

# ANEURIN BEVAN 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 Gwent Healthcare NHS Trust and the following Local Health Boards.

- Blaenau Gwent Local Health Board
- Caerphilly Local Health Board
- Monmouthshire Local Health Board
- Newport Local Health Board
- Torfaen Local Health Board

### Performance Management and Financial Results

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

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

The Act came into effect from 1 April 2014 and under the Act the first assessment of the 3 year rolling financial duty is in 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	253,163	260,628
Expenditure on healthcare from other providers	3.2	324,394	293,807
Expenditure on Hospital and Community Health Services	3.3	658,945	615,132
		<b>1,236,502</b>	1,169,567
Less: Miscellaneous Income	4	93,298	82,618
<b>LHB net operating costs before interest and other gains and losses</b>		<b>1,143,204</b>	1,086,949
Investment Income	8	22	23
Other (Gains) / Losses	9	(164)	(136)
Finance costs	10	823	942
<b>Net operating costs for the financial year</b>		<b>1,143,841</b>	1,087,732

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

The notes on pages 8 to 64 form part of these accounts

## Other Comprehensive Net Expenditure

	2016-17 £'000	2015-16 £'000
Net gain / (loss) on revaluation of property, plant and equipment	2,895	10,894
Net gain / (loss) on revaluation of intangibles	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0
(Gain) / loss on other reserves	0	0
Impairment and reversals	0	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0
Other comprehensive net expenditure for the year	<u>2,895</u>	<u>10,894</u>
<b>Total comprehensive net expenditure for the year</b>	<u><b>1,140,946</b></u>	<u><b>1,076,838</b></u>

# Statement of Financial Position as at 31 March 2017

		31 March 2017 £'000	31 March 2016 £'000
Notes			
<b>Non-current assets</b>			
	Property, plant and equipment	11 479,410	469,077
	Intangible assets	12 2,456	1,390
	Trade and other receivables	15 33,500	27,126
	Other financial assets	22 724	755
	<b>Total non-current assets</b>	<b>516,090</b>	<b>498,348</b>
<b>Current assets</b>			
	Inventories	14 7,002	6,380
	Trade and other receivables	15 63,011	55,127
	Other financial assets	22 31	30
	Cash and cash equivalents	21 3,783	2,295
		<b>73,827</b>	<b>63,832</b>
	Non-current assets classified as "Held for Sale"	11 0	0
	<b>Total current assets</b>	<b>73,827</b>	<b>63,832</b>
	<b>Total assets</b>	<b>589,917</b>	<b>562,180</b>
<b>Current liabilities</b>			
	Trade and other payables	16 130,354	120,147
	Other financial liabilities	23 0	0
	Provisions	17 30,143	30,315
	<b>Total current liabilities</b>	<b>160,497</b>	<b>150,462</b>
	<b>Net current assets/ (liabilities)</b>	<b>(86,670)</b>	<b>(86,630)</b>
<b>Non-current liabilities</b>			
	Trade and other payables	16 6,773	7,462
	Other financial liabilities	23 0	0
	Provisions	17 43,655	34,635
	<b>Total non-current liabilities</b>	<b>50,428</b>	<b>42,097</b>
	<b>Total assets employed</b>	<b>378,992</b>	<b>369,621</b>
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
	General Fund	273,293	264,437
	Revaluation reserve	105,699	105,184
	<b>Total taxpayers' equity</b>	<b>378,992</b>	<b>369,621</b>

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

Chief Executive.....*Judith Papet*.....

Date *31/5/17*  
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>	264,437	105,184	<b>369,621</b>
Net operating cost for the year	(1,143,841)		(1,143,841)
Net gain/(loss) on revaluation of property, plant and equipment	0	2,895	<b>2,895</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Movements in other reserves	0	0	<b>0</b>
Transfers between reserves	2,380	(2,380)	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers to/from LHBs	0	0	<b>0</b>
<b>Total recognised income and expense for 2016-17</b>	(1,141,461)	515	<b>(1,140,946)</b>
Net Welsh Government funding	1,150,317		<b>1,150,317</b>
<b>Balance at 31 March 2017</b>	<b>273,293</b>	<b>105,699</b>	<b>378,992</b>

The notes on pages 8 to 64 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>	276,893	94,661	<b>371,554</b>
Net operating cost for the year	(1,087,732)		<b>(1,087,732)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	10,893	<b>10,893</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Movements in other reserves	0	0	<b>0</b>
Transfers between reserves	370	(370)	<b>0</b>
<b>Release of reserves to SoCNE</b>	0	0	<b>0</b>
Transfers to/from LHBs	0	0	<b>0</b>
<b>Total recognised income and expense for 2015-16</b>	<b>(1,087,362)</b>	<b>10,523</b>	<b>(1,076,839)</b>
Net Welsh Government funding	1,074,906		<b>1,074,906</b>
<b>Balance at 31 March 2016</b>	<b>264,437</b>	<b>105,184</b>	<b>369,621</b>

The notes on pages 8 to 64 form part of these accounts

# Statement of Cash flows for year ended 31 March 2017

	2016-17 £'000	2015-16 £'000
<b>Cash Flows from operating activities</b>		
Net operating cost for the financial year	(1,143,841)	(1,087,732)
Movements in Working Capital	30 (11,336)	23,566
Other cash flow adjustments	31 48,268	19,760
Provisions utilised	17 (14,338)	(11,761)
<b>Net cash outflow from operating activities</b>	<b>(1,121,247)</b>	<b>(1,056,167)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(25,595)	(19,348)
Proceeds from disposal of property, plant and equipment	176	246
Purchase of intangible assets	(1,535)	(235)
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>(26,954)</b>	<b>(19,337)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(1,148,201)</b>	<b>(1,075,504)</b>
<b>Cash flows from financing activities</b>		
Welsh Government funding (including capital)	1,150,317	1,074,906
Capital receipts surrendered	0	0
Capital grants received	0	0
Capital element of payments in respect of finance leases and on-SoFP	(628)	(572)
Cash transferred (to)/ from other NHS bodies	0	0
<b>Net financing</b>	<b>1,149,689</b>	<b>1,074,334</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,488</b>	<b>(1,170)</b>
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2016</b>	<b>2,295</b>	<b>3,465</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2017</b>	<b>3,783</b>	<b>2,295</b>

The notes on pages 8 to 64 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. The LHB have implemented a policy whereby employees are not permitted to carry forward leave other than leave that has been accrued as a result of an employee's entitlement to maternity or sick leave.

### **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 IFRS 13.



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

### **Subsequent expenditure**

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

## **1.7 Intangible assets**

### **Recognition**

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

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

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

### **Measurement**

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

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

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

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

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

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

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

### **1.9 Research and Development**

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

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

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

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

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

### **1.11 Leases**

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

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

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

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

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

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

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

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



### **1.12 Inventories**

Inventories are valued as the lower of cost and net realisable value using the weighted average cost formula for hospital pharmacy and works and estates inventories. Other inventories are valued annually using first in first out basis. This is considered to be a reasonable approximation to fair value.

### **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.

#### **Monmouthshire County Council - Monnow Vale Health and Social Care Unit**

Funds are pooled for the provision of health and social care inpatient, outpatient, clinic and day care facilities to individuals who have medical, social, community or rehabilitation needs. The pool is hosted by Aneurin Bevan University Local Health Board. The financial operation of the pool is governed by a pooled budget agreement between the Local Health Board and Monmouthshire County Council. The income from Monmouthshire County Council is recorded as Local Authority Income in these accounts.

Expenditure for services provided under the arrangement is recorded under the appropriate expense headings in these accounts.

The property in which the unit is housed has been provided by a Private Finance Partner; the contract with the PFI partner is for 30 years and is categorised as an on balance sheet PFI scheme with the HB recognising 71% of the property - see Note 28 of these accounts for further details.

#### **The five Local Authorities in Gwent - Gwent Wide Integrated Community Equipment Service**

Funds are pooled for the provision of an efficient and effective GWICES (Gwent Wide Integrated Community Equipment Service) to service users who are resident in the partner localities. The pool is hosted by Torfaen County Borough Council. The Health Board makes a financial contribution to the scheme but does not account for the schemes expenditure or assets/liabilities generated by this expenditure.

The financial operation of the pool is governed by a pooled budget agreement between the bodies listed above and the Health Board. Payments for services provided by the host body, Torfaen County Borough Council, are accounted for as expenditure within these accounts.

#### **Monmouthshire County Council - Mardy Park Rehabilitation Centre**

Funds are pooled for the provision of care to individuals who have rehabilitation needs. The LHB has entered into a pooled budget with Monmouthshire County Council. The pool is hosted by Monmouthshire County Council.

