

# ABERTAWA BRO MORGANNWG UNIVERSITY LOCAL HEALTH BOARD

## FOREWORD

These accounts have been prepared by the Local Health Board under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

### **Statutory background**

The Local health Board was established on 1 October 2009 following the merger of Abertawe Bro Morgannwg University NHS Trust and Bridgend, Neath Port Talbot and Swansea Local Health Boards.

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

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

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

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 2017**

	Note	2016-17 £'000	2015-16 £'000
Expenditure on Primary Healthcare Services	3.1	<b>232,790</b>	237,071
Expenditure on healthcare from other providers	3.2	<b>236,363</b>	216,761
Expenditure on Hospital and Community Health Services	3.3	<b>868,757</b>	802,341
		<b>1,337,910</b>	1,256,173
Less: Miscellaneous Income	4	<b>240,222</b>	228,398
<b>LHB net operating costs before interest and other gains and losses</b>		<b>1,097,688</b>	1,027,775
Investment Income	8	<b>0</b>	0
Other (Gains) / Losses	9	<b>30</b>	(5)
Finance costs	10	<b>4,966</b>	5,373
<b>Net operating costs for the financial year</b>		<b>1,102,684</b>	1,033,143

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

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

## Other Comprehensive Net Expenditure

	<b>2016-17</b>	2015-16
	<b>£'000</b>	£'000
Net gain / (loss) on revaluation of property, plant and equipment	<b>1,944</b>	16,207
Net gain / (loss) on revaluation of intangibles	<b>0</b>	0
Net gain / (loss) on revaluation of available for sale financial assets	<b>(1,347)</b>	706
(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>597</b>	16,913
<b>Total comprehensive net expenditure for the year</b>	<b>1,102,087</b>	1,016,230

**Statement of Financial Position as at 31 March 2017**

	Notes	31 March 2017 £'000	31 March 2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	11	592,912	586,491
Intangible assets	12	1,993	1,474
Trade and other receivables	15	83,525	74,498
Other financial assets	22	0	0
<b>Total non-current assets</b>		<b>678,430</b>	<b>662,463</b>
<b>Current assets</b>			
Inventories	14	10,455	10,859
Trade and other receivables	15	66,532	46,834
Other financial assets	22	0	0
Cash and cash equivalents	21	725	2,190
		<b>77,712</b>	<b>59,883</b>
Non-current assets classified as "Held for Sale"	11	1,875	1,274
<b>Total current assets</b>		<b>79,587</b>	<b>61,157</b>
<b>Total assets</b>		<b>758,017</b>	<b>723,620</b>
<b>Current liabilities</b>			
Trade and other payables	16	149,419	125,389
Other financial liabilities	23	0	0
Provisions	17	35,570	21,999
<b>Total current liabilities</b>		<b>184,989</b>	<b>147,388</b>
<b>Net current assets/ (liabilities)</b>		<b>(105,402)</b>	<b>(86,231)</b>
<b>Non-current liabilities</b>			
Trade and other payables	16	46,222	49,123
Other financial liabilities	23	0	0
Provisions	17	90,375	80,832
<b>Total non-current liabilities</b>		<b>136,597</b>	<b>129,955</b>
<b>Total assets employed</b>		<b>436,431</b>	<b>446,277</b>
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		408,605	416,106
Revaluation reserve		27,826	30,171
<b>Total taxpayers' equity</b>		<b>436,431</b>	<b>446,277</b>

The financial statements on pages 2 to 7 were approved by the Board on 31st May 2017 and signed on its behalf by:

On Behalf of The  
Chief Executive.....

Date .....  
31st May 2017

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

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

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

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

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2016**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2015-16</b>			
<b>Balance at 1 April 2015</b>	401,848	13,650	415,498
Net operating cost for the year	(1,033,143)	(1,033,143)	(1,033,143)
Net gain/(loss) on revaluation of property, plant and equipment	0	16,316	16,316
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	706	706
Impairments and reversals	0	(109)	(109)
Movements in other reserves	0	0	0
Transfers between reserves	392	(392)	0
<b>Release of reserves to SoCNE</b>	0	0	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for 2015-16</b>	(1,032,751)	16,521	(1,016,230)
Net Welsh Government funding	1,047,009	1,047,009	1,047,009
<b>Balance at 31 March 2016</b>	416,106	30,171	446,277

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

**Statement of Cash flows for year ended 31 March 2017**

	2016-17	2015-16
	£'000	£'000
<b>Cash Flows from operating activities</b>		
Net operating cost for the financial year	(1,102,684)	(1,033,143)
Movements in Working Capital	30 (17,912)	20,195
Other cash flow adjustments	31 78,313	24,631
Provisions utilised	17 (18,361)	(13,629)
<b>Net cash outflow from operating activities</b>	<b>(1,060,644)</b>	<b>(1,001,946)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(32,143)	(45,941)
Proceeds from disposal of property, plant and equipment	52	141
Purchase of intangible assets	(971)	(615)
Proceeds from disposal of intangible assets	0	0
Payment for other financial assets	0	0
Proceeds from disposal of other financial assets	0	0
Payment for other assets	0	0
Proceeds from disposal of other assets	0	0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(33,062)</b>	<b>(46,415)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(1,093,706)</b>	<b>(1,048,361)</b>
<b>Cash flows from financing activities</b>		
Welsh Government funding (including capital)	1,092,241	1,047,009
Capital receipts surrendered	0	0
Capital grants received	0	0
Capital element of payments in respect of finance leases and on-SoFP	0	0
Cash transferred (to)/ from other NHS bodies	0	0
<b>Net financing</b>	<b>1,092,241</b>	<b>1,047,009</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,465)</b>	<b>(1,352)</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2016</b>	<b>2,190</b>	<b>3,542</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2017</b>	<b>725</b>	<b>2,190</b>

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

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2016-17 Local Health Board Manual for Accounts and 2016-17 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board are described below. They have been applied in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income and funding

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

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

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

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

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

Only non-NHS income may be deferred.

#### 1.4 Employee benefits

##### Short-term employee benefits

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

### **Retirement benefit costs**

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

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

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

### **NEST Pension Scheme**

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

### **1.5 Other expenses**

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

### **1.6 Property, plant and equipment Recognition**

Property, plant and equipment is capitalised if:

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

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

### **Valuation**

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

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

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

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

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

In 2012-13 a formal revaluation exercise was applied to land and properties. Land and buildings have been indexed with indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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

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

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

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

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

### Subsequent expenditure

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

## 1.7 Intangible assets

### Recognition

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

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

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

### Measurement

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

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

## 1.8 Depreciation, amortisation and impairments

Freehold land, assets under construction and assets held for sale are not depreciated.

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

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

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

### **1.9 Research and Development**

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

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

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

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

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

### **1.11 Leases**

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

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

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

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

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

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

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

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

### 1.12 Inventories

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

### 1.13 Cash and cash equivalents

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

### 1.14 Provisions

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

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

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

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

#### 1.14.1 Clinical negligence and personal injury costs

The Welsh Risk Pool (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 2016-17. The WRP is hosted by Velindre NHS Trust.

### 1.15 Financial assets

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

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

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

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

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

**1.15.3 Held to maturity investments**

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

**1.15.4 Available for sale financial assets**

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

**1.15.5 Loans and receivables**

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

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

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

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

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

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

### **1.16 Financial liabilities**

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

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

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

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

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

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

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

### **1.17 Value Added Tax**

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

### **1.18 Foreign currencies**

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

### **1.19 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHB has no beneficial interest in them. Details of third party assets are given in Note 25 to the accounts.

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

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

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

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

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

#### **1.21 Pooled budget**

The LHB has entered into 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 28.

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

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

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

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

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

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

The Health Board provides for potential bad debts both as a result of specific disputes and based on historic collectability patterns. As a result of this the Health Board is carrying a bad debt provision of £1.165m (2015-16: £1.298m) for Non NHS organisations. Whilst this provision is considered prudent and accurate as at the Statement of Financial Position date, due to the trading relationships covered there could be gains or losses with regard to the amounts provided for.

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

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

#### Annual Leave Accrual

In line with International Accounting Standard (IAS) 19, the Health Board has reviewed the level of annual leave taken by its staff to 31st March 2017. Based on a sample, the Health Board has accrued £1.546m (2015-16: £1.512m) for untaken annual leave. This is based on a sample of the leave records of 9% (2015-16: 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 2017. The Health Board is aware of the EU ruling on Holiday pay but given the significant work required to identify any potential liabilities arising from this judgement, the Health Board is not yet in a position to have identified if there are any such liabilities arising from the ruling.

