

### Directors' Report

#### The Board

The Health Board's Chairman is Dr Peter Higson, the Chief Executive is Mr Gary Doherty. During the year we welcomed Mr Richard Jones on to the Board as our interim Executive Director of Workforce and Organisational Development.

Mrs Dawn Sharp was Acting Board Secretary from November 2017 to the end of January 2018.

The full membership of the Board is detailed within Appendix 1 of the Annual Governance Statement, and in the Remuneration Report on pages 9 to 15 of this document.

The Annual Governance Statement also sets out full details of the Board's supporting committee structure (Section 13) and their membership (Appendix 1).

#### Audit Committee

In line with the standards of good governance required of the NHS in Wales, the Audit Committee has the key role of advising and offering assurance to the Board that the organisation has effective governance arrangements in place and supporting sound decision-making. Its membership during the year comprised:

|                                  |                                       |   |
|----------------------------------|---------------------------------------|---|
| Chair                            | Mr Ceri Stradling                     | Independent Member  |
| Vice Chair                       | Ms Jenie Dean                         | Independent Member<br>(to 31 <sup>st</sup> December 2017; the Committee had a vacancy from that date until 31 <sup>st</sup> March 2018) |
| Members                          | Mr John Cunliffe<br>Cllr Bobby Feeley | Independent Member<br>Independent Member  |
| In attendance<br>(Lead Director) | Mrs Grace Lewis-Parry                 | Board Secretary   |

## Register of Director's interests

All Board members are required to declare any interest they have that could affect their impartiality with regard to their work within the Health Board.

The following Directors and Board Members have declared their interests for 2017/18 as listed below:

| Name         | Position   | Interests  |
|--------------|--|--|
| Mr G Doherty | Chief Executive  | <ul style="list-style-type: none"> <li>Trustee of a charity that provides health and safety training to children across North Wales</li> </ul>   |
| Dr E Moore   | Executive Medical Director                             | <ul style="list-style-type: none"> <li>Spouse is Clinical Director, Breast &amp; Endocrine Surgery, Royal Liverpool University Teaching Hospital</li> </ul>  |
| Mr G Lang    | Executive Director of Strategy                         | <ul style="list-style-type: none"> <li>Member of Board of Governors of Coleg Cambria</li> </ul>  |
| Mr A Thomas  | Executive Director, Therapies and Health Sciences      | <ul style="list-style-type: none"> <li>Spouse employed by Boots UK Ltd as an Accuracy Checking Technician</li> <li>Employed as a Panel Member of the Health Care Professions Council</li> </ul>  |
| Mr R Favager | Executive Director of Finance                          | <ul style="list-style-type: none"> <li>Daughter is employed on the NHS Wales Graduate Scheme (with effect from September 2017)</li> </ul>  |
| Mr C Wright  | Director of Corporate Services (to May 2017)           | <ul style="list-style-type: none"> <li>No declaration received during 2017/18 as Mr Wright left the Health Board in May 2017. During the previous financial year Mr Wright disclosed that his partner was a Director at University Hospital of South Manchester NHS Foundation Trust.</li> </ul> |
| Mrs D Sharp  | Acting Board Secretary (November 2017 to January 2018) | <ul style="list-style-type: none"> <li>Partner is Town Clerk and Financial Officer, Bangor City Council</li> </ul>   |

|                 |            |   |
|-----------------|------------|---|
| Dr P Higson OBE | Chair      | <ul style="list-style-type: none"> <li>Self-employed Clinical Psychologist</li> <li>Trustee of Cartrefi Cymru</li> <li>Brother of Ruth Hussey CB OBE</li> </ul>   |
| Mrs M Hanson    | Vice Chair | <ul style="list-style-type: none"> <li>Husband is David Hanson, MP for Delyn</li> <li>Part-time student at Bangor University</li> <li>Undertakes occasional lecturing/supervision at Chester University for which payment can be claimed</li> <li>School Governor at St Richard Gwyn Catholic High School in Flint</li> <li>Vice-Chairman of 2025 and also Vice-Chairman of North Wales Regional Partnership Board</li> <li>Member of Public Health Wales Advisory Board and Fellow of the Royal Society for Public Health</li> </ul> |

| Name                                      | Position                         | Interests   |
|---|----------------------------------|---|
| Cllr C Carlisle,<br>Independent<br>Member | Independent Board Member         | <ul style="list-style-type: none"> <li>• As member of Conwy County Borough Council, sits on the group that looks at the provision of CAMHS services within Conwy</li> <li>• Group Leader of the Conservative Group on Conwy County Borough Council</li> <li>• Deputy Chair (Political) of Clwyd West Conservative Association</li> </ul>  |
| Mr J Cunliffe,<br>Independent<br>Member   | Independent Board Member         | <ul style="list-style-type: none"> <li>• Director, Abernet Ltd</li> <li>• Spouse is an employee of BCUHB</li> </ul>   |
| Ms J Dean                                 | Independent Board Member<br>(TU) | <ul style="list-style-type: none"> <li>• Director Tregarth Community Allotments Community Interest Company</li> <li>• Partner is part-time employee of Bangor University</li> </ul>   |
| Cllr B Feeley                             | Independent Board Member         | <ul style="list-style-type: none"> <li>• Elected County Councillor and Cabinet Member for Denbigshire County Council</li> <li>• Cabinet Lead Member for wellbeing and independence, responsible for Adult Social Care, Extra Care Housing, Supported Independent Living, Homelessness</li> <li>• Lead on NHS matters and partnership with BCUHB which includes integration of Social Services and Health, Leisure Services, Culture and Heritage</li> <li>• Denbigshire County Council's Older Person's Champion</li> <li>• Member of the National Social Care Partnership Board</li> <li>• Member of National and Regional Social Services Policy Groups</li> <li>• Member of North Wales Regional Partnership Board (Part 9 Board)</li> <li>• Member of Ageing Well in Denbigshire Forum</li> <li>• Member of Creating an Active Denbigshire Group</li> </ul> |
| Mrs M W<br>Jones                          | Independent Board Member         | <ul style="list-style-type: none"> <li>• Historic dealings with a number of local AMs and MPs; worked with two AMs in a previous career</li> <li>• Distantly related to Chair of the National Assembly for Wales, Social Care and Sport Committee</li> <li>• Member of Snowdonia National Park Authority</li> <li>• Vice Chair of Arts Council Wales</li> <li>• Trustee of Canolfan Gerdd William Mathias</li> <li>• Member of the Development Board of Bangor University</li> <li>• Member of Pwyllgor Mind Cymru</li> <li>• Two family members are employees of BCUHB</li> <li>• Son works as a journalist for BBC Wales</li> <li>• Niece is employed as a lawyer for the National Assembly of Wales</li> </ul>   |
| Mrs B<br>Russell-<br>Williams             | Independent Board Member         | <ul style="list-style-type: none"> <li>• Chief Executive Officer Mantell Gwynedd (Third sector umbrella body)</li> </ul>  |

| Name                  | Position   | Interests   |
|-----------------------|--|---|
| Prof J Rycroft-Malone | Independent Board Member and University Representative | <ul style="list-style-type: none"> <li>Spouse is an employee of BCUHB</li> <li>Programme Director - National Institute for Health NIHR HS&amp;DR Research Programme</li> </ul>  |
| Mr C Stradling        | Independent Board Member                               | <ul style="list-style-type: none"> <li>Deputy Chair and Chair of Audit and Risk Committee of the Democracy and Boundary Commission for Wales</li> <li>Member of Snowdonia National Park Authority (including Planning Committee and Performance and Resources Committee)</li> </ul> |

|                |   |   |
|----------------|---|---|
| Mr Ff Williams | Associate Board Member - Chair, Stakeholder Reference Group   | <ul style="list-style-type: none"> <li>Wife is employed by BCUHB</li> <li>Sister and Brother-in-Law work for Mental Health Services in Bangor (Childrens Services)</li> <li>Brother is a GP with Healthy Prestatyn Iach</li> <li>Chief Executive of Cartrefi Cymunedol Gwynedd, a housing association operating predominately out of Gwynedd. In this role works closely with BCUHB Area Directors</li> </ul> |
| Prof M Rees    | Associate Board Member - Chair, Healthcare Professional Forum | <ul style="list-style-type: none"> <li>Seconded from the Health Board as a specialist assessor for the Care Quality Commission (CQC)</li> </ul>   |
| Mrs N Stubbins | Associate Board Member - Director of Social Services          | <ul style="list-style-type: none"> <li>Statutory Director of Social Services, Denbighshire County Council</li> </ul>  |

## Data security

Responsibility for information governance in the Health Board rests with the Board Secretary who acts as the Senior Information Risk Owner (SIRO). The Assistant Director of Information Governance and Assurance is the Health Board's nominated Data Protection Officer in line with the new General Data Protection Regulation requirements. The Deputy Medical Director is the nominated Caldicott Guardian. The Health Board self-reported two data security breaches that triggered referral to the Information Commissioner's Office and Welsh Government, however the Board did not incur any financial penalties during the year. Information on our information governance performance is included in section 31.7 of the Annual Governance Statement.

## Compliance with cost allocation requirements

The Freedom of Information Act is part of the Government's commitment to greater openness in the public sector. The underlying principle is that all non-personal information held by a public body should be easily available, unless there is a cost or an exemption applies.

We are committed to comply with this Act and any associated Welsh Government guidance and endeavour to make information available to the public via our Publication Scheme:

[www.wales.nhs.uk/sitesplus/861/page/40808](http://www.wales.nhs.uk/sitesplus/861/page/40808)

## Statement of the Chief Executive's responsibilities as Accountable Officer of the LHB

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the LHB. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by the Welsh Government.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

I confirm that I have taken all appropriate steps to make myself aware of any relevant audit information and to establish that the Health Board's auditors are aware of that information. As far as I am aware, there is no relevant audit information of which the Health Board's auditors are unaware.

I confirm that the Annual Report and Accounts as a whole, comprising the Performance Report, the Accountability Report including the Remuneration Report and the Annual Governance Report, and the Financial Statements and notes, contained within this document, is fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.



Gary Doherty  
Chief Executive

Dated: 4<sup>th</sup> June 2018

## Statement of Directors' responsibilities in respect of the accounts

The Directors are required, under the National Health Service Act (Wales) 2006, to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period.

In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury
- make judgements and estimates which are responsible and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

The Directors confirm that they have complied with the above requirements in preparing the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the authority and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by the Welsh Ministers.

By Order of the Board

Signed on behalf of the Board:

Chairman:



Dated: 4<sup>th</sup> June 2018

Chief Executive:



Dated: 4<sup>th</sup> June 2018

Director of Finance:



Dated: 4<sup>th</sup> June 2018

## Annual Governance Statement

Our Annual Governance Statement describes our governance arrangements, committee structure and the system of internal control. It also includes information about:

- The role and composition of the Board
- Our committee arrangements
- Our arrangements to manage risk
- How the Health Board is responding to being placed in Special Measures
- Quality and Governance processes
- The opinion of the Head of Internal Audit
- Our planning arrangements

The full Annual Governance Statement is provided as an appendix to the Annual Report and Accounts.

## Policies for the Remuneration of Staff and Senior Managers

Senior Managers are defined as those who have authority or responsibility for directing and controlling the major activities of the Health Board as a whole, this definition includes those employees and Independent Members who are regular attendees at the Board meetings.

From October 2004, the NHS Agenda for Change process was introduced to achieve consistency in contracts and terms and conditions across NHS Wales. An all-Wales contract is issued to all staff and managers (excluding directors) upon appointment. Medical and dental staff are governed by medical and dental terms and conditions which apply across NHS Wales.

Directors are not part of this process and a very senior manager pay scale has been introduced by the Welsh Government. Pay awards are determined nationally and applied locally based upon instructions from the Welsh Government. A pay award of 1% was approved during 2017/18. It is confirmed that the Health Board does not operate a performance related pay system. All contracts are permanent and notice periods for very senior managers are three months.

Independent Members are appointed for a term of up to four years (and can be appointed for a maximum of eight years). Independent Members receive nationally determined remuneration during their period of appointment.

## The Remuneration and Terms of Service Committee

The Remuneration and Terms of Service Committee was established in January 2015. During the 2017/18 reporting period the Committee met on four occasions, comprising four in committee sessions when sensitive or confidential information was discussed, and three sessions held in public. The main business of the Committee during the year centred upon consideration of the draft Remuneration Report for 2016/17, Voluntary Early Release Scheme applications, medical job planning, Organisational Change Policy, staff on pay protection, revised Committee terms of reference, an Internal Audit report on staff earning over £200,000, staff in displaced positions, and individual directors' remuneration.

|                                 |                       |   |
|---------------------------------|-----------------------|---|
| Chair                           | Dr Peter Higson       | Chairman  |
| Members                         | Mrs Margaret Hanson   | Vice-Chair  |
|                                 | Mr Ceri Stradling     | Independent Member  |
|                                 | Ms Jenie Dean         | Independent Member  |
|                                 |                       | (to 31 <sup>st</sup> December 2017; the Committee had a vacancy from that date until 31 <sup>st</sup> March 2018) |
| In attendance                   | Mr Gary Doherty       | Chief Executive   |
|                                 | Mrs Jacqueline Hughes | Staff Side Representative   |
| Lead Officer<br>(in attendance) | Mr Martin Jones       | Executive Director of Workforce and Organisational Development<br>(to 19 <sup>th</sup> November 2017)             |
|                                 | Mr Richard Jones      | Interim Executive Director of Workforce and Organisational Development<br>(from 20 <sup>th</sup> November 2017)   |

## Remuneration Relationships

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. This information can be found in Note 9.6 to the Annual Accounts.

## Exit Packages and Severance Payments

During 2017/18 the Health Board agreed one redundancy payment for a very senior manager, details of which are included in the notes to the tables of remuneration below. Details of all severance payments agreed during the year can be found in Note 9.5 to the Annual Accounts.

## Senior Manager Salary and Pension Disclosures and Single Total Figure of Remuneration

The Total figures in the table below (the Single Total Figure of Remuneration) for each Senior Manager includes a figure for the in year pension benefit, calculated using information supplied by the NHS Pensions Agency. The figure does not represent the actual amount paid to an individual during the year and reflects an accounting assessment of the increase in long term benefits adjusted for inflation. These figures can be influenced by many factors including changes to a person's salary, additional contributions made by individuals and underlying valuation factors on the scheme as a whole.

**A Cash Equivalent Transfer Value (CETV)** is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Real Increase in CETV:** This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

| Name and Role  | 2017/18                                     |   |   |  |   |  | 2016/17                                     |   |   |  |   |  |
|--|---|---|---|--|---|--|---|---|---|--|---|--|
|  | Salary<br><br>(bands of<br>£5,000)<br>£'000 | Benefit in<br>kind<br><br>(to nearest<br>£100)<br>£ | Pension<br>benefit<br><br>(to nearest<br>£1,000)<br>£'000 | Other<br>payments<br><br>(bands of<br>£5,000)<br>£ | <b>Total</b><br><br>(bands of<br>£5,000)<br>£'000 | <i>Full year<br/>equivalent<br/>salary (if<br/>part year)</i><br><br>£'000 | Salary<br><br>(bands of<br>£5,000)<br>£'000 | Benefit in<br>kind<br><br>(to nearest<br>£100)<br>£ | Pension<br>benefit<br><br>(to nearest<br>£1,000)<br>£'000 | Other<br>payments<br><br>(bands of<br>£5,000)<br>£ | <b>Total</b><br><br>(bands of<br>£5,000)<br>£'000 | <i>Full year<br/>equivalent<br/>salary (if<br/>part year)</i><br><br>£'000 |
| <b>Mr G Doherty,</b><br>Chief Executive  | 200-205                                     | --  | 30<br><i>(note 1)</i>                                     | --   | <b>230-235</b>                                    | --   | 200-205                                     | --  | 26  | --   | <b>225-230</b>                                    | --   |
| <b>Dr E Moore,</b><br>Executive Medical<br>Director                              | 195-200                                     | 3,500   | <i>(note 2)</i>   | --   | <b>200-205</b>                                    | --   | 110-115                                     | 1,500   | --  | --   | <b>110-115</b>                                    | 195-200  |
| <b>Mrs G Harris,</b><br>Executive Director of<br>Nursing and<br>Midwifery        | 150-155                                     | --  | <i>(note 3)</i>   | --   | <b>150-155</b>                                    | --   | 100-105                                     | --  | --  | --   | <b>100-105</b>                                    | 150-155  |
| <b>Mr A Thomas,</b><br>Executive Director of<br>Therapies and Health<br>Sciences | 100-105                                     | --  | 116   | --   | <b>215-220</b>                                    | --   | 65-70                                       | --  | 201   | --   | <b>265-270</b>                                    | 95-100   |
| <b>Mr A Roach,</b><br>Director of Mental<br>Health and Learning<br>Disabilities  | 115-120                                     | --  | 19  | --   | <b>130-135</b>                                    | --   | 95-100                                      | --  | --  | --   | <b>95-100</b>                                     | 110-115  |
| <b>Ms T Owen,</b><br>Executive Director of<br>Public Health                      | 120-125                                     | --  | 88  | --   | <b>205-210</b>                                    | --   | 30-35                                       | --  | 7   | --   | <b>35-40</b>                                      | 120-125  |
| <b>Ms M Olsen,</b><br>Chief Operating<br>Officer                                 | 140-145                                     | --  | 21  | --   | <b>165-170</b>                                    | --   | 140-145                                     | --  | 21  | --   | <b>165-170</b>                                    | --   |

| Name and Role   | 2017/18                                     |   |   |  |   |  | 2016/17                                     |   |   |  |   |  |
|---|---|---|---|--|---|--|---|---|---|--|---|--|
|   | Salary<br><br>(bands of<br>£5,000)<br>£'000 | Benefit in<br>kind<br><br>(to nearest<br>£100)<br>£ | Pension<br>benefit<br><br>(to nearest<br>£1,000)<br>£'000 | Other<br>payments<br><br>(bands of<br>£5,000)<br>£ | <b>Total</b><br><br>(bands of<br>£5,000)<br>£'000 | <i>Full year<br/>equivalent<br/>salary (if<br/>part year)</i><br><br>£'000 | Salary<br><br>(bands of<br>£5,000)<br>£'000 | Benefit in<br>kind<br><br>(to nearest<br>£100)<br>£ | Pension<br>benefit<br><br>(to nearest<br>£1,000)<br>£'000 | Other<br>payments<br><br>(bands of<br>£5,000)<br>£ | <b>Total</b><br><br>(bands of<br>£5,000)<br>£'000 | <i>Full year<br/>equivalent<br/>salary (if<br/>part year)</i><br><br>£'000 |
| <b>Mr R Favager,</b><br>Executive Director of<br>Finance  | 145-150                                     | 8,600   | (note 4)  | --   | <b>150-155</b>                                    | --   | 140-145                                     | 6,800   | 33  | --   | <b>180-185</b>                                    | --   |
| <b>Mr G Lang,</b><br>Executive Director of<br>Strategy  | 125-130                                     | --  | (note 2)  | --   | <b>125-130</b>                                    | --   | 125-130                                     | --  | --  | --   | <b>125-130</b>                                    | --   |
| <b>Mr J M Jones,</b><br>Executive Director of<br>Workforce and<br>Organisational<br>Development<br>(to 19 Nov 2017)<br><br>Director of External<br>Investigations<br>(from 20 Nov 2017) | 130-135                                     | 1,900   | (note 2)  | --   | <b>130-135</b>                                    | --   | 125-130                                     | 1,500   | --  | --   | <b>130-135</b>                                    | --   |
| <b>Mr R Jones,</b><br>Interim Executive<br>Director of Workforce<br>and Organisational<br>Development<br>(from 20 Nov 2017)   | 40-45                                       | --  | (note 5)  | --   | <b>40-45</b>                                      | 125-130  |   |   |   |  |   |  |
| <b>Mr C Wright,</b><br>Director of<br>Corporate Services  | 35-40<br>(note 6)                           | --  | (note 2)  | 145-150<br>(note 6)                                | <b>185-190</b>                                    | 95-100   | 95-100                                      | --  | --  | --   | <b>95-100</b>                                     | --   |

| Name and Role   | 2017/18                                     |   |   |  |   |  | 2016/17                                     |   |   |  |   |  |
|---|---|---|---|--|---|--|---|---|---|--|---|--|
|   | Salary<br><br>(bands of<br>£5,000)<br>£'000 | Benefit in<br>kind<br><br>(to nearest<br>£100)<br>£ | Pension<br>benefit<br><br>(to nearest<br>£1,000)<br>£'000 | Other<br>payments<br><br>(bands of<br>£5,000)<br>£ | <b>Total</b><br><br>(bands of<br>£5,000)<br>£'000 | <i>Full year<br/>equivalent<br/>salary (if<br/>part year)</i><br><br>£'000 | Salary<br><br>(bands of<br>£5,000)<br>£'000 | Benefit in<br>kind<br><br>(to nearest<br>£100)<br>£ | Pension<br>benefit<br><br>(to nearest<br>£1,000)<br>£'000 | Other<br>payments<br><br>(bands of<br>£5,000)<br>£ | <b>Total</b><br><br>(bands of<br>£5,000)<br>£'000 | <i>Full year<br/>equivalent<br/>salary (if<br/>part year)</i><br><br>£'000 |
| <b>Mrs G Lewis-Parry,</b><br>Board Secretary<br>(to 5 Nov 2011 and<br>from 1 Feb 2018)<br><br>Interim Project<br>Manager, Mental<br>Health<br>(from 6 Nov 2017<br>to 31 Jan 2018) | 100-105                                     | --  | 50  | --   | <b>145-150</b>                                    | --   | 95-100                                      | --  | 14  | --   | <b>105-110</b>                                    | --   |
| <b>Mrs D Sharp,</b><br>Acting Board<br>Secretary<br>(from 6 Nov 2017<br>to 31 Jan 2018)   | 15-20                                       | --  | <i>(note 7)</i>   | --   | <b>15-20</b>                                      | 75-80  |   |   |   |  |   |  |
| <b>Dr P Higson,</b><br>Chairman   | 65-70                                       | --  | --  | --   | <b>65-70</b>                                      | --   | 65-70                                       | --  | --  | --   | <b>65-70</b>                                      | --   |
| <b>Mrs M Hanson,</b><br>Vice Chair  | 55-60                                       | --  | --  | --   | <b>55-60</b>                                      | --   | 55-60                                       | --  | --  | --   | <b>55-60</b>                                      | --   |
| <b>Clr C Carlisle,</b><br>Independent Member  | 15-20                                       | --  | --  | --   | <b>15-20</b>                                      | --   | 15-20                                       | --  | --  | --   | <b>15-20</b>                                      | --   |
| <b>Mr J Cunliffe,</b><br>Independent Member   | 15-20                                       | --  | --  | --   | <b>15-20</b>                                      | --   | 15-20                                       | --  | --  | --   | <b>15-20</b>                                      | --   |
| <b>Ms J Dean,</b><br>Independent Member<br>(to 31 Dec 2017)   | <i>(note 8)</i>                             |   |   |  |   |  |   |   |   |  |   |  |



| Name and Role  | 2017/18                                  |   |   |  |   |   | 2016/17                                  |   |   |  |   |   |
|--|--|---|---|--|---|---|--|---|---|--|---|---|
|  | Salary<br><br>(bands of £5,000)<br>£'000 | Benefit in kind<br><br>(to nearest £100)<br>£ | Pension benefit<br><br>(to nearest £1,000)<br>£'000 | Other payments<br><br>(bands of £5,000)<br>£ | Total<br><br>(bands of £5,000)<br>£'000 | Full year equivalent salary (if part year)<br><br>£'000 | Salary<br><br>(bands of £5,000)<br>£'000 | Benefit in kind<br><br>(to nearest £100)<br>£ | Pension benefit<br><br>(to nearest £1,000)<br>£'000 | Other payments<br><br>(bands of £5,000)<br>£ | Total<br><br>(bands of £5,000)<br>£'000 | Full year equivalent salary (if part year)<br><br>£'000 |
| <b>Mrs N Stubbins,</b><br>Associate Board Member & and Director of Social Services                                       | (note 10)                                |   |   |  |   |   |  |   |   |  |   |   |
| <b>Prof T Purt,</b><br>(to 31 August 2016)   |  |   |   |  |   | (note 11)   |  |   |   |  |   |   |
| <b>Dr M Walker,</b><br>Interim Executive Medical Director and Director of Clinical Services<br>(to 31 August 2016)       |  |   |   |  |   |   | 70-75                                    | 2,200   | (note 12)   | --   | 75-80                                   | 165-170   |
| <b>Prof A Hopkins,</b><br>Executive Director of Nursing, Midwifery & Therapies and Health Sciences<br>(to 11 April 2016) |  |   |   |  |   |   | 0-5                                      | --  | --  | --   | 0-5                                     | 125-130   |

| Name and Role  | 2017/18                                     |   |   |  |   |  | 2016/17                                     |   |   |  |   |  |
|--|---|---|---|--|---|--|---|---|---|--|---|--|
|  | Salary<br><br>(bands of<br>£5,000)<br>£'000 | Benefit in<br>kind<br><br>(to nearest<br>£100)<br>£ | Pension<br>benefit<br><br>(to nearest<br>£1,000)<br>£'000 | Other<br>payments<br><br>(bands of<br>£5,000)<br>£ | <b>Total</b><br><br>(bands of<br><b>£5,000</b> )<br>£'000 | <i>Full year<br/>equivalent<br/>salary (if<br/>part year)</i><br><br>£'000 | Salary<br><br>(bands of<br>£5,000)<br>£'000 | Benefit in<br>kind<br><br>(to nearest<br>£100)<br>£ | Pension<br>benefit<br><br>(to nearest<br>£1,000)<br>£'000 | Other<br>payments<br><br>(bands of<br>£5,000)<br>£ | <b>Total</b><br><br>(bands of<br><b>£5,000</b> )<br>£'000 | <i>Full year<br/>equivalent<br/>salary (if<br/>part year)</i><br><br>£'000 |
| <b>Mrs V Morris,</b><br>Interim Executive<br>Director of Nursing,<br>Midwifery &<br>Therapies and Health<br>Sciences<br>(from 4 April 2016<br>To 31 July 2016) |   |   |   |  |   |  | 40-45                                       | --  | 18  | --   | <b>55-60</b>  | 120-125  |
| <b>Mr A P Jones,</b><br>Executive Director of<br>Public Health<br>(to 31 July 2016)  |   |   |   |  |   |  | 40-45                                       | --  | --  | --   | <b>40-45</b>  | 120-125  |
| <b>Ms B Cuthel,</b><br>Interim Director of<br>Primary, Community<br>and Mental Health<br>(to 31 August 2016)   |   |   |   |  |   |  | 40-45                                       | --  | 52  | --   | <b>95-100</b>   | 100-105  |

## Notes

1. Mr Doherty opted out of the NHS Pension Scheme on 1<sup>st</sup> November 2017.
2. These employees chose not to be covered by the NHS pension arrangements in the prior year, as well as the current reporting year.
3. These employees chose not to be covered by the NHS pension arrangements from the 2017/18 financial year.
4. Mr Favager opted out of the NHS Pension Scheme on 1<sup>st</sup> February 2018.
5. This employee commenced employment with the Health Board during 2017/18 and so prior year figures are not available to enable the in year pension benefit to be calculated.
6. The salary reported for Mr Wright includes £24,998 in respect of contractual entitlements. Other remuneration relates to a payment in respect of redundancy. These amounts were both agreed by the Board and made in accordance with Welsh Government guidance.
7. Mrs Sharp was the Acting Board Secretary for the period 6th November 2017 to 31st January 2018. Outside of this period Mrs Sharp was employed by the Health Board in her substantive post and it has not been possible to calculate the element of pension benefits that relate solely to her role as Acting Board Secretary.
8. Ms Dean is an employee of the Health Board and is an Independent Member drawn from a Trade Union background. Ms Dean is not paid for her role as an Independent Member.
9. Professor Rycroft-Malone is the University representative on the Board and is not paid by the Health Board.
10. Mr Williams and Mrs Stubbins are not employees of, and are not paid by the Health Board. Prof Rees is employed by the Health Board in his clinical capacity but does not receive additional remuneration in respect of his role on the Board.
11. On the 8<sup>th</sup> June 2015, the Health Board was placed into Special Measures by the Health and Social Services Minister, Mark Drakeford. On the following day the Board suspended its Chief Executive, Professor Trevor Purt, as a neutral act to enable due process to be followed. By mutual agreement, on the 15<sup>th</sup> October 2015 Professor Purt stepped down from his role as Chief Executive of the Health Board and was seconded to an NHS Organisation in England. That secondment continued until 31<sup>st</sup> August 2016, at which point Professor Purt left the employment of the Health Board. During 2016/17 Professor Purt received remuneration of £83,333.
12. Dr M Walker was the interim Medical Director for the period 1<sup>st</sup> March 2016 to 31<sup>st</sup> August 2016. Prior to this date Dr Walker was employed by the Health Board and also holds a position as an independent General Practitioner. It has not been possible to calculate the element of pension benefits that relate solely to his role as Interim Medical Director.