#### **The five Local Authorities in Gwent - Gwent Frailty Programme**

Funds are pooled for the purpose of establishing a consistent service across Gwent. The pool is hosted by Caerphilly County Borough Council, as lead commissioner. The financial operation of the pool is governed by a pooled budget agreement between the bodies listed above and the Health Board. Payments for services provided by the host body, Caerphilly County Borough Council, are accounted for as expenditure within these accounts. Additional information is provided in Note 28.

### **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 has provided for some £63m (£57m 2015/16) within note 17 in respect of potential clinical negligence and personal injury claims and associated defence fees. These provisions have been arrived at on the advice of NHS Wales Shared Services Partnership - Legal & Risk Services. Given the nature of such claims this figure could be subject to significant change in future periods. However, the potential financial effect of such uncertainty is mitigated by the fact that the LHB's ultimate liability in respect of individual cases is capped at £0.025m, with amounts above this excess level being reimbursed by the Welsh Risk Pool.

The Health Board has estimated a liability of £5m (£2.4m 2015/16) in respect of retrospective claims for Continuing Health Care funding. The estimated provision is based upon an assessment of the likelihood of claims meeting criteria for continuing health care and the actual costs incurred by individuals in care homes. The provision is based on information made available to the Health Board at the time of these accounts and could be subject to significant change as outcomes are determined. Aneurin Bevan University Local Health Board has reviewed its portfolio of outstanding claims for continuing healthcare and made an assessment of likely financial liability based on an estimated success factor, eligibility factor and expected weekly average costs of claims. The assumptions have been derived by reviewing a sample of claims.

Primary care expenditure includes estimates for areas which are paid in arrears and not finalised at the time of producing the accounts. These estimates relate to GMS Quality Outcome Framework, GMS Enhanced Services and dental contract performance, which are based on an assessment of likely final performance

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

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

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

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



### **Services received**

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

### **PFI asset**

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

### **PFI liability**

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

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

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

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

### **Lifecycle replacement**

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

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

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a

deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

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

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

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

Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the

asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

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

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

#### **Other PFI arrangements off Statement of Financial Position**

Where the LHB has no control or residual interest in the assets and the balance of risks and rewards lie with the operator, the arrangement is treated as an operating lease and the costs are included in the SoCNE as incurred. The LHB has two such arrangements relating to the maintenance of the energy systems in the Royal Gwent and Nevill Hall Hospitals.

#### **Joint PFI contract**

The LHB has entered into an agreement to share a facility, provided by a Private Finance Partner, with Monmouthshire County Council to match the agreement with the Private Finance Partner. The arrangement is treated as a PFI arrangement and the total obligation is included as a liability of the LHB. The contribution towards the unitary charge committed by Monmouthshire County Council is treated as a financial asset. The future contribution was measured initially at the same amount as the fair value of the share of the PFI asset and is subsequently measured as a finance lease.

#### **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.

The Local Health Board completed the registration process in 2013/14 to become a member of the Carbon Reduction Commitment Scheme in 2014/15. The Health Board qualified for phase 2 of the CRC scheme from 2014/15 which requires purchasing of allowances annually from 2015/16 onwards.

### **1.27 Absorption accounting**

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

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

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

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

IFRS 9 Financial Instruments

IFRS14 Regulatory Deferral Accounts

IFRS15 Revenue from contracts with customers

IFRS 16 Leases

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. The application of the Standards as revised would not have a material impact on the accounts for 2016-17, were they applied in that year:

IPSAS 32 - Service Concession Arrangement - subject to consultation

IFRS 15 - Revenue Recognition

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

During 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 linked NHS Charity (Aneurin Bevan University Local Health Board), it is considered for accounting standards compliance to have control of Aneurin Bevan University Local Health Board Charity as a subsidiary and therefore is required to consolidate the results off Aneurin Bevan 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 Aneurin Bevan 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 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	2015-16	2016-17	Total
	£'000	£'000	£'000	£'000
<b>Net operating costs for the year</b>	1,036,070	1,087,732	1,143,841	3,267,643
Less general ophthalmic services expenditure and other non-cash limited expendit	(7,543)	(7,394)	(1,525)	(16,462)
Less revenue consequences of bringing PFI schemes onto SoFP	0	0	0	0
Total operating expenses	1,028,527	1,080,338	1,142,316	3,251,181
Revenue Resource Allocation	1,028,936	1,080,552	1,142,365	3,251,853
<b>Under / (over) spend against Allocation</b>	<b>409</b>	<b>214</b>	<b>49</b>	<b>672</b>

Aneurin Bevan University Local Health Board has met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2014-15 to 2016-17.

### 2.2 Capital Resource Performance

	2014-15	2015-16	2016-17	Total
	£'000	£'000	£'000	£'000
<b>Gross capital expenditure</b>	27,954	14,315	34,097	76,366
Add: Losses on disposal of donated assets	1	2	5	8
Less NBV of property, plant and equipment and intangible assets disposed	(100)	(110)	(12)	(222)
Less capital grants received	(7)	0	0	(7)
Less donations received	(391)	(228)	(335)	(954)
Charge against Capital Resource Allocation	27,457	13,979	33,755	75,191
Capital Resource Allocation	27,472	14,068	33,797	75,337
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>15</b>	<b>89</b>	<b>42</b>	<b>146</b>

Aneurin Bevan University Local Health Board 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

Approved

The LHB has therefore 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 not 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	84,072		84,072	86,879
Pharmaceutical Services	29,087	(5,197)	23,890	29,499
General Dental Services	34,845		34,845	34,238
General Ophthalmic Services	1,679	6,722	8,401	6,629
Other Primary Health Care expenditure	2,531		2,531	2,396
Prescribed drugs and appliances	99,424		99,424	100,987
<b>Total</b>	<b>251,638</b>	<b>1,525</b>	<b>253,163</b>	<b>260,628</b>

3.2 Expenditure on healthcare from other providers	2016-17 £'000	2015-16 £'000
Goods and services from other NHS Wales Health Boards	54,639	50,510
Goods and services from other NHS Wales Trusts	22,873	20,167
Goods and services from other non Welsh NHS bodies	8,024	7,338
Goods and services from WHSSC / EASC	126,349	117,545
Local Authorities	25,532	17,013
Voluntary organisations	5,427	5,380
NHS Funded Nursing Care	6,403	5,711
Continuing Care	68,123	66,541
Private providers	6,935	3,258
Specific projects funded by the Welsh Government	0	0
Other	89	344
<b>Total</b>	<b>324,394</b>	<b>293,807</b>

Local Authorities expenditure relates to the following bodies:	£'000	£'000
Blaenau Gwent County Borough Council	1,012	857
Caerphilly County Borough Council	14,279	7,863
Monmouthshire County Borough Council	2,109	1,667
Newport City Council	4,029	3,303
Torfaen County Borough Council	4,079	3,197
Rhondda Cynon Taff County Borough Council	0	126
Gloucestershire County Council	24	0
	<b>25,532</b>	<b>17,013</b>

#### Note 3.1 - Expenditure on Primary Healthcare Services

The General Medical Services expenditure includes £6,497k (2015/16 £5,726k) in relation to staff salaries, the General Dental Services expenditure includes £3,497k (2015/16 £3244k) in relation to staff salaries, and the Prescribed Drugs & Appliances expenditure includes £383k (2015/16 £281k) in relation to staff salaries.

### 3.3 Expenditure on Hospital and Community Health Services

	2016-17 £'000	2015-16 £'000
Directors' costs	1,947	2,030
Staff costs	486,875	467,724
Supplies and services - clinical	87,254	74,983
Supplies and services - general	13,684	13,411
Consultancy Services	606	516
Establishment	8,331	8,037
Transport	1,795	1,445
Premises	24,105	24,185
External Contractors	0	0
Depreciation	23,031	23,166
Amortisation	496	417
Fixed asset impairments and reversals (Property, plant & equipment)	2,054	(9,031)
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	418
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	2,275	1,400
Research and Development	0	0
Other operating expenses	6,080	6,431
<b>Total</b>	<b>658,945</b>	<b>615,132</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>	<b>£'000</b>	<b>£'000</b>
Clinical negligence	22,070	5,834
Personal injury	508	198
All other losses and special payments	36	85
Defence legal fees and other administrative costs	955	241
Gross increase/(decrease) in provision for future payments	23,569	6,358
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	(134)	(261)
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(21,160)</b>	<b>(4,697)</b>
<b>Total</b>	<b>2,275</b>	<b>1,400</b>

The Health Board spent £1.3m (£1.13m 2015/16) on Research and Development. The majority of this spend relates to staff £1.046m (£0.8m 2015/16) which along with the non-staff spend is reflected under the various headings within note 3.3

Personal injury includes £303,692 (£102,062 2015/16) in respect of permanent injury benefits.

Note 3.4 includes £618,922 (£625,779 2015/16) relating to Redress cases which represents 90 (73 2015/16) cases where payments were made in year totalling £394,812 (£414,904 2015/16) including defence fees.