#### Retrospective Continuing Healthcare Claims

The Health Board has an estimated liability of £2.102m (2015-16: £1.389m) 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 2016/17, as in 2015/16, the provision is based on the average weekly rate reimbursed for successful claims together with the success factor for the claims made against the LHB.

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

#### General Medical Services Quality and Outcomes Framework

An amount of £2.328m (2015-16: £2.210m) was accrued on the basis of the number of points achieved by each GP Practice in 2016/17 capped at 567 points which is the maximum number of points available under this scheme. Of the 567 QOF points available, during 2016/17 GP practices were able to opt out of over 75% of the total points. The only elements of QOF which practices were not able to opt out of during the period to 31st March 2017 were the two influenza indicators and the cluster network domain indicators. The intention of Welsh Government was to ensure that no GP practice lost out financially as a result of QOF relaxation. The Health Board has estimated that around 75% of practices would benefit from the relaxation of QOF and therefore the outturn QOF points from 2015/16 have been increased by 1.5% and the cost per point for 2016/17 uplifted by 2.23% in accordance with the inflation uplift advised by Welsh Government.

#### Prescribing Costs

The Health Board has accrued a total of £15.137m (2015-16: £15.598m) in respect of prescribing costs for the months of February and March 2017. The costs were derived using the average weighted daily run rate for prescribing over the four month period October 2016 to January 2017. 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 reductions effective from January 2017 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 £4.631m (2015-16: £4.495m) was accrued for February and March pharmacy contract payments and £0.550m (2015-16: £0.550m) for the February and March costs of GMS dispensing. For the past two 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 2016/17 with estimated adjustments made for the increase in contract price per item for February and March 2017.

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 2017.

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

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

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

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

#### **Services received**

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

#### **PFI asset**

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

#### **PFI liability**

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

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

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

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

#### **Lifecycle replacement**

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

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

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

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

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

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

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

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

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

**1.25 Contingencies**

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

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

Where the time value of money is material, contingencies are disclosed at their present value. Remote contingent liabilities are those that are disclosed under Parliamentary reporting requirements and not under IAS 37 and, where practical, an estimate of their financial effect is required.

**1.26 Carbon Reduction Commitment Scheme**

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

### **1.27 Absorption accounting**

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

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

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

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

IFRS 9 Financial Instruments

IFRS14 Regulatory Deferral Accounts

IFRS15 Revenue from contracts with customers

IFRS 16 Leases

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

During 2016-17 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

### **1.30 Charities**

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

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

## 2. Financial Duties Performance

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

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

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

Welsh Health Circular WHC/2016/054 replaces WHC/2015/014 "Statutory and Financial Duties of Local Health Boards and NHS Trusts" and further clarifies the statutory financial duties of NHS Wales bodies and is effective for 2016-17.

### 2.1 Revenue Resource Performance

	Annual financial performance			
	2014-15 £'000	2015-16 £'000	2016-17 £'000	Total £'000
<b>Net operating costs for the year</b>	<b>967,961</b>	<b>1,033,143</b>	<b>1,102,684</b>	<b>3,103,788</b>
Less general ophthalmic services expenditure and other non-cash limited expenditure	(2,600)	(2,716)	(147)	(5,463)
Less revenue consequences of bringing PFI schemes onto SoFP	(1,981)	(2,118)	(2,283)	(6,382)
Total operating expenses	963,380	1,028,309	1,100,254	3,091,943
Revenue Resource Allocation	963,479	1,028,395	1,060,938	3,052,812
<b>Under /(over) spend against Allocation</b>	<b>99</b>	<b>86</b>	<b>(39,316)</b>	<b>(39,131)</b>

Abertawe Bro Morgannwg University LHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2014-15 to 2016-17. During 2016/17 Welsh Government provided the Health Board with £24.764m cash only support due to the year end cash pressures arising as a consequence of the Health Board's deficit position. This cash only support is provided on a repayable basis. It will not be recovered in 2017/18 but consideration of the repayment of this assistance and the resource overspends will be informed through ongoing consideration of future Integrated Medium Term plan submissions

### 2.2 Capital Resource Performance

	2014-15	2015-16	2016-17	Total
	£'000	£'000	£'000	£'000
<b>Gross capital expenditure</b>	<b>62,806</b>	<b>40,426</b>	<b>44,241</b>	<b>147,473</b>
Add: Losses on disposal of donated assets	0	0	0	0
Less NBV of property, plant and equipment and intangible assets disposed	(530)	(132)	(83)	(745)
Less capital grants received	(731)	0	0	(731)
Less donations received	(221)	(282)	(407)	(910)
Charge against Capital Resource Allocation	61,324	40,012	43,751	145,087
Capital Resource Allocation	61,407	40,049	43,845	145,301
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>83</b>	<b>37</b>	<b>94</b>	<b>214</b>

Abertawe Bro Morgannwg University LHB has met its financial duty to break-even against its Capital Resource Limit over the 3 years 2014-15 to 2016-17.

### 2.3 Duty to prepare a 3 year plan

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

The LHB submitted an Integrated Medium Term Plan for the period 2016-17 to 2018-19 in accordance with NHS Wales Planning Framework.

**2016-17  
to  
2018-19**

The Cabinet Secretary for Health and Social Services approval status

Not Approved

The LHB has therefore has not met its statutory duty to have an approved Integrated Medium Term Plan for the period 2016-17 to 2018-19.

The LHB Integrated Medium Term Plan was approved in 2014-15.

The LHB Integrated Medium Term Plan was approved in 2015-16.

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2016-17 Total £'000	2015-16 £'000
General Medical Services	72,447		72,447	73,645
Pharmaceutical Services	27,220	(5,692)	21,528	24,168
General Dental Services	33,495		33,495	32,825
General Ophthalmic Services	1,282	5,839	7,121	5,671
Other Primary Health Care expenditure	2,154		2,154	3,706
Prescribed drugs and appliances	96,045		96,045	97,056
<b>Total</b>	<b>232,643</b>	<b>147</b>	<b>232,790</b>	<b>237,071</b>

#### 3.2 Expenditure on healthcare from other providers

	2016-17 £'000	2015-16 £'000
Goods and services from other NHS Wales Health Boards	24,884	23,543
Goods and services from other NHS Wales Trusts	15,258	12,685
Goods and services from other non Welsh NHS bodies	1,854	1,092
Goods and services from WHSSC / EASC	113,904	108,392
Local Authorities	9,586	5,509
Voluntary organisations	3,503	3,559
NHS Funded Nursing Care	8,663	7,899
Continuing Care	50,553	48,518
Private providers	8,155	5,562
Specific projects funded by the Welsh Government	0	0
Other	3	2
<b>Total</b>	<b>236,363</b>	<b>216,761</b>

Included within GMS expenditure in Note 3.1 is £151k in respect of the salaries of staff in GP practices which are directly managed by the Health Board. In 2015/16 this sum amounted to £86k.

GMS Expenditure in Note 3.1 includes £3.501m of rates rebates received in respect of GP premises rates for previous financial years following a successful appeal against the rateable value of GP premises. The GMS expenditure of £72.447m is therefore net of the £3.501m 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 28 to the accounts.

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

	2016-17 £'000	2015-16 £'000
Directors' costs	1,969	1,832
Staff costs	625,747	591,493
Supplies and services - clinical	131,537	118,536
Supplies and services - general	11,841	12,181
Consultancy Services	676	833
Establishment	15,224	13,536
Transport	2,934	2,695
Premises	28,428	25,848
External Contractors	2,812	2,811
Depreciation	30,360	28,670
Amortisation	482	372
Fixed asset impairments and reversals (Property, plant & equipment)	6,373	(5,002)
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Audit fees	412	395
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	6,188	3,166
Research and Development	0	0
Other operating expenses	3,774	4,975
<b>Total</b>	<b>868,757</b>	<b>802,341</b>

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

	2016-17 £'000	2015-16 £'000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	37,743	2,857
Personal injury	2,140	1,070
All other losses and special payments	213	272
Defence legal fees and other administrative costs	1,235	(179)
Gross increase/(decrease) in provision for future payments	41,331	4,020
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>(35,143)</b>	<b>(854)</b>
<b>Total</b>	<b>6,188</b>	<b>3,166</b>

Personal injury includes £1,079k (2015-16 £31k) in respect of permanent injury benefits.

Clinical Redress arising during the year was £466k (2015-16 £568k).

Included within Clinical Negligence in Note 3.4 is a sum of £12,151k arising as a result of the change in the Personal Injury Discount rate from +2.5% to -0.75% which came into effect on 20th March 2017. The sum has been calculated using a model developed by the Welsh Risk Pool and agreed by Welsh Government and the Wales Audit Office. The corresponding amount is also included in the income received/due from Welsh Risk Pool.

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

#### 4. Miscellaneous Income

	2016-17 £'000	2015-16 £'000
Local Health Boards	66,425	65,402
WHSSC /EASC	98,455	93,804
NHS trusts	5,916	5,514
Other NHS England bodies	3,248	3,781
Foundation Trusts	0	0
Local authorities	7,513	7,353
Welsh Government	7,670	6,931
Non NHS:		
Prescription charge income	1	1
Dental fee income	6,358	6,030
Private patient income	3,129	3,282
Overseas patients (non-reciprocal)	263	399
Injury Costs Recovery (ICR) Scheme	2,011	1,737
Other income from activities	3,215	3,049
Patient transport services	0	0
Education, training and research	21,202	21,791
Charitable and other contributions to expenditure	513	509
Receipt of donated assets	407	282
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	631	830
NWSSP	0	0
Deferred income released to revenue	6,060	433
Contingent rental income from finance leases	0	0
Rental income from operating leases	547	441
Other income:		
Provision of laundry, pathology, payroll services	356	528
Accommodation and catering charges	3,568	4,021
Mortuary fees	330	302
Staff payments for use of cars	1,363	813
Business Unit	0	0
Other	1,041	1,165
<b>Total</b>	<b>240,222</b>	<b>228,398</b>

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment of 22.94% (2015-16: 21.99%) to reflect expected rates of collection.

	2016-17 £'000	2015-16 £'000
Other Income Includes		
Grant Income	4	50
Pharmacy and Other Sales Income	280	247
Clinical Trial Income	145	78
Search Fee Income	163	171
Surgical Materials Testing Laboratory Income	100	131
All Other Income	349	488
<b>Total</b>	<b>1,041</b>	<b>1,165</b>

## 5. Employee benefits and staff numbers

### 5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2015-16
	£000	£000	£000	£000	£000
Salaries and wages	501,788	0	24,062	525,850	505,489
Social security costs	46,967	0	0	46,967	35,537
Employer contributions to NHS Pension Scheme	60,242	0	0	60,242	58,010
Other pension costs	185	0	0	185	153
Other employment benefits	0	0	0	0	0
Termination benefits	103	0	0	103	614
<b>Total</b>	<b>609,285</b>	<b>0</b>	<b>24,062</b>	<b>633,347</b>	<b>599,803</b>
Charged to capital				698	909
Charged to revenue				632,649	598,894
				<b>633,347</b>	<b>599,803</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)				35	(244)

### 5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2015-16
	Number	Number	Number	Number	Number
Administrative, clerical and board members	2,390	0	104	2,494	2,351
Medical and dental	1,325	0	51	1,376	1,358
Nursing, midwifery registered	4,456	0	84	4,540	4,525
Professional, Scientific, and technical staff	472	0	1	473	455
Additional Clinical Services	2,752	0	43	2,795	2,706
Allied Health Professions	886	0	4	890	854
Healthcare Scientists	309	0	11	320	317
Estates and Ancillary	1,395	0	56	1,451	1,420
Students	14	0	0	14	14
<b>Total</b>	<b>13,999</b>	<b>0</b>	<b>354</b>	<b>14,353</b>	<b>14,000</b>

### 5.3. Retirements due to ill-health

During 2016-17 there were 17 early retirements from the LHB agreed on the grounds of ill-health (28 in 2015-16 at a cost of £1,307,426). The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,060,509

### 5.4 Employee benefits

The LHB does not have an employee benefit scheme.

5.5 Reporting of other compensation schemes - exit packages

Exit packages cost band (including any special payment element)	2016-17	2016-17	2016-17	2016-17	2015-16
	Number of compulsory redundancies	Number of other departures	Total number of exit packages Whole numbers only	Number of departures where special payments have been made Whole numbers only	Total number of exit packages Whole numbers only
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	1
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	2	2	0	1
£100,000 to £150,000	0	0	0	0	1
£150,000 to £200,000	0	1	1	0	0
more than £200,000	0	0	0	0	1
<b>Total</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>4</b>

Exit packages cost band (including any special payment element)	2016-17	2016-17	2016-17	2016-17	2015-16
	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	17,546
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	103,433	103,433	0	54,177
£100,000 to £150,000	0	0	0	0	107,988
£150,000 to £200,000	0	166,665	166,665	0	0
more than £200,000	0	0	0	0	273,544
<b>Total</b>	<b>0</b>	<b>270,098</b>	<b>270,098</b>	<b>0</b>	<b>453,255</b>

Of the packages disclosed above, 2 packages comprise redundancy and other departure costs paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS).

The remaining package relates to a payments made to the former Chief Executive who left the Health Board on 7th March 2017. This package comprised payments in lieu of notice, payments for untaken annual leave and an Ex-Gratia Payment on termination.

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

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

## 5.6 Remuneration Relationship

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

The banded remuneration of the highest-paid director in the LHB in the financial year 2016-17 was £210,000-£215,000 (2015-16, £210,000 - £215,000). This was 7.7 times (2015-16, 7.5) the median remuneration of the workforce, which was £27,552 (2015-16, £28,180).

As in 2015-16 the highest paid director in the LHB in 2016-17 was the Medical Director. Whilst the remuneration for the post of Medical Director is below that of the Chief Executive, the Medical Director is in receipt of a Clinical Excellence Award, the value of which when added to the remuneration as Medical Director results in the Medical Director becoming the highest-paid director.

The banded remuneration of the Chief Executive in the LHB in the financial year 2016-17 was £200,000-£205,000 (2015-16 was £200,000 - £205,000). This was 7.3 times (2015-16 7.2) the median remuneration of the workforce which was £27,552 (2015-16, £28,180).

In 2016-17, 3 (2015-16, 4) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £16,132 to £289,519 (2015-16 £15,350 to £223,472).

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 2016-17 were all medical staff as in 2015-16. None of these staff are related to the Chairman, Executive Directors or Non Officer Members.

## 5.7 Pension costs

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

Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

### b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31st March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this "employer cost cap" assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

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

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

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

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

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 2% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing to 8% over the next three years.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £43,000 for the 2016-17 tax year (2015-16 £5,824 and £42,385).

NEST has an annual contribution limit of £4,900 for the 2016-17 tax year (£4,700 for 2015-16). This means the most that can be contributed to a single pot in the current tax year is £4,900. This figure will be adjusted annually in line with average earnings. The annual contribution limit includes member contributions, money from their employer and any tax relief.

Alternatively under certification, employers may choose to calculate contributions in a way that meets the requirements of one of three sets of tiers described in the legislation. The three tiers have minimum contribution rates as detailed on the NEST website.

## 6. Operating leases

### LHB as lessee

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

<b>Payments recognised as an expense</b>	<b>2016-17</b>	<b>2015-16</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	<b>6,428</b>	6,027
Contingent rents	<b>0</b>	0
Sub-lease payments	<b>0</b>	0
<b>Total</b>	<b>6,428</b>	6,027

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

<b>Payable</b>	<b>£000</b>	<b>£000</b>
Not later than one year	<b>6,050</b>	6,103
Between one and five years	<b>16,082</b>	18,034
After 5 years	<b>7,146</b>	9,414
<b>Total</b>	<b>29,278</b>	33,551

There are no future sublease payments expected to be received

### LHB as lessor

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

<b>Rental revenue</b>	<b>£000</b>	<b>£000</b>
Rent	<b>547</b>	441
Contingent rents	<b>0</b>	0
<b>Total revenue rental</b>	<b>547</b>	441

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

<b>Receivable</b>	<b>£000</b>	<b>£000</b>
Not later than one year	<b>501</b>	438
Between one and five years	<b>1,506</b>	1,522
After 5 years	<b>1,769</b>	1,953
<b>Total</b>	<b>3,776</b>	3,913

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

### 7.1 Prompt payment code - measure of compliance

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

	<b>2016-17</b>	<b>2016-17</b>	2015-16	2015-16
<b>NHS</b>	<b>Number</b>	<b>£000</b>	Number	£000
Total bills paid	<b>5,807</b>	<b>180,254</b>	6,428	171,253
Total bills paid within target	<b>4,747</b>	<b>168,768</b>	5,631	163,424
Percentage of bills paid within target	<b>81.7%</b>	<b>93.6%</b>	87.6%	95.4%
<b>Non-NHS</b>				
Total bills paid	<b>297,931</b>	<b>358,739</b>	284,228	340,426
Total bills paid within target	<b>286,394</b>	<b>339,787</b>	270,776	321,375
Percentage of bills paid within target	<b>96.1%</b>	<b>94.7%</b>	95.3%	94.4%
<b>Total</b>				
Total bills paid	<b>303,738</b>	<b>538,993</b>	290,656	511,679
Total bills paid within target	<b>291,141</b>	<b>508,555</b>	276,407	484,799
Percentage of bills paid within target	<b>95.9%</b>	<b>94.4%</b>	95.1%	94.7%

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

	<b>2016-17</b>	2015-16
	<b>£</b>	£
Amounts included within finance costs (note 10) 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

## 8. Investment Income

	2016-17 £000	2015-16 £000
<b>Rental revenue :</b>		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue :</b>		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 9. Other gains and losses

	2016-17 £000	2015-16 £000
Gain/(loss) on disposal of property, plant and equipment	(30)	(5)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	10
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>(30)</b>	<b>5</b>

## 10. Finance costs

	2016-17 £000	2015-16 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	51	63
Interest on obligations under PFI contracts		
main finance cost	2,786	3,067
contingent finance cost	2,037	2,151
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>4,874</b>	<b>5,281</b>
Provisions unwinding of discount	92	92
Other finance costs	0	0
<b>Total</b>	<b>4,966</b>	<b>5,373</b>

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2016</b>	59,403	505,158	12,714	28,338	119,246	1,710	29,316	6,765	762,650
Indexation	1,932	0	0	0	0	0	0	0	1,932
Additions									
- purchased	130	2,356	0	21,505	13,506	0	4,523	843	42,863
- donated	0	33	0	0	275	0	91	0	399
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	(225)	0	0	0	(225)
Reclassifications	0	28,759	0	(31,339)	1,516	0	898	144	(22)
Revaluations	(1,335)	0	0	0	0	0	0	0	(1,335)
Reversal of impairments	325	0	0	0	0	0	0	0	325
Impairments	0	(7,693)	0	0	0	0	0	0	(7,693)
Reclassified as held for sale	(601)	0	0	0	0	0	0	0	(601)
Disposals	0	0	0	0	(3,044)	0	(77)	(9)	(3,130)
<b>At 31 March 2017</b>	<b>59,854</b>	<b>528,613</b>	<b>12,714</b>	<b>18,504</b>	<b>131,274</b>	<b>1,710</b>	<b>34,751</b>	<b>7,743</b>	<b>795,163</b>
<b>Depreciation at 1 April 2016</b>	0	61,032	1,314	0	90,314	1,143	18,478	3,878	176,159
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	(202)	0	0	0	(202)
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	(995)	0	0	0	0	0	0	(995)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(2,992)	0	(70)	(9)	(3,071)
Provided during the year	0	16,376	276	0	9,159	132	3,680	737	30,360
<b>At 31 March 2017</b>	<b>0</b>	<b>76,413</b>	<b>1,590</b>	<b>0</b>	<b>96,279</b>	<b>1,275</b>	<b>22,088</b>	<b>4,606</b>	<b>202,251</b>
<b>Net book value at 1 April 2016</b>	<b>59,403</b>	<b>444,126</b>	<b>11,400</b>	<b>28,338</b>	<b>28,932</b>	<b>567</b>	<b>10,838</b>	<b>2,887</b>	<b>586,491</b>
<b>Net book value at 31 March 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 2017 comprises :</b>									
Purchased	59,854	448,530	11,124	18,504	34,381	425	12,213	3,099	588,130
Donated	0	3,312	0	0	583	0	269	0	4,164
Government Granted	0	358	0	0	31	10	181	38	618
<b>At 31 March 2017</b>	<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>Asset financing :</b>									
Owned	57,694	404,781	11,124	18,504	34,154	435	12,663	3,137	542,492
Held on finance lease	0	0	0	0	841	0	0	0	841
On-SoFP PFI contracts	2,160	47,419	0	0	0	0	0	0	49,579
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	<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>

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

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

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

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2015</b>	55,731	431,203	12,028	64,267	110,495	1,293	26,270	5,528	706,815
Indexation	911	14,516	418	0	0	0	0	0	15,845
Additions									
- purchased	1,910	1,612	0	27,865	5,808	0	2,071	263	39,529
- donated	0	0	0	0	159	0	123	0	282
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	55,903	0	(63,794)	5,509	452	878	989	(63)
Revaluations	2,065	1,858	0	0	0	0	0	0	3,923
Reversal of impairments	167	10,101	268	0	0	0	0	0	10,536
Impairments	13	(10,035)	0	0	0	0	0	(15)	(10,037)
Reclassified as held for sale	(1,391)	0	0	0	0	0	0	0	(1,391)
Disposals	(3)	0	0	0	(2,725)	(35)	(26)	0	(2,789)
<b>At 31 March 2016</b>	59,403	505,158	12,714	28,338	119,246	1,710	29,316	6,765	762,650
<b>Depreciation at 1 April 2015</b>	0	47,110	902	0	84,696	1,050	15,130	3,020	151,908
Indexation	0	2,693	51	0	0	0	0	0	2,744
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	(4,392)	0	0	0	0	0	0	(4,392)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(2,710)	(35)	(26)	0	(2,771)
Provided during the year	0	15,621	361	0	8,328	128	3,374	858	28,670
<b>At 31 March 2016</b>	0	61,032	1,314	0	90,314	1,143	18,478	3,878	176,159
<b>Net book value at 1 April 2015</b>	55,731	384,093	11,126	64,267	25,799	243	11,140	2,508	554,907
<b>Net book value at 31 March 2016</b>	59,403	444,126	11,400	28,338	28,932	567	10,838	2,887	586,491
<b>Net book value at 31 March 2016 comprises :</b>									
Purchased	59,403	440,306	11,400	28,299	28,395	554	10,386	2,841	581,584
Donated	0	3,451	0	0	496	0	243	0	4,190
Government Granted	0	369	0	39	41	13	209	46	717
<b>At 31 March 2016</b>	59,403	444,126	11,400	28,338	28,932	567	10,838	2,887	586,491
<b>Asset financing :</b>									
Owned	57,323	396,318	11,400	28,338	27,881	567	10,838	2,887	535,552
Held on finance lease	0	0	0	0	1,051	0	0	0	1,051
On-SoFP PFI contracts	2,080	47,808	0	0	0	0	0	0	49,888
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	59,403	444,126	11,400	28,338	28,932	567	10,838	2,887	586,491

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

	£000
Freehold	464,020
Long Leasehold	50,909
Short Leasehold	0
	<b>514,929</b>

In 2015/16 with the agreement of its auditors, the Health Board restated the opening cost or valuation and accumulated depreciation figures to ensure that the accounts note above matches the reports produced by the Health Board's fixed assets system. This had no impact on the opening net book value disclosed.

Within the note above reclassifications (£63k) are shown. This is due to the reclassification of an intangible asset from assets under construction and the opposite entry is shown in Note 12.

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

All donated assets were purchased from general donated funds.

Building asset lives are as determined by the District Valuer and range from 1 to 85 years.

Equipment lives are as follows:

Short Life Medical Equipment - 5 Years

Medium Life Medical Equipment - 10 Years

Long Life Medical Equipment - 15 Years

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

Vehicles - 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 Clinical School Accommodation - April 2016

Morrison Hospital Cardiac ITU - August 2016

Morrison Hospital Medical School Refurbishment - November 2016

Princess of Wales Hospital CT Scanner Installation - July 2016

Princess of Wales Gamma Camera Installation - October 2016

Princess of Wales Catheter Laboratory - December 2016

### IFRS 13 Fair value measurement

In compliance with IFRS 13 the following assets have been measured at Fair Value

Fairwood Hospital

Land Plot A - Morrison Hospital

These assets have been declared surplus by the Health Board and there are no noted restrictions which would prevent access to the market. They are both categorised as Land and have been professionally valued at Fair Value.

## 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 2016</b>	1,274	0	0	0	0	1,274
Plus assets classified as held for sale in the year	1,875	0	0	0	0	1,875
Revaluation	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(1,274)	0	0	0	0	(1,274)
<b>Balance carried forward 31 March 2017</b>	<u>1,875</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,875</u>
<b>Balance brought forward 1 April 2015</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the year	1,391	0	0	0	0	1,391
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(117)	0	0	0	0	(117)
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 2016</b>	<u>1274</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1274</u>

*The following asset was classified as held for sale in the period  
Land Plot Cefn Coed Hospital*

*The following asset is no longer classified as held for sale  
Land Plot A Morryston Hospital*

**12. Intangible non-current assets**

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

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

## 12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2015</b>	4,465	0	0	0	0	0	4,465
Revaluation	0	0	0	0	0	0	0
Reclassifications	63	0	0	0	0	0	63
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	615	0	0	0	0	0	615
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 2016</b>	<b>5,143</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,143</b>
<b>Amortisation at 1 April 2015</b>	3,297	0	0	0	0	0	3,297
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	372	0	0	0	0	0	372
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Amortisation at 31 March 2016</b>	<b>3,669</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,669</b>
<b>Net book value at 1 April 2015</b>	<b>1,168</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,168</b>
<b>Net book value at 31 March 2016</b>	<b>1,474</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,474</b>
<b>At 31 March 2016</b>							
Purchased	1,460	0	0	0	0	0	1,460
Donated	14	0	0	0	0	0	14
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2016</b>	<b>1,474</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,474</b>

For each class of intangible asset disclose :

the effective date of revaluation - **None**

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

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

For each class of intangible asset, distinguishing between internally generated intangible assets and others disclose :

whether the useful lives are indefinite or finite if finite - **Finite,**

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

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

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

the reasons supporting the assessment of an indefinite useful life. - **£0**

### 13 . Impairments

	2016-17		2015-16	
	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	75	0
Abandonment in the course of construction	7	0	405	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	0	0
Others (specify)	6,366	0	(5,374)	0
<b>Total of all impairments</b>	<b>6,373</b>	<b>0</b>	<b>(4,894)</b>	<b>0</b>
<b>Analysis of impairments charged to reserves in year :</b>				
Charged to the Statement of Comprehensive Net Expenditure	6,373	0	(5,003)	0
Charged to Revaluation Reserve	0	0	109	0
	<b>6,373</b>	<b>0</b>	<b>(4,894)</b>	<b>0</b>

The impairment losses disclosed as 'other ' above comprise :

£6.690m for the write down to depreciated replacement cost following the initial professional valuation of on completion of 6 specialised building assets as detailed below

Morrison Hospital Cardiac ITU - £2.594m  
Morrison Hospital Medical School Refurbishment - £2.424m  
Morrison Clinical School Accommodation - £0.633m  
POW Hospital Catheter Laboratory - £0.466m  
POW Hospital CT Scanner Installation - £0.371m  
POW Hospital Gamma Camera Installation - £0.202m

The balance comprises:

A reversal of impairments of £0.324m in respect of assets impaired in previous years where indexation has now been applied

## 14.1 Inventories

	<b>31 March</b>	31 March
	<b>2017</b>	2016
	<b>£000</b>	£000
Drugs	4,883	5,055
Consumables	5,441	5,703
Energy	131	101
Work in progress	0	0
Other	0	0
<b>Total</b>	<b>10,455</b>	<b>10,859</b>
Of which held at realisable value	0	0

## 14.2 Inventories recognised in expenses

	<b>31 March</b>	31 March
	<b>2017</b>	2016
	<b>£000</b>	£000
Inventories recognised as an expense in the period	0	0
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Note 14.1 discloses the stock values held at 31st March 2017. 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

<b>Current</b>	<b>31 March 2017 £000</b>	31 March 2016 £000
Welsh Government	2,684	315
WHSSC / EASC	2,199	1,437
Welsh Health Boards	5,347	4,258
Welsh NHS Trusts	512	833
Non - Welsh Trusts	49	36
Other NHS	579	208
Welsh Risk Pool	40,527	24,984
Local Authorities	1,365	1,248
Capital debtors	40	0
Other debtors	8,973	9,059
Provision for irrecoverable debts	(1,165)	(1,298)
Pension Prepayments	0	0
Other prepayments	5,205	4,348
Other accrued income	217	1,406
<b>Sub total</b>	<b>66,532</b>	<b>46,834</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	83,525	74,498
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>83,525</b>	<b>74,498</b>
<b>Total</b>	<b>150,057</b>	<b>121,332</b>
<b>Receivables past their due date but not impaired</b>		
By up to three months	3,464	1,130
By three to six months	195	48
By more than six months	189	276
	<b>3,848</b>	<b>1,454</b>
<b>Provision for impairment of receivables</b>		
Balance at 1 April	(1,298)	(1,618)
Transfer to other NHS Wales body	0	0
Amount written off during the year	96	107
Amount recovered during the year	574	802
(Increase) / decrease in receivables impaired	(537)	(589)
Bad debts recovered during year	0	0
Balance at 31 March	<b>(1,165)</b>	<b>(1,298)</b>
<p>In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies</p>		
<b>Receivables VAT</b>		
Trade receivables	1,073	1,658
Other	0	0
<b>Total</b>	<b>1,073</b>	<b>1,658</b>

## 16. Trade and other payables

Current	31 March	31 March
	2017	2016
	£000	£000
Welsh Government	0	10
WHSSC / EASC	570	1,557
Welsh Health Boards	5,916	4,292
Welsh NHS Trusts	2,846	2,343
Other NHS	174	237
Taxation and social security payable / refunds	5,410	1,417
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	107	61
Other taxes payable to HMRC	2	3
NI contributions payable to HMRC	6,986	5,671
Non-NHS creditors	20,750	17,426
Local Authorities	4,768	607
Capital Creditors	18,707	7,947
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	246	221
Imputed finance lease element of on SoFP PFI contracts	2,309	2,263
Pensions: staff	8,942	8,617
Accruals	70,950	66,205
Deferred Income:		
Deferred Income brought forward	6,070	570
Deferred Income Additions	244	5,933
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(6,060)	(433)
Other creditors	482	442
PFI assets –deferred credits	0	0
Payments on account	0	0
<b>Total</b>	<b>149,419</b>	<b>125,389</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS creditors	0	0
Local Authorities	0	0
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	739	997
Imputed finance lease element of on SoFP PFI contracts	45,483	48,126
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>46,222</b>	<b>49,123</b>

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

The Pensions : Staff figure includes £8,936k due to the NHS pensions Agency and £6k to the National Employment Savings Trust (NEST).

17. Provisions

	At 1 April 2016	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	17,577	0	(1,420)	19,314	16,517	(12,464)	(10,186)	0	29,338
Personal injury	1,538	0	0	372	1,563	(1,420)	(477)	85	1,661
All other losses and special payments	0	0	0	0	213	(213)	0	0	0
Defence legal fees and other administration	1,052	0	0	773	1,212	(725)	(367)		1,945
Pensions relating to former directors	2			4	0	(4)	0	0	2
Pensions relating to other staff	146			74	68	(146)	(3)	7	146
Restructuring	0			0	0	0	0	0	0
Other	1,684		0	0	1,971	(600)	(577)		2,478
<b>Total</b>	<b>21,999</b>	<b>0</b>	<b>(1,420)</b>	<b>20,537</b>	<b>21,544</b>	<b>(15,572)</b>	<b>(11,610)</b>	<b>92</b>	<b>35,570</b>
<b>Non Current</b>									
Clinical negligence	73,927	0	0	(19,314)	34,745	(2,747)	(3,333)	0	83,278
Personal injury	5,797	0	0	(372)	1,054	0	0	0	6,479
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	763	0	0	(773)	399	(42)	(9)		338
Pensions relating to former directors	23			(4)	1	0	0	0	20
Pensions relating to other staff	322			(74)	13	0	(1)	0	260
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>80,832</b>	<b>0</b>	<b>0</b>	<b>(20,537)</b>	<b>36,212</b>	<b>(2,789)</b>	<b>(3,343)</b>	<b>0</b>	<b>90,375</b>
<b>TOTAL</b>									
Clinical negligence	91,504	0	(1,420)	0	51,262	(15,211)	(13,519)	0	112,616
Personal injury	7,335	0	0	0	2,617	(1,420)	(477)	85	8,140
All other losses and special payments	0	0	0	0	213	(213)	0	0	0
Defence legal fees and other administration	1,815	0	0	0	1,611	(767)	(376)		2,283
Pensions relating to former directors	25			0	1	(4)	0	0	22
Pensions relating to other staff	468			0	81	(146)	(4)	7	406
Restructuring	0			0	0	0	0	0	0
Other	1,684		0	0	1,971	(600)	(577)		2,478
<b>Total</b>	<b>102,831</b>	<b>0</b>	<b>(1,420)</b>	<b>0</b>	<b>57,756</b>	<b>(18,361)</b>	<b>(14,953)</b>	<b>92</b>	<b>125,945</b>

Expected timing of cash flows:

	In year to 31 March 2018	Between 1 April 2018 and 31 March 2022	Thereafter	Total
				£000
Clinical negligence	29,338	83,278	0	112,616
Personal injury	1,661	2,116	4,363	8,140
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,945	338	0	2,283
Pensions relating to former directors	2	20	0	22
Pensions relating to other staff	146	209	51	406
Restructuring	0	0	0	0
Other	2,478	0	0	2,478
<b>Total</b>	<b>35,570</b>	<b>85,961</b>	<b>4,414</b>	<b>125,945</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 £466k arising and £466k utilised in year.

Included within Clinical Negligence Provisions is a sum of £12,151k arising as a result of the change in the Personal Injury Discount rate from +2.5% to -0.75% which came into effect on 20th March 2017. The sum has been calculated using a model developed by the Welsh Risk Pool and agreed by Welsh Government and the Wales Audit Office

Other provisions includes £2.102m 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 £113.567m. This amount is recognised in Note 15 Trade and Other Receivables.

17. Provisions (continued)

	At 1 April 2015	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	22,972	0	(1,362)	8,847	12,703	(8,452)	(17,131)	0	17,577
Personal injury	1,591	0	0	349	1,315	(1,537)	(265)	85	1,538
All other losses and special payments	0	0	0	0	272	(272)	0	0	0
Defence legal fees and other administration	1,751	0	0	236	1,162	(649)	(1,448)		1,052
Pensions relating to former directors	8			3	0	(4)	(5)	0	2
Pensions relating to other staff	151			81	62	(150)	(5)	7	146
Restructuring	0			0	0	0	0	0	0
Other	4,051		(108)	0	870	(1,172)	(1,957)		1,684
<b>Total</b>	<b>30,524</b>	<b>0</b>	<b>(1,470)</b>	<b>9,516</b>	<b>16,384</b>	<b>(12,236)</b>	<b>(20,811)</b>	<b>92</b>	<b>21,999</b>
<b>Non Current</b>									
Clinical negligence	77,550	0	(724)	(8,847)	11,190	(1,337)	(3,905)	0	73,927
Personal injury	6,126	0	0	(349)	22	0	(2)	0	5,797
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	948	0	0	(236)	107	(56)	0		763
Pensions relating to former directors	26			(3)	0	0	0	0	23
Pensions relating to other staff	408			(81)	8	0	(13)	0	322
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>85,058</b>	<b>0</b>	<b>(724)</b>	<b>(9,516)</b>	<b>11,327</b>	<b>(1,393)</b>	<b>(3,920)</b>	<b>0</b>	<b>80,832</b>
<b>TOTAL</b>									
Clinical negligence	100,522	0	(2,086)	0	23,893	(9,789)	(21,036)	0	91,504
Personal injury	7,717	0	0	0	1,337	(1,537)	(267)	85	7,335
All other losses and special payments	0	0	0	0	272	(272)	0	0	0
Defence legal fees and other administration	2,699	0	0	0	1,269	(705)	(1,448)		1,815
Pensions relating to former directors	34			0	0	(4)	(5)	0	25
Pensions relating to other staff	559			0	70	(150)	(18)	7	468
Restructuring	0			0	0	0	0	0	0
Other	4,051		(108)	0	870	(1,172)	(1,957)		1,684
<b>Total</b>	<b>115,582</b>	<b>0</b>	<b>(2,194)</b>	<b>0</b>	<b>27,711</b>	<b>(13,629)</b>	<b>(24,731)</b>	<b>92</b>	<b>102,831</b>

## 18. Contingencies

### 18.1 Contingent liabilities

	2016-17 £'000	2015-16 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence	112,735	114,388
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	4,257	3,795
Continuing Health Care costs	2,249	3,110
Other	0	0
Total value of disputed claims	119,241	121,293
Amounts recovered in the event of claims being successful	108,478	108,584
<b>Net contingent liability</b>	<b>10,763</b>	<b>12,709</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 for continuing healthcare costs dating back to 1st April 2003 resulted in a large increase in the number of claims registered last financial year.

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

Note 17 sets out the £2,102,094 provision made for probable continuing care costs relating to 94 claims received;

Note 18.1 sets out the £2,249,067 contingent liability for possible continuing care costs relating to 70 claims received;

However, in addition the LHB has a further 190 claims, which were received by the 31st July 2014 deadline, for which the assessment process remains incomplete. The assessment process is highly complex, involves multi-disciplinary teams and for those reasons can take many months. At this stage, the LHB does not have the information to make a judgement on the likely success or otherwise of these claims, however, they may result in significant costs to the LHB, which cannot be quantified at this time.

Powys Teaching Health Board is aiming to complete all claims received by 31st July 2014 by the end of November 2018.

Included within the contingent liability for legal claims for alleged medical or employer negligence is a sum of £11.139m arising as a result of the change in the Personal Injury Discount Rate from +2.5% to -0.75% which came into effect on 20th March 2017. The sum has been calculated using a model developed by the Welsh Risk Pool and agreed with Wales Audit Office and Welsh Government.

Health Boards in Wales (and equivalent bodies across the UK) are currently waiting for the Supreme Court to deliver its ruling over the responsibility for the costs of nurses delivering care in care homes. The Health Board currently pays for what it considers to be appropriate "nursing care" costs in accordance with legislation, however, the Supreme Court case focuses on the local authorities claim that the "nursing care" should be more widely defined than at present. The Health Board is currently not in a position to determine the likely outcome of this ruling nor any potential financial impact.

### 18.2 Remote Contingent liabilities

	2016-17 £'000	2015-16 £'000
Please disclose the values of the following categories of remote contingent liabilities :		
Guarantees	1,150	652
Indemnities	0	0
Letters of Comfort	0	0
<b>Total</b>	<b>1,150</b>	<b>652</b>

### 18.3 Contingent assets

	2016-17 £'000	2015-16 £'000
	0	0
	0	0
	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 19. Capital commitments

### Contracted capital commitments at 31 March

	2016-17 £'000	2015-16 £'000
Property, plant and equipment	6,116	1,248
Intangible assets	0	0
<b>Total</b>	<b>6,116</b>	<b>1,248</b>

## 20. Losses and special payments

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

### Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2017		Approved to write-off to 31 March 2017	
	Number	£	Number	£
Clinical negligence	90	14,744,612	16	1,117,140
Personal injury	63	963,277	42	448,990
All other losses and special payments	244	213,455	244	213,455
<b>Total</b>	<b>397</b>	<b>15,921,344</b>	<b>302</b>	<b>1,779,585</b>

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

Cases exceeding £300,000	Case type	Amounts	Cumulative	Approved to
		paid out in year £	amount £	write-off in year £
02RVCMN0022	Clinical Negligence	3,493,277	4,093,278	0
04RVCMN0045	Clinical Negligence	0	2,176,151	0
06RVCMN0066	Clinical Negligence	411,718	1,198,494	0
07RVCMN0045	Clinical Negligence	370,000	385,000	0
08RVCMN0021	Clinical Negligence	0	1,104,996	0
08RVCMN0035	Clinical Negligence	628,000	708,000	0
09RVCMN0077	Clinical Negligence	280,000	1,776,734	0
10RYMMN0173	Clinical Negligence	0	831,250	0
10RYMMN0205	Clinical Negligence	275,000	481,250	0
10RYMMN0212	Clinical Negligence	500,000	701,100	0
10RYMMN0223	Clinical Negligence	600,000	600,000	0
11RYMMN0179	Clinical Negligence	839,224	839,224	0
12RYMMN0025	Clinical Negligence	0	1,106,171	0
12RYMMN0106	Clinical Negligence	0	845,541	0
12RYMMN0108	Clinical Negligence	0	736,164	0
13RYMMN0004	Clinical Negligence	0	319,550	0
13RYMMN0136	Clinical Negligence	25,000	825,000	0
13RYMMN0137	Clinical Negligence	(10,000)	339,973	0
13RYMMN0140	Clinical Negligence	665,000	715,000	0
14RYMMN0034	Clinical Negligence	500,000	690,000	0
14RYMMN0109	Clinical Negligence	362,500	362,500	0
14RYMMN0169	Clinical Negligence	481,517	481,517	0
14RYMMN0207	Clinical Negligence	600,000	600,000	0
15RYMMN0030	Clinical Negligence	68,525	393,525	0
17RYMMN0030	Clinical Negligence	325,000	325,000	0
97RVCMN0005	Clinical Negligence	0	3,970,687	0
<b>Sub-total</b>		<b>10,414,761</b>	<b>26,606,105</b>	<b>0</b>
<b>All other cases</b>		<b>5,506,583</b>	<b>11,534,930</b>	<b>1,779,585</b>
<b>Total cases</b>		<b>15,921,344</b>	<b>38,141,035</b>	<b>1,779,585</b>

## 21. Cash and cash equivalents

	2016-17 £000	2015-16 £000
Balance at 1 April	2,190	3,542
Net change in cash and cash equivalent balances	(1,465)	(1,352)
Balance at 31 March	<u>725</u>	<u>2,190</u>
Made up of:		
Cash held at GBS	597	2,073
Commercial banks	0	0
Cash in hand	128	117
Current Investments	<u>0</u>	<u>0</u>
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>725</b>	<b>2,190</b>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	<u>0</u>	<u>0</u>
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b><u>725</u></b>	<b><u>2,190</u></b>

## 22. Other Financial Assets

	Current		Non-current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

### 23. Other financial liabilities

Financial liabilities	Current		Non-current	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	£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>

## 24. Related Party Transactions

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

Name	Details	Interests
Professor A Davies	Chairman	Board Member, Ospreys in the Community
Professor C.J. Phillips	Non-Officer Member	Director, Welsh Wound Innovation
Mrs C Patel	Non-officer member	Board Member, Pobl & Tai Gwalia ( Housing Group)
Mrs. D Williams	Non-Officer Member	Trustee, Swansea University
Mr. E Williams	Director of Finance to 31.10.16	Member of Finance Committee, Swansea University
Councillor MEJ Nott	Non-Officer Member	Leader of Council and Elected Member, Bridgend County Borough Council
Mr. P Roberts	Chief Executive to 07.03.17	Trustee, NHS Confederation
Mrs G Richards	Non Officer Member	Executive Director of Neath Port Talbot CVS
		Board Member, Big Lottery Wales Committee
		Chair of Board of Governors, Neath Port Talbot Group of Colleges
		Company Secretary/Co-Director, Neath Port Talbot Children's Rights Unit
Mrs. S Miller	Non-Officer Member	Cabinet Member and Councillor, Neath Port Talbot County Borough Council
		Officer of ABM Healthcare Branch, Unison
Mrs S Cooper	Associate Board Member	Corporate Director Social and Wellbeing, Bridgend County Borough Council

The total value of transactions with Board members and key senior staff in 2016/17 were as follows:

Board Member	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£	£	£	£
Professor A Davies	0	420	0	0
Professor C.J. Phillips	44	0	0	0
Mrs C Patel	70,000	750	0	750
Mrs. D Williams	6,300,030	619,296	494,999	114,745
Mr. E Williams	6,303,888	619,296	494,999	114,745
Councillor MEJ Nott	6,341,117	1,775,839	113,734	255,242
Mr. P Roberts	77,179	0	0	0
Mrs G Richards	152,329	0	0	0
Mrs. S Miller	7,937,946	7,704,225	643,156	798,610
Mrs S Cooper	6,341,117	1,775,839	113,734	114,745

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

Entity	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£000	£000	£000	£000
Welsh Assembly Government	13	1,116,475	0	2,684
Welsh Health Specialised Services Commission	113,939	98,469	570	2,199
Aneurin Bevan LHB	928	2,708	83	186
Betsi Cadwaladr LHB	1,257	521	1,056	38
Cardiff & Vale LHB	11,918	15,913	2,259	1,903
Cwm Taf LHB	7,601	5,713	2,274	322
Hywel Dda LHB	4,401	34,518	108	2,095
Powys LHB	1,549	9,269	136	803
Public Health Wales NHS Trust	6,913	4,031	937	195
Velindre NHS Trust	24,213	5,014	1,895	10,688
Welsh Ambulance Services NHS Trust	3,686	595	14	114
<b>Total</b>	<b>176,418</b>	<b>1,293,226</b>	<b>9,332</b>	<b>21,227</b>

## **25. Third Party assets**

The LHB held £568,594 cash at bank and in hand at 31 March 2017 (31 March 2016, £571,558) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £663,972 at 31 March 2017 (31 March 2016, £815,709). This has been excluded from the Cash and Cash equivalents figure reported in the Accounts.

**26. Finance leases**

**26.1 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 (2015-16 £Nil).

Contingent rents recognised as an expense £Nil (2015-16 £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 2017 £000</b>	31 March 2016 £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
	<u>0</u>	<u>0</u>
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
	<u>0</u>	<u>0</u>
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>

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

**Amounts payable under finance leases:**

<b>Buildings</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**Present value of minimum lease payments**

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

**Other**

	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
<b>Minimum lease payments</b>		
Within one year	284	284
Between one and five years	782	1,066
After five years	0	0
Less finance charges allocated to future periods	(81)	(132)
Minimum lease payments	<u>985</u>	<u>1,218</u>
Included in:		
Current borrowings	246	233
Non-current borrowings	739	985
	<u>985</u>	<u>1,218</u>

**Present value of minimum lease payments**

Within one year	246	233
Between one and five years	739	985
After five years	0	0
Present value of minimum lease payments	<u>985</u>	<u>1,218</u>
Included in:		
Current borrowings	246	233
Non-current borrowings	739	985
	<u>985</u>	<u>1,218</u>

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

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

**Amounts receivable under finance leases:**

	<b>31 March</b>	31 March
	<b>2017</b>	2016
	<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>

## 27. Private Finance Initiative contracts

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

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

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2017 £000	31 March 2016 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	0	0
Total estimated capital value of off-SoFP PFI contracts	0	0

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

*On 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 Moors Healthcare for the provision of a 270 bed local general hospital to serve the population of Neath and Port Talbot. The services to be provided in the new hospital which was completed in Autumn 2002 resulted in the transfer of services from and the subsequent closure of Neath and Port Talbot Hospitals.*

*The first payment on the contract was made in December 2002. The annual payments to the contractor amount to approximately £11.381 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 2017 £000	31 March 2017 £000	31 March 2017 £000
Total payments due within one year	2,309	4,866	4,459
Total payments due between 1 and 5 years	11,668	20,249	17,604
Total payments due thereafter	33,815	48,989	34,849
Total future payments in relation to PFI contracts	47,792	74,104	56,912

  

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000
Total payments due within one year	2,263	4,979	4,262
Total payments due between 1 and 5 years	10,695	20,513	17,756
Total payments due thereafter	37,431	55,669	39,156
Total future payments in relation to PFI contracts	50,389	81,161	61,174

  

Total present value of obligations for on-SoFP PFI contracts	47,792		
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**27.3 Charges to expenditure**

	2016-17	2015-16
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	2,368	2,311
Total expense for Off Statement of Financial Position PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	<u>2,368</u>	<u>2,311</u>

The LHB is committed to the following annual charges

	31 March 2017	31 March 2016
	£000	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	11,634	11,504
<b>Total</b>	<u>11,634</u>	<u>11,504</u>

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

**27.4 Number of PFI contracts**

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

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

<b>PFI Contract</b>	
Neath Port Talbot Hospital	On

**27.5 The LHB has no Public Private Partnerships during the year**

## 28. 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 £277,671 for the 2016/17 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

<u>Pooled Budget Memorandum Account</u>	<b>2016-17</b>	2015-16
<b>Gross Funding</b>	<b>£</b>	<b>£</b>
Bridgend County Borough Council	318,028	328,395
ABMU Health Board	277,671	286,565
<b>Total Funding</b>	<b>595,699</b>	<b>614,960</b>
 <u>Expenditure</u>		
Provision of Day Opportunities to individuals recovering from mental health problems	595,699	614,960
 <b>Net Under/Over Spend</b>	<b>0</b>	<b>0</b>

## 28. Pooled budgets

The Health Board (Swansea Locality) has participated in a formal pooled budget arrangement in 2016/17 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

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>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
City & County of Swansea	615,741	606,931
Neath Port Talbot County Borough Coun	388,130	382,568
ABMU Local Health Board	970,003	956,140
Other Income	97,359	0
Prior Years Underspend Carried Forwar	0	105,786
<b>Total Funding</b>	<b>2,071,233</b>	<b>2,051,425</b>
<b>Expenditure</b>	<b>2,071,233</b>	<b>2,051,425</b>
<b>Net (under)/over spend</b>	<b>0</b>	<b>0</b>

NB The surplus declared for 2014/15 was transferred by City & County of Swansea to a ring fenced reserve specific to the Community Equipment Store and utilised in 2015/16.

## 28. Pooled budgets (Continued)

The Health Board has participated in a formal pooled budget arrangement in 2016/17 which commenced in June 2012. This replaced the previous agreement which ran from 2008/09 to March 2012.

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

#### **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>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Rhondda Cynon Taff County Borough Council	1,124,991	987,820
Merthyr Tydfil County Borough Council	213,000	175,385
Bridgend County Borough Council	629,203	568,723
Cwm Taf Local Health Board	245,034	189,929
Abertawe Bro Morgannwg Local Health Board	304,643	623,390
Other Income Received	128,447	108,990
<b>Total Funding</b>	<b>2,645,318</b>	<b>2,654,237</b>
<b>Total Expenditure</b>	<b>2,573,643</b>	<b>2,625,136</b>
<b>Pool (Deficit)/Surplus</b>	<b>71,675</b>	<b>29,101</b>

## **29. Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

### **Currency risk**

The LHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHB has no overseas operations. The LHB therefore has low exposure to currency rate fluctuations.

### **Interest rate risk**

LHBs are not permitted to borrow. The LHB therefore has low exposure to interest rate fluctuations

### **Credit risk**

Because the majority of the LHB's funding derives from funds voted by the Welsh Government the LHB has low exposure to credit risk.

### **Liquidity risk**

The LHB is required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. The LHB is not, therefore, exposed to significant liquidity risks.

**30. Movements in working capital**

	<b>2016-17</b>	2015-16
	<b>£000</b>	£000
(Increase)/decrease in inventories	<b>404</b>	(1,028)
(Increase)/decrease in trade and other receivables - non - current	<b>(9,027)</b>	2,942
(Increase)/decrease in trade and other receivables - current	<b>(19,698)</b>	7,068
Increase/(decrease) in trade and other payables - non - current	<b>(2,901)</b>	(2,484)
Increase/(decrease) in trade and other payables - current	<b>24,030</b>	7,286
<b>Total</b>	<b>(7,192)</b>	13,784
Adjustment for accrual movements in fixed assets -creditors	<b>(10,760)</b>	6,411
Adjustment for accrual movements in fixed assets -debtors	<b>40</b>	0
Other adjustments	<b>0</b>	0
	<b>(17,912)</b>	20,195

**31. Other cash flow adjustments**

	<b>2016-17</b>	2015-16
	<b>£000</b>	£000
Depreciation	<b>30,360</b>	28,670
Amortisation	<b>482</b>	372
(Gains)/Loss on Disposal	<b>30</b>	(5)
Impairments and reversals	<b>6,373</b>	(5,002)
Release of PFI deferred credits	<b>0</b>	0
Donated assets received credited to revenue but non-cash	<b>(407)</b>	(282)
Government Grant assets received credited to revenue but non-cash	<b>0</b>	0
Non-cash movements in provisions	<b>41,475</b>	878
<b>Total</b>	<b>78,313</b>	24,631

**32. Events after the Reporting Period**

None.

### 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 2016/17, 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 2016/17 these accounts contain income of £2.346m and expenditure of £2.298m 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

On 1 October 2016 :

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

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

The table below shows the amounts included in the accounts of ABMU Health Board for these services in 2016/17 and 2015/16

<b>Balance Sheet</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Difference</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property Plant and Equipment	0	23	(23)
Receivables - Current	0	64	(64)
Receivables Non Current	0	0	0
<b>Total Receivables</b>	<b>0</b>	<b>64</b>	<b>(64)</b>
Payables - Current	0	(31)	31
Payables - Non Current	0	0	0
<b>Total Payables</b>	<b>0</b>	<b>(31)</b>	<b>31</b>

<b>Income</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Difference</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
NHS Trusts	90	142	(52)
Local Health Boards	43	79	(36)
WHSCC	258	516	(258)
Charitable & other Contributions to Expenditure	292	249	43
Other income from activities	63	203	(140)
Other Income	100	141	(41)
<b>Total</b>	<b>846</b>	<b>1,330</b>	<b>(484)</b>

<b>Expenditure</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Difference</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Note 3.2</b>			
Goods and services from other Welsh Health Boards	1,100	2,057	(957)
Goods and services from other NHS Wales Trusts	3,451	1,169	2,282
<b>Total</b>	<b>4,551</b>	<b>3,226</b>	<b>1,325</b>
<b>Note 3.3</b>			
Staff Costs	904	1,609	(705)
Premises	51	124	(73)
Other Operating Expenses	528	1,072	(544)
Establishment	139	82	57
Supplies & Services General	3	441	(438)
Supplies & Services Clinical	64	163	(99)
Consultancy	0	1	(1)
<b>Total</b>	<b>1,689</b>	<b>3,492</b>	<b>(1,803)</b>

<b>Staff Numbers</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Difference</b>
Administrative and Clerical	0	18	(18)
Professional Scientific & Technical	0	10	(10)
Healthcare Scientists	0	3	(3)
Nursing & Midwifery Qualified	0	3	(3)
Allied Health Professionals	0	1	(1)
<b>Total</b>	<b>0</b>	<b>35</b>	<b>(35)</b>

**The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales**

I certify that I have audited the financial statements of Abertawe Bro Morgannwg University Local Health Board for the year ended 31 March 2017 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

**Respective responsibilities of Directors, the Chief Executive and the Auditor**

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Abertawe Bro Morgannwg University Local Health Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and Chief Executive; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I read all the financial and non-financial information in the foreword and Accountability Report with the financial statements to identify any material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Abertawe Bro Morgannwg University Local Health Board as at 31 March 2017 and of its net operating costs, for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

**Basis for Qualified Opinion on Regularity**

Abertawe Bro Morgannwg University Local Health Board has breached its resource limit by spending £39 million over the £3,052 million that it was authorised to spend in the 3 year period from 2014-15 to 2016-17. This spend constitutes irregular expenditure. Further detail is set out in the attached report.

**Qualified Opinion on Regularity**

In my opinion except for the irregular expenditure of £39 million explained in the paragraph above, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

**Opinion on other matters**

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- the information contained in the foreword and Accountability Report is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

**Report**

Please see my Report on page 68

Huw Vaughan Thomas  
Auditor General for Wales  
8 June 2017

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

## Report of the Auditor General to the National Assembly for Wales

### Introduction

Local Health Boards (LHBs) are required to meet two statutory financial duties - known as the first and second financial duties.

For 2016-17, Abertawe Bro Morgannwg University Health Board (the LHB) failed to meet both the first and second financial duty and so I have decided to issue a narrative report to explain the position.

### Failure of the first financial duty

The **first financial duty** gives additional flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The first three year period under this duty is 2014-15 to 2016-17, and so it is measured this year for the first time.

As shown in Note 2.1 to the Financial Statements, the LHB did not manage its revenue expenditure within its resource allocation over the three-year period - the cumulative revenue resource limit of £3,052 million over the three years was exceeded by £39 million.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the resource allocation (i.e. spending limit) for those three years exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend.

### Failure of the second financial duty

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2016-17 if it submitted a 2016-17 to 2018-19 plan approved by its Board to the Welsh Ministers who then approved it by 30th June 2016.

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2016-17 to 2018-19.

Huw Vaughan Thomas  
Auditor General for Wales  
8 June 2017

**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