|   | Real Increase In<br>Accrued Pension<br><br>(bands of £2,500)<br>£'000 | Real Increase In<br>Lump Sum<br><br>(bands of £2,500)<br>£'000 | Total accrued<br>pension at<br>31 March 2018<br><br>(bands of £5,000)<br>£'000 | Lump sum<br>related to<br>accrued pension<br>at 31 March 2018<br><br>(bands of £5,000)<br>£'000 | Cash Equivalent<br>Transfer Value as<br>at 31 March 2017<br><br>£'000 | Cash Equivalent<br>Transfer Value as<br>at 31 March 2018<br><br>£'000 | Real Increase in<br>Cash Equivalent<br>Transfer Value<br><br>£'000 |
|---|---|--|--|---|---|---|--|
| <b>Mr G Doherty,</b><br>Chief Executive   | 0-2.5<br><i>(note 1)</i>  | (0-2.5)  | 50-55  | 135-140   | 802   | 855   | 53   |
| <b>Dr E Moore,</b><br>Executive Medical<br>Director                             | <i>(note 2)</i>   | --   | --   | --  | --  | --  | --   |
| <b>Mrs G Harris,</b><br>Executive Director of<br>Nursing, and<br>Midwifery      | <i>(note 3)</i>   | --   | --   | --  | 1,383   | --  | --   |
| <b>Mr A Thomas,</b><br>Executive Director,<br>Therapies and Health<br>Sciences  | 5.0-7.5   | 12.5-15.0  | 40-45  | 115-120   | 665   | 807   | 142  |
| <b>Mr A Roach,</b><br>Director of Mental<br>Health and Learning<br>Disabilities | 0-2.5   | 2.5-5.0  | 50-55  | 150-155   | 834   | 916   | 83   |
| <b>Ms T Owen,</b><br>Executive Director of<br>Public Health                     | 2.5-5.0   | 5.0-7.5  | 35-40  | 95-100  | 573   | 654   | 81   |
| <b>Ms M Olsen,</b><br>Chief Operating<br>Officer                                | 0-2.5   | 5.0-7.5  | 35-40  | 110-115   | 672   | 748   | 76   |

|   | Real Increase In<br>Accrued Pension<br><br>(bands of £2,500)<br>£'000 | Real Increase In<br>Lump Sum<br><br>(bands of £2,500)<br>£'000 | Total accrued<br>pension at<br>31 March 2018<br><br>(bands of £5,000)<br>£'000 | Lump sum<br>related to<br>accrued pension<br>at 31 March 2018<br><br>(bands of £5,000)<br>£'000 | Cash Equivalent<br>Transfer Value as<br>at 31 March 2017<br><br>£'000 | Cash Equivalent<br>Transfer Value as<br>at 31 March 2018<br><br>£'000 | Real Increase in<br>Cash Equivalent<br>Transfer Value<br><br>£'000 |
|---|---|--|--|---|---|---|--|
| <b>Mr R Favager,</b><br>Executive Director of<br>Finance  | (7.5-10.0)<br><i>(note 4)</i>   | (27.5-30.0)  | 50-55  | 135-140   | 1,040   | 940   | (99)   |
| <b>Mr G Lang,</b><br>Executive Director of<br>Strategy  | <i>(note 2)</i>   | --   | --   | --  | --  | --  | --   |
| <b>Mr J M Jones,</b><br>Executive Director of<br>Workforce and<br>Organisational<br>Development<br>(to 19 Nov 2017)<br>Director of External<br>Investigations<br>(from 20 Nov 2017) | <i>(note 2)</i>   | --   | --   | --  | --  | --  | --   |
| <b>Mr R Jones,</b><br>Interim Executive<br>Director of Workforce<br>and Organisational<br>Development<br>(from 20 Nov 2017)   | <i>(note 5)</i>   | --   | --   | --  | --  | --  | --   |
| <b>Mr C Wright,</b><br>Director of Corporate<br>Services  | <i>(note 2)</i>   | --   | --   | --  | --  | --  | --   |

|   | Real Increase In<br>Accrued Pension<br><br>(bands of £2,500)<br>£'000 | Real Increase In<br>Lump Sum<br><br>(bands of £2,500)<br>£'000 | Total accrued<br>pension at<br>31 March 2018<br><br>(bands of £5,000)<br>£'000 | Lump sum<br>related to<br>accrued pension<br>at 31 March 2018<br><br>(bands of £5,000)<br>£'000 | Cash Equivalent<br>Transfer Value as<br>at 31 March 2017<br><br>£'000 | Cash Equivalent<br>Transfer Value as<br>at 31 March 2018<br><br>£'000 | Real Increase in<br>Cash Equivalent<br>Transfer Value<br><br>£'000 |
|---|---|--|--|---|---|---|--|
| <b>Mrs G Lewis-Parry,</b><br>Board Secretary<br>(to 5 Nov 2011 and<br>from 1 Feb 2018)<br><br>Interim Project<br>Manager, Mental<br>Health<br>(from 6 Nov 2017<br>to 31 Jan 2018) | 2.5-5.0   | 7.5-10.0   | 35-40  | 105-110   | 683   | 779   | 96   |
| <b>Mrs D Sharp,</b><br>Acting Board<br>Secretary<br>(from 6 Nov 2017<br>to 31 Jan 2018)   | (note 6)  | --   | --   | --  | --  | --  | --   |

### Notes

1. Mr Doherty opted out of the NHS Pension Scheme on 1<sup>st</sup> November 2017.
2. These employees chose not to be covered by the NHS pension arrangements in the prior year, as well as the current reporting year.
3. These employees chose not to be covered by the NHS pension arrangements from the 2017/18 financial year.
4. Mr Favager opted out of the NHS Pension Scheme on 1<sup>st</sup> February 2018.
5. Prior year figures are not available as this employee joined the Health Board during 2017/18.
6. As Mrs Sharp held another post with the Health Board during 2017/18, it is not possible to calculate the element of pension benefits that relate solely to her role as Acting Board Secretary.

## Staff Report

The average number of full time equivalent (FTE) staff employed by the Health Board during 2017/18 is reported below. This is calculated using the contracted hours recorded on the Health Board's electronic staff record.

| Professional Group                     | Average FTE   |
|--|---------------|
| Professional, Scientific and Technical | 671           |
| Additional Clinical Services           | 2,967         |
| Administrative and Clerical            | 2,814         |
| Allied Health Professionals            | 862           |
| Estates and Ancillary                  | 1,244         |
| Healthcare Scientists                  | 281           |
| Medical and Dental                     | 1,233         |
| Nursing and Midwifery Registered       | 4,953         |
| Students                               | 20            |
| <b>Total</b>                           | <b>15,045</b> |

The actual number of staff in post during 2017/18 was 17,153 and the gender composition is provided in the table below.

| Staff Composition           | Female        | Male         | Total         |
|-----------------------------|---------------|--------------|---------------|
| Director                    | 4             | 9            | 13            |
| Manager (Band 8C and above) | 105           | 75           | 180           |
| Staff                       | 13,712        | 3,248        | 16,960        |
| <b>Total</b>                | <b>13,821</b> | <b>3,332</b> | <b>17,153</b> |

\*For the purpose of this report manager is defined as a member of staff at Band 8c and above (or equivalent level for non-medical staff) based in a corporate function or operational Division with significant managerial and decision-making responsibilities affecting the whole organisation.

The sickness absence data for 2017/18 is provided below:

|   | 2016-17        | 2017-18        |
|---|----------------|----------------|
| Days lost (long term)                                       | 177,464        | 189,779        |
| Days lost (short term)                                      | 77,639         | 83,051         |
| <b>Total days lost</b>                                      | <b>255,103</b> | <b>272,830</b> |
| Average working days lost                                   | 11             | 11             |
| Total staff employed in period (headcount)*                 | 16,977         | 17,987         |
| Total staff employed in period with no absence (headcount)* | 6,453          | 6,653          |
| <b>Percentage staff with no sick leave</b>                  | <b>37.70%</b>  | <b>37.35%</b>  |

\*Average over 12 months

Sickness absence is measured using calendar days on the Electronic Staff Record system, which includes all days from the start to end of a period of absence, including weekends or days when a member of staff would not have been rostered to work, so the actual aggregate number of working days lost is lower.

The overall percentage sickness absence in 2017/18 was 4.92% (2016/17, 4.81%).

## Equalities and human rights

The Health Board is committed to advancing equality of opportunity, and protecting and promoting the rights of everybody, to achieve better outcomes for all. Our Strategic Equality Plan is aligned to our organisational values, strategy and three-year operating plan and seeks to ensure that equality is properly considered within the organisation and influences decision-making at all levels.

This year we have focussed on embedding equality and human rights considerations into the development of the Health Board's long-term strategy Living Healthier, Staying Well. The Strategy is underpinned by a robust Equality Impact Assessment, which has been informed by equality evidence and engagement with individuals and protected characteristic groups. There is a strong equality and rights focus within the Strategy. We are well placed to build upon our progress in driving forward the Welsh Public Sector Equality Duty as a key enabler in implementation of the strategy and operating plan, to advance equality in both service delivery and employment.

We have continued to develop organisational understanding about the principles of Equality Impact Assessment (EqIA). This will ensure that, as far as possible, our decisions and strategy and policy developments are done in a fair, accountable and transparent way that takes account of the needs and rights of all who might be affected. We have strengthened our governance arrangements in this regard and work with our external scrutiny group to provide advice and on Equality Impact Assessments relating to key programmes and plans

This year the Health Board moved up 44 places to be ranked 51<sup>st</sup> in the Stonewall Workplace Equality Index, the benchmarking survey for employers in regards to LGBT+ equality. In addition our Mental Wellbeing and Counselling Team Leader, Jack Jackson, has been named UK Trans Role Model of the Year. Jack, a member of the Health Board's Celtic Pride Network, has worked with the group to broaden awareness and understanding of trans issues across the organisation.

We have secured Disability Confident Employer status for a further two years. This scheme is designed to help recruit and retain disabled people and people with health conditions on the basis of their skills and talent. We apply full and fair consideration to applications for employment and guarantee to interview any applicant who declares a disability providing they meet the essential criteria for the job. This is reinforced through a very robust approach to mandatory equality and human rights training for all staff, and specific, additional, recruitment and selection training for those involved in the recruitment and selection process.

Our mandatory Equality and Human Rights training compliance has increased to 82% this year. Managers are also trained and supported to implement the All Wales Sickness Absence Policy which includes explicit guidance on the application of the Equality Act 2010, including the Duty to Make Reasonable Adjustments. Our guidelines on the Fair Treatment of Disabled People at Work set out the rights of the individual and the responsibilities of the organisation to promote good practice in the employment of people with a disability, including the continuing employment of staff who have become disabled during their employment by the Health Board.

We have also committed our support to the Equality and Human Rights Commission's 'Working Forward' campaign. This initiative is designed to encourage employers to make the workplace the best it can be for pregnant women and new parents.

We have implemented a range of careers programmes to support people furthest from the job market, such as individuals in households where no one is in employment, young people who are not in employment or training, people from BAME groups, individuals who have a learning disability and those currently claiming job seekers allowance. The Project SEARCH programme is an example of our very successful school-to-work internship for disabled students.

## Off Payroll Engagements and Consultancy

The Health Board is required to disclose Off-payroll and Consultancy expenditure. The tables below outline the details of the Off Payroll Engagements that the Health Board has in place. It should be noted that HMRC introduced new rules in relation to compliance with tax regulations which took effect from 6th April 2017. These changes have widened the responsibilities of the Health Board in managing the Off Payroll engagements. As such the Off Payroll submission will change significantly going forward as most engagements will be subject tax and NI at source.

The Health Board has undertaken IR35 assessments for all relevant off-payroll engagements.

|  |            |
|--|------------|
| <b>Number of existing engagements, for more than £245 per day and of over six months duration, as at 31 March 2018</b> | <b>207</b> |
| <i>Of which...</i>   |            |
| Number that have existed for less than one year at time of reporting   | 207*       |
| Number that have existed for between one and two years at time of reporting  | 0          |
| Number that have existed for between two and three years at time of reporting  | 0          |
| Number that have existed for between three and four years at time of reporting   | 0          |
| Number that have existed for four or more years at time of reporting   | 0          |

\* This figure includes 96 new engagements for 2017/18 related to Medical Staff engaged via the Health Board's Managed Service arrangement.

|  |            |
|--|------------|
| <b>Number of new off-payroll engagements for more than £245 per day and that will last for longer than six months, or that reached six months in duration between 1 April 2017 and 31 March 2018</b> | <b>207</b> |
| <i>Of which...</i>   |            |
| Number assessed as covered by IR35   | 199        |
| Number assessed as not covered by IR35   | 8          |
| Number engaged directly (via PSC contracted to the department) and are on the departmental payroll   | 0          |
| Number of engagements reassessed for consistency / assurance purposes during the year  | 26         |
| Number of engagements that saw a change to IR 35 status following the consistency review   | 0          |

|   |          |
|---|----------|
| <b>Number of off-payroll engagements of board members and / or senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018</b>   | <b>0</b> |
| (Number of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year, including both off-payroll and on-payroll engagements) | 28*      |

\*The Board Members and Senior Officials who are deemed to be Senior Managers are those individuals whose salary details are disclosed on pages 9 to 15 of this report.

During 2017/18 there are 28 individuals who have been included within the Senior Manager disclosures.

During the year the Health Board incurred expenditure of £2.003m on external consultancy services.

The Health Board is required to compile and publish an Accountability Report, the content of which is prescribed by the Welsh Government.

### **Regularity of expenditure**

HM Treasury defines regularity as the requirement for all items of expenditure to be dealt with in accordance with the legislation authorising them, any applicable delegated authorities and rules of Government Accounting.

The Health Board is empowered to incur expenditure by the National Health Service (Wales) Act 2006 and receives revenue and capital resource allocations from the Welsh Government.

The Health Board's budget setting process aims to ensure that resources are allocated across the organisation for legitimate purposes. The Health Board has delegated arrangements with budget holders who must operate in accordance with their Accountability Agreements and the Standing Financial Instructions (SFIs) of the Health Board.

Arrangements are in place to monitor compliance with the SFIs and these are reported to each Audit Committee through the Conformance Report. In addition to a comprehensive Internal Audit programme the Health Board has a Local Counter Fraud Team.

The Health Board complies with recognised reporting standards to the extent that they are applicable to the Public Sector and the accounts are produced in accordance with the Manual for Accounts produced by the Welsh Government. Monthly financial monitoring returns are submitted to the Welsh Government with explanations for variances.

The Health board has incurred a deficit of £38.8m against its Revenue Resource Limit for the year. The Health Board has not met its statutory target to achieve breakeven over the three period 1 April 2015 – 31 March 2018 and has recorded a cumulative deficit of £88.1m.

No further issues have arisen during 2017/18 which impact on the regularity of expenditure.

### **Fees and charges**

Fees and charges are not routinely charged to NHS patients unless the Health Board is permitted under the legislation to make a charge. Examples would include dental work and access to health records. It is confirmed that, to the best of our knowledge, the Health Board complies with Welsh Government directives in respect of charge rates.

### **Remote contingent liabilities**

The Health Board is required to account for all remote contingencies in accordance with International Accounting Standard 37 (IAS37). These are fully disclosed in Note 18 in the Statement of Accounts.

Other remote contingencies not accounted for within IAS37 would include letters of comfort and third party guarantees given by management. To the best of our knowledge, the Health Board does not have any such liabilities that require disclosure.

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

## Report on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements of Betsi Cadwaladr University Local Health Board for the year ended 31 March 2018 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Betsi Cadwaladr University Local Health Board as at 31 March 2018 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

### Basis for opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Betsi Cadwaladr University Local Health Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Betsi Cadwaladr University Local Health Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Chief Executive is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

### **Basis for Qualified Opinion on Regularity**

Betsi Cadwaladr University Local Health Board has breached its revenue resource limit by spending £88.147 million over the £4,163 million that it was authorised to spend in the three-year period 2015-16 to 2017-18. This spend constitutes irregular expenditure. Further detail is set out in my Report on page 26.

### **Qualified Opinion on Regularity**

In my opinion, except for the irregular expenditure of £88.147 million explained in the paragraph above, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

### **Report on other requirements**

#### **Opinion on other matters**

In my opinion, the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with Welsh Ministers' guidance;
- the information given in the Foreword and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Foreword and Accountability Report have been prepared in accordance with Welsh Ministers' guidance.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Betsi Cadwaladr University Local Health Board and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and Accountability Report or the Governance Statement.

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

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

## **Responsibilities**

### **Responsibilities of Directors and the Chief Executive for the financial statements**

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view and for such internal control as the Directors and Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors and Chief Executive are responsible for assessing the Betsi Cadwaladr University Local Health Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Responsibilities for regularity**

The Chief Executive is responsible for ensuring the regularity of financial transactions.

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

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**12 June 2018**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

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

## Introduction

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

For 2017-18 Betsi Cadwaladr University Local Health Board (the LHB) failed to meet both the first and the second financial duty and so I have decided to issue a narrative report to explain the position.

## Failure of the first financial duty

The **first financial duty** gives additional flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The second three-year period under this duty is 2015-16 to 2017-18, and so it is measured this year for the second time.

As shown in Note 2.1 to the Financial Statements, the LHB did not manage its revenue expenditure within its resource allocation over this three year period, exceeding its cumulative revenue resource limit of £4,163 million by £88.147 million. The LHB therefore did not meet its first financial duty.

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

## Failure of the second financial duty

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2017-18 if it submitted a 2017-18 to 2019-20 plan approved by its Board to the Welsh Ministers who then approved it by the 30th June 2017.

As shown in Note 2.3 to the Financial Statements, the LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2017-18 to 2019-20.

Following the LHB being placed in Special Measures in October 2015, the LHB were not in a position to submit a three-year Integrated Medium Term Plan for 2017-20. Instead the LHB has operated, in agreement with Welsh Government, under annual planning arrangements. The LHB's Annual Operating Plan for 2017-18, which identified a planned annual deficit of £26 million, was approved by its Board in May 2017. However, the LHB's eventual deficit for 2017-18 was £38.8 million.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**12 June 2018**

# APPENDIX – Annual Governance Statement

## 1. Introduction

1.1 This Annual Governance Statement covers a period of considerable challenge for the Betsi Cadwaladr University Health Board ('the Health Board'). The Health Board has been in special measures since June 2015, and this escalation status remains unchanged. In year there has been significant deterioration in relation to the financial position and key areas of performance, Welsh Government took the decision to increase its oversight of the Health Board, with strengthened accountability, scrutiny and support arrangements being put in place.

1.2 Welsh Government also commissioned Deloitte to conduct a financial governance review in December 2017. The findings of this review had wide-ranging implications for the Health Board, with recommendations focused on the establishment of new Director roles, the development of Board members, revised committee arrangements, a review of the approach to financial management and planning and also organisational development. Progress against the resulting action plan is being overseen as part of the Health Board's special measures monitoring arrangements.

1.3 Following the Cabinet Secretary for Health and Social Services' statement in February 2018, finance and performance are now formally included under the special measures arrangements. The Cabinet Secretary said in his written statement:-

*"...despite the progress in some important areas, the Health Board continues to face significant challenges – in particular it has been disheartening and unacceptable that during 2017/18 issues have escalated in relation to the financial position and some key areas of performance. This has resulted in the Welsh Government increasing its oversight, including my personal chairing of monthly accountability meetings since July. The Welsh Government continues to work with BCUHB to ensure that services and patients are not adversely affected by the need to improve financial management."*

1.4 By the end of this Annual Governance Statement's 2017/18 reporting period, the Health Board had reached the end of the three phases of the original special measures improvement framework issued in January 2016. Having reviewed progress as at the end of Phase Three, the Cabinet Secretary recognised that the Health Board had made improvements across each of the special measures areas. For example, the improvements demonstrated against the expectations in Maternity Services resulted in it being de-escalated as a special measures concern. However, despite the progress made, the Cabinet Secretary also identified several areas for improvement and he set the Health Board a number of milestones to be progressed rapidly, covering areas such as mental health, waiting times, unscheduled care, planning and leadership. I am very clear on the improvements that need to be made and the further work required to tackle the range of challenges facing the Health Board. Further detail on special measures is included in Section 4. On 9 May 2018, the Cabinet Secretary issued a further statement with the milestones and expectations of the Welsh Government for the period May 2018 – September 2019 under four themes:

- Leadership and Governance;
- Strategic and Service Planning;
- Mental Health;
- Primary Care including Out of Hours Services.

- 1.5 In 2017/18 the Health Board breached its statutory duty to produce an Integrated Medium Term Plan (IMTP) and since March 2016 has been working to a deficit Interim Financial Plan, and has breached its statutory duty to achieve financial balance over the three year period ending 31 March 2018.
- 1.6 During 2017/18 work continued to address the Health Board's corporate and collective responsibilities under the Well-being of Future Generations (Wales) Act 2015 (WFG) and the Social Services and Well-being (Wales) Act 2014 (SSWB). Terms of reference for Committees of the Board were amended in 2017 to include standard wording relating to responsibilities under the Well-being of Future Generations Act, thus supporting the embedding of the legislation's requirements into the day to day business of the organisation. The regional Population Assessment under the SSWB Act and the four Public Services Boards' well-being assessments under the WFG Act were approved and fed into the Health Board's own corporate strategy, Living Healthier, Staying Well (LHSW).
- 1.7 The LHSW strategy was shaped by the principles of the Acts, in particular the WFG Act. The strategy has adopted an outcomes-focused approach as per the national Public Health Outcomes Framework, which links with and shares many indicators with the WFG Act. A logic model tool has been used for all strategy programme areas to ensure that all areas are focused on long term well-being outcomes.
- 1.8 During the extensive engagement undertaken for the strategy, the Health Board involved partners, stakeholders and the public in reviewing and refining the interim well-being objectives which had been set in 2016/17. As a result the well-being objectives have been refreshed, to include in particular:
- A clear recognition of the importance of mental and emotional health and well-being as well as physical health;
  - Emphasis on the importance of ensuring the best start in life for children, recognising the long-term impact of the first 1,000 days and early years on the health of our future generations;
  - Greater emphasis on enabling people to look after their own health and well-being.
- 1.9 The strategy describes the broader role of the Health Board in contributing to the many factors that influence the four domains of well-being. There is a clear commitment to improving our contribution to all, and acknowledgement that we can influence the broader aspects of well-being; work in partnership to provide care and support in line with the SSWB Act; and directly provide excellent healthcare services for more serious health needs. The SSWB regional plan was approved in February 2018 and at the time of writing the four Public Service Board well-being plans were going through the approval processes.
- 1.10 In addition to the strategy work, the Board has also begun working with the Office of the Future Generations Commissioner and Public Health Wales on prototyping a live lab approach, which aims to challenge and support teams in applying the five ways of working to a defined area of work.

## **2. Scope of Responsibility**

- 2.1 The Board is accountable, via the Chairman, to the Cabinet Secretary for Health and Social Services for its Governance, Risk Management and Internal Control. As Accountable Officer and Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and the organisation's assets for which I am personally responsible. These are carried out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales. Welsh Government issued confirmation of my Accountable Officer status in March 2016.
- 2.2 In discharging this responsibility I, together with the Board, am responsible for putting in place arrangements for the effective governance of the Health Board, facilitating the effective implementation of the functions of the Board and the management of risk.

## **3. Background Information**

- 3.1 The Health Board had a revenue income of £1.4 billion for 2017/18 and a workforce of approximately 17,150 (15,045 whole time equivalents). Further details are provided within the Remuneration Report.
- 3.2 The Health Board is responsible for improving the health and wellbeing of the population of North Wales. This encompasses prevention of ill health as well as treating illness and providing excellent healthcare services.
- 3.3 The Health Board provides primary, community and mental health services as well as acute hospital services for a population of about 678,000 people across the six counties of North Wales (Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire and Wrexham).
- 3.4 The Health Board operates three main hospitals (Ysbyty Gwynedd in Bangor, Ysbyty Glan Clwyd in Bodelwyddan and Ysbyty Wrexham Maelor) along with a network of community hospitals, health centres, clinics, mental health units and community team bases.
- 3.5 The Health Board also coordinates the work of 107 General Practitioner (GP) practices and NHS services provided by dentists, opticians and pharmacists in North Wales.
- 3.6 The clinical management of services is delivered by three Area Teams, a Mental Health and Learning Disabilities Division, and a single Secondary Care Division comprising three hospital site teams, all supported by the corporate departments.

## **4. Special Measures**

- 4.1 Due to increasing concerns about the organisation's governance, the Health Board was placed in special measures in June 2015. Since then, as part of the three-phase Improvement Framework set by Welsh Government, an ongoing organisation-wide programme of work to strengthen governance has been in place. Throughout 2017/18, Welsh Government has continued to have regular meetings and discussions with the Health Board in respect of special measures, scrutinising and challenging in order to drive improvements in performance and delivery. In April 2017, the Welsh Government determined that the Health Board had made progress in a number of areas and that the direction of travel was generally good. However, there remained a number of challenges in key areas that required continued focus and attention.

- 4.2 In June 2017, the joint review undertaken by Healthcare Inspectorate Wales and Wales Audit Office formally reported on the actions taken by the Health Board to address the governance concerns that had originally been identified in 2013. The report acknowledged that the Health Board was continuing to move in the right direction, however several of the most pressing challenges continued to remain evident. These included financial performance, strategy/plan development and fully embedding quality assurance arrangements.
- 4.3 In July 2017, the then Cabinet Secretary for Health, Well-being and Sport published a written statement confirming that the Health Board was to remain at the special measures level of escalation. During this time, concerns about the deteriorating financial and performance position grew, and in August 2017 Welsh Government decided that in addition to the action being taken as regards special measures, the Health Board would come under the Targeted Intervention escalation level arrangements for finance and performance (planned and unscheduled care) to drive turnaround in these areas. A new Financial Recovery Group was established to drive improvements in the financial position in order to meet agreed targets by year end. The Group has routinely shared its minutes with the Finance and Performance Committee and submitted Chair's Assurance Reports directly to the Board. Finance and performance will formally become part of the special measures improvement framework May 2018-September 2019, published on 9 May 2018.
- 4.4 The Special Measures Improvement Task Group established by the Health Board continued to meet regularly throughout 2017/18 to track progress and to advise and assure the Board on the effectiveness of the arrangements in place to respond to the Special Measures Improvement Framework set by Welsh Government. The Group is Chaired by the Vice-Chair of the Health Board and its membership comprises three Independent Members and nine Executives / Directors. Ann Lloyd, Independent Adviser, was also a member until September 2017. The Chair of the Group provides assurance reports at Board meetings held in public. These assurance reports supplemented the series of bi-monthly 'focus on' Board agenda items considered by the Board during 2017/18, covering each of the areas within the Improvement Framework.
- 4.5 The third and final phase of the original Improvement Framework ended in November 2017. The End of Phase Three Report concluded that overall, some progress had been made since the beginning of special measures but significant challenges remained. It was felt that the areas of greatest transformation since 2015 were under the leadership, governance, maternity services, primary care and engagement themes. In terms of governance, key achievements included:
- Stabilising the Board and strengthening leadership, through appointments, tenure extension and revised organisational structure;
  - Fulfilling requirements for Board Development, annual reporting and Board/Committee administration;
  - Progress on risk management and assurance;
  - Development of the Quality ('Harms') Dashboard to improve the 'ward to Board' view of patient safety and service quality;
  - Reducing the concerns backlog and resolving Executive leadership issues;
  - Improving the ways in which the Board engages with members of the public and staff, including, since the outset of special measures.

- 4.6 Other key governance-related actions and recommendations are routinely tracked as part of special measures monitoring arrangements. The June 2017 HIW/WAO Joint Review of Governance Arrangements referred to above confirmed that leadership had been strengthened, the Board was working more effectively and a fundamentally different organisational structure had been established. Nevertheless, a number of challenges yet to be addressed were noted, including developing an overall strategy and Integrated Medium Term Plan. In addition, the WAO Structured Assessment 2017 report observed that the Board was well administered, and ran its business properly and transparently.
- 4.7 Following review of the End of Phase Three Report and associated evidence, the Cabinet Secretary for Health and Social Services recognised that the Health Board had made some improvements across each of the special measures areas and in the case of Maternity Services de-escalated as an area of concern under special measures. However, the Cabinet Secretary also identified several areas for improvement and he set the Health Board a number of milestones to be progressed rapidly, covering areas such as mental health, waiting times, unscheduled care, planning and leadership.
- 4.8 As detailed earlier, on 9 May 2018 the Cabinet Secretary published the Improvement Framework which sets out the expectations and milestones for the next phase of Special Measures through to September 2019. Action was taken on the following milestones between January 2018 and April 2018 and whilst some have been completed, others have been progressed:
- *A reduction of RTT waiting times by around 50% in the numbers waiting over 36 weeks and progress to continue into 2018/19;*
  - *Sustainable improvement in unscheduled care performance;*
  - *Financial recovery actions to result in the Health Board meeting the £36 million revised forecast at year end and improving into 2018-19;*
  - *Reduction in patient out of area placements;*
  - *Development of a thematic quality improvement and governance plan for mental health services;*
  - *A Turnaround Director and team in place and demonstration of increased pace on actions;*
  - *Director of Primary Care and Community Care in place reporting to the Chief Executive and Board;*
  - *Additional planning support and team in place and evidence on the work to develop a holistic plan and IMTP in partnership;*
  - *Evidence that clinical leadership is working alongside planning and professional directors on clinical service proposals;*
  - *Action plan agreed and work progressed to meet the recommendations set out in the Deloitte Review;*
  - *Team based development programme implemented for the Executive Team; and,*
  - *Appointment process for the Chair, Vice Chair and 5 independent members initiated and nearing completion.*
- 4.9 Of note, the Health Board has appointed a Director of Turnaround and is actively working with the full Executive Team to strengthen leadership capacity and ensure the scale and scope of Executive portfolios is rebalanced in line with the recommendations arising from the Deloitte Financial Governance Report and the expectations of the Cabinet Secretary.

## **5. Tawel Fan**

- 5.1 Thursday 3<sup>rd</sup> May 2018 saw the publication of the independent Health and Social Care Advisory Service (HASCAS) thematic report into the care provided to patients on Tawel Fan ward at the Ablett Unit, Glan Clwyd Hospital prior to its closure in December 2013.
- 5.2 The investigation process has been a very complex piece of work and has taken longer than first envisaged, but this was necessary in order to ensure that it was thorough so those affected can be satisfied that the findings are robust.
- 5.3 The report provides a full, evidence-based view that is the result of a comprehensive investigative process which included over 100 interviews of families and staff and over half a million pages of information including police transcripts, medical records, staff records and corporate records.
- 5.4 The investigation found the overall standard of care on the ward to be generally good and found no evidence to support the view that patients suffered from deliberate abuse or wilful neglect. However, it found that some patients did not receive the standard of care that we would expect across our services. The report has also highlighted systemic organisational weaknesses that were present at that time which contributed to poor care.
- 5.5 The Health Board has accepted the report's findings and is establishing a taskforce led by the Executive Director of Nursing and Midwifery to build on our existing work programmes to take forward the recommendations, alongside our partners, at pace.

## **6. Financial Position**

- 6.1 The Board approved a 2017/18 budget which included a deficit of £26.0m as a planning assumption on 16.3.17. The planned deficit increase to £36.0m following a mid-year review and detailed savings plans were developed to support that position. During the year, the Health Board overspent against its Revenue Resource Limit by £38.8m, resulting in a cumulative overspend of £88.1m over the three-year statutory breakeven period ending 31.3.18.
- 6.2 The issues facing the Health Board have built over the long term; and the necessary improvement will likewise take time. Implementing a disciplined approach to planning and delivering sustained improvements in the longer term will be important, while remaining focused on patient experience through delivering safe services of a high quality.
- 6.3 The whole Health Board has been involved in the delivery of savings, which in 2017/18 were £41.7m. Of these savings, £25.9m were recurring and £15.8m were non-recurring. To support the delivery of savings, in late 2014/15 the Health Board established a Programme Management Office (PMO) to support service change schemes designed to improve productivity and make savings where appropriate, whilst ensuring good quality patient care.
- 6.4 The Health Board is continuing to develop its delivery of service by the recruitment of a substantive Turnaround Director which was successfully completed in April 2018. The Turnaround Director will be responsible for ensuring the effective development and implementation of the Health Board's turnaround programme, managing the PMO and service improvement resources.

6.5 In March 2018, the Health Board approved an Interim Financial Plan for 2018/19 which identified a deficit of £35.0m after delivering savings of £45.0m. Addressing the structural deficit will require a focus on stabilising the financial position, and delivering an improvement trajectory over a longer period as part of developing the Annual Operating Plan and ultimately an Integrated Medium Term Plan.

## **7. Integrated Medium Term Plan (IMTP) – Three Year Operational Plan**

7.1 In breach of its statutory duty, the Health Board does not as yet have an approved IMTP, but has developed a three year operational plan for 2018/21 which was submitted to Welsh Government in March 2018. For 2017/18, an Annual Operational Plan (AOP) was developed and approved by Board in May 2017. This approach has been endorsed by Welsh Government. The AOP sets out key areas for service transformation and change linked to the national priorities of staying healthy, timely care, individual care, safe care, effective care, dignified care and staff and resources. The aim was to ensure that the Health Board could deliver safe and sustainable services to the population of North Wales and address and improve health and healthcare services.

7.2 In respect of a general assessment of progress against the Annual Operating Plan, although a challenging year, positive progress has however been made in relation to the development of health improvement initiatives, primary and community services including community resource teams, focusing on improving mental health services for children and adults, maternity services and implementing the Board's quality improvement strategy. Significant engagement has also taken place with communities and staff and improvements to Board governance arrangements have been established. Clear improvements have been made in each of these areas whilst seeking to manage our resources in line with the budget set for the year. We have responded positively to challenges in primary care, developing and spreading new models of care such as Healthy Prestatyn, whilst supporting existing GP Practices through new clinical roles and enhanced community teams. Within planned care we are on track to deliver the year end targets agreed with Welsh Government. We have on-going challenges within unscheduled care and this remains an area of challenge for the Board and an external partner has been secured to support the further improvement required against key performance and quality measures.

7.3 Alongside the Annual Operating Plan there has been a development programme for the Health Board's strategy for health, well-being and healthcare - Living Healthier, Staying Well. The draft priorities paper for the strategy was submitted to the Health Board in October 2017 and was approved for wider engagement. From October 2017 to January 2018 an extensive exercise was undertaken to discuss the strategy and emerging priorities with a wide range of interested parties and was supported by a snapshot on-street survey. This built on previous feedback from people who had helped design the strategy content and approach. The overall strategy programme has been supported throughout by continuous engagement and involvement of staff, representatives of partner organisations, stakeholders, community groups, people with experience of our services, and carers.

7.4 Following consideration of the feedback and revision of the strategy proposals to reflect this, the strategy document was approved for formal publication in March 2018 as a clear statement of the Board's strategic vision for ten years and the actions we will take to deliver this. A community version, Easy Read and British Sign Language versions are also being prepared and will be shared widely, in order to ensure that the vision and priorities are widely recognised and understood. The programmes and priorities identified within the strategy will drive our three year plan, which will be the implementation vehicle for the initial period of the strategy. The governance approach for the implementation of the strategy will now move from a separate programme management structure into the main Health Board management structure.

## **8. Emergency Preparedness**

8.1 The Health Board is categorised as a Category 1 responder within the Civil Contingencies Act (2004) and as result required to have certain arrangements in place. The Health Board has in place:

- A Major Emergency Plan and underpinning site or incident specific plans which describe the response of the organisation to an emergency defined as a major incident;
- A governance structure which provides oversight and coordination of our emergency preparedness arrangements. This structure links into the North Wales Local Resilience Forum which provides the coordinated planning and preparedness across all agencies involved in civil protection activity;
- A programme of exercises and training to support our staff who have specific roles within our major emergency arrangements, delivering command and control competencies in line with National Occupational Standards, bespoke training relating to pre-hospital medical response and generic induction awareness;
- A Business Continuity Policy and major programme of work focused on developing a Business Continuity Management System for critical services, to enable recovery within tolerable timescales following a business disruption;
- A Civil Contingencies Group is the Board's internal forum which aims provides leadership relating to health preparedness as well as coordination of specific aspects of the health economy resilience;
- An assurance process which includes internal audit carrying out annual audits of the business continuity management system and Civil Contingencies arrangements;
- A Civil Contingencies Risk Register along with individual divisional risk registers which provide a method for reporting and escalating risks.

Further information is available here:

<http://howis.wales.nhs.uk/sitesplus/861/page/44943>

## 9. Partnership Working

- 9.1 The Health Board has ensured during the course of the year that it works closely with partner organisations such as local authorities and the voluntary sector, to discuss and address health inequalities, promote community engagement and exploit joint working opportunities. The partner organisations include:
- Welsh Ambulance Services Trust;
  - Public Health Wales;
  - North Wales Community Health Council;
  - Local Authorities (Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire and Wrexham);
  - Neighbouring NHS bodies in England and Wales;
  - The Community Voluntary Councils;
  - Public Service Boards / Regional Leadership Board;
  - Mid Wales Healthcare Collaborative.
- 9.2 Partnership working is long established in North Wales, however there has been a period in the recent past when relationships were not as fruitful and clear. The Social Services and Well-being Act and the introduction of a Regional Partnership Board (RPB) under Part 9 of the Act has helped to reinvigorate partnership on a regional basis. The RPB has a multiagency membership including the voluntary sector, user representation, police, independent sector, BCU and each local authority. The RPB is supported by a Leadership Group comprising the six Directors of Social Services and three Area Directors, which also meets monthly.
- 9.3 As a consequence of the North Wales footprint, the local authority representation on the RPB significantly outnumbers that of Health. However, with the development of the Area Management structure within BCU, partnership working has been reinvigorated at a local authority level and consequently more productive relationships have developed.
- 9.4 The RPB has established a set of priorities for the Region based on the needs assessment and covering:
- Children and Young People;
  - Adult Mental Health;
  - Learning Disabilities;
  - Carers;
  - Older people.
- 9.5 For each of these areas there is a lead Health Director and a lead Director of Social Services.
- 9.6 In addition, the Health Board has key working relationships with HMP Berwyn as a provider of healthcare services within the prison. The Health Board has responsibility for meeting the health and wellbeing needs of the population at HMP Berwyn, and began the planning process for health services in 2014. The decision to start from scratch in the design and delivery of health and wellbeing services for reasons of increased quality, reduced risk and efficiency led to the development of a completely new model of care. Embedded into the service design and operational parameters is the concept of a comprehensive and fully integrated offer, available to all, with access based on clinical need. Services within HMP Berwyn have been configured to support early identification and diagnosis, and a reduction in reoffending rates through health and wellbeing improvement, with services reflecting those delivered in the community in terms of access and standards of care.

## 10. The Role of the Board

10.1 The role of the Board is to:

- Formulate strategy for the organisation within the overall policies and priorities of the Welsh Government, responsive to the health needs of the local population;
- Ensure accountability by holding the organisation to account for the delivery of the strategy and through seeking assurance that the systems of control are robust and reliable;
- Shape a positive culture for the Board and the organisation;
- Maintain high standards of corporate governance;
- Ensure effective financial stewardship.

10.2 The Board functions as a corporate decision making body. Executive Directors and Independent Members are full and equal members sharing corporate responsibility for all decisions of the Board. The Board is supported by the Board Secretary who acts as principal advisor on all aspects of governance within the Health Board.

10.3 The Health Board's stated purpose, vision, strategic goals, well-being objectives and values are shown below. These are reflected within the planning framework and work is ongoing to embed them across the organisation at all levels:

### **Our Purpose**

- To improve health and provide excellent care.

### **Our Vision**

- We will improve the health of the population, with a particular focus upon the most vulnerable in our society.
- We will do this by developing an integrated health service, which provides excellent care delivered in partnership with the public and other statutory and third sector organisations.
- We will develop our workforce so that it has the right skills and operates in a research-rich, learning culture.

### **Our Strategic Goals and Well-being Objectives**

- Improve health and wellbeing for all and reduce health inequalities;
- Work in partnership to design and deliver more care closer to home;
- Improve the safety and outcomes of care to match the NHS' best;
- Respect individuals and maintain dignity in care;
- Listen to and learn from the experiences of individuals;
- Support, train and develop our staff to excel;
- Use resources wisely, transforming services through innovation and research.

10.4 Our purpose, vision and strategic goals set out the long terms aims of the Board. We have further work to do to translate these into specific objectives for improvement in population health and health services which we will include in our plans going forward.

## **Our Values**

- Put citizens first;
- Work together;
- Value and respect each other;
- Learn and innovate;
- Communicate openly and honestly.

10.5 Our values guide the way the Board conducts its business and the way in which our staff engage with those who use our services and each other to deliver our strategic goals.

## **11. Board Composition**

11.1 The Board has been constituted to comply with the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009, which are reflected in its Standing Orders:

<http://www.wales.nhs.uk/sitesplus/861/page/87709>

11.2 The Board meets on a monthly basis and consists of the Chair, ten Independent Members (IMs), four Associate Members (the Director of Mental Health and Learning Disabilities became an Associate Member in June 2016), the Chief Executive and eight Executive Directors. The Board Secretary is in attendance.

11.3 During the reporting period of this Annual Governance Statement, the Board has maintained the stability it achieved last year following a number of key appointments including a substantive Executive Medical Director, Executive Director of Nursing and Midwifery and Executive Director of Therapies and Health Science. The small restructuring of portfolios following the removal of the post of Director of Corporate Services from the Board did not cause any instability and has led to an improved balance of portfolios with Concerns management now being the remit of the Executive Director of Nursing and Midwifery and Risk Management transferring to the Board Secretary. Board membership is documented at Appendix 1, together with related information including Board Members' Champion roles. At the time of writing, the Board had a full complement of members, apart from the Trade Union Independent Member, whose tenure ended in January 2018. Unfortunately the initial recruitment exercise proved to be unsuccessful and a further appointment process is nearing completion.

11.4 However the Health Board recognises the potential for significant further change during 2018/19 as Independent Membership of the Board is refreshed and the Executive Portfolios and new appointments are progressed. On 8 May 2018, the Cabinet Secretary announced the appointment of Mr Mark Polin as Chair of the Health Board to succeed Dr Peter Higson from 1 September 2018. This key appointment will help to stabilise the Health Board and drive necessary improvements forward in the year ahead.

## **12. Board Effectiveness and Standards**

12.1 In order to improve its effectiveness and meet aspirations for openness and accountability, the Board aims to be transparent about the decisions it makes and the way in which it operates. The majority of Board and Committee meetings are routinely held in public.

12.2 All Board Members have a responsibility to abide by the Nolan principles of public life and Executive Directors must adhere to the NHS Code of Conduct (Disciplinary Rules and Standards of Behaviour).

- 12.3 Board Members are required to declare any interests at the beginning of Board meetings and complete a return annually. Board Members are also required to declare gifts and hospitality received or offered, in line with the set guidance. Declarations are recorded on the corporate register, which is available for public inspection via the Office of the Board Secretary. In November 2016, a new Standards of Business Conduct Policy and electronic declaration system were introduced and this has continued to mature with a 90% compliance rate for mandatory returns (i.e. Board and all staff at Band 8C (or equivalent) and above) being achieved as at 8 March 2018 compared to only 16% as at 31st August 2017.
- 12.4 In the interests of good governance, scrutiny and challenge, all Health Board Committees are chaired by an Independent Member.
- 12.5 The Board's annual cycle of business/ work plan was reviewed and updated in March 2018.

<http://www.wales.nhs.uk/sitesplus/documents/861/Agenda%20bundle%20Board%201.3.18%20Public%20V1.0.pdf>

- 12.6 Whilst the Health Board remains in Special Measures the overall conclusion from Wales Audit Office for the 2017 Structured Assessment work was that the Health Board continues to find itself in an extremely challenging position, both in terms of its finances, and performance against a number of key national targets. The Health Board continues to evolve its corporate arrangements for governance, financial management, strategy development and workforce planning but these have not yet sufficiently enabled the Health Board to be where it needs to be with its finances and performance.

### **13. Board Development**

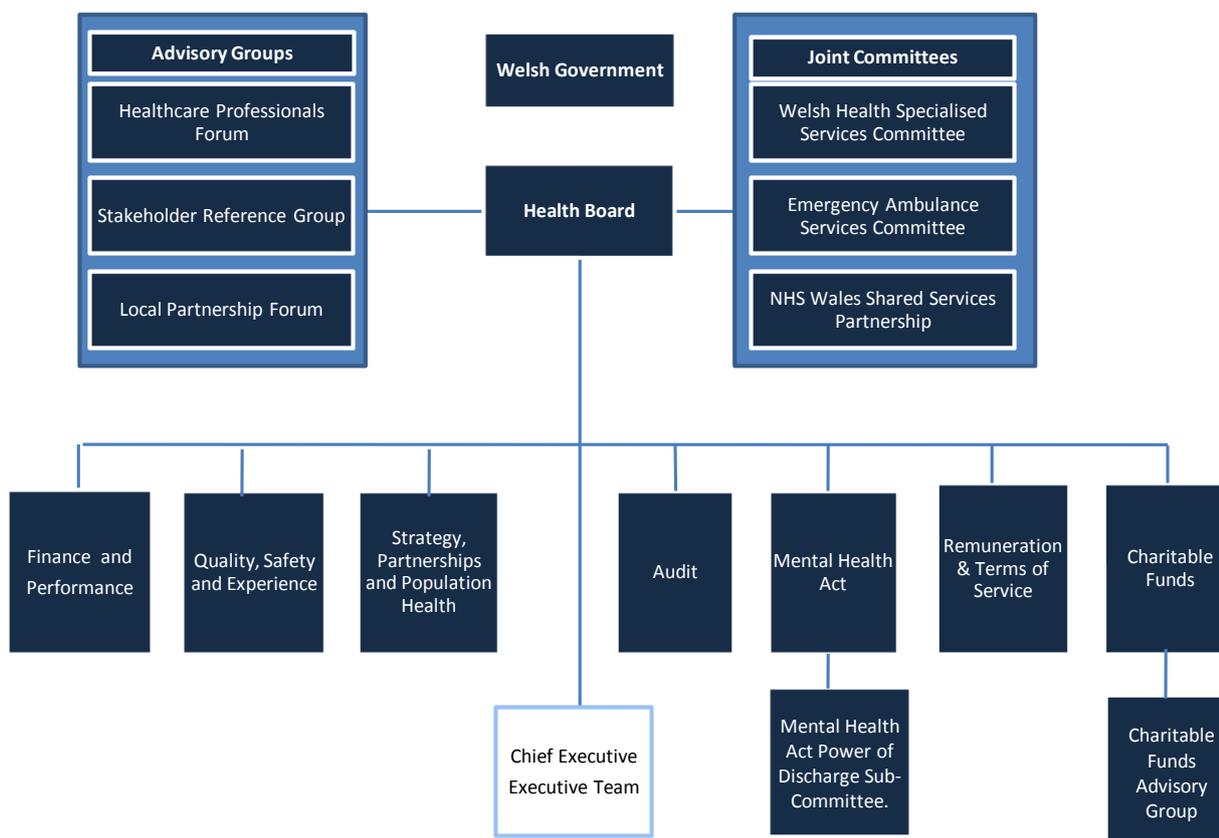
- 13.1 The Health Board has committed a minimum of a day per month over the last year to Board Development, building on the approach from the previous year to strengthen leadership and governance as part of a special measures theme. A bi-monthly half day was also devoted to Board briefings to update members on key strategic, service and mandatory training issues. Topics covered as part of the Board Development Programme included Board effectiveness and maturity, strategic and service planning, cultural ambition, transformational change, emotional intelligence, change capability and ward to board quality assurance.

### **14. Board and Committee Arrangements**

- 14.1 The Board's committee structure comprises seven committees and two sub-committees, namely the:
- Audit Committee;
  - Remuneration and Terms of Service Committee;
  - Mental Health Act Committee with its Mental Health Act Power of Discharge Sub-Committee;
  - Finance and Performance (FandP) Committee;
  - Quality, Safety and Experience (QSE) Committee;
  - Strategy, Partnerships and Population Health (SPPH) Committee;
  - Charitable Funds Committee, with its Charitable Funds Advisory Group Sub-Committee.

- 14.2 These committees and sub committees were in addition to the Health Board's three Advisory Groups and three Joint Committees, as illustrated in the structure diagram in Figure 1 below.
- 14.3 The Health Board has established a Committee Business Management Group (CBMG) to oversee effective communication between its Committees. This avoids duplication and ensures that all appropriate business is managed effectively and efficiently through the governance framework, meeting statutory requirements and taking account of emerging best practice.
- 14.4 The Strategic Health and Safety Committee continues to report to the Quality, Safety and Experience Committee.
- 14.5 The Wales Audit Office (WAO) Structured Assessment for 2017 determined that Committees were well-administered and conducted their business properly, and noted good inter-relationship and coordination with the formal Committee Business Management Group. WAO also identified improvement in the function of the Strategy, Partnerships and Population Health Committee and Audit Committee.
- 14.6 The Health Board has three Advisory Groups to assist it in performing its statutory duty to take account of representations from the community it serves and other key stakeholders. The three groups are: the Stakeholder Reference Group (SRG), Healthcare Professionals Forum (HPF) and the Local Partnership Forum (LPF). Two of the Advisory Group Chairs attend and contribute to committee meetings as follows:
- Quality, Safety and Experience Committee – HPF Chair;
  - Strategy, Partnerships and Population Health Committee – SRG Chair.
- 14.7 The Health Board's Committee and Advisory Group structure is illustrated below in Figure 1.
- 14.8 Committee / Sub-Committee Membership is detailed in Appendix 1.  
Health Board members' attendance at Board meetings is detailed in Appendix 2.  
Board and Committee meetings held throughout the year are detailed in Appendix 3
- 14.9 Each Board Committee produces an annual report. A new, more detailed format and an earlier submission timeline for these reports was agreed in 2016/17 and this has been replicated in 2018/19. The Audit Committee receives all the committee annual reports in advance (May meeting) and then submits an overarching assurance report to the Board. The 2017/18 annual reports were considered in detail by a workshop of Audit Committee Members on 15th May and then formally received by the Audit Committee on 31st May 2018. They detailed the business, activities and main issues and risks dealt with by the Committees or escalated to the Board during the previous year.
- 14.10 Committee Chairs provide written assurance reports to the Board after each committee meeting, highlighting issues of significance and any key risks. These Chairs' reports are published with Health Board papers.
- 14.11 The significant matters considered by the Committees, and examples of actions taken during 2017/18 were as follows. These key issues feature as highlights in Committee Chairs' Assurance Reports

**Fig.1 The Health Board's Committee and Advisory Group Structure**



#### 14.12 Audit Committee

The role and purpose of the Committee is to advise and assure the Board and the Accountable Officer on whether effective arrangements are in place - through the design and operation of the LHB's system of assurance - to support them in their decision taking and in discharging their accountabilities for securing the achievement of the LHB's objectives, in accordance with the standards of good governance determined for the NHS in Wales. Where appropriate, the Committee will advise the Board and the Accountable Officer on where, and how, its assurance framework may be strengthened and developed further.

Examples of some of the key issues that have arisen during the year and which the Committee has dealt with are set out below:

- In order to address the issue of better assurance required for the Board, the Committee, via its Chair, has been instrumental in supporting the development of an All Wales approach to the Board Assurance Framework and an Assurance Map on behalf of the Board.
- In response to previous concerns regarding the need for timely implementation of audit report recommendations, the Committee has piloted the new NWSSP Team Central database for the tracking of audit recommendations and working with Internal Audit and the Office of the Board Secretary is now using this system to input and monitor all External Audit recommendations. The Committee continues to hold Executives to account by requiring them to attend meetings to present evidence of progress on key issues, for assurance purposes.

Minutes and papers from the Committee meeting are available via the following link: <http://www.wales.nhs.uk/sitesplus/861/page/51690>

#### 14.13 Charitable Funds Committee

The purpose of Betsi Cadwaladr University Health Board's Charitable Funds Committee is to make and monitor arrangements for the control and management of the Health Board's Charitable Funds.

Awyr Las is the umbrella charity for over 350 charitable funds which together support every ward, unit, department, specialty and community project right across the area of North Wales which is served by the Betsi Cadwaladr University Health Board. Awyr Las, provides enhanced services over and above what the NHS funds. Gifts from the public make a huge difference to the care and treatment that our dedicated NHS staff are able to provide.

Examples of some of the key issues that have arisen during the year and which the Committee has dealt with are set out below:

- The Committee recognised that there was a need for additional support and guidance for Funds Advisors, to help them discharge their delegated responsibilities. A Fund Advisor Handbook was developed, accompanied by a rolling programme of training sessions. An Accountability Agreement was also introduced to ensure that the roles and responsibilities of a Fund Advisor are understood and accepted.
- The Committee requested a post event evaluation report for the By Your Side walk, to ensure that the lessons learnt are used to inform the planning for future events.
- The Committee recognised that the new General Data Processing Regulations (GDPR) will have a significant impact on the charity and requested that the corporate approach to ensuring compliance includes a specific focus on the charity. The Committee continues to monitor compliance with these regulations.
- In June 2017, the Charitable Funds Committee committed £450,000 (equivalent to less than £15 per staff member per year) to support parts of the two-year Betsi Cadwaladr University Health Board (BCUHB) Staff Engagement Strategy. Prior to approval, the decision was scrutinised by the Charitable Funds Advisory Group, which comprises community, patient and staff representatives and the charity sought guidance from the Association of NHS Charities, whose role includes promoting and encouraging the implementation of best charity practice to member charities. This large-scale staff development project has been funded from returns on the charity's investment portfolio. No donations given specifically to wards, departments or other designated funds have been - or ever would be - put towards the Staff Engagement Fund. Concerns were raised in a BBC Wales news story in April 2018 and the matter was self-reported to the Charity Commission whose response is awaited. The funding provided by Awyr Las supports initiatives and resources within Betsi Cadwaladr University Health Board to develop staff, and improve staff cohesion, which, in turn, will improve patient care and outcomes in ways that would not otherwise be possible.

Minutes and papers from the Committee meeting are available via the following link:  
<http://www.wales.nhs.uk/sitesplus/861/page/44875>

#### 14.14 Mental Health Act Committee (MHAC)

The purpose of Betsi Cadwaladr University Health Board's Mental Health Act Committee is to ensure that all the requirements of the Mental Health Act 1983 (as amended) are met by the Health Board.

Examples of some of the key issues that have arisen during the year and which the Committee has dealt with are set out below:

- In respect of Section 136 relating to under 18s, the Committee has continued to express concern about the increasing numbers of under 18s being detained under a Section 136 order and the fact that there were a disproportionate number that were looked after children. The Committee was advised that this was being driven predominantly by placements of children by local authorities from outside North Wales. The Committee remained hopeful that the renewed Together for Mental Health Partnership Board would now be able to help resolve these matters going forward. Members noted that the Health Board had appointed a Liaison Officer for Mental Health to work with the police which was welcomed as a positive move.
- In respect of Deprivation of Liberty Safeguards (DoLS) the Committee and following concerns raised last year Members were pleased to note performance data in this area had improved as a result of the recruitment and training of additional Best Interest Assessors. Arrangements had also been put in place to recruit sessional bank Best Interest Assessors to provide additional capacity until a full complement of staff was obtained. The Committee acknowledged that all responsible bodies across Wales were struggling to meet the demand created by DoLS.
- In respect of Healthcare Inspectorate Wales (HIW) Reports, the Committee had previously acknowledged that the specific elements relating to the Mental Health Act should have been presented to MHAC and therefore a change to future reporting arrangements was agreed last year. During the course of this reporting period the Committee has routinely provide appropriate scrutiny and challenge in this regard.
- The Committee also raised concerns about the continued shortages of S12(2) doctors but acknowledged that this was a problem across Wales. The Committee considered an update on the arrangements and service developments for the approval and re-approval of Approved Clinicians and section 12[2] Doctors in Wales. It noted that Health Board representatives were regularly meeting with Welsh Government and the issues of concern to the Committee, around better training for and recruitment of both Approved Clinicians and S12 (2) Doctors, have been discussed. The Committee was assured that an improvement plan was being developed nationally to respond to the challenges described in the paper, to be rolled out by September 2018

Minutes and papers from the Committee meeting are available via the following link:

<http://www.wales.nhs.uk/sitesplus/861/page/48736>

#### 14.15 Finance and Performance Committee

The purpose of the Committee is to advise and assure the Board in discharging its responsibilities with regard to its current and forecast financial position and performance and delivery. This includes the Board's Capital Programme, Informatics and Information Governance, Communications and Technology Programmes and Workforce matters.

Examples of some of the key issues that have arisen during the year and which the Committee has dealt with are set out below:

- The Committee has regularly discussed and challenged the ongoing concerns regarding the financial position including significant pressures in a number of areas including Mental Health and Learning Disabilities, Unscheduled Care, Agency Costs, Out of Area Placements and Care Packages. Consequently the Health Board developed a financial recovery programme although it was necessary to revise the forecast deficit to £36m.
- The Committee has had oversight of the work of the Financial Recovery Group (FRG) and has continued to review and challenge the financial position. The FRG was established in response to the recommendations of the Deloitte's Financial Governance Review referred to later in this statement.
- The Committee considered the use of agency workers, particularly in relation to Medical Agency. Subsequent to this the Health Board has implemented the rate cap with measures to ensure patient quality and safety.
- The Committee raised concerns for the successful delivery of the Ysbyty Glan Clwyd capital project, for which the Board received a detailed report. Subsequently during the year this was subject to a further review by Deloitte's and the recommendations arising from the review will be reported to the Audit Committee in May 2018.

Minutes and papers from the Committee meeting are available via the following link: <http://www.wales.nhs.uk/sitesplus/861/page/85397>

#### 14.16 Quality, Safety and Experience Committee

The purpose of the Committee is to provide advice and assurance to the Board in discharging its functions and meeting its responsibilities with regard to quality, safety, patients and service user experience of health services.

Examples of some of the key issues that have arisen during the year and which the Committee has dealt with are set out below:

- The Committee raised concerns that the narrative against corporate risk (CRR04) relating to maternity services was not fully reflective of the current situation, and directed the Executive Director of Nursing and Midwifery to refresh the risk to better articulate the shift from the original risk identified in 2015, to that facing the organisation in 2017.
- Concerns had been expressed regarding delays in the provision of up to date clinical coding data and sought a further review of the recovery plan, asking the Finance and Performance Committee to consider performance aspects in light of impact upon patient safety.

- Following the Grenfell Tower tragedy, the Committee requested assurances around related risk assessment across BCU hospital sites and were satisfied that nothing had been identified at the current time that would indicate any high risk areas within the estate.
- Following concerns around high infection rates on a specific hospital site, the Committee requested the attendance of members of the senior management team from the site to provide assurance to the Committee on the work ongoing to understand and respond the infection rates.
- The Committee supported the recommendations of a study relating to the prevention of patient and visitor violence.

Minutes and papers from the Committee meeting are available via the following link:  
<http://www.wales.nhs.uk/sitesplus/861/page/85396>

#### 14.17 Strategy, Partnerships and Population Health Committee

The purpose of the Committee is to provide advice and assurance to the Board with regard to the development of the Health Board's strategies and plans for the delivery of high quality and safe services, consistent with the Board's overall strategic direction and any requirements and standards set for NHS bodies in Wales. The Committee does this by ensuring that strategic collaboration and effective partnership arrangements are in place to improve population health and reduce health inequalities.

Examples of some of the key issues that have arisen during the year and which the Committee has dealt with are set out below:

- Capacity within the organisation to complete the Board's strategy and 3 year plan was identified as a concern and assurances were sought regarding delivery within the timescales set by the Board.
- The potential impact of HMP Berwyn upon hospital services in Wrexham was identified as a concern and monitoring systems were established to assess its impact.
- Concerns were identified with the robustness of reporting against the Annual Operational Plan and as a result the reporting framework was modified to address these concerns.
- The potential impact of the Wylfa Newydd development was identified as a issue and direct dialogue with Horizon was established by the Health Board to address these matters.

Minutes and papers from the Committee meetings are available via the following link:  
<http://www.wales.nhs.uk/sitesplus/861/page/85403>

## 14.18 Remuneration and Terms of Service Committee

The purpose of the Committee is to provide:

- Advice to the Board on remuneration and terms of service for the Chief Executive, Executive Directors and other senior staff within the framework set by the Welsh Government;
- Assurance to the Board in relation to the Health Board's arrangements for the remuneration and terms of service, including contractual arrangements, for all staff, in accordance with the requirements and standards determined for the NHS in Wales; and
- To perform certain, specific functions as delegated by the Board and listed as within the terms of reference.

Examples of some of the key issues that have arisen during the year and which the Committee has dealt with are set out below:

- Early in 2017, the Committee requested a paper on progress made in respect of medical job planning. A paper was duly submitted to the Committee for its July 2017 meeting, however concerns remained regarding a number of aspects of job planning, most notably the need for a more robust plan to put the compliance trajectory back on track. The Executive Medical Director was required by the Committee to present additional information for scrutiny at a subsequent meeting, and this process yielded significantly more assurance on the process, benefits and the likelihood of 100% compliance by April 2018.
- In respect of staff on pay protection, the Committee sought to ensure value for money and financial grip by requesting a further report demonstrating that managers were actively seeking to secure posts at an appropriate level for protected individuals.

Minutes and papers from the Committee meetings are available via the following link:

<http://www.wales.nhs.uk/sitesplus/861/page/77170>

## 14.19 Advisory Groups

14.19.1 Items of business considered by the Board's Advisory Groups are detailed below. The Chair of each Group provides an Assurance Report to the Board after each meeting to highlight significant issues or advice, an example of which can be found here:

<http://www.wales.nhs.uk/sitesplus/documents/861/Agenda%20bundle%20Board%201.3.18%20Public%20V1.0.pdf>

## 14.20.1 Stakeholder Reference Group

The role of the Stakeholder Reference Group is to provide:

- Continuous engagement and involvement in the determination of the Health Board's overall strategic direction;
- Provision of advice on specific service proposals prior to formal consultation; as well as
- Feedback on the impact of the Health Board operations on the communities it serves.

During the year 2017/18 the SRG has been engaged in the following key matters:

- A variety of reports and presentations on specific service areas and the overall strategic direction;
- The SRG has strategic planning as a regular agenda item and has had the opportunity to attend planning development workshops;
- Feedback has been given on several occasions as the strategy work has progressed, including via the Chair's regular report to the Health Board;
- The Chair of the SRG also is a member of the Programme Executive Group for the development of the Living Healthier, Staying Well strategy;
- A significant focus has been on SRG influencing the organisation's strategic direction and ensuring impacts on communities are recognised and reflected as the strategy develops;
- Individual members have had opportunity to describe impacts on their constituents across a range of strategies and activities of the Board through the agenda items considered by the Group.

Details of the issues considered and discussed by the Group are documented within the minutes which are available on the Health Board's website and can be accessed from the following link:

<http://www.wales.nhs.uk/sitesplus/861/page/51648>

#### 14.20.2 Local Partnership Forum

The purpose of Betsi Cadwaladr University Health Board's Local Partnership Forum (LPF) is to:

- Consider national developments in NHS Wales workforce and organisational strategy and their implications for the board;
- Negotiate on matters subject to local determination;
- Ensure staff organisation representatives time off and facilities agreement provides reasonable paid time off to undertake their duties and that they are afforded appropriate facilities using A4C facilities agreement as a minimum standard;
- Establish a regular and formal dialogue between the Board's executive and the trade unions on matters relating to workforce and service issues;
- In addition the LPF can establish Local Partnership Forum sub groups to establish ongoing dialogue, communication and consultation on service and operational management issues. Where these sub-groups are developed they must report to the LHB PF as per the cycle of business.

During the year 2017/18 the LPF has been engaged in the following key matters:

- Members undertook constructive discussions during a workshop session relating to the staff survey outcomes, resulting in helpful suggestions in areas requiring improvement, which have been taken forward as part of the Action Plan;
- Consultation on the Health Board's ten year strategy 'Living Healthier, Staying Well' via a dedicated workshop and regular updates;

- Reiterating the importance of securing funding to continue the delivery of the staff engagement programme as a high priority under special measures;
- Stressing the importance of managers supporting the release of job matchers is key in order to reduce the job evaluation waiting time.

Details of the issues considered and discussed by the Forum are documented within the minutes which are available on the Health Board's website and can be accessed from the following link: <http://www.wales.nhs.uk/sitesplus/861/page/52988>

#### 14.20.3 Healthcare Professionals Forum

The purpose of Betsi Cadwaladr University Health Board's Healthcare Professionals Forum is to facilitate engagement and debate amongst the wide range of clinical interests within the Health Board's area of activity, with the aim of reaching and presenting a cohesive and balanced professional perspective to inform the Health Board's decision making.

During the year 2017/18 the HPF has been engaged in the following key matters:

- Pharmaceutical Wastage – in relation to supporting the Health Board's Communications Team to develop long-term behavioural change messages.
- HMP Berwyn – HPF members were supportive of the unique opportunities that HMP Berwyn offered for both research and training of staff.
- Quality Dashboard – supportive of the innovation.
- Waste Strategy – HPF members were supportive of the strategy and asked the Health Board to consider re-instating Environmental Waste Management onto the Mandatory Induction Training for awareness.
- Mental Health Strategy - HPF members highlighted that there needed to be more clarification on referring into Mental Health Services and for more development to take place around integration of services.
- Audiology – Members requested the Health Board to note the excellent work that had taken place in delivery of an innovative Primary Care Audiology Service.
- Dementia Strategy – received by members who were fully supportive of the direction of travel.
- Patient Visitor Violence (PVV) Report – members asked the Board to note that they had read the recommendations of the report and supported them being prioritised.

Details of the issues considered and discussed by the Forum are documented within the minutes which are available on the Health Board's website and can be accessed from the following link: <http://www.wales.nhs.uk/sitesplus/861/page/51649>

#### 14.21 Joint Committees

- 14.21.1 The Board also receives and considers regular summaries, copies of minutes or reports from the Welsh Health Specialised Services Committee (WHSSC), Emergency Ambulance Services Committee (EASC) and the NHS Wales Shared Services (NWSSP) Partnership Committee. These can be accessed via: <http://www.wales.nhs.uk/sitesplus/861/page/94107>

## **15. The Purpose of the System of Internal Control**

- 15.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness.
- 15.2 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Health Board's strategic goals and corporate objectives. This includes evaluating the likelihood of those risks being realised and the impact should they be realised, and the arrangements in place to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

## **16. Capacity to Handle Risk**

- 16.1 The Health Board has a challenging risk profile due to the diversity of services provided, ranging from primary and community services through to acute hospitals, mental health services and during 2017 work continued in the development of the risk profile within HMP Berwyn that applies to the services supported by the Health Board. In addition, the Health Board has a wide geographical spread, cultural diversity and significant provision of services from England. It also has to be capable of dealing with peaks in demand as a result of North Wales being a holiday destination of choice for many.
- 16.2 Responsibility for risk and assurance in the Health Board transferred to the Board Secretary in May 2017, thus fully aligning Risk Management and Board Assurance activity.
- 16.3 The Health Board has in place a structure to identify, assess and control its risks. During 2017, the Health Board continued to development a Corporate Risk Management Team whereby risk management support is available to all services across North Wales. The primary aim of the team is to provide the Health Board with a competent advice and support service for the development of effective systems and arrangements to help embed the Board's approach to risk management at all levels.
- 16.4 The Risk Management Strategy was updated in November 2017 to set out the Health Board's appetite for risk, the roles, responsibilities and assurance sources for risk management and the manner in which risks are reviewed by, and escalated to the Board.
- 16.5 Risk Management procedures, guidance and training plans have also been developed and continue to be implemented across the Health Board to embed risk management. This has been supported by independent expert facilitation to ensure best practice and this continues at Board level with a programme of work planned for 2018.
- 16.6 In March 2018 an Internal Audit report on how the risk management strategy was being implemented across the Health Board provided limited assurance. In particular whilst there was evidence that the risk appetite and tolerances had been formally agreed and communicated across the organisation, weaknesses were identified in the risk management arrangements in place within some divisions and departments, with a lack of scrutiny of risk registers and need for more staff training. A detailed management response has been prepared to address all the recommendations made and this will be considered by the Audit Committee in May 2018.
- 16.7 The Risk Management Strategy will be further reviewed in 2018 to take account of the All Wales approach to Board Assurance Frameworks and assurance mapping.

16.8 A programme to verify compliance with legislation applicable to the Health Board also commenced this year. In due course this will provide assurance to the Board whilst identify any gaps which will be managed and mitigated in line with the Health Board's risk management system.

## **17. Corporate Risk and Assurance Framework**

17.1 In 2016 work was undertaken to examine the various levels of reporting within the Risk Register database (Datix). The Board adopted a 5 tier approach, details of which are included within the Risk Management Strategy. Additional guidance and procedures have been developed in year, with the revised Strategy being agreed by the Audit Committee in November 2017 and subsequently by the Board in January 2018.

17.2 All Executive Directors are required to ensure the management of risk within their particular area of responsibility and this is explicit within the revised Risk Management Strategy. In addition, all staff are encouraged and empowered to use risk management processes as a mechanism to highlight areas they believe need to be improved. Where staff feel that raising issues may compromise them or may not be effective, they are encouraged to follow guidance on whistle blowing and raising concerns.

17.3 At the September 2016 meeting of the Audit Committee, members proposed a move to an integrated Corporate Risk and Assurance Framework (CRAF) approach which essentially combined the former Board Assurance Framework (BAF) document and Corporate Risk Register (CRR). It was felt this would remove duplication of effort and ensure that a single document could provide detail on assurances and gaps, and actions to address these gaps. This approach was supported and approved by the Board in September 2016, particularly given the position of not having an agreed Integrated Medium Term Plan.

17.4 During 2017 the Board has continued to review the CRAF in this format. Each risk on the CRAF has now been further refined and is now presented to the Board as a risk on page. This now includes a visual representation depicting the movement of the risk scoring over a defined period, in addition to respective assurance reporting arrangements and links to the Special Measures Framework.

17.5 Throughout this period a significant amount of work has been undertaken to further develop and refine the CRAF, produce an assurance map and seek agreement of an All Wales approach. Standardising a National Board Assurance Framework has been discussed via a joint meeting between the All Wales Audit Committee Chairs Group and the All Wales Board Secretaries Group in January 2018 with the aim of agreeing a core set of principles.

17.6 The workshop acknowledged that it was essential that Boards had an effective system in place in which identifying and managing risk was a continuous thought process for the Board in order to satisfy the Audit Committee that risks were being managed well. Workshop delegates were in agreement with the proposal regarding three distinct products (acknowledging that there would be local variation), namely:

- A narrative BAF document;
- The Assurance framework map;
- The Corporate Risk Register (using the current risk on a page template).

17.7 For BCUHB, it is now proposed that the assurance map be populated and that this form the basis of discussion at a Board Development session in 2018, taking account of the refresh of Board membership.

17.8 The Health Board's current risk appetite statement set out below describes the risks it is prepared to accept or tolerate in the pursuit of its strategic goals.

*“The Health Board recognises that its long term sustainability depends upon the delivery of its strategic goals and its relationships with its patients, the public and strategic partners. The Health Board will not accept risks that materially impact on quality and safety or regulatory compliance. The Health Board takes a cautious view regarding the risks it is prepared to take in terms of financial control, preferring ‘safe delivery options’ with a low degree of inherent risk.*

*“However the Health Board has greater appetite to pursue innovation. The Health Board is willing to challenge current working practices to take opportunities where positive gains can be anticipated, within the constraints of the regulatory environment.”*

17.9 In defining the existing risk appetite, the Board adopted a maturity matrix for risk scoring which includes elements relating to quality and safety, regulatory compliance, finance and innovation. The Board recognises this is not a fixed concept and may change over time and work is continuing in 2018 to refresh the risk appetite statement in line with best practice.

17.10 The Health Board involves its public stakeholders in managing risks that impact on them. For example, there has been ongoing public engagement as an integral part of the development process of the Living Healthier, Staying Well strategy, approved by Board on the 1 February 2018 and further discussed and ratified for publication in March 2018. The roles of the Stakeholder Reference Group and Regional Partnership Board are two significant elements of the governance structure that help to support arrangements for the management of risk facing the organisation(s) through collective dialogue.

## **18. Principal Risks**

18.1 The Health Board has determined nine principal risks to achieving its strategic goals:

- 1: Failure to maintain the quality of patient services
- 2: Failure to maintain financial sustainability
- 3: Failure to manage operational performance
- 4: Failure to sustain an engaged and effective workforce
- 5: Failure to develop coherent strategic plans
- 6: Failure to deliver the benefits of strategic partnerships
- 7: Failure to engage with patients and reconnect with the wider public
- 8: Failure to reduce inequalities in health outcomes
- 9: Failure to embed effective leadership and governance arrangements.

## **19. Key Risks**

During the year there were no new risks escalated to the Corporate Risk Register but the register was regularly reviewed and takes account of the areas in special measures as detailed below.

## 19.1 Maternity Services

- 19.1.1 There has been significant improvements in maternity services since the commencement of special measures in 2015 with continued successful recruitment of medical and midwifery staff ensuring the service is now more robust and sustainable. Student midwives returned to Ysbyty Glan Clwyd in the Summer of 2017 and have provided positive feedback on their experience of the work and learning environment. Work has also continued to ensure that improvements in culture and clinical leadership are sustained through the provision of ongoing organisational development and support. Performance against statutory and mandatory indicators has improved and a Maternity Voices Group has been established to ensure there is continuous engagement with service users in order that the patient experience can be enhanced. The Sub Regional Neonatal Intensive Care Centre (SURNICC) is now operational and has ensured there is clarity about the future strategy and service plan.
- 19.1.2 In February 2018 the Cabinet Secretary deemed that maternity services had improved to the extent that it was taken out of special measures.

## 19.2 Mental Health Services

- 19.2.1 The Board recognises the significant scale of the ongoing challenge in sustainably improving mental health services across North Wales. The new strategy for mental health services was approved by the Health Board in April 2017 and has continued to mature, informed by engagement with partners. There has been improvement in compliance with the Mental Health Act and Mental Health (Wales) Measure.
- 19.2.2 During 2017/18 the initial progress made developing effective leadership and governance structures was compromised due to the prolonged and unexpected sickness absence of a number of senior leaders in the division. In respect of adult mental health services following an initial period of stability, key risks remained and it has been difficult at times to sustain performance consistently across all mental health sites. Concerns remained around the Ablett Unit in particular in regards to the physical environment, some of the operational processes and the pace of response to safeguarding incidents. However, with additional support from Welsh Government, action progressed to improve operational controls, reduce out of area placements, and reduce delayed transfers of care.
- 19.2.3 In respect of the wider governance review of older persons mental health services, led by Donna Ockenden and the Health and Social Care Advisory Service (HASCAS) investigation into the concerns raised about patients cared for on Tawel Fan Ward prior to December 2013, work has continued to provide access to information and personnel so that the investigation and review can be appropriately completed. It is acknowledged that both have taken longer than originally envisaged. The independent oversight panel appointed by the Cabinet Secretary for Health and Social Services have maintained an overview of the work with work ongoing to prepare for publications which are now expected in May/June 2018.

### 19.3 GP Out of Hours / Primary Care Services

- 19.3.1 The Health Board has developed a comprehensive understanding of the demands and risks facing primary care and is now better placed to address these issues. Whilst improvements have been made in some areas, there are increasing challenges, common with the rest of Wales and the UK, in ensuring a sustainable primary care workforce. The situation is actively managed in order to mitigate the risks. The GMS Sustainability Framework is in place and risk assessments have taken place at a practice and area level, this has resulted in considerable additional investment and the creation of new and extended roles.
- 19.3.2 In 2017/18 there was further investment in GP out of hours which has ensured that the core governance arrangements have been strengthened. Although the Health Board's GP out of hours performance is comparatively good when viewed against the rest of Wales, a number of challenges remain in relation to workforce, performance, risk management and finance. The Health Board has continued to develop its integrated strategy for care closer to home which will confirm the future models of care and will further stabilise the service.

### 19.4 Finance

- 19.4.1 In Autumn 2017 the Health Board was advised by Welsh Government that concerns surrounding the deteriorating financial position meant that their oversight arrangements would be increased in line with that of Targeted Intervention status. During October 2017 Deloitte, commissioned by Welsh Government reviewed the Health Board's financial governance arrangements. In December 2017 they concluded that the ongoing deterioration in the financial position of the Health Board was fundamentally due to it not fully embracing the service transformation agenda in recent years in part influenced by periods of instability in board leadership. This remains a key risk as the Health Board moves into a turnaround focus with commensurate actions. The development of the recovery plan is an iterative process requiring both remedial and recovery actions, together with tightening financial controls. The financial position has continued to be challenging throughout the year.

### 19.5 Performance

- 19.5.1 Together with finance as stated above, performance during 2017/18 was escalated into targeted intervention status. This predominantly focussed on planned and unscheduled care. Revised governance structures were put in place and in February 2018 Price Waterhouse Cooper were engaged to work with the Health Board on whole system improvement on unscheduled care pathways.
- 19.5.2 The Health Board focussed on the delivery of core planned activity seeking to improve efficiency through clinical engagement and increase both internal and external capacity. Performance remained a particular concern throughout the year.

## 20. **The Control Framework**

- 20.1 As Accountable Officer, I have personal responsibility for the overall organisation, management and staffing of the Health Board. I am required to assure myself, and the Board, that the Health Board's Executive and Clinical Management arrangements and overarching control framework are fit for purpose.

- 20.2 The control framework is designed to manage risk at a reasonable level rather than to eliminate all risk of failure to achieve our strategic goals and corporate objectives (see also section 14). Governance and internal control of the organisation is an ongoing process designed to
- Identify and prioritise risks to the achievement of our purpose, vision, strategic goals and values;
  - Evaluate the likelihood of these risks being realised and the impact, should they be realised
  - Managing these risks efficiently, effectively and economically.
- 20.3 The Board has agreed a risk appetite statement referred to earlier in this document in section 17.

## **21. Standing Orders**

- 21.1 The Health Board has agreed Standing Orders for the regulation of proceedings and business. The Standing Orders can be accessed from the link below:  
<http://www.wales.nhs.uk/sitesplus/861/page/87709>
- 21.2 The Standing Orders are designed to translate the statutory requirements set out in the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice. Together with the adoption of a scheme of matters reserved to the Board, a scheme of delegation to officers and others and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the Health Board and define its 'ways of working'. These documents, together with the Corporate Risk and Assurance Framework (incorporating the corporate risk register) and a range of policies and business standards agreed by the Board, make up the control framework within which the Board operates.
- 21.3 The Audit Committee has undertaken an annual review of the Standing Orders. The Committee approved amendments that have been reported to the Health Board for ratification.
- 21.4 A Conformance Report is provided at every Audit Committee meeting. The report highlights conformance with the Standing Financial Instructions, in relation to:
- Procurement Procedures (Reporting of waivers of tenders and breaches of procurement requirements);
  - Payroll Procedures (Reporting of overpayments of salaries and wages);
  - Receivable and Payable Procedures (Reporting of aged balances over £10,000 and over 6 months old);
  - Losses and Special Payments requirements (Reporting of losses, special payments, and write-off of balances owed to the Health Board).
- 21.5 During 2017/18 key issues identified in the conformance report included raising concerns that the Health Board was not achieving 95% compliance with the requirement to pay all non NHS invoices within 30 days of receipt of a valid invoice. The new All Wales Framework for Nurse Agency is continuing to impact on the Public Sector Procurement Policy (PSP) performance. A number of issues have been identified in relation to the quality of price information provided by suppliers and the timing of internal approvals. These have been addressed and the position will continue to be monitored closely.

21.6 The report also highlighted that Her Majesty’s Revenue and Customs (HMRC) had undertaken an initial review of employment tax compliance within the Health Board. The review included areas such as the application of the IR35 legislation, Salary Sacrifice Schemes, Termination Payments and home to base travel. The feedback was positive and recognised the action taken by the Health Board to fully implement the changes to the off payroll tax regulations introduced in April 2017.

## 22. External Audit

22.1 Wales Audit Office published the following reports and documents relating to the Health Board during 2017/18. The Health Board has formally responded to each of these and actions arising from recommendations are tracked (*with the exception of the 2017 Structured Assessment recommendations which as mentioned earlier in this report are being tracked by the Special Measures Improvement Framework Task and Finish Group*) using action plans and the new Audit Tracker database which the Health Board is piloting, called Team Central, with progress formally monitored by the Audit Committee. In addition the Audit Committee monitors those recommendations which are applicable to the Health Board but which may have arising from All Wales reviews.

22.2 The following table lists the reports issued to the Health Board in 2017.

| Report  | Date          |
|---|---------------|
| <b>Financial audit reports</b>  |               |
| Final Accounts Audit Deliverables                                     | February 2017 |
| Audit of Financial Statements Report                                  | May 2017      |
| Opinion on the Financial Statements                                   | June 2017     |
| Audit of the Charity Financial Statements Report                      | November 2017 |
| Opinion on the Charity Financial Statements                           | December 2017 |
| <b>Performance audit reports</b>                                      |               |
| Emergency Ambulance Services Commissioning                            | April 2017    |
| Radiology Services  | June 2017     |
| GP Out-of-Hours Services  | June 2017     |
| Follow-up outpatients progress update                                 | August 2017   |
| Collaborative Arrangements for Managing Local Public Health Resources | October 2017  |
| Review of Discharge Planning  | October 2017  |
| Review of Estates   | November 2017 |
| Structured Assessment 2017  | December 2017 |
| <b>Other reports</b>  |               |
| 2017 Audit Plan   | February 2017 |

These publications are available via the following website:

<https://www.wao.gov.uk/publications>

## 23. Corporate Governance Code

- 23.1 For the NHS in Wales, governance is defined as “a system of accountability to citizens, service users, stakeholders and the wider community, within which healthcare organisations work, take decisions and lead their people to achieve their objectives.” In simple terms this means the way in which NHS bodies ensure that they are doing the right things, in the right way, for the right people, in a manner that upholds the values set for the Welsh public sector.
- 23.2 The Health Board follows and is compliant with the principles and relevant aspects as described in ‘Corporate Governance in Central Government Departments: Code of Good Practice 2011’ which are consistent with the ‘Good Governance Guide’ for NHS Wales Boards (second edition) issued by Welsh Government in 2017. In particular, the Board complies with the principles set out in relation to the role of the Board, Board composition, Board effectiveness and risk management.
- 23.3 The Code of Good Practice can be accessed via the following link:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220645/corporate\\_governance\\_good\\_practice\\_july2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf)

## 24. Quality and Governance Arrangements

- 24.1 In July 2017 the Health Board published its Annual Quality Statement (AQS) 2016/17 which brought together a summary of how the organisation had been working over the past year to improve the quality of all the services it plans and provides. The report can be found here:  
<http://www.wales.nhs.uk/sitesplus/861/page/87723>
- 24.2 The Executive lead for Quality and Safety within the organisation is the Executive Director of Nursing and Midwifery, which complements the role of the Executive Medical Director and Executive Director of Therapies and Health Science.
- 24.3 The Quality and Safety Group (QSG) replaced the Quality Assurance Executive (QAE) Group in February 2017. The QSG was established to oversee the implementation of the Quality Improvement Strategy and associated delivery plans. It impacts positively on overall governance and controls by routinely monitoring clinical risk, escalating and de-escalating as necessary. The group seeks assurance from its established sub-groups, ensuring the triangulation of assurances and evidence of learning from patient experience.
- 24.4 The Audit Committee in September 2017 also endorsed a proposal setting out a framework for the Audit Committee to gain assurance in relation to the function of Clinical Audit within the Health Board. Members felt that it was important to determine the role of the Audit and Quality, Safety and Experience Committees in relation to clinical audit and how these roles related to one another.
- 24.5 The most recent Annual Report on PTR was presented to the Board in July 2017 and can be accessed via the following link (Reference report number 16/175):  
<http://www.wales.nhs.uk/sitesplus/documents/861/Agenda%20bundle%20Board%20Public%2020.7.17%20V1.0%20web%20without%20IQPR.pdf>

- 24.6 The Concerns function is under the leadership of the Executive Nurse Director in order to strengthen the triangulation of themes and the ability of the Health Board to learn from concerns, complaints and incidents. In November 2017 the newly appointed Associate Director of Quality Assurance took responsibility for Putting Things Right (PTR) regulations.
- 24.7 The Board also receive regular update reports on PTR through the Integrated Quality and Performance Report, which reflects the Health Board's performance against key Welsh Government and local targets and continues to be developed and refined. Additional assurance is provided through reporting to the Quality, Safety and Experience Committee on matters including compliance with PTR policy, emerging trends and themes and lessons for learning.
- 24.8 Principles for remedy are covered in the PTR disclosures made in the Annual Quality Statement, accessible via the following link:  
<http://www.wales.nhs.uk/sitesplus/861/page/87723>
- 24.9 Work has progressed to improve clinical leadership and ownership of the PTR process which has included work to establish a Patient Advocacy and Support Service (PASS) in Ysbyty Glan Clwyd Hospital initially. In addition, the Health Board has been working to systematically improve lessons learnt with the development of a Learning Framework.
- 24.10 Our risk management systems have been developed to consider all risk, including clinical risk which are identified and assessed using a generic methodology of identifying what the risk is, what could cause the risk to be realised and what or who could be impacted upon. These risks are then recorded in our Integrated Risk Management System (Datix) with the information being utilised for management reviews and escalation within the organisation as appropriate. The clinical risk management process is led jointly by the Medical Director and the Executive Director of Nursing and Midwifery.

## **25. Engaging With Stakeholders**

- 25.1 During 2017-18 the Engagement and Area Teams have continued to focus on local priorities, building on new and existing relationships to identify opportunities to collaborate. We have delivered a range of public facing and stakeholder engagement events during this period. This has included targeted engagement with groups such as older people, social housing providers, community groups and third sector forums and networks.
- 25.2 Wider public engagement was undertaken during the summer at a number of high profile public events with the aim of maintaining a visibility and profile within our communities. This included a presence at the Denbigh Carnival, Anglesey, Flint and Denbigh county shows and the Mold, Beaumaris and Llangollen Food Festivals. A significant event this year was the National Eisteddfod, which was hosted in Bodedern, Anglesey. This was a week-long event and we themed it on the life cycle.
- 25.3 During this period we completed phase three of the Special Measures Improvement framework. The main focus of this phase was on continuous engagement and evidencing improved relationships. This engagement work was important in informing our long term health strategy 'Living Healthier, Staying Well', which was launched in March 2018. Again this involved engaging with community groups and networks such as, VIVA West Rhyl Youth Project, Llanrwst Older Peoples' Forum, Equality Stakeholder Group, Fairbourne Older People's Group amongst other. Alongside this, a number of events were held in District General Hospitals, Community Hospitals and managed GP practices.

- 25.4 An independent stakeholder survey undertaken during this period highlighted that this approach is having positive benefits. Several respondents highlighted the role that the area and engagement teams have had in improving relationships and communication between stakeholders and the Health Board.
- 25.5 In addition, the Health Board continues to engage with, consult and involve a wide range of stakeholders in a variety of ways, most notably:
- The Board's Stakeholder Reference Group includes representation from the third and independent sectors and from community groups. Regular meetings enable this Group to keep abreast of developments and advise the Board of the views of the wider community.
  - A comprehensive system is in place for the Health Board's Chairman and Chief Executive to engage with Assembly Members and other elected representatives. This includes responding to written queries or concerns raised on behalf of their constituents. This model has recently been commended by Welsh Government for adoption across Wales.
  - Formal Board-to-Board meetings take place with the Community Health Council (CHC) - three such meetings took place during the past year, in addition there have been Chair-to-Chair meetings of the Health Board and CHC Chairmen and regular attendance by senior officers of the Health Board at the Joint Planning Committee of the CHC.
  - Meetings with the six Local Authority Council Leaders and Chief Executives take place on a quarterly basis.
  - The Board engages on an ongoing basis with staff and trade unions across all professional groups. This includes regular communications issued to staff, consultations and meetings of the Local Partnership Forum, Healthcare Professionals Forum, Local Medical Committee, Local Negotiating Committee as well as other primary care contractor committees.
  - Health Board meetings are held in public on a monthly basis; members of the public and other observers are welcome to attend.
- 25.6 The Board approved a Staff Engagement Strategy in August 2016 along with an implementation plan. Progress against the strategy is monitored through the Staff Engagement Working group, a tri-partite body comprising Board Members, Trade Union representatives and senior managers. Update reports on progress are submitted to the Board every six months, the last update was provided in January 2018. The results of the 2016 NHS Wales Staff Survey have been weaved into the staff engagement work programme, this will continue to be the case for the 2018 NHS Wales Staff Survey results. Key highlights of the Staff Engagement work includes
- Since the official launch of Seren Betsi in August 2017 over 200 nominations have been received and 9 winners have been selected.
  - Proud of working Groups have been established in each District General Hospital which are very successful. Community hospitals are also establishing their own local groups.
  - The Proud to Lead Leadership Behaviours Framework has been launched and integrated into recruitment and development programmes.
  - Listening Leads have been established.

- The 3D model of staff engagement has been evaluated and developed further. A suite of resources has been developed to enable managers to use the model locally with their teams to encourage giving staff a voice and following through with tangible outcomes in a 'You said we did' method of feedback.
- Staff Engagement Ambassadors have been established to promote staff engagement and have been trained in communication skills, facilitation skills and use of the 3D model.
- Values Based Recruitment has been launched
- Partnerships with local Further Education providers have been established to provide a suite of Essential Skills training for staff.
- A new Step into Management programme has been established to ensure new and existing managers have the appropriate people management skills.
- A new senior leadership development programme is in development which will support the development needs of senior leaders from Band 8A and above.
- A programme of Senior Leadership Masterclasses has been established which contains internationally renowned speakers.
- Six cohorts have gone through the Generation 2015 Ward Manager Leadership Development Programme.
- Engagement metrics are being developed through the use of a bespoke engagement diagnostic toolkit.
- A Staff Engagement Resource Centre has been developed for all staff and managers to access via the Intranet.

## **26. Health and Care Standards for Wales: Governance, Leadership and Accountability**

- 26.1 The Health and Care Standards launched in April 2015 confirmed that effective governance, leadership and accountability was essential for the sustainable delivery of safe, effective person centred care and as such was an integral part of all the Health and Care Standards.
- 26.2 As the Health Board was placed in Special Measures in June 2015, evidence of progress against this standard has not been subject to a self-assessment. Monitoring has instead been undertaken by HIW, WAO and Welsh Government as an integral part of the Special Measures Improvement Framework.
- 26.3 A Joint Review was undertaken by HIW and WAO "An Overview of Governance Arrangements BCUHB – A Summary of Progress" published in June 2017. In addition to this Welsh Government commissioned Deloitte's to undertake a Financial Governance Review, published in February 2018 which included examining leadership, governance and accountability across the organisation.
- 26.4 In accordance with Standing Orders, all Committees of the Board have undertaken a self-assessment the results of which are incorporated into their respective Annual Reports which are reviewed by Audit Committee members and are taken into account as part of the Audit Committee Annual Reporting arrangements which in turn informs the Annual Governance Statement (AGS).
- 26.5 As part of the Special Measures arrangements and the Phases of the Improvement Framework the Cabinet Secretary has issued a series of statements indicating progress as referred to elsewhere in this AGS.

## **27. The Health and Care Standards (HCS): Revised Framework**

- 27.1 Following the launch of the revised HCS Framework, the Health Board continues to incorporate the recommendations into its current monitoring arrangements of the monthly ward to Board audits.
- 27.2 A Ward to Board HARM Dashboard (utilising information from the Quality Data Hub) was developed and launched across BCUHB in October 2017. The Harm Dashboard supports the implementation of the Quality Improvement Strategy and also a culture where the aim of zero harm is considered the norm. The Dashboard was developed in close collaboration with staff Ward based who use it on a daily basis (e.g. Ward Managers, Matrons etc).
- 27.3 The HCS are mapped to the HIW recommendations and reported to the Quality, Safety and Experience Committee on a quarterly basis and Quality and Safety Group on a monthly basis. These standards are also mapped to the Integrated Quality and Performance Report (IQPR) Dashboard to ensure visibility and effective monitoring arrangements exist. Work is also ongoing with the Community Health Council to map the questions asked during inspections to the HCS standards. See QS17/80 via the following link:  
<http://www.wales.nhs.uk/sitesplus/documents/861/Agenda%20bundle%20QSE%209.5.17%20Public%20V2.01.pdf>

## **28. Quality Improvement Strategy**

- 28.1 The BCUHB Quality Improvement Strategy (2017 to 2020) focuses on five aims:
1. No avoidable deaths;
  2. Safe: continuously seek out and reduce patient harm;
  3. Effective: Achieve the highest level of reliability for clinical care;
  4. Caring: Deliver what matters most: Work in partnership with patients, carers and families to meet all their needs and actively improve their health;
  5. Deliver innovative and integrated care close to home which supports and improves health, wellbeing and independent living.
- 28.2 Progress against the Quality Improvement Strategy is reported each year within the Annual Quality Statement.
- 28.3 There has been a significant investment in the Service User Experience Team during 2017/18. This has enabled the development of a Corporate Service User Experience Team in the three geographical areas of North Wales.
- 28.4 In addition, the Patient Advice and Support Service (PASS) has been implemented in Ysbyty Glan Clwyd. This service is intended to provide an identifiable accessible service to patients, their carers, families and friends by providing on the spot help with queries or concerns. The team have the power to negotiate immediate solutions or speedy resolution of problems, thereby improving the service user experience and reducing the number of formal complaints.

- 28.5 The Health Board has also procured a Real Time Feedback system and this has been “live” in the three district general hospitals in North Wales since September 2017 and is currently being rolled out to community hospitals in the three regions. In response to the themes and trends noted in patient feedback, the Service User Experience team have developed a Customer Care training programme that is being held on a monthly basis for all Health Board staff.
- 28.6 Significant work has been undertaken during 2017/18 to further develop the triangulation of information from leadership walkabouts and a number of different sources. The evidence from all of these sources provides opportunities to prospectively evidence our compliance with health and care standards and priority objectives to support this triangulation.
- 28.7 Further work is required across the Health Board through governance arrangements to evidence local triangulation and implementation of improvement to demonstrate lessons learned.

## **29. Other Control Framework Elements**

### **29.1 Equality Diversity and Human Rights**

- 29.1.1 Control measures are in place to ensure that all the organisation’s obligations under equality, diversity and human rights legislation are complied with, by:
- The values of fairness, respect, equality, dignity and autonomy (commonly known as FREDA), set out within the equality duties and the principles of human rights which underpin our strategic direction; they also featured prominently in the development of a set of organisational Values;
  - The approval of the Equality, Diversity and Human Rights Policy and Procedure for Equality Impact Assessment;
  - The review and revision of an Equality and Human Rights Strategic Plan for the Health Board 2016-2020; including Equality Objectives developed following extensive public engagement and in collaboration with public sector partners across North Wales;
  - Regular meetings of the Equalities and Human Rights Strategic Forum which monitors compliance against the equality outcomes and objectives of the action plan, which are underpinned by the public sector equality duties. Issues of Significance and compliance weaknesses are communicated to Chairs of Board Sub-Committees, the Executive Team, Area Directors, Directors of Secondary Care and Mental Health Services for action.
  - Progress is also presented to the external Equality Stakeholder Reference Group four times each year. This group includes representation from members of the public with an interest in equality issues. Progress is also reported annually to the Community Health Council;
  - The provision of Equality Impact Assessment Training including targeted support and guidance, for example, for service review projects;
  - Strengthened EqIA scrutiny and governance arrangements by the establishment of a group to provide advice and scrutiny on Equality Impact Assessments relating to key BCUHB Strategies and Service Plans. Membership of this group includes external stakeholders as well as representatives from key BCUHB functions (Planning, Engagement, Communications, Public Health, Equalities) and nominated members of our Equality and Human Rights Operational Group.

- The implementation of the Fairness, Rights and Responsibilities e-learning package. This has been mandated for all staff to raise awareness of equality and human rights and the equality duties, and to encourage staff to better understand how these issues can impact upon their roles in the organisation;
- The submission of an Equality, Diversity and Human Rights Annual Report to the Board.

## 29.2 Pension Scheme

29.2.1 As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme and regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

## 29.3 Post Payment Verification

29.3.1 The aim of the Post Payment Verification (PPV) process is to ensure propriety of payments of public monies by the Health Board; this requires the Post Payment Verification team to undertake probity checks on a continuous basis. This gives the necessary assurance to the Health Board that public monies have been expended appropriately and also provides assurance to contractors regarding their arrangements.

29.3.2 An adjusted three year rolling programme of Post Payment Verification visits for General Medical Services, General Pharmaceutical Services and General Optical Services has been agreed, in accordance with NHS Wales agreed protocols.

29.3.3 The NHS Wales Shared Services Partnership (NWSSP) applies risk analysis techniques and liaises with relevant Health Board colleagues, and depending on error rates found, undertakes re-visits or other appropriate action with the Health Board.

29.3.4 Regular updates against the agreed work plan and an Annual Report are received by the Audit Committee detailing the analysis of recoveries by Contractor, which is anonymised.

## 29.4 Carbon Reduction Delivery Plans

29.4.1 The organisation has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements based on UKCIP 2009 weather projections, to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with. Partnership arrangements and information sharing with other public bodies are also being pursued as part of continuous development of the Health Board Carbon Reduction Strategy.

29.4.2 The Health Board has a number of environmental aspects, which if not carefully managed would have significant financial and environmental impacts. As part of its corporate commitment towards reducing these impacts, the Health Board has successfully implemented and maintains a formal Environmental Management System (EMS), which is designed to achieve the following key principles:

- Sustainable development.
- Compliance with relevant legal and government requirements.
- Prevention of pollution.
- Mitigation against the impact of climate change.
- A culture of continuous improvement.

29.4.3 Effective environmental management is achieved through the following processes:

- Promotion of the environmental policy to all relevant stakeholders.
- Identification of all significant environmental aspects and associated legal requirements, including those resulting from service change and new legislation.
- Establishing and monitoring objectives and targets aimed at reducing environmental and financial impacts, in line with those issued by the Welsh Government.
- Provision of appropriate training to all relevant personnel.
- Regular internal and external audits.
- Regular review of the effectiveness of the EMS by the Environmental Steering Group.
- Working with local, regional and national partners to achieve a consistent public sector approach to environmental management and ensure best practice procedures are identified and implemented.

The ISO 14001:2004 has been revised and the Health Board has now worked towards implementation of the new ISO 14001:2015 version. A Transition Review was carried out by BSi November 2017, based on objective evidence provided by BCUIB progress made against the revised standard was 69%. The three BCUIB's DGHs were audited against the new ISO 14001:2015 version in March 2018 they fulfilled the standards and audit criteria and successfully transitioned to the new standard.

The assessment evidenced the cornerstones of the Environmental Management System are in place, i.e. Corporate and site specific Aspects, Environmental Objective Programmes in place across the sites. The Internal Audit Programme is on target and internal audits are being carried out effectively. Non-conformance process is effective and works efficiently.

29.4.4 An implementation strategy to manage the Carbon Reduction Commitment (CRC) has been developed and implemented and is now awaiting an internal audit review to test the robustness of the regime and data collection for the 2017 – 2018 period.

29.4.5 A Corporate Carbon Action Plan has been developed in Welsh Government standard format. Implementation will be monitored and reported annually. Most items on the plan are dependent upon resource allocation from Major Capital Development and Annual Discretionary Capital Allocations, which will vary year on year. The action plan progress will therefore be dependent upon corporate resource availability.

## 29.5 Local Counter Fraud Service

- 29.5.1 The Audit Committee receives regular Local Counter Fraud Progress Reports, on a quarterly basis and an Annual Report of Local Counter Fraud work which has been undertaken during the financial year. This collectively provides a summary briefing of the work which has been undertaken by Local Counter Fraud Services Team, during the year and details the main outcomes in-year, including both the number of Criminal and Disciplinary sanctions, as well as the financial recoveries which have been secured.
- 29.5.2 The Chair of the Audit Committee holds quarterly bilateral private meetings with the Head of Local Counter Fraud Services, to ensure that there is a clear understanding of current issues and risks, as recommended in the NHS Wales Audit Committee Handbook. The change in frequency to quarterly meetings from an annual meeting was recommended by the Executive Director of Finance. This represents an improvement in assurance for the Health Board and results in more efficient performance of the Audit Committee when dealing with Counter Fraud matters.
- 29.5.3 During 2017/18, the Local Counter Fraud team has undertaken a range of activities, leading to the outcomes and benefits realised as set out below:
- 65 Fraud Awareness Events have been undertaken across the Health Board.
  - Nine Fraud Deterrence Activities have been undertaken across the Health Board.
  - 153 Fraud Prevention Activities have been undertaken across the Health Board.
  - £6,235.60 civil recovery or voluntary repayments have been secured by the Local Counter Fraud team.

## 29.6 Ministerial Directions

- 29.6.1 From October 2014, Ministerial Letters were replaced by Welsh Health Circulars (WHCs) and can be accessed by the following link:  
<http://gov.wales/topics/health/nhswales/circulars/?lang=en>
- 29.6.2 A range of WHCs were published by Welsh Government during 2017-18 and are centrally logged within the Health Board with a lead Executive Director being assigned to oversee implementation of any required action e.g. WHC(2017)043 Managing Babies Born on the Threshold of Survival was considered by the Neonatal Sub-Group and existing guidelines and information sheets reviewed to ensure were in line with the circular. All Independent Members are provided with a copy of WHCs upon receipt, and also alerted through a weekly Forward Look via the Communications Team. This allows Committee Chairs to ensure that the Board or one of its Committees is also sighted on the content as appropriate.
- 29.6.3 In addition, Ministerial Directions continue to be received and actioned by the Health Board with a logging and tracking system in place. The Health Board was not impeded by any significant issues in implementing the actions required over the past year. Directions can be accessed by the following link:  
<http://gov.wales/legislation/subordinate/nonsi/nhswales/2017/?lang=en>

## 30 Data

### 30.1 Data Security

- 30.1.1 Responsibility for information governance in the Health Board transferred to the Board Secretary in May 2017. The Board Secretary acts as the Senior Information Risk Owner (SIRO) with the Assistant Director of Information Governance and Assurance appointed as the Health Board's Data Protection Officer in line with the General Data Protection Regulation (GDPR) requirements which come into full force on 25<sup>th</sup> May 2018. The Deputy Medical Director remains as the Caldicott Guardian.
- 30.1.2 As part of the ongoing programme to implement the new requirements under the GDPR, the Health Board adopted the "12 Steps to Implementation" issued by the Information Commissioners Office, which included the development of a new inventory register for systems and records. The Health Board were also required to comply with the Welsh Health Circular regarding Cyber Security and actions have been put in place to address identified areas of shortfall.
- 30.1.3 The Health Board's information governance status was regularly reviewed by the Finance and Performance Committee with specific note to GDPR implementation progress, Data Protection practice (including mandatory training) and Freedom of Information Act compliance. The Health Board has undertaken a Caldicott self-assessment using a recognised tool, maintaining a Class 4 star rating and an increased compliance of 89% against the tool. This increase is due to the improvements in training which now enables the capturing of comprehension during the face to face training.
- 30.1.4 The Health Board self-reported 2 data security breaches that triggered referral to the Information Commissioner's Office and Welsh Government. One related to the loss of district nursing records for 7 patients which were stored at a nursing home in a filing cabinet, which was then sold and collected. No further action was required from the Information Commissioners Office following the implementation of immediate improvements. The other was in relation to the loss of community midwife records from a locked office and the Health Board is awaiting a response from the Information Commissioners Office. The Health Board also received a breach notification directly from the Information Commissioners Office involving the misdirection of information which was generated from the Patient Administration System. The Board did not incur any financial penalties during the year.
- 30.1.5 As part of the process to ensure lessons are learnt following incident investigation, the Information Governance Team has taken a number of steps, including:
- quarterly information governance bulletins are disseminated across the organisation and available on the staff intranet site.
  - alerts are issued to all staff to remind them of their responsibilities under the data protection legislation specifically with regards to the safe storage and transportation of personal information, privacy impact assessments and confidential waste disposal.
  - strengthened procedures with regards to the disposal of furniture and office equipment.
  - Implemented system category changes and ensured additional specific training provided for staff.
  - Increased information governance training awareness.

## 30.2 Data Quality

- 30.2.1 The Health Board makes every attempt to ensure the quality and robustness of its data, and has regular checks in place to assure the accuracy of information relied upon. However, the multiplicity of systems and data inputters across the organisation means that there is always the potential for variations in quality, and therefore always scope for improvement.
- 30.2.2 During 2017/18 the Health Board continued addressing data quality and business process issues associated with the new Patient Administration System (WPAS) at Ysbyty Glan Clwyd. Informatics and operational staff have corrected data issues, changed business processes, and also provided additional training to front line staff. While this has delayed the implementation of the system at other sites, the learning will support the future implementations.
- 30.2.3 The monthly Integrated Quality and Performance Report presented to the Board includes data on both performance against plan for the year as well as demonstrating the reported performance in the current and previous period. This assists the Board in scrutinising areas where variance is greater than would be expected and also enables contributors to the report to highlight any data quality issues in their exception reports. Overall, the Board is satisfied that data quality is sufficiently accurate to be able to identify patterns or trends in performance. Continuous improvement as regards data quality remains an ongoing process. The implementation of the Performance Assurance Strategy 2018-2021 will increase scrutiny of all aspects of Performance Reporting to the Board, and will include for the first time, Assurance Confidence Level Indicators whereby the Head of Performance Assurance applies the appropriate level of Assurance ascertained from an exception report. Confidence in data quality will be a factor in determining the level of assurance provided. Where the Head of Performance Assurance has concerns, they will employ Internal Audit to review those areas, including the quality of the data.

## 31. **Review of Effectiveness**

- 31.1 As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control is informed by the work of the Internal Auditors, and the Executive Directors within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.
- 31.2 My review has also been informed by:
- Feedback from Welsh Government and the specific statements issued by the Cabinet Secretary;
  - External inspections by Healthcare Inspectorate Wales;
  - Independent reviews including the Deloitte's Financial Governance Review;
  - Delivery of audit plans and reports by external and internal auditors;
  - Feedback from the Community Health Council;
  - Feedback from statutory Commissioners;
  - Feedback from staff, patients, service users and members of the public;
  - Buddying arrangements with Cwm Taf Local Health Board to further develop the Board Assurance Framework and Assurance Mapping;

- An Overview of Governance Arrangements BCUHB – A Summary of Progress Joint Review Undertaken by Healthcare Inspectorate Wales (HIW) and the Wales Audit Office (WAO) June 2017;
- WAO Structured Assessment;
- Preparation for the introduction of the General Data Protection Regulation (GDPR) and new Data Protection Bill in May 2018. These changes obviously have an impact on the Health Board, in the way it manages information and supports patients, service users and staff;
- Deloitte’s Review of Governance of Ysbyty Glan Clwyd Redevelopment;
- Publication of the HASCAS review following the Tawel Fan investigation.

31.3 My review of the effectiveness of the system of internal control has been guided by the governance arrangements of the Health Board. We are working to continuously improve the effectiveness of the Health Board’s systems of governance in a number of ways, for example:

- A 12 month programme of externally facilitated Board Development to improve Board effectiveness, scrutiny and challenge;
- Implementation of the Deloitte’s Financial Governance Review Recommendations;
- During 2017/18 the Health Board introduced a GDPR Transition Programme and introduced an implementation plan based on the Information Commissioners Office (ICO) guidance. Work will continue throughout 2018/19 to ensure compliance with the new GDPR and Data Protection Bill requirements and derogations and progress will be monitored via the Operational Information Governance Group with issues of significance being reported up to the Finance and Performance Committee;
- Review of BCUHB Wide Policies and Intranet arrangements which is ongoing at the time of writing;
- Continued implementation of the Special Measures Improvement Framework. This will take account of the new framework published in May 2018 in which Welsh Government has set clear milestones and expectations under four themes – leadership and governance; strategic and service planning; mental health; and primary care including out of hours services;
- Responding to the Ockenden and HASCAS publications and recommendations which includes a review of clinical policies;
- Addressing the recommendations from the Internal Audit of the Risk Management Strategy.

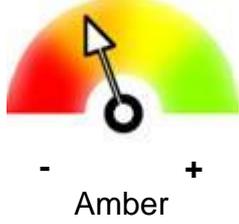
## **32. Internal Audit**

32.1 Internal Audit provided me as Accountable Officer, and the Board through the Audit Committee, with a flow of assurance on the system of internal control. A programme of audit work was commissioned and delivered in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit Committee and is focused on significant risk areas and local improvement priorities.

32.2 The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Health Board in reviewing effectiveness and supporting our drive for continuous improvement.

32.3 The Head of Internal Audit has concluded:

*“The scope of my opinion is confined to those areas examined in the risk based audit plan which has been agreed with senior management and approved by the Audit Committee. The Head of Internal Audit assessment should be interpreted in this context when reviewing the effectiveness of the system of internal control and be seen as an internal driver for continuous improvement. The Head of Internal Audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management, and control is set out below.”*

|  |  |
|--|--|
|  <p>- +<br/>Amber</p> | <p>The Board can take <b>limited assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with <b>moderate impact on residual risk exposure</b> until resolved.</p> |
|--|--|

#### 32.4 Basis for Forming the Opinion

32.4.1 In reaching the opinion the Head of Internal Audit has applied both professional judgement and the Audit & Assurance “*Supporting criteria for the overall opinion*” guidance produced by the Director of Audit & Assurance and shared with key stakeholders.

32.4.2 The Head of Internal Audit has concluded *reasonable assurance* can be reported for the Financial Governance & Management; Strategic Planning, Performance Management & Reporting; and Information Governance & Security domains; but only *limited assurance* can be reported for the Corporate Governance, Risk Management and Regulatory Compliance; Quality & Safety; Operational Service and Functional Management; Workforce Management; and Capital & Estates Management domains.

32.4.3 The evidence base upon which the overall opinion is formed is as follows:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the Internal Audit plan that have been reported to the Audit Committee throughout the year. This assessment has taken account of the relative materiality of these areas and the results of any follow-up audits in progressing control improvements;
- The results of any audit work related to the Health & Care Standards including, if appropriate, the evidence available by which the Board has arrived at its declaration in respect of the self-assessment for the Governance, Leadership and Accountability module; and
- Other assurance reviews which impact on the Head of Internal Audit opinion including audit work performed at other organisations.

32.4.4 These detailed results have been aggregated to build a picture of assurance across the eight key assurance domains around which the risk-based Internal Audit plan is framed. Where there is insufficient evidence to draw a firm conclusion the assurance domain is not rated.

### Audit results grouped by assurance domain

| Assurance domain   | Audit Count | Overall rating | Not rated | No assurance | Limited assurance | Reasonable assurance | Substantial assurance |
|--|-------------|----------------|-----------|--------------|-------------------|----------------------|-----------------------|
| Quality and Safety                                       | 4           |                |           |              |                   |                      |                       |
| Corporate Governance, Risk and Regulatory Compliance     | 6           |                |           |              |                   |                      |                       |
| Financial Governance and Management                      | 4           |                |           |              |                   |                      |                       |
| Strategic Planning, Performance Management and Reporting | 4           |                |           |              |                   |                      |                       |
| Information Governance and Security                      | 6           |                |           |              |                   |                      |                       |
| Operational Service and Functional Management            | 3           |                |           |              |                   |                      |                       |
| Workforce Management                                     | 5           |                |           |              |                   |                      |                       |
| Capital and Estates Management                           | 5           |                |           |              |                   |                      |                       |

#### Key to symbols:

Audit undertaken within the annual Internal Audit plan including those issued as draft

32.4.5 In addition, the Head of Internal Audit has considered residual risk exposure across those assignments where limited or no assurance was reported. Further, a number of audit assignments planned this year did not proceed to full audits following preliminary planning work and these were either: removed from the plan; removed from the plan and replaced with another audit; or deferred until a future audit year. Where changes were made to the audit plan then the reasons were presented to the Audit Committee for consideration and approval. Notwithstanding that the opinion is restricted to those areas which were subject to audit review, the Head of Internal Audit has considered the impact of changes made to the plan when forming their overall opinion.

32.4.6 All internal audits have an agreed management action plan with identified timescales for the actions to be completed. Progress is driven via the maintenance of an electronic tracking tool and is reported to and monitored by the Audit Committee at each meeting. Particular focus is placed on the agreed response to any limited or no-assurance reports issued during the year and the significance of the recommendations made. In respect of the limited assurance audits, management action has been taken to strengthen governance arrangements and the relevant Executive Lead is required to report in person to the Audit Committee to provide an account of the progress made.

32.4.7 To summarise, the following table details the Internal Audit reports which were issued as Limited Assurance during the year (there were no reports issues with 'no assurance') and informed the audit opinion, together with an indication of the progress made in terms of implementation of the recommendations contained within each audit:

| <b>Audit Review</b>  | <b>Total number of recommendations made</b> |
|--|---|
| Business Continuity Arrangements                                     | 2   |
| Corporate Legislative Compliance: Health and Safety at Work Act 1974 | 6   |
| Environmental Sustainability Report                                  | 1   |
| Job Evaluation   | 5   |
| Learning Lessons – Welsh Government Reported Incidents               | 5   |
| National Standards for Cleaning in NHS Wales                         | 7   |
| Occupational Health  | 7   |
| Risk Management Strategy   | 4   |
| Safehaven  | 5   |
| Ysbyty Glan Clwyd  | 15  |
| <b>TOTAL</b>   | <b>57</b>                                   |

32.4.8 In addition there were three limited assurance reports which formed the basis of the opinion but which remain in draft at the time of concluding this Annual Governance Statement, these being Safeguarding, Adults and Children; Change Control; and National Project and the Impact of Delays upon the Health Board. As a consequence these are not yet live tracking on Team Central.

32.4.9 A summary of the findings in each of the domains is set out below including the issues identified in the Limited Assurance reports. Each domain heading has been colour coded to show the overall assurance for that domain.

#### 32.4.10 Corporate Governance, Risk Management and Regulatory Compliance (Amber)

- Operational compliance with the requirements of the Risk Management Strategy were poor across thirteen of the fifteen operational areas reviewed – limited assurance.
- Corporate Legislative Compliance: Health & Safety at Work etc. Act 1974 operational compliance was poor; the accuracy of reported data and underpinning evidence could not be corroborated; Compliance with Statute in the established assurance Committee requires review – limited assurance.
- Operational compliance with the Standards of Business Conduct was satisfactory although the approval of declarations of interests across some operational divisions requires improvement. The Office of the Board Secretary will now scrutinise and uphold the requirements of the Standards for all recorded gifts and hospitality, which ensures independence in the process – reasonable assurance.

- Corporate Legislative Compliance: Social Services and Well-being (Wales) Act 2014 recorded assurance not applicable as at the time of our review, the pooling of budgets with partners had not progressed in line with the expectations of the Act and it remains unclear when this will be progressed. There is risk of duplication where Regional Partnership Board and four Public Service Boards do not interact.
- The Health Board have been actively tracking internal and external audit recommendations throughout the year, where all require sign-off as implemented by the relevant executive director.

#### 32.4.11 Strategic Planning, Performance Management & Reporting (Yellow)

- Overall assurance is positive in the areas of the Annual Operational Plan; Performance Management Strategy and Civil Contingencies Act 2004 which all recorded reasonable assurance – issues were identified and the action plans developed were agreed by management.
- Business Continuity Arrangements recorded limited assurance; whilst the Business Continuity Department (BCD) actively support the roll out/work plan developed, assurance on the accuracy and effectiveness of the developed Business Continuity Plans cannot be assured until such time they are subject to testing and this is scheduled for 2018/19.

#### 32.4.12 Financial Governance and Management (Yellow)

- The Costing review recorded a substantial assurance opinion in reviewing the underpinning data and reporting on national templates for all-Wales comparison – we could not see how this data was being used to inform service delivery.
- Review of Charitable funds recorded reasonable assurance where we followed-up the Wales Audit Office Lap of Wales report and considered the implications for reporting introduced by the Fundraising Regulator.
- Our review of Benefits realisation recorded reasonable assurance however we noted that the requirements of benefit realisation management for smaller/discretionary projects are not clearly defined within the Health Board.

#### 32.4.13 Quality & Safety (Amber)

- The review of the Annual Quality Statement recorded substantial assurance; However three reviews within this domain recorded limited assurance, as noted below.
- The review of Safehaven identified issues around completion of reviews within three months and evidence of contacting the referrer was not always available, noting that this communication may be verbal; lessons learnt were not evidenced (where appropriate).
- The review of Learning lessons – Welsh Government reported incidents identified compliance issues with Welsh Government stipulated requirements with the timely notification and closure of incidents.
- Safeguarding Children and Adults recorded a limited assurance opinion when reviewing the service against the requirements of the Health and Care Standard 2.7.

#### 32.4.14 Information Governance and Security (Yellow)

- Six reviews within this domain recorded a mix of assurance ratings.
- Informatics governance structure and Primary care access to the data warehouse of hospital data received not applicable assurance as both were advisory reviews with recommendations made to enhance both areas.
- The reviews on Standards of record keeping and the Access to data (workforce and financial systems) both recorded reasonable assurance and a small number of recommendations were made to enhance controls.
- Both reviews on Change Control and the National projects (impact of delays upon the Health Board) recorded limited assurance. Issues were identified around the formality of change control procedures in place to evidence the testing and engagement of all system enhancements or amendments. Delays in national projects identified a lack of service level agreement detailing responsibility and accountability with regards to elements of the projects – we recognise this should be driven nationally but management has a responsibility to hold the supplier to account.

#### 32.4.15 Operational Service and Functional Management (Amber)

- The National Standards for Cleaning in NHS Wales review identified challenges for the Health Board to achieve the required minimum auditing levels for very high risk areas let alone other risk areas. We noted attendance at the audits was not always compliant with the Health Board's set standards where reviewing the assessed scores were affected by the fabric of the building(s). We noted the average percentage compliance scores as reported appear to overstate compliance.
- The Clusters – Arfon review recorded assurance not applicable as the advisory review sought to consider governance arrangements in situ and noted there were no approved Terms of Reference and a lack of evidence that management monitor practice development and cluster plans.

#### 32.4.16 Workforce Management (Amber)

- Medical staffing - medic online system recorded reasonable assurance where implementation is progressing with a roll-out programme introduced for early 2018, however business continuity arrangements need developing in the event of the system being unavailable.
- Consultant Contract - Follow-up of Wales Audit Office (WAO) report recorded assurance not applicable; it is evident that some actions have been implemented however some remain with work to do to evidence full implementation.
- Occupation Health review recorded limited assurance - it is a very cost effective service however there is no specific workforce strategy but number of staff noted as retiring in next four years; there are opportunities for closer working with other departments, particularly Corporate Health & Safety around joint screening of staff in risk areas.
- Job evaluation - compliance with policy recorded limited assurance and whilst partnership working was working effectively we noted controls around advertising posts with a CAJE number were not always complied with and job matching panel cancellations were high.

- Due to supplier delays in providing the data for the Carbon Reduction Commitment Order, this review recorded assurance not applicable.
- The follow-up of Sub Regional Neonatal Intensive Care Centre recorded substantial assurance where there was some further supporting evidence and management action required to complete full implementation of the agreed actions.
- Ysbyty Gwynedd Emergency Department review recorded reasonable assurance where there was an effective governance structure coupled with the selection and appointment process.
- The Ysbyty Glan Clwyd redevelopment recorded limited assurance where the review identified issues around cost management, monitoring and reporting.
- Environmental sustainability recorded limited assurance where prior year waste data was recorded and we could not corroborate the reliability of the data; we note the management response to the recommendation provides a revised structure and improved systems for the compilation of the report.
- The review does not include the full system review of SuRNICC which remains work in progress.

## 33. Structured Assessment 2017

33.1 On behalf of the Auditor General for Wales, staff of the Wales Audit Office conducted a Structured Assessment, as referred to earlier in this Statement. This was presented to the Audit Committee in February 2018 and key messages shared with the Public Board in March 2018. The External Audit Annual Report summary conclusions are detailed below (details of the full report can be accessed via the Wales Audit office website):

- The Auditor General for Wales issued an unqualified 'true and fair' opinion on the 2016/17 financial statements of the Health Board, together with a qualified regularity opinion and placed a substantive report alongside his audit opinion.
- In reviewing arrangements for securing efficiency, effectiveness and economy in the use of resources, the Auditor General found that the Health Board continued to experience significant financial challenges and needed to develop a more transformational approach to savings schemes if it was to reduce its growing cumulative deficit.
- The report found that some governance processes were strengthening, but the Board urgently needed to demonstrate a positive impact on the organisation's performance and finances.
- It concluded by stating that the Health Board was making efforts to improve services, but its current arrangements were increasingly stretched.

33.2 Overall WAO's structured assessment work found that the Health Board had laid some foundations to secure its future and that the pace of change was increasing, although it remained in a challenging financial position and had considerable further work to do across a range of important areas.

33.3 The Health Board received the formal recommendations from the 2017 Structured Assessment work which related to financial savings; governance arrangements; change management; workforce management and informatics.

- 33.4 The Health Board is working to implement the recommendations which are being monitored this year via the Special Measures Improvement Framework Group. The Structured Assessment report together with the initial management response is available via:  
<http://www.wales.nhs.uk/sitesplus/documents/861/Agenda%20bundle%20Board%201.3.18%20Public%20V1.0.pdf>
- 33.5 During the course of the year the Health Board has also progressed the six recommendations arising from the 2016 Structured Assessment Report which related to financial reporting, Board assurance, Board effectiveness, Learning Lessons, Culture and Strategy and Planning.
- 33.6 The timing of Board meetings has been reviewed and altered to improve the timeline for financial reporting. Assurance mapping work has been undertaken and a Board Assurance map is being built to complement the Corporate Risk Register. A new Board Development programme was commissioned and delivered, although there is evidence from reviews in 2017/18 that ongoing work is required to support effective scrutiny and challenge. Clinical leadership of PTR has delivered improvements in response times and learning from concerns with work ongoing to ensure this improvement is sustained and cascaded. A comprehensive programme of staff engagement has been rolled out and highlights of the progress made are included in Section 25 of this report. The Health Board maintained focus on delivering its strategy and the agreed timeline for publication of 'Living Healthier, Staying Well' was met. The Structured Assessment in 2015 identified the need to create dedicated in house capacity and capability to support change management and service transformation. Following a series of interim and external support arrangements, a Director of Turnaround was appointed substantively in May 2018.

#### **34. Conclusion**

- 34.1 As Accountable Officer, based on the review process outlined above, I have reviewed the relevant evidence and assurances in respect of internal control. Taking into account the evidence detailed in this Statement, together with feedback from Welsh Government including Special Measures, from Wales Audit Office via their Structured Assessment and Joint Review with Healthcare Inspectorate Wales and from Internal Audit's assurance assessment together with the findings of the HASCAS investigation, I have concluded that some significant internal control/governance issues have been identified. These issues have been reported on in the preceding narrative which sets out the issues and the actions being taken to remedy the position.
- 34.2 The last twelve months have been difficult and challenging for the organisation. Whilst there is evidence of progress being made in some areas, there remain several key areas which contribute to the Health Board remaining in special measures.
- 34.3 The key areas for improvement and focus in the year ahead will be:
- Responding to the HASCAS Investigation and Ockenden Review led by a task force, Chaired by the Executive Director of Nursing and Midwifery;
  - Ensuring continuity of business during turnover of key members of the Board and providing comprehensive induction for new Board Members;
  - Focussed activity, oversight and scrutiny with regards to leadership and governance; strategic and service planning with specific focus on financial turnaround and improvements in performance; mental health; and primary care including out of hours services;

- Ensuring compliance with GDPR;
- Progressing the work already underway with regards to Board Assurance Frameworks and aligning this to the Health Board’s strategic objectives, Special Measures Improvement Framework and the Well-being of Future Generations;
- A step change is also required in our willingness to look to the long-term, to collaborate with partners and involve citizens in the development of services. In the context of the requirements on the Health Board relating to the Social Services and Well-Being (Wales) Act and the Well-Being of Future Generations (Wales) Act, effective partnership governance and culture shift will become more challenging. The Health Board will continue to apply the principles of best practice in public sector governance.

34.4 As Accountable Officer, I am very clear on the improvements that need to be made at pace and the further work required to tackle the range of challenges facing the Health Board. I have confidence in the willingness and commitment of all staff within the organisation to strive to overcome the many challenges faced by the Health Board, in order to deliver success that translates into better performance and outcomes for patients.

34.6 This Annual Governance Statement has been developed in accordance with the Health Board’s governance arrangements and was approved by the Audit Committee on 31 May 2018. As the Accountable Officer, I am taking assurances on the accuracy of the Annual Governance Statement from the arrangements established by the Health Board.

**Signed:**

A handwritten signature in black ink, appearing to read 'Gary Doherty', with a long horizontal flourish extending to the right.

**Gary Doherty**  
**Chief Executive and Accountable Officer**

**Date: 31<sup>st</sup> May 2018**

## Appendix 1 – Board and Committee Membership 2017/18

A number of changes to Board membership, including interim and acting up arrangements, have occurred during 2017/18 and are reflected in the table below.

| Name                 | Position                            | Area of expertise / representation role | Board Committee membership  | Champion roles   |
|----------------------|-------------------------------------|---|---|--|
| Dr Peter Higson      | Chairman                            |   | <ul style="list-style-type: none"> <li>• Chair of the Board</li> <li>• Chair, Remuneration and Terms of Service Committee</li> </ul>  | <ul style="list-style-type: none"> <li>• Veterans</li> </ul>   |
| Mrs Margaret Hanson  | Vice-Chair                          | Primary Care & Mental Health            | <ul style="list-style-type: none"> <li>• Vice Chair of the Board</li> <li>• Chair, Mental Health Committee</li> <li>• Member Strategy, Partnerships and Population Health Committee</li> <li>• Vice Chair, Remuneration and Terms of Service Committee</li> <li>• Chair, Quality, Safety &amp; Experience Committee</li> </ul>    | <ul style="list-style-type: none"> <li>• Cleaning, Hygiene and Infection Management</li> <li>• Older People</li> <li>• Safeguarding</li> </ul> |
| Mr John Cunliffe     | Independent Member                  | Information Communication Technology    | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Member Audit Committee</li> <li>• Vice Chair, Finance and Performance Committee</li> </ul>   |  |
| Ms Jenie Dean        | Independent Member to December 2017 | Trade Union                             | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Vice Chair Audit Committee</li> <li>• Member Mental Health Act Committee</li> <li>• Vice Chair, Quality, Safety and Experience Committee</li> <li>• Member, Remuneration and Terms of Service Committee</li> <li>• Ex-Officio Local Partnership Forum</li> </ul> | <ul style="list-style-type: none"> <li>• Violence and Aggression</li> <li>• Equality</li> </ul>  |
| Mrs Marian Wyn Jones | Independent Member                  | Community                               | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Chair Finance and Performance Committee</li> <li>• Chair, Charitable Funds Committee</li> </ul>  | <ul style="list-style-type: none"> <li>• Public and Patient Involvement</li> </ul>   |
| Cllr Bobby Feeley    | Independent Member                  | Local Authority                         | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Member, Strategy, Partnerships and Population Health Committee</li> <li>• Member, Audit Committee</li> <li>• Member, Mental Health Act Committee</li> </ul>  |  |

| Name                        | Position           | Area of expertise / representation role | Board Committee membership   | Champion roles  |
|-----------------------------|--------------------|---|--|---|
| Mr Ceri Stradling           | Independent Member | Community                               | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Chair, Audit Committee</li> <li>• Member, Remuneration and Terms of Service Committee</li> <li>• Vice Chair Charitable Funds Committee</li> </ul>   |   |
| Mrs Bethan Russell-Williams | Independent Member | Third Sector                            | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Vice-Chair Mental Health Act Committee</li> <li>• Vice Chair Strategy, Partnerships and Population Health Committee</li> <li>• Member, Finance &amp; Performance Committee</li> </ul>   | <ul style="list-style-type: none"> <li>• Welsh language</li> </ul>                              |
| Mrs Lyn Meadows             | Independent Member | Community                               | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Chair Strategy, Partnerships and Population Health Committee</li> <li>• Member Quality, Safety and Experience Committee</li> <li>• In attendance, Stakeholder Reference Group</li> </ul>  | <ul style="list-style-type: none"> <li>• Concerns</li> </ul>                                    |
| Mrs Cheryl Carlisle         | Independent Member | Community                               | <ul style="list-style-type: none"> <li>• Board member</li> <li>• Member Charitable Funds Committee</li> <li>• Member Finance and Performance Committee</li> <li>• Member Quality, Safety and Experience Committee</li> </ul>   | <ul style="list-style-type: none"> <li>• Carers</li> <li>• Children and Young People</li> </ul> |
| Prof Jo Rycroft - Malone    | Independent Member | University                              | <ul style="list-style-type: none"> <li>• Board Member</li> </ul>   |   |
| Mrs Nicola Stubbins         | Associate Member   | Director of Social Services, Flintshire | <ul style="list-style-type: none"> <li>• Associate Board Member</li> </ul>   |   |
| Mr Gary Doherty             | Chief Executive    |   | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• In attendance, Remuneration and Terms of Service Committee</li> <li>• In attendance, Audit Committee (at least annually)</li> <li>• Joint Chair / Member, Local Partnership Forum</li> <li>• Member, Charitable Funds Committee to December 2017</li> </ul> |   |

| Name                                    | Position  | Area of expertise / representation role | Board Committee membership  | Champion roles |
|---|---|---|---|----------------|
| Mr Russ Favager                         | Executive Director of Finance                                     |   | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• In attendance, Audit Committee</li> <li>• Lead Director / Member, Charitable Funds Committee</li> <li>• Lead Director / In attendance, Finance and Performance Committee</li> </ul>  |                |
| Miss Teresa Owen                        | Executive Director of Public Health                               |   | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• In attendance, Quality, Safety and Experience Committee</li> <li>• In attendance, Strategy, Partnerships and Population Health Committee</li> </ul>  |                |
| Mr Martin Jones to 19.11.17             | Executive Director of Workforce & Organisational Development (OD) |   | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Lead Director/In attendance, Remuneration and Terms of Service Committee</li> <li>• Member, Finance and Performance Committee</li> <li>• In attendance, Strategy, Partnerships and Population Health Committee</li> <li>• Lead Director / Member, Local Partnership Forum</li> </ul> |                |
| Mr Richard Jones (Interim wef 20.11.17) |   |   |   |                |
| Mr Geoff Lang                           | Executive Director of Strategy                                    |   | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• Lead Director / In attendance, Strategy, Partnerships and Population Health Committee</li> <li>• Member, Charitable Funds Committee</li> <li>• In attendance, Finance and Performance Committee</li> <li>• Lead Director / In attendance Stakeholder Reference Group</li> </ul>      |                |
| Dr Evan Moore                           | Executive Medical Director / Deputy Chief Executive               |   | <ul style="list-style-type: none"> <li>• Board member</li> <li>• In attendance, Quality, Safety and Experience Committee</li> </ul>   |                |
| Ms Morag Olsen                          | Chief Operating Officer   |   | <ul style="list-style-type: none"> <li>• Board Member</li> <li>• In attendance, Finance and Performance Committee</li> <li>• In attendance, Quality, Safety and Experience Committee</li> <li>• Member, Local Partnership Forum</li> </ul>  |                |

| Name  | Position  | Area of expertise / representation role     | Board Committee membership  | Champion roles |
|---|---|---|---|----------------|
| Mrs Gill Harris   | Executive Director Nursing and Midwifery            |   | <ul style="list-style-type: none"> <li>• Board member</li> <li>• Lead Director / In attendance Quality, Safety and Experience Committee</li> <li>• Member, Local Partnership Forum</li> <li>• In attendance Mental Health Act Committee</li> <li>• Member, Charitable Funds Committee wef March 2018</li> </ul> |                |
| Mr Adrian Thomas  | Executive Director Therapies & Health Sciences      |   | <ul style="list-style-type: none"> <li>• Board member</li> <li>• Lead Director / In attendance Healthcare Professionals Forum</li> <li>• In attendance Quality, Safety and Experience Committee</li> </ul>  |                |
| Mr Andy Roach   | Director of Mental Health and Learning Disabilities |   | <ul style="list-style-type: none"> <li>• In attendance at Board</li> <li>• Lead Director / In attendance Mental Health Act Committee</li> <li>• Member Local Partnership Forum</li> </ul>   |                |
| Mrs Grace Lewis-Parry with exception of secondment wef 6.11.17 to 31.1.18 | Board Secretary                                     |   | <ul style="list-style-type: none"> <li>• In attendance at Board</li> <li>• Lead Director / In attendance, Audit Committee</li> </ul>  |                |
| Mrs Dawn Sharp Interim wef 6.11.17 to 31.1.18                             |   |   |   |                |
| <b>Advisory Group Associate Members</b>                                   |   |   |   |                |
| Mr Ffrancon Williams  | Associate Member                                    | Chair of the Stakeholder Reference Group    | <ul style="list-style-type: none"> <li>• Associate Board Member</li> </ul>  |                |
| Prof Michael Rees   | Associate Member                                    | Chair of the Healthcare Professionals Forum | <ul style="list-style-type: none"> <li>• Associate Board Member</li> <li>• In attendance Quality, Safety &amp; Experience Committee</li> </ul>  |                |

## Appendix 2 - BCUHB Health Board member attendance at Board Meetings held in public 2017/18

Y = Present A = Apologies P = Part attendance

|  |        | 20.4.17 | 18.5.17 | 15.6.17 | 20.7.17<br>& AGM | 17.8.17 | 21.9.17 | 19.10.17 | 16.11.17 | 14.12.17 | 11.1.18 | 1.2.18 | 1.3.18 | 28.3.18 |
|--|--------|---------|---------|---------|------------------|---------|---------|----------|----------|----------|---------|--------|--------|---------|
| <b>Dr Peter Higson</b><br>Chairman   | Member | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | ✓        | ✓        | ✓       | ✓      | ✓      | ✓       |
| <b>Mrs Margaret Hanson</b><br>Vice Chair   | Member | ✓       | ✓       | ✓       | ✓                | A       | ✓       | ✓        | A        | A        | ✓       | ✓      | ✓      | ✓       |
| <b>Ms Jenie Dean</b><br>Independent Member<br>to December 2017                   | Member | ✓       | ✓       | ✓       | ✓                | ✓       | A       | ✓        | ✓        | ✓        |         |        |        |         |
| <b>Cllr Bobby Feeley</b><br>Independent Member                                   | Member | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | P        | A        | P       | ✓      | A      | A       |
| <b>Mrs Marian W Jones</b><br>Independent Member                                  | Member | A       | ✓       | ✓       | ✓                | ✓       | A       | ✓        | ✓        | ✓        | ✓       | A      | ✓      | ✓       |
| <b>Prof Jo Rycroft-Malone</b><br>Independent Member                              | Member | A       | ✓       | A       | ✓                | ✓       | A       | A        | ✓        | A        | ✓       | A      | ✓      | A       |
| <b>Mr Ceri Stradling</b><br>Independent Member                                   | Member | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | ✓        | ✓        | ✓       | ✓      | ✓      | ✓       |
| <b>Mrs Bethan Russell-Williams</b><br>Independent Member                         | Member | ✓       | ✓       | ✓       | ✓                | A       | ✓       | ✓        | ✓        | ✓        | ✓       | A      | ✓      | ✓       |
| <b>Mrs Lyn Meadows</b><br>Independent Member                                     | Member | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | ✓        | ✓        | ✓       | A      | ✓      | ✓       |
| <b>Mr John Cunliffe</b><br>Independent Member                                    | Member | ✓       | ✓       | ✓       | ✓                | A       | ✓       | ✓        | ✓        | ✓        | ✓       | ✓      | ✓      | ✓       |
| <b>Cllr Cheryl Carlisle</b><br>Independent Member                                | Member | A       | A       | ✓       | ✓                | ✓       | ✓       | P        | ✓        | A        | ✓       | ✓      | x      | ✓       |
| <b>Mr G Doherty</b><br>Chief Executive   | Member | ✓       | ✓       | ✓       | ✓                | A       | ✓       | ✓        | ✓        | ✓        | ✓       | ✓      | ✓      | ✓       |
| <b>Dr Evan Moore</b><br>Executive Medical Director /<br>Deputy Chief Executive   | Member | ✓       | ✓       | ✓       | A                | ✓       | ✓       | ✓        | ✓        | ✓        | ✓       | ✓      | ✓      | ✓       |
| <b>Mr Russell Favager</b><br>Executive Director of Finance                       | Member | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | ✓        | ✓        | ✓       | ✓      | P      | ✓       |
| <b>Miss Teresa Owen</b><br>Executive Director Public Health                      | Member | ✓       | A       | ✓       | ✓                | ✓       | P       | ✓        | ✓        | ✓        | ✓       | ✓      | ✓      | A       |
| <b>Mrs Gill Harris</b><br>Executive Director Nursing and<br>Midwifery            | Member | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | A        | A        | ✓       | ✓      | ✓      | ✓       |
| <b>Mr Adrian Thomas</b><br>Executive Director Therapies<br>and Health Sciences   | Member | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | A        | ✓        | ✓        | ✓       | A      | A      | ✓       |
| <b>Mr Martin Jones</b><br>Executive Director of Workforce<br>& OD<br>to 19.11.17 | Member | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | ✓        |          |         |        |        |         |
| <b>Mr Richard Jones</b>  | Member |         |         |         |                  |         |         |          |          | ✓        | ✓       | x      | ✓      | A       |

|   |                  | 20.4.17 | 18.5.17 | 15.6.17 | 20.7.17<br>& AGM | 17.8.17 | 21.9.17 | 19.10.17 | 16.11.17 | 14.12.17 | 11.1.18 | 1.2.18 | 1.3.18 | 28.3.18 |
|---|------------------|---------|---------|---------|------------------|---------|---------|----------|----------|----------|---------|--------|--------|---------|
| Executive Director of Workforce & OD<br>Wef 20.11.17 to 31.3.18                       |                  |         |         |         |                  |         |         |          |          |          |         |        |        |         |
| <b>Mr Geoff Lang</b><br>Executive Director of Strategy                                | Member           | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | ✓        | ✓        | ✓       | ✓      | ✓      | ✓       |
| <b>Ms Morag Olsen</b><br>Chief Operating Officer                                      | Member           | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | A        | ✓        | ✓       | ✓      | ✓      | ✓       |
| <b>Mr Andy Roach</b><br>Director Mental Health & Learning Disabilities                | In Attendance    | ✓       | ✓       | ✓       | A                | A       | A       | A        | A        | A        | A       | ✓      | ✓      | A       |
| <b>Mrs Grace Lewis-Parry</b><br>Secondment Project Manager – MHL D                    | In Attendance    |         |         |         |                  |         |         |          |          | ✓        | ✓       |        |        |         |
| <b>Mrs Grace Lewis-Parry</b><br>Board Secretary                                       | In Attendance    | ✓       | ✓       | ✓       | ✓                | ✓       | ✓       | ✓        | ✓        |          |         | ✓      | ✓      | ✓       |
| <b>Mrs Dawn Sharp</b><br>Interim Board Secretary                                      | In Attendance    |         |         |         |                  |         |         |          |          | ✓        | ✓       |        |        |         |
| <b>Ms Nicola Stubbins</b><br>representing <i>Directors Social Services to 20.3.18</i> | Associate Member | A       | ✓       | A       | A                | ✓       | P       | P        | A        | A        | A       | A      | A      |         |
| <b>Mr Ffrancon Williams</b><br>Chair of Stakeholder Reference Group                   | Associate Member |         | ✓       | ✓       | ✓                | A       | ✓       | ✓        | A        | ✓        | ✓       | ✓      | ✓      | ✓       |
| <b>Prof Michael Rees</b><br>Chair of Healthcare Professionals Forum                   | Associate Member | A       | ✓       | A       | ✓                | P       | A       | P        | ✓        | ✓        | ✓       | x      | A      | ✓       |

### Appendix 3 - Meetings of the Health Board and Committees held in public 2017/18:

| Meeting   |         |         |          |                  |          |         |          |          |          |         |         |         |         |
|---|---------|---------|----------|------------------|----------|---------|----------|----------|----------|---------|---------|---------|---------|
| Health Board  | 20.4.17 | 18.5.17 | 15.3.17  | 20.7.17<br>& AGM | 17.8.17  | 21.9.17 | 19.10.17 | 16.11.17 | 14.12.17 | 11.1.18 | 1.2.18  | 1.3.18  | 28.3.18 |
| Quality, Safety & Experience (QSE) Committee                | 9.5.17  | 6.6.17  | 11.7.17  | 12.9.17          | 10.10.17 | 7.11.17 | 5.12.17  | 23.1.18* | 20.2.18  | 20.3.18 |         |         |         |
| Finance & Performance (F&P) Committee                       | 25.4.17 | 23.5.17 | 20.6.17  | 25.7.17          | 22.8.17  | 26.9.17 | 24.10.17 | 21.11.17 | 19.12.17 | 25.1.18 | 22.2.18 | 22.3.18 |         |
| Strategy, Partnerships & Population Health (SPPH) Committee | 25.5.17 | 27.7.17 | 5.9.17   | 30.10.17         | 21.12.17 | 8.2.18  | 5.3.18   |          |          |         |         |         |         |
| Remuneration and Terms of Service Committee                 | 4.5.17  | 17.7.17 | 16.10.17 | 23.1.18          |          |         |          |          |          |         |         |         |         |
| Mental Health Act Committee                                 | 5.5.17  | 28.7.17 | 10.11.17 | 23.2.18          |          |         |          |          |          |         |         |         |         |
| Charitable Funds Committee                                  | 12.6.17 | 18.9.17 | 4.12.17  | 5.3.18           |          |         |          |          |          |         |         |         |         |
| Audit Committee   | 30.5.17 | 13.7.17 | 14.9.17  | 23.11.17         | 9.2.18   |         |          |          |          |         |         |         |         |

\* all meetings were quorate with the exception of this meeting which was inquorate for part of the meeting – no decisions were taken whilst inquorate



# Betsi Cadwaladr 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 H M Treasury, directed.

### **Statutory background**

Betsi Cadwaladr University Local Health Board was established on 1 October 2009 following implementation of the Welsh Government's One Wales National Reform Programme for the NHS in Wales.

### **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 Local Health Board which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

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

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

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

|   | Note | 2017-18<br>£'000 | 2016-17<br>£'000 |
|---|------|------------------|------------------|
| Expenditure on Primary Healthcare Services                                | 3.1  | <b>302,415</b>   | 300,272          |
| Expenditure on healthcare from other providers                            | 3.2  | <b>347,633</b>   | 323,673          |
| Expenditure on Hospital and Community Health Services                     | 3.3  | <b>968,811</b>   | 915,124          |
|   |      | <b>1,618,859</b> | 1,539,069        |
| Less: Miscellaneous Income  | 4    | <b>(126,644)</b> | (131,027)        |
| <b>LHB net operating costs before interest and other gains and losses</b> |      | <b>1,492,215</b> | 1,408,042        |
| Investment Revenue  | 5    | <b>0</b>         | 0                |
| Other (Gains) / Losses  | 6    | <b>26</b>        | (370)            |
| Finance costs   | 7    | <b>50</b>        | 104              |
| <b>Net operating costs for the financial year</b>                         |      | <b>1,492,291</b> | 1,407,776        |

See note 2 on page 20 for details of performance against Revenue and Capital allocations.

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

## Other Comprehensive Net Expenditure

|   | <b>2017-18</b>   | 2016-17     |
|---|------------------|-------------|
|   | <b>£'000</b>     | £'000       |
| Net gain / (loss) on revaluation of property, plant and equipment       | <b>74,908</b>    | 2,426       |
| Net gain / (loss) on revaluation of intangibles                         | <b>0</b>         | 0           |
| Net gain / (loss) on revaluation of available for sale financial assets | <b>0</b>         | 0           |
| (Gain) / loss on other reserves   | <b>0</b>         | 0           |
| Impairment and reversals  | <b>(8,290)</b>   | (33)        |
| Release of Reserves to Statement of Comprehensive Net Expenditure       | <b>0</b>         | 0           |
| Other comprehensive net expenditure for the year                        | <b>66,618</b>    | 2,393       |
|   | <hr/>            | <hr/>       |
| <b>Total comprehensive net expenditure for the year</b>                 | <b>1,425,673</b> | 1,405,383   |
|   | <hr/> <hr/>      | <hr/> <hr/> |

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

|  | Notes | 31 March<br>2018<br>£'000 | 31 March<br>2017<br>£'000 |
|--|-------|---------------------------|---------------------------|
| <b>Non-current assets</b>                        |       |                           |                           |
| Property, plant and equipment                    | 11    | 629,584                   | 563,560                   |
| Intangible assets                                | 12    | 758                       | 1,238                     |
| Trade and other receivables                      | 15    | 62,875                    | 72,623                    |
| Other financial assets                           | 16    | 0                         | 0                         |
| <b>Total non-current assets</b>                  |       | <b>693,217</b>            | <b>637,421</b>            |
| <b>Current assets</b>                            |       |                           |                           |
| Inventories                                      | 14    | 15,190                    | 16,398                    |
| Trade and other receivables                      | 15    | 54,623                    | 48,250                    |
| Other financial assets                           | 16    | 167                       | 0                         |
| Cash and cash equivalents                        | 17    | 2,104                     | 3,510                     |
|  |       | <b>72,084</b>             | <b>68,158</b>             |
| Non-current assets classified as "Held for Sale" | 11    | 667                       | 0                         |
| <b>Total current assets</b>                      |       | <b>72,751</b>             | <b>68,158</b>             |
| <b>Total assets</b>                              |       | <b>765,968</b>            | <b>705,579</b>            |
| <b>Current liabilities</b>                       |       |                           |                           |
| Trade and other payables                         | 18    | (142,346)                 | (145,691)                 |
| Other financial liabilities                      | 19    | 0                         | 0                         |
| Provisions                                       | 20    | (33,115)                  | (26,366)                  |
| <b>Total current liabilities</b>                 |       | <b>(175,461)</b>          | <b>(172,057)</b>          |
| <b>Net current assets/ (liabilities)</b>         |       | <b>(102,710)</b>          | <b>(103,899)</b>          |
| <b>Non-current liabilities</b>                   |       |                           |                           |
| Trade and other payables                         | 18    | (1,067)                   | (1,119)                   |
| Other financial liabilities                      | 19    | 0                         | 0                         |
| Provisions                                       | 20    | (64,030)                  | (74,125)                  |
| <b>Total non-current liabilities</b>             |       | <b>(65,097)</b>           | <b>(75,244)</b>           |
| <b>Total assets employed</b>                     |       | <b>525,410</b>            | <b>458,278</b>            |
| <b>Financed by :</b>                             |       |                           |                           |
| <b>Taxpayers' equity</b>                         |       |                           |                           |
| General Fund                                     |       | 393,676                   | 388,140                   |
| Revaluation reserve                              |       | 131,734                   | 70,138                    |
| <b>Total taxpayers' equity</b>                   |       | <b>525,410</b>            | <b>458,278</b>            |

The financial statements on pages 2 to 7 were approved by the Board on 31 May 2018 and signed on its behalf by:

Chief Executive



Date 31 May 2018

31 May 2018

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

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

|   | General<br>Fund<br>£000s | Revaluation<br>Reserve<br>£000s | Total<br>Reserves<br>£000s |
|---|--------------------------|---------------------------------|----------------------------|
| <b>Changes in taxpayers' equity for 2017-18</b>                 |                          |                                 |                            |
| <b>Balance at 1 April 2017</b>                                  | 388,140                  | 70,138                          | 458,278                    |
| Net operating cost for the year                                 | (1,492,291)              |                                 | (1,492,291)                |
| Net gain/(loss) on revaluation of property, plant and equipment | 0                        | 74,908                          | 74,908                     |
| Net gain/(loss) on revaluation of intangible assets             | 0                        | 0                               | 0                          |
| Net gain/(loss) on revaluation of financial assets              | 0                        | 0                               | 0                          |
| Net gain/(loss) on revaluation of assets held for sale          | 0                        | 0                               | 0                          |
| Impairments and reversals                                       | 0                        | (8,290)                         | (8,290)                    |
| Movements in other reserves                                     | 0                        | 0                               | 0                          |
| Transfers between reserves                                      | 5,022                    | (5,022)                         | 0                          |
| Release of reserves to SoCNE                                    | 0                        | 0                               | 0                          |
| Transfers to/from LHBs  | 0                        | 0                               | 0                          |
| <b>Total recognised income and expense for 2017-18</b>          | <b>(1,487,269)</b>       | 61,596                          | <b>(1,425,673)</b>         |
| Net Welsh Government funding                                    | 1,492,805                |                                 | 1,492,805                  |
| <b>Balance at 31 March 2018</b>                                 | <b>393,676</b>           | <b>131,734</b>                  | <b>525,410</b>             |

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

Transfers between reserves represents the balance held in the revaluation reserve for each non-current asset disposed during 2017-18.

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

|   | General<br>Fund<br>£000s | Revaluation<br>Reserve<br>£000s | Total<br>Reserves<br>£000s |
|---|--------------------------|---------------------------------|----------------------------|
| <b>Changes in taxpayers' equity for 2016-17</b>                 |                          |                                 |                            |
| <b>Balance at 1 April 2016</b>                                  | 367,579                  | 68,339                          | 435,918                    |
| Net operating cost for the year                                 | (1,407,776)              | -                               | (1,407,776)                |
| Net gain/(loss) on revaluation of property, plant and equipment | 0                        | 2,426                           | 2,426                      |
| Net gain/(loss) on revaluation of intangible assets             | 0                        | 0                               | 0                          |
| Net gain/(loss) on revaluation of financial assets              | 0                        | 0                               | 0                          |
| Net gain/(loss) on revaluation of assets held for sale          | 0                        | 0                               | 0                          |
| Impairments and reversals                                       | 0                        | (33)                            | (33)                       |
| Movements in other reserves                                     | 0                        | 0                               | 0                          |
| Transfers between reserves                                      | 594                      | (594)                           | 0                          |
| <b>Release of reserves to SoCNE</b>                             | 0                        | 0                               | 0                          |
| Transfers to/from LHBs  | 0                        | 0                               | 0                          |
| <b>Total recognised income and expense for 2016-17</b>          | (1,407,182)              | 1,799                           | (1,405,383)                |
| Net Welsh Government funding                                    | 1,427,743                | -                               | 1,427,743                  |
| <b>Balance at 31 March 2017</b>                                 | 388,140                  | 70,138                          | 458,278                    |

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

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

|   | <b>2017-18</b>     | 2016-17     |
|---|--------------------|-------------|
|   | <b>£'000</b>       | £'000       |
| <b>Cash Flows from operating activities</b>                             |                    |             |
| Net operating cost for the financial year                               | <b>(1,492,291)</b> | (1,407,776) |
| Movements in Working Capital  | 27 <b>1,053</b>    | (11,748)    |
| Other cash flow adjustments   | 28 <b>88,792</b>   | 58,458      |
| Provisions utilised   | 20 <b>(18,309)</b> | (11,190)    |
| <b>Net cash outflow from operating activities</b>                       | <b>(1,420,755)</b> | (1,372,256) |
| <b>Cash Flows from investing activities</b>                             |                    |             |
| Purchase of property, plant and equipment                               | <b>(74,706)</b>    | (60,164)    |
| Proceeds from disposal of property, plant and equipment                 | <b>527</b>         | 917         |
| Purchase of intangible assets   | <b>(19)</b>        | (181)       |
| Proceeds from disposal of intangible assets                             | <b>0</b>           | 0           |
| Payment for other financial assets                                      | <b>(167)</b>       | 0           |
| Proceeds from disposal of other financial assets                        | <b>0</b>           | 0           |
| Payment for other assets  | <b>0</b>           | 0           |
| Proceeds from disposal of other assets                                  | <b>0</b>           | 0           |
| <b>Net cash inflow/(outflow) from investing activities</b>              | <b>(74,365)</b>    | (59,428)    |
| <b>Net cash inflow/(outflow) before financing</b>                       | <b>(1,495,120)</b> | (1,431,684) |
| <b>Cash Flows from financing activities</b>                             |                    |             |
| Welsh Government funding (including capital)                            | <b>1,492,805</b>   | 1,427,743   |
| Capital receipts surrendered  | <b>0</b>           | 0           |
| Capital grants received   | <b>909</b>         | 5,389       |
| Capital element of payments in respect of finance leases and on-SoFP    | <b>0</b>           | 0           |
| Cash transferred (to)/ from other NHS bodies                            | <b>0</b>           | 0           |
| <b>Net financing</b>  | <b>1,493,714</b>   | 1,433,132   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             | <b>(1,406)</b>     | 1,448       |
| <b>Cash and cash equivalents (and bank overdrafts) at 1 April 2017</b>  | <b>3,510</b>       | 2,062       |
| <b>Cash and cash equivalents (and bank overdrafts) at 31 March 2018</b> | <b>2,104</b>       | 3,510       |

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

## Notes to the Accounts

### 1. Accounting policies

The Cabinet Secretary for Health and Social Services has directed that the financial statements of Local Health Boards (LHB) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2017-18 Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the LHB Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the LHB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the LHB are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income and funding

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

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

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

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

Income is accounted for applying the accruals convention with income being 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 LHB does not ordinarily permit the carry forward of annual leave from one period to another unless the leave period differs from the accounting period. Where employees are permitted to carry forward leave into the following period the associated cost is fully recognised in the financial statements.

### **Retirement benefit costs**

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

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

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

### **NEST Pension Scheme**

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

### **1.5 Other expenses**

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

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

#### **Recognition**

Property, plant and equipment is capitalised if:

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

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

#### **Valuation**

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

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

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

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

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

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

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

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

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

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

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

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

### **Subsequent expenditure**

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

## **1.7 Intangible assets**

### **Recognition**

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

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

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

### **Measurement**

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

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

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

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

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

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

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

### **1.9 Research and Development**

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

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

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

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

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

### **1.11 Leases**

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

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

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

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

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

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

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

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

### **1.12 Inventories**

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

### **1.13 Cash and cash equivalents**

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

### **1.14 Provisions**

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

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

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

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

#### **1.14.1 Clinical negligence and personal injury costs**

The Welsh Risk Pool (WRP) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2017-18. The WRP is hosted by Velindre NHS Trust.

### **1.15 Financial assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **1.16 Financial liabilities**

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

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

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

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

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

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

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

### **1.17 Value Added Tax**

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

### **1.18 Foreign currencies**

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

### **1.19 Third party assets**

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

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

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

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

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

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

#### **1.21 Pooled budget**

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

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

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

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

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

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

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

#### **Clinical Negligence and Personal Injury claims (Notes 20 and 21)**

Claims made against the Health Board are professionally managed by Legal and Risk Services (L&RS). Each claim is assessed by L&RS to determine the probability of liability and associated costs and accounted for in accordance with IAS37. The probability and cost are estimates based on all known facts as at the Statement of Financial Position date using the professional knowledge and experience of solicitors employed by L&RS. However, these estimates may change materially over the course of a claim as new information becomes available.

#### **Continuing Healthcare Provision (Notes 20 and 21)**

The Health Board recognises a provision for potential liabilities arising from historic claims for continuing healthcare costs. The provision includes all known claims with an estimate of the likely settlement. The likely settlement is determined by using historical experience.

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

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

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

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

#### **Services received**

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

#### **PFI asset**

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

#### **PFI liability**

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

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

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

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

#### **Lifecycle replacement**

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

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

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

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

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

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

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

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

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

**1.25 Contingencies**

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

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

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

**1.26 Carbon Reduction Commitment Scheme**

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

### **1.27 Absorption accounting**

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

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

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

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

IFRS 9 Financial Instruments  
IFRS14 Regulatory Deferral Accounts  
IFRS15 Revenue from contracts with customers  
IFRS 16 Leases

Additional disclosures on the possible impact in the period of initial application if IFRS 9 and IFRS 15 had been implemented in 2017-18 are provided in Note 34 of these accounts.

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

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

### **1.30 Charities**

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the LHB has established that as corporate trustee of the linked NHS Charity "Betsi Cadwaladr University Health Board and Other Related Charities" it is considered for accounting standards compliance to have control of the Charity as a subsidiary. It is therefore required to consolidate the results of the 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 the Charity or its independence in its management of charitable funds.

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

## 2. Financial Duties Performance

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

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

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

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

### 2.1 Revenue Resource Performance

Annual financial performance

|   | 2015-16<br>£'000 | 2016-17<br>£'000 | 2017-18<br>£'000 | Total<br>£'000   |
|---|------------------|------------------|------------------|------------------|
| <b>Net operating costs for the year</b>   | <b>1,352,493</b> | <b>1,407,776</b> | <b>1,492,291</b> | <b>4,252,560</b> |
| Less general ophthalmic services expenditure and other non-cash limited expenditure | (966)            | (11)             | (158)            | (1,135)          |
| Less revenue consequences of bringing PFI schemes onto SoFP                         | 0                | 0                | 0                | 0                |
| Total operating expenses  | 1,351,527        | 1,407,765        | 1,492,133        | 4,251,425        |
| Revenue Resource Allocation   | 1,332,002        | 1,377,981        | 1,453,295        | 4,163,278        |
| <b>Under /(over) spend against Allocation</b>                                       | <b>(19,525)</b>  | <b>(29,784)</b>  | <b>(38,838)</b>  | <b>(88,147)</b>  |

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

The Health Board received £35.13 million repayable cash only support during 2017-18. The accumulated cash only support provided to the Health Board by the Welsh Government was £75.73 million as at 31 March 2018. This cash only support is provided to assist the Health Board with ensuring payments to staff and suppliers, there is no interest payable on cash only support. Repayment of this cash assistance will be in accordance with the Health Board's future Integrated Medium Term Plan submissions.

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

### 2.2 Capital Resource Performance

|  | 2015-16<br>£'000 | 2016-17<br>£'000 | 2017-18<br>£'000 | Total<br>£'000 |
|--|------------------|------------------|------------------|----------------|
| <b>Gross capital expenditure</b>   | <b>48,044</b>    | <b>66,115</b>    | <b>74,858</b>    | <b>189,017</b> |
| Add: Losses on disposal of donated assets                                | 0                | 0                | 0                | 0              |
| Less NBV of property, plant and equipment and intangible assets disposed | (690)            | (548)            | (553)            | (1,791)        |
| Less capital grants received   | (385)            | (1,639)          | 0                | (2,024)        |
| Less donations received  | (1,384)          | (3,751)          | (909)            | (6,044)        |
| Charge against Capital Resource Allocation                               | 45,585           | 60,177           | 73,396           | 179,158        |
| Capital Resource Allocation  | 45,588           | 60,206           | 73,398           | 179,192        |
| <b>(Over) / Underspend against Capital Resource Allocation</b>           | <b>3</b>         | <b>29</b>        | <b>2</b>         | <b>34</b>      |

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

**2.3 Duty to prepare a 3 year plan**

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

The Health Board was placed in Special Measures in June 2015 and in agreement with Welsh Government did not submit a three year plan during either the 2016-17 or 2017-18 financial years.

An Annual Operating Plan was submitted to Welsh Government for 2017-18 and the Health Board has agreed with Welsh Government that it will develop a further plan for 2018-19 which responds to the special measures framework and key areas for improvement.

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

|  | <b>2016-17<br/>to<br/>2018-19</b> | <b>2017-18<br/>to<br/>2019-20</b> |
|--|-----------------------------------|-----------------------------------|
| The Cabinet Secretary for Health and Social Services approval status | Not submitted                     | Not submitted                     |

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

|                                       | Cash<br>limited<br>£'000 | Non-cash<br>limited<br>£'000 | 2017-18<br>Total<br>£'000 | 2016-17<br>£'000 |
|---------------------------------------|--------------------------|------------------------------|---------------------------|------------------|
| General Medical Services              | 121,847                  |                              | 121,847                   | 117,632          |
| Pharmaceutical Services               | 30,855                   | (6,321)                      | 24,534                    | 24,905           |
| General Dental Services               | 32,107                   |                              | 32,107                    | 32,352           |
| General Ophthalmic Services           | 1,452                    | 6,479                        | 7,931                     | 7,590            |
| Other Primary Health Care expenditure | 9,356                    |                              | 9,356                     | 10,833           |
| Prescribed drugs and appliances       | 106,640                  |                              | 106,640                   | 106,960          |
| <b>Total</b>                          | <b>302,257</b>           | <b>158</b>                   | <b>302,415</b>            | <b>300,272</b>   |

#### 3.2 Expenditure on healthcare from other providers

|   | 2017-18<br>£'000 | 2016-17<br>£'000 |
|---|------------------|------------------|
| Goods and services from other NHS Wales Health Boards | 4,864            | 4,862            |
| Goods and services from other NHS Wales Trusts        | 9,120            | 9,126            |
| Goods and services from other non Welsh NHS bodies    | 63,348           | 61,465           |
| Goods and services from WHSSC / EASC                  | 158,433          | 151,366          |
| Local Authorities                                     | 0                | 0                |
| Voluntary organisations                               | 7,447            | 7,566            |
| NHS Funded Nursing Care                               | 9,846            | 7,263            |
| Continuing Care                                       | 91,605           | 76,848           |
| Private providers                                     | 2,970            | 5,177            |
| Specific projects funded by the Welsh Government      | 0                | 0                |
| Other   | 0                | 0                |
| <b>Total</b>  | <b>347,633</b>   | <b>323,673</b>   |

**Note 3.1 Expenditure on Primary Healthcare Services includes pay costs of £17,771,000 comprising:**

|  | 2017-18<br>£'000 | 2016-17<br>£'000 |
|--|------------------|------------------|
| General Medical Services - GP Out of Hours             | 6,987            | 6,719            |
| General Medical Services - Including Managed Practices | 8,878            | 5,309            |
| General Dental Services                                | 695              | 604              |
| Other Primary Health Care Expenditure                  | 1,211            | 38               |
|  | <b>17,771</b>    | <b>12,670</b>    |

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

|   | <b>2017-18</b> | 2016-17 |
|---|----------------|---------|
|   | <b>£'000</b>   | £'000   |
| Directors' costs  | 2,184          | 2,203   |
| Staff costs   | 685,517        | 667,340 |
| Supplies and services - clinical                                    | 120,366        | 120,819 |
| Supplies and services - general                                     | 23,223         | 25,870  |
| Consultancy Services  | 2,003          | 2,342   |
| Establishment   | 10,324         | 10,725  |
| Transport   | 4,788          | 4,853   |
| Premises  | 35,724         | 35,067  |
| External Contractors  | 0              | 0       |
| Depreciation  | 29,167         | 28,575  |
| Amortisation  | 499            | 521     |
| Fixed asset impairments and reversals (Property, plant & equipment) | 45,046         | 8,383   |
| 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  | 448            | 453     |
| Other auditors' remuneration  | 0              | 0       |
| Losses, special payments and irrecoverable debts                    | 3,837          | 2,575   |
| Research and Development  | 1,955          | 455     |
| Other operating expenses  | 3,730          | 4,943   |
| <b>Total</b>  | <b>968,811</b> | 915,124 |

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

|  | <b>2017-18</b> | 2016-17         |
|--|----------------|-----------------|
|  | <b>£'000</b>   | £'000           |
| <b>Increase/(decrease) in provision for future payments:</b> |                |                 |
| Clinical negligence  | 10,436         | 26,052          |
| Personal injury  | 1,603          | 292             |
| All other losses and special payments                        | 463            | 271             |
| Defence legal fees and other administrative costs            | 1,112          | 782             |
| Gross increase/(decrease) in provision for future payments   | <b>13,614</b>  | <b>27,397</b>   |
| Contribution to Welsh Risk Pool                              | 0              | 0               |
| Premium for other insurance arrangements                     | 0              | 0               |
| Irrecoverable debts  | (91)           | 175             |
| <b>Less: income received/due from Welsh Risk Pool</b>        | <b>(9,686)</b> | <b>(24,997)</b> |
| <b>Total</b>   | <b>3,837</b>   | <b>2,575</b>    |

Personal injury costs include £ 239,000 (2016-17 £30,000) in respect of permanent injury benefits. Charges to operating expenses include £492,000 (2016-17 £435,000) in respect of 113 cases arising from clinical redress (2016-17 127 cases), split between damages of £381,000 and defence costs of £111,000.

#### 4. Miscellaneous Income

|   | 2017-18<br>£'000 | 2016-17<br>£'000 |
|---|------------------|------------------|
| Local Health Boards                               | 4,002            | 5,556            |
| WHSSC /EASC                                       | 39,266           | 38,262           |
| NHS trusts  | 5,677            | 5,603            |
| Other NHS England bodies                          | 13,854           | 12,673           |
| Foundation Trusts                                 | 889              | 1,278            |
| Local authorities                                 | 10,471           | 11,020           |
| Welsh Government                                  | 1,241            | 3,156            |
| Non NHS:  |                  |                  |
| Prescription charge income                        | 49               | 49               |
| Dental fee income                                 | 9,567            | 9,961            |
| Private patient income                            | 843              | 1,269            |
| Overseas patients (non-reciprocal)                | 27               | 495              |
| Injury Costs Recovery (ICR) Scheme                | 1,470            | 1,635            |
| Other income from activities                      | 8,591            | 4,323            |
| Patient transport services                        | 0                | 0                |
| Education, training and research                  | 19,236           | 19,841           |
| Charitable and other contributions to expenditure | 1,349            | 1,279            |
| Receipt of donated assets                         | 909              | 3,750            |
| Receipt of Government granted assets              | 0                | 1,639            |
| Non-patient care income generation schemes        | 447              | 440              |
| NWSSP   | 0                | 0                |
| Deferred income released to revenue               | 1                | 79               |
| Contingent rental income from finance leases      | 0                | 0                |
| Rental income from operating leases               | 1,037            | 983              |
| Other income:                                     |                  |                  |
| Provision of laundry, pathology, payroll services | 125              | 175              |
| Accommodation and catering charges                | 3,167            | 3,016            |
| Mortuary fees                                     | 333              | 328              |
| Staff payments for use of cars                    | 1,044            | 970              |
| Business Unit                                     | 0                | 0                |
| Other   | 3,049            | 3,247            |
| <b>Total</b>                                      | <b>126,644</b>   | <b>131,027</b>   |

Injury Cost Recovery (ICR) Scheme income is generally subject to a provision for impairment of 22.84 % to reflect expected rates of collection as advised by the Compensation Recovery Unit. The Health Board has further increased the provision impairment rate on specific aged cases in order to reflect the additional risk of potential non-recovery.

The NHS Trusts miscellaneous income figure of £5,677,000 consists of £5,341,000 from Welsh NHS Trusts and £336,000 from English NHS Trusts.

"Other Income: Other" includes recharges for staff costs of £848,000 not allocated to other categories.

**5. Investment Revenue**

|                             | 2017-18<br>£000 | 2016-17<br>£000 |
|-----------------------------|-----------------|-----------------|
| <b>Rental revenue :</b>     |                 |                 |
| PFI Finance lease income    |                 |                 |
| planned                     | 0               | 0               |
| contingent                  | 0               | 0               |
| Other finance lease revenue | 0               | 0               |
| <b>Interest revenue :</b>   |                 |                 |
| Bank accounts               | 0               | 0               |
| Other loans and receivables | 0               | 0               |
| Impaired financial assets   | 0               | 0               |
| Other financial assets      | 0               | 0               |
| <b>Total</b>                | <b>0</b>        | <b>0</b>        |

**6. Other gains and losses**

|  | 2017-18<br>£000 | 2016-17<br>£000 |
|--|-----------------|-----------------|
| Gain/(loss) on disposal of property, plant and equipment                           | (26)            | 370             |
| 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>(26)</b>     | <b>370</b>      |

**7. Finance costs**

|  | 2017-18<br>£000 | 2016-17<br>£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                            | 40              | 42              |
| contingent finance cost                      | 0               | 0               |
| Interest on late payment of commercial debt  | 0               | 0               |
| Other interest expense                       | 0               | 0               |
| <b>Total interest expense</b>                | <b>40</b>       | <b>42</b>       |
| Provisions unwinding of discount             | 10              | 62              |
| Other finance costs                          | 0               | 0               |
| <b>Total</b>                                 | <b>50</b>       | <b>104</b>      |

## 8. Operating leases

### LHB as lessee

The following types of lease are included within operating leases:

- Lease of various medical and administrative equipment
- Lease of cars over periods of three and four years, and
- Lease of various properties over differing periods.

| <b>Payments recognised as an expense</b> | <b>2017-18</b> | 2016-17 |
|--|----------------|---------|
|  | <b>£000</b>    | £000    |
| Minimum lease payments                   | <b>4,798</b>   | 3,320   |
| Contingent rents                         | <b>0</b>       | 0       |
| Sub-lease payments                       | <b>0</b>       | 0       |
| <b>Total</b>                             | <b>4,798</b>   | 3,320   |

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

| <b>Payable</b>             | <b>£000</b>   | £000   |
|----------------------------|---------------|--------|
| Not later than one year    | <b>3,973</b>  | 2,630  |
| Between one and five years | <b>6,530</b>  | 4,628  |
| After 5 years              | <b>17,276</b> | 12,964 |
| <b>Total</b>               | <b>27,779</b> | 20,222 |

There are no future sublease payments expected to be received.

### LHB as lessor

Operating leases include the lease of various properties over differing periods. The rent receivable for each lease is negotiated at the time that the contract is entered into.

| <b>Rental revenue</b>       | <b>£000</b> | £000 |
|-----------------------------|-------------|------|
| Rent                        | <b>248</b>  | 374  |
| Contingent rents            | <b>0</b>    | 0    |
| <b>Total revenue rental</b> | <b>248</b>  | 374  |

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

| <b>Receivable</b>          | <b>£000</b> | £000 |
|----------------------------|-------------|------|
| Not later than one year    | <b>248</b>  | 374  |
| Between one and five years | <b>68</b>   | 18   |
| After 5 years              | <b>18</b>   | 23   |
| <b>Total</b>               | <b>334</b>  | 415  |

## 9. Employee benefits and staff numbers

| 9.1 Employee costs   | Permanent Staff | Staff on Inward Secondment | Agency Staff  | Other         | Total          | 2016-17        |
|--|-----------------|----------------------------|---------------|---------------|----------------|----------------|
|  | £000            | £000                       | £000          | £000          | £000           | £000           |
| Salaries and wages   | 542,559         | 3,156                      | 19,051        | 21,984        | 586,750        | 571,990        |
| Social security costs  | 53,397          | 0                          | 0             | 0             | 53,397         | 49,037         |
| Employer contributions to NHS Pension Scheme   | 66,243          | 0                          | 0             | 0             | 66,243         | 62,610         |
| Other pension costs  | 83              | 0                          | 0             | 0             | 83             | 52             |
| Other employment benefits  | 0               | 0                          | 0             | 0             | 0              | 0              |
| Termination benefits   | 317             | 0                          | 0             | 0             | 317            | 53             |
| <b>Total</b>   | <b>662,599</b>  | <b>3,156</b>               | <b>19,051</b> | <b>21,984</b> | <b>706,790</b> | <b>683,742</b> |
| Charged to capital   |                 |                            |               |               | 793            | 1,345          |
| Charged to revenue   |                 |                            |               |               | 705,997        | 682,397        |
|  |                 |                            |               |               | <b>706,790</b> | <b>683,742</b> |
| Net movement in accrued employee benefits (untaken staff leave accrual included above) |                 |                            |               |               | 161            | 144            |

Included within Other staff are temporary and contract staff such as short-term direct engagement contracts, IR35 applicable staff, Out of Hours GPs and GMS Locum Doctors. Social Security costs relating to these groups of staff for the 2017-18 financial year are included within the Permanent Staff column of the above note.

### 9.2 Average number of employees

|   | Permanent Staff | Staff on Inward Secondment | Agency Staff | Other      | Total         | 2016-17       |
|---|-----------------|----------------------------|--------------|------------|---------------|---------------|
|   | Number          | Number                     | Number       |            | Number        | Number        |
| Administrative, clerical and board members    | 2,804           | 9                          | 37           | 0          | 2,850         | 2,598         |
| Medical and dental                            | 1,228           | 21                         | 25           | 135        | 1,409         | 1,420         |
| Nursing, midwifery registered                 | 4,824           | 3                          | 158          | 1          | 4,986         | 4,932         |
| Professional, Scientific, and technical staff | 360             | 15                         | 2            | 0          | 377           | 348           |
| Additional Clinical Services                  | 3,214           | 0                          | 7            | 0          | 3,221         | 3,158         |
| Allied Health Professions                     | 830             | 0                          | 21           | 0          | 851           | 809           |
| Healthcare Scientists                         | 272             | 0                          | 5            | 0          | 277           | 237           |
| Estates and Ancillary                         | 1,239           | 0                          | 0            | 0          | 1,239         | 1,178         |
| Students                                      | 16              | 1                          | 0            | 0          | 17            | 23            |
| <b>Total</b>                                  | <b>14,787</b>   | <b>49</b>                  | <b>255</b>   | <b>136</b> | <b>15,227</b> | <b>14,703</b> |

### 9.3. Retirements due to ill-health

This note discloses the number and additional pension costs for individuals who are Scheme members and who retired early on ill-health grounds during the year. NHS Pensions has advised that during 2017-18 there were 12 early retirements at an additional cost of £846,326 (2016-17 17 early retirements at a cost of £766,088). This cost has been calculated by multiplying the average value of ill-health pension by the number of years from payment to age 60. Any pensions increase has been ignored.

### 9.4 Employee benefits

Employee benefits refer to non-pay benefits which are not attributable to individual employees, for example group membership of a club. The Health Board does not operate any employee benefit schemes.

9.5 Reporting of other compensation schemes - exit packages

| Exit packages cost band (including any special payment element) | 2017-18                           | 2017-18                    | 2017-18                       | 2017-18  | 2016-17                       |
|---|-----------------------------------|----------------------------|-------------------------------|--|-------------------------------|
|   | Number of compulsory redundancies | Number of other departures | Total number of exit packages | Number of departures where special payments have been made | Total number of exit packages |
|   | Whole numbers only                | Whole numbers only         | Whole numbers only            | Whole numbers only   | Whole numbers only            |
| less than £10,000   | 0                                 | 0                          | 0                             | 0  | 0                             |
| £10,000 to £25,000  | 0                                 | 0                          | 0                             | 0  | 1                             |
| £25,000 to £50,000  | 0                                 | 3                          | 3                             | 0  | 1                             |
| £50,000 to £100,000   | 0                                 | 1                          | 1                             | 0  | 0                             |
| £100,000 to £150,000  | 1                                 | 0                          | 1                             | 0  | 0                             |
| £150,000 to £200,000  | 0                                 | 0                          | 0                             | 0  | 0                             |
| more than £200,000  | 0                                 | 0                          | 0                             | 0  | 0                             |
| <b>Total</b>  | <b>1</b>                          | <b>4</b>                   | <b>5</b>                      | <b>0</b>   | <b>2</b>                      |

| Exit packages cost band (including any special payment element) | 2017-18                         | 2017-18                  | 2017-18                     | 2017-18   | 2016-17                     |
|---|---------------------------------|--------------------------|-----------------------------|---|-----------------------------|
|   | Cost of compulsory redundancies | Cost of other departures | Total cost of exit packages | Cost of special element included in exit packages | Total cost of exit packages |
|   | £'s                             | £'s                      | £'s                         | £'s   | £'s                         |
| less than £10,000   | 0                               | 0                        | 0                           | 0   | 0                           |
| £10,000 to £25,000  | 0                               | 0                        | 0                           | 0   | 17,533                      |
| £25,000 to £50,000  | 0                               | 105,325                  | 105,325                     | 0   | 35,869                      |
| £50,000 to £100,000   | 0                               | 62,021                   | 62,021                      | 0   | 0                           |
| £100,000 to £150,000  | 149,985                         | 0                        | 149,985                     | 0   | 0                           |
| £150,000 to £200,000  | 0                               | 0                        | 0                           | 0   | 0                           |
| more than £200,000  | 0                               | 0                        | 0                           | 0   | 0                           |
| <b>Total</b>  | <b>149,985</b>                  | <b>167,346</b>           | <b>317,331</b>              | <b>0</b>  | <b>53,402</b>               |

This disclosure reports the number and value of exit packages taken by staff leaving the Health Board during the year. Whilst the exit costs in this note are accounted for in full in the year of departure the expenses associated with these departures may have been recognised in part or full in a previous period.

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Additional costs relating to early retirements are met by the Health Board and not by the NHS Pension Scheme.

Ill-health retirement costs are not included in these tables as they are met by the NHS Pension Scheme. Further details are provided in Note 9.3 Retirements due to ill-health.

## 9.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the LHB in the financial year 2017-18 was £200,000 - £205,000 (2016-17, £200,000 - £205,000). This was 7.16 times (2016-17, 7.11) the median remuneration of the workforce, which was £28,284 (2016-17, £28,462).

In 2017-18, 9 (2016-17, 17) employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £210,000-£215,000 to £295,000-£300,000 (2016-17 £200,000-£205,000 to £270,000-£275,000).

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

The Remuneration Relationship increased during 2017-18 as the median remuneration has decreased marginally whilst the banded remuneration of the highest paid director has not changed. The total number of staff employed through the year has increased and new employees start at the bottom of the relevant payscales, which lowers the median remuneration.

## 9.7 Pension costs

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

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

### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

### b) Full actuarial (funding) valuation

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

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

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

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

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

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

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

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 2% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing to 8% in April 2019.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,876 and £45,000 for the 2017-18 tax year (2016-17 £5,824 and £43,000).

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

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

### 10.1 Prompt payment code - measure of compliance

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

|  | 2017-18 | 2017-18 | 2016-17 | 2016-17 |
|--|---------|---------|---------|---------|
| NHS                                    | Number  | £000    | Number  | £000    |
| Total bills paid                       | 6,353   | 257,656 | 6,386   | 260,440 |
| Total bills paid within target         | 5,801   | 255,898 | 6,025   | 257,565 |
| Percentage of bills paid within target | 91.3%   | 99.3%   | 94.3%   | 98.9%   |
| <b>Non-NHS</b>                         |         |         |         |         |
| Total bills paid                       | 299,701 | 591,282 | 307,791 | 561,808 |
| Total bills paid within target         | 281,845 | 575,972 | 296,956 | 551,760 |
| Percentage of bills paid within target | 94.0%   | 97.4%   | 96.5%   | 98.2%   |
| <b>Total</b>                           |         |         |         |         |
| Total bills paid                       | 306,054 | 848,938 | 314,177 | 822,248 |
| Total bills paid within target         | 287,646 | 831,870 | 302,981 | 809,325 |
| Percentage of bills paid within target | 94.0%   | 98.0%   | 96.4%   | 98.4%   |

Welsh Government has set a requirement for the Health Board to pay 95% of its non-NHS creditors, by number, within 30 calendar days of receipt of goods or a valid invoice (whichever is later) unless other payment terms have been agreed. During 2017-18 the Health Board paid 94.0% of invoices within 30 days (2016-17 96.5%) and therefore did not achieve this performance measure.

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

|  | 2017-18  | 2016-17  |
|--|----------|----------|
|  | £        | £        |
| Amounts included within finance costs (note 7) from claims made under this legislation | 0        | 0        |
| Compensation paid to cover debt recovery costs under this legislation                  | 0        | 0        |
| <b>Total</b>   | <b>0</b> | <b>0</b> |

11.1 Property, plant and equipment

|  | Land<br>£000  | Buildings,<br>excluding<br>dwellings<br>£000 | Dwellings<br>£000 | Assets under<br>construction &<br>payments on<br>account<br>£000 | Plant and<br>machinery<br>£000 | Transport<br>equipment<br>£000 | Information<br>technology<br>£000 | Furniture<br>& fittings<br>£000 | Total<br>£000    |
|--|---------------|--|-------------------|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|------------------|
| <b>Cost or valuation at 1 April 2017</b>               | 49,789        | 489,066                                      | 17,619            | 85,524   | 99,981                         | 1,127                          | 16,251                            | 6,281                           | <b>765,638</b>   |
| Indexation   | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0                |
| Additions  |               |  |                   |  |                                |                                |                                   |                                 |                  |
| - purchased  | 0             | 0  | 0                 | 64,679   | 6,289                          | 0                              | 2,183                             | 779                             | <b>73,930</b>    |
| - donated  | 0             | 140  | 0                 | 0  | 769                            | 0                              | 0                                 | 0                               | <b>909</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             | 39,934                                       | 133               | (44,676)   | 2,329                          | 0                              | 2,280                             | 0                               | <b>0</b>         |
| Revaluations   | 1,439         | (84,654)                                     | 781               | 0  | 0                              | 0                              | 0                                 | 0                               | <b>(82,434)</b>  |
| Reversal of impairments                                | (2,355)       | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | <b>(2,355)</b>   |
| Impairments  | (1,658)       | (6,488)                                      | (144)             | 0  | 0                              | 0                              | 0                                 | 0                               | <b>(8,290)</b>   |
| Reclassified as held for sale                          | (593)         | (79)   | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | <b>(672)</b>     |
| Disposals  | (328)         | (2,259)                                      | (155)             | 0  | (4,641)                        | 0                              | 0                                 | (1)                             | <b>(7,384)</b>   |
| <b>At 31 March 2018</b>                                | <b>46,294</b> | <b>435,660</b>                               | <b>18,234</b>     | <b>105,527</b>   | <b>104,727</b>                 | <b>1,127</b>                   | <b>20,714</b>                     | <b>7,059</b>                    | <b>739,342</b>   |
| <b>Depreciation at 1 April 2017</b>                    | 208           | 124,623                                      | 2,623             | 0  | 62,332                         | 1,072                          | 8,529                             | 2,691                           | <b>202,078</b>   |
| Indexation   | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0                |
| Transfer from/into other NHS bodies                    | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0                |
| Reclassifications                                      | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | 0                |
| Revaluations   | (217)         | (154,333)                                    | (2,792)           | 0  | 0                              | 0                              | 0                                 | 0                               | <b>(157,342)</b> |
| Reversal of impairments                                | 0             | (1,821)                                      | (20)              | 0  | 0                              | 0                              | 0                                 | 0                               | <b>(1,841)</b>   |
| Impairments  | 72            | 44,271                                       | 189               | 0  | 0                              | 0                              | 0                                 | 0                               | <b>44,532</b>    |
| Reclassified as held for sale                          | 0             | (5)  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | <b>(5)</b>       |
| Disposals  | (63)          | (2,123)                                      | (3)               | 0  | (4,641)                        | 0                              | 0                                 | (1)                             | <b>(6,831)</b>   |
| Provided during the year                               | 0             | 16,105                                       | 623               | 0  | 9,067                          | 13                             | 2,732                             | 627                             | <b>29,167</b>    |
| <b>At 31 March 2018</b>                                | <b>0</b>      | <b>26,717</b>                                | <b>620</b>        | <b>0</b>   | <b>66,758</b>                  | <b>1,085</b>                   | <b>11,261</b>                     | <b>3,317</b>                    | <b>109,758</b>   |
| <b>Net book value at 1 April 2017</b>                  | <b>49,581</b> | <b>364,443</b>                               | <b>14,996</b>     | <b>85,524</b>  | <b>37,649</b>                  | <b>55</b>                      | <b>7,722</b>                      | <b>3,590</b>                    | <b>563,560</b>   |
| <b>Net book value at 31 March 2018</b>                 | <b>46,294</b> | <b>408,943</b>                               | <b>17,614</b>     | <b>105,527</b>   | <b>37,969</b>                  | <b>42</b>                      | <b>9,453</b>                      | <b>3,742</b>                    | <b>629,584</b>   |
| <b>Net book value at 31 March 2018<br/>comprises :</b> |               |  |                   |  |                                |                                |                                   |                                 |                  |
| Purchased  | 46,294        | 401,934                                      | 17,614            | 105,527  | 31,912                         | 42                             | 9,287                             | 3,174                           | <b>615,784</b>   |
| Donated  | 0             | 6,073  | 0                 | 0  | 6,057                          | 0                              | 166                               | 556                             | <b>12,852</b>    |
| Government Granted                                     | 0             | 936  | 0                 | 0  | 0                              | 0                              | 0                                 | 12                              | <b>948</b>       |
| <b>At 31 March 2018</b>                                | <b>46,294</b> | <b>408,943</b>                               | <b>17,614</b>     | <b>105,527</b>   | <b>37,969</b>                  | <b>42</b>                      | <b>9,453</b>                      | <b>3,742</b>                    | <b>629,584</b>   |
| <b>Asset financing :</b>                               |               |  |                   |  |                                |                                |                                   |                                 |                  |
| Owned  | 46,294        | 407,937                                      | 17,614            | 105,527  | 37,969                         | 42                             | 9,453                             | 3,742                           | <b>628,578</b>   |
| Held on finance lease                                  | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | <b>0</b>         |
| On-SoFP PFI contracts                                  | 0             | 1,006  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | <b>1,006</b>     |
| PFI residual interests                                 | 0             | 0  | 0                 | 0  | 0                              | 0                              | 0                                 | 0                               | <b>0</b>         |
| <b>At 31 March 2018</b>                                | <b>46,294</b> | <b>408,943</b>                               | <b>17,614</b>     | <b>105,527</b>   | <b>37,969</b>                  | <b>42</b>                      | <b>9,453</b>                      | <b>3,742</b>                    | <b>629,584</b>   |

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

|                 | £000           |
|-----------------|----------------|
| Freehold        | <b>468,059</b> |
| Long Leasehold  | <b>4,792</b>   |
| Short Leasehold | <b>0</b>       |
|                 | <b>472,851</b> |

The Health Board's land and buildings were revalued by the Valuation Office Agency with an effective date of 1 April 2017. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition .

Local Health Boards are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which as asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

**11.1 Property, plant and equipment**

|  | Buildings, excluding dwellings |                |                | Assets under construction & payments on account | Plant and machinery | Transport equipment | Information technology | Furniture & fittings | Total    |
|--|--------------------------------|----------------|----------------|---|---------------------|---------------------|------------------------|----------------------|----------|
|  | Land £000                      | dwellings £000 | Dwellings £000 | £000  | £000                | £000                | £000                   | £000                 | £000     |
| <b>Cost or valuation at 1 April 2016</b>           | 48,685                         | 457,757        | 17,623         | 66,233  | 95,186              | 1,340               | 19,205                 | 5,111                | 711,140  |
| Indexation   | 1,874                          | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 1,874    |
| Additions  |                                |                |                |   |                     |                     |                        |                      |          |
| - purchased  | 0                              | 0              | 0              | 52,686  | 3,566               | 0                   | 3,239                  | 1,083                | 60,574   |
| - donated  | 0                              | 684            | 0              | (684)   | 2,962               | 0                   | 187                    | 571                  | 3,720    |
| - government granted                               | 0                              | 1,639          | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 1,639    |
| Transfer from/into other NHS bodies                | 0                              | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 0        |
| Reclassifications                                  | 0                              | 29,019         | (4)            | (32,711)  | 3,696               | 0                   | 0                      | 0                    | 0        |
| Revaluations                                       | 0                              | 1,289          | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 1,289    |
| Reversal of impairments                            | 0                              | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 0        |
| Impairments  | (7)                            | (26)           | 0              | 0   | 0                   | 0                   | 0                      | 0                    | (33)     |
| Reclassified as held for sale                      | 0                              | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 0        |
| Disposals  | (763)                          | (1,296)        | 0              | 0   | (5,429)             | (213)               | (6,380)                | (484)                | (14,565) |
| <b>At 31 March 2017</b>                            | 49,789                         | 489,066        | 17,619         | 85,524  | 99,981              | 1,127               | 16,251                 | 6,281                | 765,638  |
| <b>Depreciation at 1 April 2016</b>                | 515                            | 99,857         | 2,103          | 0   | 59,254              | 1,242               | 12,738                 | 2,692                | 178,401  |
| Indexation   | 527                            | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 527      |
| 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                              | 210            | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 210      |
| Reversal of impairments                            | (507)                          | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | (507)    |
| Impairments  | 140                            | 8,746          | 0              | 0   | 4                   | 0                   | 0                      | 0                    | 8,890    |
| Reclassified as held for sale                      | 0                              | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 0        |
| Disposals  | (467)                          | (1,045)        | 0              | 0   | (5,429)             | (213)               | (6,380)                | (484)                | (14,018) |
| Provided during the year                           | 0                              | 16,855         | 520            | 0   | 8,503               | 43                  | 2,171                  | 483                  | 28,575   |
| <b>At 31 March 2017</b>                            | 208                            | 124,623        | 2,623          | 0   | 62,332              | 1,072               | 8,529                  | 2,691                | 202,078  |
| <b>Net book value at 1 April 2016</b>              | 48,170                         | 357,900        | 15,520         | 66,233  | 35,932              | 98                  | 6,467                  | 2,419                | 532,739  |
| <b>Net book value at 31 March 2017</b>             | 49,581                         | 364,443        | 14,996         | 85,524  | 37,649              | 55                  | 7,722                  | 3,590                | 563,560  |
| <b>Net book value at 31 March 2017 comprises :</b> |                                |                |                |   |                     |                     |                        |                      |          |
| Purchased  | 49,581                         | 354,969        | 14,996         | 85,524  | 31,110              | 55                  | 7,502                  | 2,944                | 546,681  |
| Donated  | 0                              | 6,940          | 0              | 0   | 6,539               | 0                   | 220                    | 631                  | 14,330   |
| Government Granted                                 | 0                              | 2,534          | 0              | 0   | 0                   | 0                   | 0                      | 15                   | 2,549    |
| <b>At 31 March 2017</b>                            | 49,581                         | 364,443        | 14,996         | 85,524  | 37,649              | 55                  | 7,722                  | 3,590                | 563,560  |
| <b>Asset financing :</b>                           |                                |                |                |   |                     |                     |                        |                      |          |
| Owned  | 49,581                         | 363,496        | 14,996         | 85,524  | 37,649              | 55                  | 7,722                  | 3,590                | 562,613  |
| Held on finance lease                              | 0                              | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 0        |
| On-SoFP PFI contracts                              | 0                              | 947            | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 947      |
| PFI residual interests                             | 0                              | 0              | 0              | 0   | 0                   | 0                   | 0                      | 0                    | 0        |
| <b>At 31 March 2017</b>                            | 49,581                         | 364,443        | 14,996         | 85,524  | 37,649              | 55                  | 7,722                  | 3,590                | 563,560  |

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

|                 |                |
|-----------------|----------------|
| Freehold        | £000           |
| Long Leasehold  | 425,068        |
| Short Leasehold | 3,952          |
|                 | <u>0</u>       |
|                 | <u>429,020</u> |

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

(i) Donated asset additions include schemes funded by:

- Betsi Cadwaladr University Health Board and Other Related Charities - £0.310m
- Other hospital based voluntary bodies - £0.599m

(ii) Impairments relate to the revaluation of:

- Quinquennial DV Valuation April 2017
- Glan Clwyd Hospital Redevelopment

(iii) Asset lives for buildings and dwellings are provided by the District Valuer with lives for equipment assets being assessed and reviewed on a regular basis by users of the equipment.

(iv) There has been no compensation from third parties for assets impaired, lost or given up during the year.

(v) There have been no write-downs to recoverable amounts or reversals of such write-downs during the year.

(vi) The Health Board does not have any temporary idle assets.

(vii) The gross carrying amount of fully depreciated tangible asset still in use as at 31 March 2018 was £40.94m (31 March 2017 £35.07m).

(viii) IFRS13 Fair Value Measurement has not been applied in the preparation of these accounts as the Health Board does not hold any non-operational assets.

**11. Property, plant and equipment**

| 11.2 Non-current assets held for sale   | Land       | Buildings,<br>including<br>dwelling | Other<br>property,<br>plant and<br>equipment | Intangible<br>assets | Other assets | Total      |
|---|------------|-------------------------------------|--|----------------------|--------------|------------|
|   | £000       | £000                                | £000   | £000                 | £000         | £000       |
| <b>Balance brought forward 1 April 2017</b>   | 0          | 0                                   | 0  | 0                    | 0            | 0          |
| Plus assets classified as held for sale in the year   | 593        | 74                                  | 0  | 0                    | 0            | 667        |
| 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,<br>for reasons other than disposal by sale | 0          | 0                                   | 0  | 0                    | 0            | 0          |
| <b>Balance carried forward 31 March 2018</b>  | <u>593</u> | <u>74</u>                           | <u>0</u>                                     | <u>0</u>             | <u>0</u>     | <u>667</u> |
| <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,<br>for reasons other than disposal by sale | 0          | 0                                   | 0  | 0                    | 0            | 0          |
| <b>Balance carried forward 31 March 2017</b>  | <u>0</u>   | <u>0</u>                            | <u>0</u>                                     | <u>0</u>             | <u>0</u>     | <u>0</u>   |

**Non current assets held for sale include the following properties which the Health Board has approved for disposal during 2018/19:**

- Abergele Hospital - Grazing Land (Non-operational)
- Bryn Y Neuadd Hospital - Agricultural Land (Non-operational)
- Caergwle Health Clinic
- Argyll Road Clinic, Llandudno
- Plas Madoc Land (Non-operational)

|    | A   | B                       | C                                     | D                             | E | F        | G | H  | I | J                                  | K | L        | M | N            |
|----|---|-------------------------|---------------------------------------|-------------------------------|---|----------|---|--|---|------------------------------------|---|----------|---|--------------|
| 1  | BETSI CADWALADR UNIVERSITY LOCAL HEALTH BOARD ANNUAL ACCOUNTS 2017-18 |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 2  |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 3  | <b>12. Intangible non-current assets</b>                              |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 4  |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 5  |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 6  |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 7  |   | Software<br>(purchased) | Software<br>(internally<br>generated) | Licences<br>and<br>trademarks |   | Patents  |   | