure</b>		
Provision of Day Opportunities to individuals recovering from mental health problems	600,154	559,623
<b>Net Under/Over Spend</b>	<b>0</b>	<b>0</b>

**32. Pooled budgets (continued)**

The Health Board (Swansea Locality) has participated in a formal pooled budget arrangement in 2018/19 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 provided by the Welsh Assembly Government.

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>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
City & County of Swansea	705,000	698,155
Neath Port Talbot County Borough Council	470,000	465,437
ABMU Local Health Board	1,175,000	1,163,593
Other Income	354,383	42,919
<b>Total Funding</b>	<b>2,704,383</b>	<b>2,370,104</b>
<b>Expenditure</b>	<b>2,333,546</b>	<b>2,370,104</b>
<b>Net (under)/over spend</b>	<b>-370,837</b>	<b>0</b>

### 32. Pooled budgets (continued)

The Health Board has participated in a formal pooled budget arrangement in 2018/19 which commenced in June 2012. This replaced the previous agreement which ran from 2008/09 to March 2012. The pooled budget arrangement is accounted for in accordance with IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities.

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

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 guidance provided by the Welsh Assembly Government.

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 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, education and social services.

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

<b>Gross Funding</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Rhondda Cynon Taff County Borough Council	1,222,913	788,151
Merthyr Tydfil County Borough Council	213,328	130,468
Bridgend County Borough Council	593,877	608,833
Cwm Taf Local Health Board	355,290	223,325
Abertawe Bro Morgannwg Local Health Board	362,076	694,076
I.C.F. Funding	32,701	0
Other Income Received	50,647	200,938
<b>Total Funding</b>	<b>2,830,832</b>	<b>2,645,791</b>
<b>Total Expenditure</b>	<b>2,711,594</b>	<b>2,733,604</b>
<b>Pool (Deficit)/Surplus</b>	<b>119,238</b>	<b>(87,813)</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 2018/19, 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 2018/19 these accounts contain income of £2.885m and expenditure of £2.826m 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

### IFRS15

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

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

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

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

It was identified that the only material income flows likely to require adjustment for compliance with IFRS15 was that for patient care provided under Long Term Agreements (LTA's). The adjustment being, for episodes of patient care which had started but not concluded (Finished Consultant Episode's), as at period end, e.g. 31 March. Abertawe Bro Morgannwg University Local Health Board does not use FCE's as its contract current which is based on Discharges and DEaths (D&D's).

When calculating the income generated from these episodes, it was determined that it was appropriate to use length of stay as the best proxy for the attributable Work In Progress (WIP) value. In theory, as soon as an episode is opened, income is due. Under the terms and conditions of the contract this will only ever be realised on episode closure, in effect the discharge or death of the patient, so the average length of stay would be the accepted normal proxy for the work in progress value. However, the Abertawe Bro Morgannwg University Local Health Board also adjusts for contract performance with its providers and commissioners at the end of February each year based on contract activity for the period April to February. This information is then used to make income and expenditure adjustments for March to reflect expected contract activity and therefore ensure that only income due for the financial year is recognised in the year end accounts.

For Abertawe Bro Morgannwg University Local Health Board, the following methodology was applied to assess the value of the unaccounted WIP.

1. For 2017/18, income for inpatient activity recorded on D&D basis was £70.9m, representing 41.8% of total LTA income (total income from LTA's, including WHSCC, Welsh Health Boards and Non Welsh Commissioners, was £169.6m).

### 34. Other Information (continued)

1. This related to circa 19,000 D&D's, with an estimated average unit cost of £3,786
2. Using available Business Intelligence/ Costing Information, the total open episodes at year-end of 286 were identified.
3. There are marginal rates in place for inpatient contracts and utilising these marginal rates and applying them to the open episodes at the end of the 2017/18 financial year generates an adjustment calculation of 0.59% to align revenue recognised to the requirements of the standard, amounting to £0.422m.

A summary of the Impact Assessment carried out by Abertawe Bro Morgannwg University Local Health Board is shown in the table below:

	£m
Total Income as per the Accounts for 2017-18	243.248
Total Income Reviewed as part of the Exercise	205.708
Total Income considered to be outside the scope of IFRS 15	32.984
Total income considered to be inside the scope of IFRS 15	172.724
Total income inside the scope of IFRS15 that potentially requires adjustment for incomplete service provision	70.897
Total Estimated Adjustment Required under IFRS 15	0.422

It is clear from the above that the potential amendments to the Abertawe BRo Morgannwg University Local Health Board Accounts as a result of the adoption of IFRS 15 are significantly below materiality levels.

The significant majority of income flows are either outside the scope of IFRS15, or already accounted for consistent with the recognition principles required by the standard. In the few instances noted and outlined above where income recognition is not wholly consistent with the principles required by the standard, the full implementation of the standard principles would not lead to a material difference in the income recognised.

Under the Conceptual Framework for IFRS, due consideration must be given both to the users of the account and the cost constraints of compliance and production of financial reporting. Given income for LTA activity is recognised in accordance with established NHS Terms and Conditions, affecting multiple parties across the NHS system in Wales such as WHSCC due to the mixed commissioner / provider relationship, it is reasonable that continuing to recognise income in accordance with the established terms and conditions provides financial information that is relevant to the user. As continuing to do so does not result in a material misstatement of the financial reporting, a true and fair view taking account of the needs of the users is achieved for LTA activity.

Further given that an IFRS 15 review of income could only be properly carried out once financial ledgers had closed in month 12 and that any adjustments that come out of that would inevitably impact on the Agreement of Balances Exercise and the WHSCC Risk Sharing arrangement, there are clearly significant wider risks to the statutory accounts accuracy of preparation and operational increased costs involved in implementing the standard in full for LTA activity.

The Conceptual Framework allows bodies not to implement standards if the work involved in the implementation outweighs the benefit of that implementation for the users of the accounts and the overall true and fair picture provided by the accounts. Given the relatively small size of the adjustments that the adoption would give rise to, NHS Wales has decided to make use of this approach for LTA activity.

### 34. Other Information (continued)

#### IFRS 9

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

- Receivables were segregated into appropriate groups based on the profile class categories used within the health board.
- Each group, was analysed:
  - a) age-bands
    - 1-30 days (including current)
    - 31-60 days
    - 61-90 days
    - 91-180 days
    - 181- 365 days
    - > 1 year
  - b) at historical back-testing dates (data points)
- For each age-band, recoverability rates were established by reviewing the balances outstanding at 31st March 2015 and calculating the amounts :
  - a) collected over the following 3 years
  - b) written-off over the following 3 years.
- The average historical loss rate by age-band was therefore determined, and adjusted where necessary e.g. to take account of changes in:
  - a) economic conditions
  - b) types of customer
  - c) credit management practices
- Consideration was given as to whether ECLs should be estimated individually for any period-end receivables, e.g. because information was available specific debtors.
- Loss rate estimates were applied to each age-band for the other receivables
- The percentages calculated have been applied to those invoices outstanding as at 31st March 2018 (which don't already have a specific provision against them) to recalculate the value of the HB/Trust non-specific provision under IFRS9. This approach resulted in the non-specific bad debt provision for the health board increasing by £0.504m. In line with the accounting treatment mandated in the FReM, the increase in provision was taken to the reserves through the general fund.
- The percentages calculated have been applied to those invoices outstanding as at 31st March 2019 (which don't already have a specific provision against them) to calculate the non specific bad debt provision as at 31st March 2019, this sum amounting to £1.064m which is reported in note 15 to the accounts within the figure shown as provision for irrecoverable debts.

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

**LOCAL HEALTH BOARDS**

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

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

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

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

**FORM AND CONTENT**

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

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

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

**MISCELLANEOUS**

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

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

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated :

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