An additional provision has been created for a further 29 (24 2015/16) cases where an offer has been made or causation and breach have been proven with estimated costs of £224,110 (£210,875 2015/16).

#### 4. Miscellaneous Income

	2016-17 £'000	2015-16 £'000
Local Health Boards	23,643	23,856
WHSSC /EASC	8,939	3,255
NHS trusts	6,434	7,186
Other NHS England bodies	2,199	1,851
Foundation Trusts	0	0
Local authorities	15,929	11,460
Welsh Government	1,111	895
Non NHS:		
Prescription charge income	0	0
Dental fee income	6,492	6,295
Private patient income	474	514
Overseas patients (non-reciprocal)	0	0
Injury Costs Recovery (ICR) Scheme	1,394	2,189
Other income from activities	794	662
Patient transport services	0	0
Education, training and research	10,869	11,590
Charitable and other contributions to expenditure	971	1,108
Receipt of donated assets	335	228
Receipt of Government granted assets	0	0
Non-patient care income generation schemes	146	204
NWSSP	0	0
Deferred income released to revenue	0	0
Contingent rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	57	54
Accommodation and catering charges	2,810	2,663
Mortuary fees	244	246
Staff payments for use of cars	806	714
Business Unit	1,970	1,951
Other	7,681	5,697
<b>Total</b>	<b>93,298</b>	<b>82,618</b>

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

## 5. Employee benefits and staff numbers

### 5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2015-16 Restated
	£000	£000	£000	£000	£000
Salaries and wages	389,400	1,831	15,969	407,200	398,439
Social security costs	40,530	0	0	40,530	31,704
Employer contributions to NHS Pension Scheme	47,245	0	0	47,245	46,034
Other pension costs	425	0	0	425	87
Other employment benefits	0	0	0	0	0
Termination benefits	161	0	0	161	151
<b>Total</b>	<b>477,761</b>	<b>1,831</b>	<b>15,969</b>	<b>495,561</b>	<b>476,415</b>
Charged to capital				291	173
Charged to revenue				495,270	476,242
				<b>495,561</b>	<b>476,415</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)				67	103

### 5.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2015-16 Restated
	Number	Number	Number	Number	Number
Administrative, clerical and board members	1,944	14	3	1,961	1,910
Medical and dental	956	7	54	1,017	1,023
Nursing, midwifery registered	3,546	1	69	3,616	3,586
Professional, Scientific, and technical staff	637	1	8	646	614
Additional Clinical Services	1,838	0	8	1,846	1,844
Allied Health Professions	684	8	23	715	684
Healthcare Scientists	344	0	7	351	344
Estates and Ancillary	1,107	0	19	1,126	1,108
Students	0	0	0	0	0
<b>Total</b>	<b>11,056</b>	<b>31</b>	<b>191</b>	<b>11,278</b>	<b>11,113</b>

### 5.3. Retirements due to ill-health

During 2016-17 there were 6 early retirements from the LHB agreed on the grounds of ill-health (4 in 2015-16 - £160,259.85) The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £464,176.99

### 5.4 Employee benefits

The LHB does not have an employee benefit scheme.

Note 5.1 and 5.2 - The 2015/16 figures have been restated to exclude staff on outward secondment and the impact of the Health Boards benefits in kind schemes in line with the manual for accounts.

# 5.5 Reporting of other compensation schemes - exit packages

	2016-17	2016-17	2016-17	2016-17	2015-16
				Number of departures where special payments have been made Whole numbers only	Total number of exit packages Whole numbers only
Exit packages cost band (including any special payment element)	Number of compulsory redundancies  Whole numbers only	Number of other departures  Whole numbers only	Total number of exit packages Whole numbers only		Restated
less than £10,000	0	1	1	0	1
£10,000 to £25,000	0	1	1	0	2
£25,000 to £50,000	0	1	1	0	3
£50,000 to £100,000	0	0	0	0	0
£100,000 to £150,000	0	1	1	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
Total	0	4	4	0	6

	2016-17	2016-17	2016-17	2016-17	2015-16
				Cost of special element included in exit packages £'s	Total cost of exit packages £'s
Exit packages cost band (including any special payment element)	Cost of compulsory redundancies  £'s	Cost of other departures  £'s	Total cost of exit packages  £'s		Restated
less than £10,000	0	5,899	5,899	0	5,783
£10,000 to £25,000	0	17,789	17,789	0	32,236
£25,000 to £50,000	0	28,560	28,560	0	113,319
£50,000 to £100,000	0	0	0	0	0
£100,000 to £150,000	0	108,932	108,932	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
Total	0	161,180	161,180	0	151,338

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Exit costs in this note are accounted for in full in the year of departure. 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. This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in previous years. Within the £32,236 in 2015/16 there is a £10,000 payment relating to an ex gratia payment which was negotiated via a settlement agreement. The 2015-16 figure has been restated from £79,677 previously reported in the 2015/16 Annual Accounts to £151,338 which relates to 2 VERS payments made in 2015-16 which were identified when completing the 2016/17 return.

## 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 chief executive who is also the highest-paid director in the LHB for the financial year 2016-17 was £195k - £200k (2015-16, £195k - £200k). This was 7.3 times (2015-16, 7.6) the median remuneration of the workforce, which was £27,230 (2015-16, £26,064).

Remuneration for staff ranged from £16k to £281k (2015-16 £16k to £261k).

In 2016-17, 16 (2015-16, 13) employees received remuneration in excess of the highest-paid director. Total remuneration includes salary and non-consolidated performance-related pay. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions or benefits-in-kind which due to the value are not material.

There has been a 4.5% increase in the median remuneration of the workforce due to the increase in the number of staff earning more than the median salary.

The highest paid director banded remuneration has remained the same as 2015-16 and continues to be the chief executive.

Whilst the remuneration banding in which the highest paid director falls has remained the same as 2015/16, the ratio between the median remuneration of the workforce and the highest paid director decreased by 0.3 due to the increase in the median remuneration.



## 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 31 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. It also includes any money paid in by someone else on behalf of the member, such as a member's partner or spouse.

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

See note below.

The LHB holds 1,125 leases in the current year. Of these, 1,065 leases will require payments within one year, 828 will require payments between 1 and 5 years and 12 will require payments in more than 5 years.

The leases mainly relate to equipment, property and a large number of lease cars and photocopiers.

<b>Payments recognised as an expense</b>	<b>2016-17</b>	<b>2015-16</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	7,666	6,314
Contingent rents	0	0
Sub-lease payments	0	0
<b>Total</b>	<b>7,666</b>	<b>6,314</b>

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

<b>Payable</b>	<b>£000</b>	<b>£000</b>
Not later than one year	5,048	4,415
Between one and five years	7,191	7,102
After 5 years	7,655	2,703
<b>Total</b>	<b>19,894</b>	<b>14,220</b>

There are no future sublease payments expected to be received

### LHB as lessor

The LHB holds several property leases which are at fixed rentals subject to periodic review. The significant leases expire at dates between June 2029 and June 2034. These leases are not subject to any contingency.

<b>Rental revenue</b>	<b>£000</b>	<b>£000</b>
Rent	120	107
Contingent rents	0	0
<b>Total revenue rental</b>	<b>120</b>	<b>107</b>

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

<b>Receivable</b>	<b>£000</b>	<b>£000</b>
Not later than one year	120	107
Between one and five years	476	428
After 5 years	941	1,011
<b>Total</b>	<b>1,537</b>	<b>1,546</b>

### LHB as lessee

The LHB has the following leases, none of which is subject to any contingency:

- Leases on properties which are at fixed rentals subject to periodic review. The significant Leases expire at dates between August 2018 and November 2043 except for one lease which does not expire until March 2064
- Leases of medical and other equipment, including canteen, laundry and telephony equipment and photocopiers, at fixed rentals, generally for between three and seven years, and
- Vehicle leases at fixed rentals generally for a period of three or five years.

## 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.

	2016-17	2016-17	2015-16	2015-16
	Number	£000	Number	£000
<b>NHS</b>				
Total bills paid	5,747	232,499	4,351	210,911
Total bills paid within target	5,593	232,018	4,218	210,640
Percentage of bills paid within target	97.3%	99.8%	96.9%	99.9%
<b>Non-NHS</b>				
Total bills paid	236,398	423,637	230,822	263,960
Total bills paid within target	227,815	414,278	220,756	254,771
Percentage of bills paid within target	96.4%	97.8%	95.6%	96.5%
<b>Total</b>				
Total bills paid	242,145	656,136	235,173	474,871
Total bills paid within target	233,408	646,296	224,974	465,411
Percentage of bills paid within target	96.4%	98.5%	95.7%	98.0%

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

	2016-17	2015-16
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	81	70
<b>Total</b>	<b>81</b>	<b>70</b>

## 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	22	23
<b>Total</b>	<b>22</b>	<b>23</b>

## 9. Other gains and losses

	2016-17 £000	2015-16 £000
Gain/(loss) on disposal of property, plant and equipment	164	136
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>164</b>	<b>136</b>

## 10. Finance costs

	2016-17 £000	2015-16 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts		
main finance cost	528	570
contingent finance cost	278	267
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>806</b>	<b>837</b>
Provisions unwinding of discount	17	105
Other finance costs	0	0
<b>Total</b>	<b>823</b>	<b>942</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>	78,076	369,410	2,577	32,459	71,913	451	15,791	2,844	573,521
Indexation	2,895	0	0	0	0	0	0	0	2,895
Additions									
- purchased	0	7,160	150	7,480	12,656	179	4,415	187	32,227
- donated	0	36	0	0	266	0	6	0	308
- 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	4,237	0	(4,237)	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	109	0	0	0	0	0	0	0	109
Impairments	0	(2,163)	0	0	0	0	0	0	(2,163)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(4,570)	0	(1,254)	(148)	(5,972)
<b>At 31 March 2017</b>	<b>81,080</b>	<b>378,680</b>	<b>2,727</b>	<b>35,702</b>	<b>80,265</b>	<b>630</b>	<b>18,958</b>	<b>2,883</b>	<b>600,925</b>
<b>Depreciation at 1 April 2016</b>	0	46,757	233	1,792	44,168	395	9,509	1,590	104,444
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(4,561)	0	(1,251)	(148)	(5,960)
Provided during the year	0	14,051	77	0	6,919	29	1,675	280	23,031
<b>At 31 March 2017</b>	<b>0</b>	<b>60,808</b>	<b>310</b>	<b>1,792</b>	<b>46,526</b>	<b>424</b>	<b>9,933</b>	<b>1,722</b>	<b>121,515</b>
<b>Net book value at 1 April 2016</b>	<b>78,076</b>	<b>322,653</b>	<b>2,344</b>	<b>30,667</b>	<b>27,745</b>	<b>56</b>	<b>6,282</b>	<b>1,254</b>	<b>469,077</b>
<b>Net book value at 31 March 2017</b>	<b>81,080</b>	<b>317,872</b>	<b>2,417</b>	<b>33,910</b>	<b>33,739</b>	<b>206</b>	<b>9,025</b>	<b>1,161</b>	<b>479,410</b>
<b>Net book value at 31 March 2017 comprises :</b>									
Purchased	78,087	316,177	2,417	33,910	32,622	206	9,009	1,132	473,560
Donated	2,993	1,662	0	0	1,104	0	16	29	5,804
Government Granted	0	33	0	0	13	0	0	0	46
<b>At 31 March 2017</b>	<b>81,080</b>	<b>317,872</b>	<b>2,417</b>	<b>33,910</b>	<b>33,739</b>	<b>206</b>	<b>9,025</b>	<b>1,161</b>	<b>479,410</b>
<b>Asset financing :</b>									
Owned	81,080	308,721	2,417	33,910	33,290	206	9,025	1,161	469,810
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	9,151	0	0	449	0	0	0	9,600
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	<b>81,080</b>	<b>317,872</b>	<b>2,417</b>	<b>33,910</b>	<b>33,739</b>	<b>206</b>	<b>9,025</b>	<b>1,161</b>	<b>479,410</b>

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

	£000
Freehold	391,993
Long Leasehold	9,376
Short Leasehold	0
	<b>401,369</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 2015</b>	76,586	346,305	2,347	28,333	74,454	451	14,735	3,270	<b>546,481</b>
Indexation	1,448	10,434	0	0	0	0	0	0	<b>11,882</b>
Additions									
- purchased	0	2,922	96	4,133	4,944	0	1,757	0	<b>13,852</b>
- donated	0	70	0	0	158	0	0	0	<b>228</b>
- government granted	0	0	0	0	0	0	0	0	<b>0</b>
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	7	0	(7)	0	0	0	0	<b>0</b>
Revaluations	0	181	0	0	0	0	0	0	<b>181</b>
Reversal of impairments	54	9,540	134	0	0	0	0	0	<b>9,728</b>
Impairments	(12)	(49)	0	0	0	0	0	0	<b>(61)</b>
Reclassified as held for sale	0	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	(7,643)	0	(701)	(426)	<b>(8,770)</b>
<b>At 31 March 2016</b>	<b>78,076</b>	<b>369,410</b>	<b>2,577</b>	<b>32,459</b>	<b>71,913</b>	<b>451</b>	<b>15,791</b>	<b>2,844</b>	<b>573,521</b>
<b>Depreciation at 1 April 2015</b>	0	31,591	151	1,792	44,077	368	8,446	1,707	<b>88,132</b>
Indexation	0	1,170	0	0	0	0	0	0	<b>1,170</b>
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	0	0	0	0	0	0	0	<b>0</b>
Revaluations	0	0	0	0	0	0	0	0	<b>0</b>
Reversal of impairments	0	636	8	0	0	0	0	0	<b>644</b>
Impairments	0	(8)	0	0	0	0	0	0	<b>(8)</b>
Reclassified as held for sale	0	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	(7,535)	0	(700)	(425)	<b>(8,660)</b>
Provided during the year	0	13,368	74	0	7,626	27	1,763	308	<b>23,166</b>
<b>At 31 March 2016</b>	<b>0</b>	<b>46,757</b>	<b>233</b>	<b>1,792</b>	<b>44,168</b>	<b>395</b>	<b>9,509</b>	<b>1,590</b>	<b>104,444</b>
<b>Net book value at 1 April 2015</b>	<b>76,586</b>	<b>314,714</b>	<b>2,196</b>	<b>26,541</b>	<b>30,377</b>	<b>83</b>	<b>6,289</b>	<b>1,563</b>	<b>458,349</b>
<b>Net book value at 31 March 2016</b>	<b>78,076</b>	<b>322,653</b>	<b>2,344</b>	<b>30,667</b>	<b>27,745</b>	<b>56</b>	<b>6,282</b>	<b>1,254</b>	<b>469,077</b>
<b>Net book value at 31 March 2016 comprises :</b>									
Purchased	75,194	320,847	2,344	30,667	26,577	56	6,265	1,221	<b>463,171</b>
Donated	2,882	1,768	0	0	1,151	0	17	33	<b>5,851</b>
Government Granted	0	38	0	0	17	0	0	0	<b>55</b>
<b>At 31 March 2016</b>	<b>78,076</b>	<b>322,653</b>	<b>2,344</b>	<b>30,667</b>	<b>27,745</b>	<b>56</b>	<b>6,282</b>	<b>1,254</b>	<b>469,077</b>
<b>Asset financing :</b>									
Owned	78,076	312,710	2,344	30,667	27,118	56	6,282	1,254	<b>458,507</b>
Held on finance lease	0	0	0	0	0	0	0	0	<b>0</b>
On-SoFP PFI contracts	0	9,943	0	0	627	0	0	0	<b>10,570</b>
PFI residual interests	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2016</b>	<b>78,076</b>	<b>322,653</b>	<b>2,344</b>	<b>30,667</b>	<b>27,745</b>	<b>56</b>	<b>6,282</b>	<b>1,254</b>	<b>469,077</b>

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

	£000
Freehold	392,898
Long Leasehold	10,175
Short Leasehold	0
	<b>403,073</b>

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

### Notes on property, plant and equipment

i) Assets donated in the year were purchased from funds donated by the public and charitable organisations and from funds provided by associations linked to specific hospitals.

ii) Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Land and buildings have been restated to current value using the professional valuations carried out by the District Valuers of the Inland Revenue, this was carried out in 2012-13 as part of the 5 yearly revaluation programme. The valuation was carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non specialised operational property. For non-operational properties the valuations were carried out at open market value. In 2016-17 indexation has been applied to land assets only based on indices received from the District Valuers. In 2016-17 the indexation movement on buildings and equipment was assessed as 0% by the District Valuer.

In addition to this in 2016-17 there have been separate revaluations for two assets under construction coming into use, the extensions to the Cardiac Catheter Lab and the Accident & Emergency Department at the Royal Gwent Hospital.

iii) Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term. Equipment is depreciated on current cost evenly over the estimated useful life of the asset. There are standard suggested lives for classes of equipment as set below which are used as a default unless there is evidence proving an alternative, i.e. current manufacturer guidance on CT Scanners suggests a 7 year life. Health Board standard assumed lives:

Short life engineering plant and equipment - 5 years  
 Medium life engineering plant and equipment - 7 years  
 Long Life engineering plant and equipment - 15 years  
 Private vehicles - 7 years  
 Commercial vehicles - 10 years  
 Soft furniture and fittings - 5 years  
 Other furniture and fittings - 10 years  
 IT hardware - 5 years  
 Short life medical and other equipment - 5 years  
 Medium life medical equipment - 7 years  
 Long life medical equipment - 15 years

Where evidence is provided to show that an asset life should differ from those above this will be reviewed and adjusted. A shortened life would give a higher depreciation charge over the remaining life of the asset. A small number of relife adjustments are made in year.

iv) No compensation has been received from third parties for assets impaired, lost or given up.



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

v) Impairment provisions have been made where valuations from the District Valuer indicate that the carrying value of the assets are above the current valuation. In 2016-17 impairment provisions have been made in respect of the two assets under construction coming into use at RGH.

vi) There is considered to be no material difference between the open market value of properties and the existing use value at which they are held.

vii) IFRS 13 Fair value measurement – The Health Board is required to assess whether it owns any surplus assets which have no sale restrictions and plans for future use to comply with IFRS 13. Fochriw Clinic is the only Health Board asset classed as surplus within the 2016-17 accounts; the building was vacated during 2015-16 and has no restriction to sale. There are currently no plans for re-use of the building but no approvals have been sought for disposal. Therefore this property is valued at Fair Value in the accounts.

- the asset has been valued at Fair Value which equates to: *“The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”*. This has been assessed by the District Valuer as Land £25K, buildings £0K.

- The District Valuer carried out a full report after visiting the site and have confirmed that the valuation technique applied in respect of all the Fair Value figures was the market approach. The market approach is described at paras B5 to B7 of IFRS 13; it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

viii) The GCRC of fully depreciated equipment assets as at 31/03/2017 is £29,975K.

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

## 12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2016</b>	1,340	0	996	0	0	0	2,336
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	203	0	1,332	0	0	0	1,535
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	27	0	0	0	0	0	27
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>1,570</b>	<b>0</b>	<b>2,328</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,898</b>
<b>Amortisation at 1 April 2016</b>	614	0	332	0	0	0	946
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	221	0	275	0	0	0	496
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>835</b>	<b>0</b>	<b>607</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,442</b>
<b>Net book value at 1 April 2016</b>	<b>726</b>	<b>0</b>	<b>664</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,390</b>
<b>Net book value at 31 March 2017</b>	<b>735</b>	<b>0</b>	<b>1,721</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,456</b>
<b>At 31 March 2017</b>							
Purchased	701	0	1,721	0	0	0	2,422
Donated	34	0	0	0	0	0	34
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>735</b>	<b>0</b>	<b>1,721</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,456</b>

## 12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2015</b>	1,116	0	985	0	0	0	<b>2,101</b>
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	224	0	11	0	0	0	<b>235</b>
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>1,340</b>	<b>0</b>	<b>996</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,336</b>
<b>Amortisation at 1 April 2015</b>	395	0	134	0	0	0	<b>529</b>
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	219	0	198	0	0	0	<b>417</b>
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>614</b>	<b>0</b>	<b>332</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>946</b>
<b>Net book value at 1 April 2015</b>	<b>721</b>	<b>0</b>	<b>851</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,572</b>
<b>Net book value at 31 March 2016</b>	<b>726</b>	<b>0</b>	<b>664</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,390</b>
<b>At 31 March 2016</b>							
Purchased	715	0	664	0	0	0	<b>1,379</b>
Donated	11	0	0	0	0	0	<b>11</b>
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>726</b>	<b>0</b>	<b>664</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,390</b>

**The opening balance comprised:**

1. E-rostering Software programme net book value £0K with a remaining life of 0 years;
2. Medical records software licences net book value £0K with a remaining life of 0 years;
3. Licences for Ysbyty Ystrad Fawr for Microsoft Office and Patient Call net book value of £0K with a remaining life of 0 years;
4. Desktop software £13K with a remaining life of 1 years;
5. HSDU tracking software £8K with a remaining life of 1 years;
6. Kodak scanner software £5K with a remaining life 1 years;
7. Microsoft office and related software net book value £94K with a remaining life of 1.75 years;
8. Desktop software net book value £71K with a remaining life of 3 years;
9. Encryption and End Point Security Software £14K with a remaining life of 2.75 years;
10. Clinical Application Assurance Tool software £22K with a with a remaining life of 2.75 years;
11. Endoscopy Reporting System software £67K with a with a remaining life of 3 years;
12. Microsoft EA Licences £496K with a with a remaining life of 3 years;
13. Anti Virus Software £39K with a with a remaining life of 2.75 years;
14. DHR E Forms Workflow software £42K with a remaining life of 3 years;
15. Other software net book value £53K with a remaining life of 0 to 4 years;
16. WEDS software £129K with a 4 year life;
17. Clinical Applications Database software £27K with a 4 year life;
18. Adastra software £25K with a 4 year life;
19. Medispeech transcription licences £9K with a 4 year life.

These assets have not been subject to indexation or revaluation in the year.

**Additions during the year comprised:**

1. ECI Licences £478K with a 4.5 year life
2. Digital Reminiscence Therapy Software £43K with a 4.5 to 5 year life
3. Value Software Licence £445K with a 5 year life
4. E-Prescribing Software £82K with a 5 year life
5. Simul8 Software Licences £31K with 5 year life
6. Clinisys Labcentre Interface £24K with a 5 year life
7. Digital Dictation Licences £132K with a 5 year life
8. Room Utilisation Software £23K with a 5 year life
9. Cardiac Measurement Software Licence £13K with a 5 year life
10. MH Prescribing System £23K with a 5 year life
11. EBME Management Software £25K with a 5 year life
12. Pharmacy Software Upgrade £20K with a 5 year life
13. Aura Foundation Suite Licences £2K with a 4.75 year life

### 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	0	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	2,163	0	53	0
Others (specify)	(109)	0	(9,084)	0
<b>Total of all impairments</b>	<b>2,054</b>	<b>0</b>	<b>(9,031)</b>	<b>0</b>

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

Charged to the Statement of Comprehensive Net Expenditure	2,054	0	(9,031)	0
Charged to Revaluation Reserve	0	0	0	0
	<b>2,054</b>	<b>0</b>	<b>(9,031)</b>	<b>0</b>

#### Impairments

2016-2017	Impairment amount £000	Reason for impairment £000	Reason for impairment £000	Valuation basis £000	Charge to SoCNE £000
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#### IMPAIRMENTS

##### Changes in market price

Royal Gwent Extensions to Cardiac Cath Lab and Emergency Departments	2,163	Assets Valued on Coming Into Use	Operational	Fair value	2163
Sub total Changes in market prices	2,163			0	2,163

#### Total impairment

2,163	0	2,163
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#### REVERSAL OF IMPAIRMENTS

##### Changes in market price

Ysbty Aneurin Bevan	(31)	Reversal of impairment in prior years	Operational assets	Indexation	(31)
Ysbty Ystrad Fawr	(59)				(59)
Serennu Childrens Centre	0				0
Royal Gwent	(5)				(5)
Llanfrechfa Grange	0				0
Neville Hall	0				0
Various Community Sites	(14)				(14)
<b>Total reversal of impairments</b>	<b>(109)</b>				<b>(109)</b>

#### Net credit to SoCNE

2,054	2,054
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## 14.1 Inventories

	31 March 2017 £000	31 March 2016 £000
Drugs	2,251	2,061
Consumables	4,531	4,111
Energy	220	208
Work in progress	0	0
Other	0	0
<b>Total</b>	<b>7,002</b>	<b>6,380</b>
Of which held at realisable value	0	0

## 14.2 Inventories recognised in expenses

	31 March 2017 £000	31 March 2016 £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>

In line with the 2015-2016 revised guidance this section only relates to Health Bodies that purchase assets to sell and as such does not apply to Aneurin Bevan University Health Board.



# 15. Trade and other Receivables

Current	31 March 2017 £000	31 March 2016 £000
Welsh Government	90	213
WHSSC / EASC	0	91
Welsh Health Boards	2,714	1,572
Welsh NHS Trusts	380	1,230
Non - Welsh Trusts	416	292
Other NHS	0	0
Welsh Risk Pool	39,434	33,333
Local Authorities	4,561	6,249
Capital debtors	0	41
Other debtors	11,972	10,247
Provision for irrecoverable debts	(1,160)	(1,362)
Pension Prepayments	0	0
Other prepayments	4,604	3,221
Other accrued income	0	0
<b>Sub total</b>	<b>63,011</b>	<b>55,127</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	31,842	24,880
Local Authorities	0	0
Capital debtors	0	0
Other debtors	1,658	2,246
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0
<b>Sub total</b>	<b>33,500</b>	<b>27,126</b>
<b>Total</b>	<b>96,511</b>	<b>82,253</b>
<b>Receivables past their due date but not impaired</b>		
By up to three months	1,700	1,925
By three to six months	198	351
By more than six months	784	1,299
	<b>2,682</b>	<b>3,575</b>

## Provision for impairment of receivables

Balance at 1 April	(1,362)	(1,623)
Transfer to other NHS Wales body	0	0
Amount written off during the year	0	0
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	201	(169)
Bad debts recovered during year	1	430
Balance at 31 March	(1,160)	(1,362)

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

## Receivables VAT

Trade receivables	1,568	1,159
Other	1,116	641
<b>Total</b>	<b>2,684</b>	<b>1,800</b>

## 16. Trade and other payables

Current	31 March 2017 £000	31 March 2016 £000
Welsh Government	9	9
WHSSC / EASC	895	2,330
Welsh Health Boards	2,261	2,808
Welsh NHS Trusts	2,225	1,590
Other NHS	5,642	4,785
Taxation and social security payable / refunds	10,264	6,684
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	37,735	39,533
Local Authorities	7,770	8,596
Capital Creditors	10,956	4,365
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	689	628
Pensions: staff	6,860	7,019
Accruals	54,132	51,798
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>(9,084)</b> <b>130,354</b>	<b>(9,998)</b> <b>120,147</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	0	0
Imputed finance lease element of on SoFP PFI contracts	6,773	7,462
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>6,773</b>	<b>7,462</b>

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

The Trade and other Payables Capital Creditor includes £16k relating to Hywel Dda University Health Board and £10.6k with Velindre NHS Trust (£13k was included in 2015/16). These amounts were included in our agreement of balances figures with each Organisation.

# 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	27,821	(9,976)	(4,035)	8,747	18,776	(12,038)	(2,844)	0	26,451
Personal injury	432	0	0	(122)	639	(500)	(131)	6	324
All other losses and special payments	0	0	0	0	36	(36)	0	0	0
Defence legal fees and other administration	1,264	0	0	413	1,125	(530)	(631)		1,641
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	221			0	707	(477)	0	11	462
Restructuring	0			0	0	0	0	0	0
Other	577		0	0	748	(54)	(6)		1,265
<b>Total</b>	<b>30,315</b>	<b>(9,976)</b>	<b>(4,035)</b>	<b>9,038</b>	<b>22,031</b>	<b>(13,635)</b>	<b>(3,612)</b>	<b>17</b>	<b>30,143</b>
<b>Non Current</b>									
Clinical negligence	24,682	0	0	(8,747)	16,121	(373)	(7)	0	31,676
Personal injury	2,322	0	0	122	0	0	0	0	2,444
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	724	0	0	(413)	464	(62)	(3)		710
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	4,567			0	(282)	0	0	0	4,285
Restructuring	0			0	0	0	0	0	0
Other	2,340		0	0	3,670	(268)	(1,202)		4,540
<b>Total</b>	<b>34,635</b>	<b>0</b>	<b>0</b>	<b>(9,038)</b>	<b>19,973</b>	<b>(703)</b>	<b>(1,212)</b>	<b>0</b>	<b>43,655</b>
<b>TOTAL</b>									
Clinical negligence	52,503	(9,976)	(4,035)	0	34,897	(12,411)	(2,851)	0	58,127
Personal injury	2,754	0	0	0	639	(500)	(131)	6	2,768
All other losses and special payments	0	0	0	0	36	(36)	0	0	0
Defence legal fees and other administration	1,988	0	0	0	1,589	(592)	(634)		2,351
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	4,788			0	425	(477)	0	11	4,747
Restructuring	0			0	0	0	0	0	0
Other	2,917		0	0	4,418	(322)	(1,208)		5,805
<b>Total</b>	<b>64,950</b>	<b>(9,976)</b>	<b>(4,035)</b>	<b>0</b>	<b>42,004</b>	<b>(14,338)</b>	<b>(4,824)</b>	<b>17</b>	<b>73,798</b>

## Expected timing of cash flows:

	In year to 31 March 2018	Between 1 April 2018 31 March 2022	Thereafter	Total
				£000
Clinical negligence	26,451	30,007	1,669	58,127
Personal injury	324	2,444	0	2,768
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,641	710	0	2,351
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	462	4,285	0	4,747
Restructuring	0	0	0	0
Other	1,265	4,540	0	5,805
<b>Total</b>	<b>30,143</b>	<b>41,986</b>	<b>1,669</b>	<b>73,798</b>

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

The claims outstanding with the Welsh Risk Pool are based on best estimates of settlement of claims provided by the Health Board's legal advisors.

The Health Board estimates that in 2017/18 it will receive £22,763,213 and in 2018/19 and beyond £27,786,075 from the Welsh Risk Pool in respect of clinical negligence and personal injury payments.

Other provisions include: Continuing Healthcare Independent Review Panel (IRP) & Ombudsman claims £5,135,855. As per above the Local Health Board has estimated a liability of £5.136m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2016/17 is consistent with the methodology used in 2015/16. In the continuing absence of detailed assessment information the Health Board has used a mixture of actual assessments and the application of an expected success factor and average weekly costs to determine whether an individual claimant provision would be established.

Other provisions also include £69,645 for Ancillary Staff Banked Annual Leave Payments, £274,878 in relation to the potential settlement of Mental Health CHC cases in dispute with the Local Authorities and £324,000 potential VAT penalty payment regarding an over claim of VAT identified by the Health Board to HMRC.

The total Health Board provision also includes an amount of £224,110 which relates to 29 Redress cases where offers have been made to the families but not yet accepted or breach and causation have been proven.

# 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	31,711	(5,651)	0	15,326	12,440	(7,553)	(18,452)	0	27,821
Personal injury	2,358	0	0	(904)	765	(1,255)	(567)	35	432
All other losses and special payments	0	0	0	0	85	(85)	0	0	0
Defence legal fees and other administration	1,108	0	0	891	1,428	(628)	(1,535)	0	1,264
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	478			0	173	(500)	0	70	221
Restructuring	0			0	0	0	0	0	0
Other	1,178		0	0	122	(408)	(315)	0	577
<b>Total</b>	<b>36,833</b>	<b>(5,651)</b>	<b>0</b>	<b>15,313</b>	<b>15,013</b>	<b>(10,429)</b>	<b>(20,869)</b>	<b>105</b>	<b>30,315</b>
<b>Non Current</b>									
Clinical negligence	22,878	0	0	(15,326)	17,682	(367)	(185)	0	24,682
Personal injury	1,418	0	0	904	0	0	0	0	2,322
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	1,371	0	0	(891)	612	(104)	(264)	0	724
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	4,653			0	48	0	0	0	4,567
Restructuring	0			0	0	0	0	0	0
Other	3,986		0	0	212	(861)	(997)	0	2,340
<b>Total</b>	<b>34,306</b>	<b>0</b>	<b>0</b>	<b>(15,313)</b>	<b>18,554</b>	<b>(1,332)</b>	<b>(1,580)</b>	<b>0</b>	<b>34,635</b>
<b>TOTAL</b>									
Clinical negligence	54,589	(5,651)	0	0	30,122	(7,920)	(18,637)	0	52,503
Personal injury	3,776	0	0	0	765	(1,255)	(567)	35	2,754
All other losses and special payments	0	0	0	0	85	(85)	0	0	0
Defence legal fees and other administration	2,479	0	0	0	2,040	(732)	(1,799)	0	1,988
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	5,131			0	221	(500)	(134)	70	4,788
Restructuring	0			0	0	0	0	0	0
Other	5,164		0	0	334	(1,269)	(1,312)	0	2,917
<b>Total</b>	<b>71,139</b>	<b>(5,651)</b>	<b>0</b>	<b>0</b>	<b>33,567</b>	<b>(11,761)</b>	<b>(22,449)</b>	<b>105</b>	<b>64,950</b>

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

The claims outstanding with the Welsh Risk Pool are based on best estimates of settlement of claims provided by the Health Board's legal advisors.

The Health Board estimates that in 2016/17 it will receive £26,444,119 and in 2017/18 and beyond £24,879,950 from the Welsh Risk Pool in respect of clinical negligence and personal injury payments.

Other provisions include: Continuing Healthcare Independent Review Panel (IRP) & Ombudsman claims £2,390,680.91. As per above the Local Health Board has estimated a liability of £2.391m in respect of retrospective claims for Continuing Healthcare funding. The estimation method used to calculate the provision for 2015/16 is consistent with the methodology used in 2014/15. In the continuing absence of detailed assessment information the Health Board has used a mixture of actual assessments and the application of an expected success factor and average weekly costs to determine whether an individual claimant provision would be established.

Other provisions also include £82,794 for Ancillary Staff Banked Annual Leave Payments, £118,819.00 in relation to the potential settlement of Mental Health CHC cases in dispute with the Local Authorities and £324,000 potential VAT penalty payment regarding an over claim of VAT identified by the Health Board to HMRC.

The total Health Board provision also includes an amount of £210,875 which relates to 24 Redress cases where offers have been made to the families but not yet accepted or breach and causation have been proven.

## 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	238,217	203,803
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	5,975	5,603
Continuing Health Care costs	13,740	7,554
Other	10	116
Total value of disputed claims	257,942	217,076
Amounts recovered in the event of claims being successful	236,691	202,055
<b>Net contingent liability</b>	<b>21,251</b>	<b>15,021</b>

#### ABUHB – Contingent Liability Note

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them. The legal claims have increased by £34m from 2015/16 with the number of claims decreasing from 382 in 2015/16 to 375 in 2016/17.

Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents.

The Other Contingent Liabilities relate to 1 (8 in 2015/16) Redress cases where breach and causation have not been proven.

#### Continuing Healthcare Cost uncertainties

Liabilities for continuing healthcare costs continue to be a significant financial issue for the LHB. The 31st July 2014 (Phase 3) 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 in 2014/15. Annual Welsh Government deadlines for submission of claims for subsequent periods resulted in a regular and significant flow of new claims into the Health Board.

ABUHB 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 £5.136m provision made for probable continuing care costs relating to 379 outstanding claims received by 31st October 2015 (up to and including Phase 4).

Note 18.1 also sets out the £13,740m contingent liability for possible continuing care costs relating to those claims;

During 2016/17 ABUHB took the decision to close 116 claims that had become dormant i.e. no progress made in establishing eligibility, between December 2007 and November 2014. It is highly improbable that these claims will ever progress to settlement stage, but have been considered as a contingent liability until formally accepted as closed by the claimant. The associated estimated liability at the time of closure was £2.647m.

In addition the LHB has a further 84 (Phases 5 & 6) claims, which have been received since the 31st October 2015 deadline and 31st March 2017, 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 additional 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.

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 'nursing care' should be more widely defined than at present. We are not currently in a position to determine the likely outcome of this ruling nor any potential financial impact.

### 18.2 Remote Contingent liabilities

Please disclose the values of the following categories of remote contingent liabilities :

Guarantees

Indemnities

Letters of Comfort

**Total**

2016-17 £'000	2015-16 £'000
0	0
392	209
0	0
<b>392</b>	<b>209</b>

### 18.3 Contingent assets

**Total**

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

### 19. Capital commitments

Contracted capital commitments at 31 March

Property, plant and equipment

Intangible assets

**Total**

2016-17 £'000	2015-16 £'000
4,512	4,398
444	44
<b>4,956</b>	<b>4,442</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	154	16,447,154	96	8,124,436
Personal injury	56	500,006	24	351,402
All other losses and special payments	135	91,449	135	91,449
<b>Total</b>	<b>345</b>	<b>17,038,609</b>	<b>255</b>	<b>8,567,287</b>

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

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £300,000	Case type			
00RVFMN0009	Medical Negligence	95,000	2,745,000	2,745,000
02RVFMN0005	Medical Negligence	2,708,142	2,758,142	0
02RVFMN0039	Medical Negligence	1,742,766	4,955,498	0
04RVFPI0038	Personal Injury	25,229	333,072	0
05RVFMN0063	Medical Negligence	926,532	3,467,098	0
06RVFMN0006	Medical Negligence	2,075,852	4,525,923	0
07RVFMN0035	Medical Negligence	0	3,432,999	0
08RVFMN0005	Medical Negligence	270,000	1,122,137	0
08RVFMN0070	Medical Negligence	0	1,100,000	0
08RVFMN0085	Medical Negligence	1,737,967	1,740,467	0
10RVFMN0118	Medical Negligence	0	320,000	0
11RVFMN0051	Medical Negligence	0	360,000	360,000
11RVFMN0079	Medical Negligence	170,000	385,000	385,000
12RVFMN0071	Medical Negligence	100,000	620,000	0
13RVFMN0163	Medical Negligence	1,098,106	1,148,106	1,148,106
14RVFMN0087	Medical Negligence	460,000	460,000	0
14RVFMN0114	Medical Negligence	323,429	343,429	0
15RVFMN0060	Medical Negligence	301,000	396,000	396,000
<b>Sub-total</b>		<b>12,034,023</b>	<b>30,212,871</b>	<b>5,034,106</b>
<b>All other cases</b>		<b>5,004,586</b>	<b>10,743,361</b>	<b>3,533,181</b>
<b>Total cases</b>		<b>17,038,609</b>	<b>40,956,232</b>	<b>8,567,287</b>



## 21. Cash and cash equivalents

	2016-17 £000	2015-16 £000
Balance at 1 April	2,295	3,465
Net change in cash and cash equivalent balances	1,488	(1,170)
Balance at 31 March	<u>3,783</u>	<u>2,295</u>
Made up of:		
Cash held at GBS	2,795	1,575
Commercial banks	967	696
Cash in hand	21	24
Current Investments	0	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<u>3,783</u>	<u>2,295</u>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<u>3,783</u>	<u>2,295</u>

## 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	31	30	724	755
Derivatives	0	0	0	0
Other (Specify)				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
<b>Total</b>	<u>31</u>	<u>30</u>	<u>724</u>	<u>755</u>

## 23. Other financial liabilities

Financial liabilities	Current		Non-current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £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

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

NHS providers with which the LHB has had material transactions are as follows:-

NHS Provider	2016-17		As at 31st March 2017	
	Payment from related party	Payments to related party	Amount due from related party	Amount owed to related party
	£000	£000	£000	£000
Abertawe Bro-Morgannwg University Local Health Board	928	2,708	83	186
Betsi Cadwaladr University Health Board	118	160	26	130
Cardiff and Vale University Local Health Board	3,267	31,287	1,440	558
Cwm Taf Local Health Board	1,193	20,727	381	959
Hywel Dda Local Health Board	221	696	6	99
Powys Local Health Board	19,605	1,301	777	344
Velindre NHS Trust	4,410	31,144	257	1,983
Welsh Ambulance Services NHS Trust	242	4,031	25	107
Public Health Wales	3,081	1,399	98	146
Welsh Health Specialised Services Committee	8,939	126,529	0	895

In addition the LHB has had significant number of material transactions with other Government Departments and other central and local Government bodies. The most significant of these transactions are with the following:-

Government Body	2016-17		As at 31st March 2017	
	Payment from related party	Payments to related party	Amount due from related party	Amount owed to related party
	£000	£000	£000	£000
Blaenau Gwent County Borough Council	1,459	1,802	675	673
Caerphilly County Borough Council	12,034	14,448	2,543	3,640
Monmouthshire County Borough Council	2,526	3,182	599	1,286
Newport City Council	3,648	5,494	506	1,442
Torfaen County Borough Council	2,055	4,029	218	744

The LHB has also had significant material transactions with the following:

Aneurin Bevan Local Health Board Charitable Fund	1,292	26	88	7
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A number of the LHB's Board members have interests in related parties as follows:

Member	Related Organisation	Relationship with Related Party	2016-17		As at 31st March 2017	
			Payment from related party	Payments to related party	Amount due from related party	Amount owed to related party
			£000	£000	£000	£000
Bronagh Scott	United Response	Trustee	0	63	0	11
Dr Gill Richardson	Carers UK	Member	0	6	0	3
Richard Bevan	Carers Trust South East Wales	Director	0	26	0	26
Philip Robson	Hospice of Valleys	Trustee	1	305	0	4
Prof Dianne Watkins	Cardiff University	Deputy Head, School of Health Care Sciences	579	986	108	771
Cllr Brian Mawby	Torfaen County Borough Council	Elected Member	2,055	4,029	218	744
	Monmouthshire County Council	Wife is an employee	2,526	3,182	599	1,286
Frances Taylor	Monmouthshire County Council	County Councillor	2,526	3,182	599	1,286
	Police and Crime Commissioner for Gwent	Elected Member of the Gwent Police and Crime Panel	59	114	49	0
Dr Janet Wademan	Cardiff University	Council Member	579	986	108	771
Lorraine Morgan	Melin Homes	Board Member	0	80	0	1
Claire Marchant	Monmouthshire County Council	Statutory Director of Social Services	2,526	3,182	599	1,286
	Abertawe Bro-Morgannwg University Local Health Board	Husband is Service Director - Princess of Wales Hospital	928	2,708	83	186

## **25. Third Party assets**

The LHB held £839,922.01 cash at bank and in hand at 31 March 2017 (31 March 2016, £769,804.26) which relates to monies held by the LHB on behalf of patients. Cash held in Patient's Investment Accounts amounted to £0 at 31 March 2017 (31 March 2016, £0).

This has been excluded from the Cash and Cash equivalents figure reported in the Accounts.

The LHB held £87,193 (31 March 2016, £59,624) of consignment stock which relates to stock held on behalf of suppliers but not invoiced or utilised.

## 26. Finance leases

### 26.1 Finance leases obligations (as lessee)

No finance leases have been entered into in 2016-17.

#### Amounts payable under finance leases:

##### Land

	31 March 2017 £000	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
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>

26.1 Finance leases obligations (as lessee) continue

Amounts payable under finance leases:

Buildings

	31 March 2017 £000	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
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

	31 March 2017 £000	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
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>

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

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

**Amounts receivable under finance leases:**

	31 March 2017 £000	31 March 2016 £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	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	<u>0</u>	<u>0</u>



## 27. Private Finance Initiative contracts

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

The LHB has two PFI operational schemes deemed to be off-Statement of Financial Position

	Newport Hospitals Energy Scheme	Nevill Hall Hospital Energy Scheme	Total
	£000	£000	£000
Estimated capital value of the PFI scheme	1182	3300	4482

Both schemes relate to the provision of replacement heating and lighting systems within the respective hospitals. Neither has resulted in guarantees, commitments or other rights and obligations upon the LHB. The Newport hospitals scheme commenced in 2015 for a period of 5 years and the Nevill Hall scheme commenced in 2000 for a period of 25 years. The payments are made biannually / quarterly in advance with prepayments at year end for the period beyond 31 March 2017 included in debtors.

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	1,273	1,244
Total payments due between 1 and 5 years	4,345	4,733
Total payments due thereafter	4,437	5,086
Total future payments in relation to PFI contracts	10,055	11,063
Total estimated capital value of off-SoFP PFI contracts	4,482	4,482
The 2015/16 figure has been corrected to read £4,482		

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

The LHB has three PFI schemes which are deemed to be on-Statement of Financial Position and the assets are treated as assets of the LHB.

Nevill Hall Hospital Day Surgery - a purpose built day unit including the provision of medical equipment for the unit. The PFI partner has responsibility for maintaining the building and replacing the equipment used with the unit. The scheme commenced in 1998 and the obligation for on-Statement of Financial Position is £1,558K. The scheme is for a period of 25 years.

Chepstow Community Hospital - a new community hospital including the provision of ancillary support services. This scheme commenced in 1998 for a period of 25 years and the obligations for on-Statement of Financial Position is £3,427K.

Monnow Vale Health and Social Care Facility - a new health and social care facility. This scheme commenced in 2004 for a period of 30 years and the obligations for on-Statement of Financial Position is £2,477K.

#### 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	689	480	2,301
Total payments due between 1 and 5 years	2,818	1,397	10,178
Total payments due thereafter	3,955	739	13,232
Total future payments in relation to PFI contracts	7,462	2,616	25,711
	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	628	528	2,188
Total payments due between 1 and 5 years	2,755	1,604	9,499
Total payments due thereafter	4,707	1,012	15,331
Total future payments in relation to PFI contracts	8,090	3,144	27,018
Total present value of obligations for on-SoFP PFI contracts	35,789		

### 27.3 Charges to expenditure

	2016-17	2015-16
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	1,959	1,967
Total expense for Off Statement of Financial Position PFI contracts	1311	1147
The total charged in the year to expenditure in respect of PFI contracts	<u>3,270</u>	<u>3,114</u>

The LHB is committed to the following annual charges

#### PFI scheme expiry date:

	31 March 2017	31 March 2016
	£000	£000
Not later than one year	0	0
Later than one year, not later than five years	496	487
Later than five years	2,774	2,667
Total	<u>3,270</u>	<u>3,154</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	3	2
Number of PFI contracts which individually have a total commitment > £500m	0	0

#### PFI Contract

Number of PFI contracts which individually have a total commitment > £500m

On / Off-statement of financial position  
0

#### PFI Contract

Nevill Hall Hospital Day Surgery  
Chepstow Community Hospital  
Monnow Vale Health and Social Care Facility  
Newport Hospitals Energy Scheme  
Nevill Hall Hospital Energy Scheme

On  
On  
On  
Off  
Off

### 27.5 The LHB has no Public Private Partnerships

## 28. Pooled budgets

The Health Board has four pooled budgets. The specific accounting treatment of each pooled budget is covered within Accounting Policies note 1.21.

### Monnow Vale Health and Social Care Unit

The Health Board has entered into a pooled budget with Monmouthshire County Council. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 to provide health and social care inpatient, outpatient, clinic and day care facilities to individuals who have medical, social, community or rehabilitation needs and a memorandum note to the accounts provides details of the joint income and expenditure. The asset value of property, plant & equipment is £3,968K which is split 71% Aneurin Bevan Health Board and 29% Monmouthshire County Council. The costs incurred under the pooled budget is declared in the memorandum trading account.

### Gwent Wide Integrated Community Equipment Service

The Health Board has entered into a pooled budget with the 5 Local Authorities in the Gwent area, namely Blaenau Gwent, Caerphilly, Monmouth, Newport and Torfaen County Borough Councils, for the provision of an effective integrated GWICES (Gwent Wide Integrated Community Equipment Service) to service users who are resident in the partners' localities. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the joint equipment store in the Gwent area. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement. The LHB's contribution is £764K for 2016/17 (£494K 2015/16).

### Mardy Park Rehabilitation Centre

The Health Board has entered into a pooled budget arrangement with Monmouthshire County Council. Under the arrangement funds are pooled under Section 33 of the NHS (Wales) Act 2006 to provide care to individuals who have rehabilitation needs. The pool is hosted by Monmouthshire County Council and the LHBs contribution is £164K for 2016/17 (£168K 2015/16).

### Gwent Frailty Programme

The Health Board has entered into a pooled budget with 5 Local Authorities in the Gwent area, namely Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen County councils, for the provision of a Gwent wide integrated health and social care Frailty service, for service users who are resident in the partners' localities. Under the arrangement funds are pooled under section 33 of the NHS (Wales) Act 2006 for the purpose of establishing a consistent service for the Gwent area. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement. The LHB's contribution is £8,964K for 2016/17 (£8,236K 2015/16).

## Pooled Budget memorandum account for the period 1st April 2016 - 31st March 2017

### Monnow Vale

	Cash	Own Contribution	Grants	Total
	£	£	£	£
<b>Funding</b>				
Aneurin Bevan Health Board	0	2,234,982	0	2,234,982
Monmouthshire County Council	328,926	690,427	0	1,019,353
<b>Total Funding</b>	<b>328,926</b>	<b>2,925,409</b>	<b>0</b>	<b>3,254,335</b>
<b>Expenditure</b>				
Aneurin Bevan Health Board	0	2,327,824	0	2,327,824
Monmouthshire County Council	330,073	660,617	0	990,690
<b>Total Expenditure</b>	<b>330,073</b>	<b>2,988,441</b>	<b>0</b>	<b>3,318,514</b>
<b>Net (under)/over spend</b>	<b>1,147</b>	<b>63,032</b>	<b>0</b>	<b>64,179</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

	2016-17	2015-16
	£000	£000
(Increase)/decrease in inventories	(622)	(433)
(Increase)/decrease in trade and other receivables - non - current	(6,343)	3,305
(Increase)/decrease in trade and other receivables - current	(7,885)	(1,127)
Increase/(decrease) in trade and other payables - non - current	(689)	(628)
Increase/(decrease) in trade and other payables - current	10,207	16,381
<b>Total</b>	<b>(5,332)</b>	<b>17,498</b>
Adjustment for accrual movements in fixed assets -creditors	(6,591)	5,455
Adjustment for accrual movements in fixed assets -debtors	(41)	41
Other adjustments	628	572
	<b>(11,336)</b>	<b>23,566</b>

### 31. Other cash flow adjustments

	2016-17	2015-16
	£000	£000
Depreciation	23,031	23,166
Amortisation	496	417
(Gains)/Loss on Disposal	(164)	(136)
Impairments and reversals	2,054	(9,031)
Release of PFI deferred credits	0	0
Donated assets received credited to revenue but non-cash	(335)	(228)
Government Grant assets received credited to revenue but non-cash	0	0
Non-cash movements in provisions	23,186	5,572
<b>Total</b>	<b>48,268</b>	<b>19,760</b>

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

There are no events to report.

### **33. Operating segments**

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

Whilst the organisation is structured into divisions, performance management and the allocation of resources flow from the Board of Aneurin Bevan University Health Board.

There are no hosted services within the health board. Divisions do not manage capital programmes, have any autonomy in relation to balance sheets or produce discrete accounts.

For the purposes of IFRS 8 it is therefore deemed that there is no requirement to report any operating segments.



### 34. Other Information

#### 34.1 Additional information to support Note 22 - Other Financial Assets

##### Additional breakdown of Monmouthshire County Council PFI Loan

	Current		Non-Current	
	31-Mar	31-Mar	31-Mar	31-Mar
	2017	2016	2017	2016
	£0	£0	£0	£0
Current	31	30		
2 to 5 years			131	128
5 to 10 years			186	181
10 to 15 years			214	208
15 to 20 years			193	238
20 to 25 years			0	0
	<b>31</b>	<b>30</b>	<b>724</b>	<b>755</b>

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

**LOCAL HEALTH BOARDS**

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2011 and subsequent financial years in respect of the Local Health Boards (LHB)<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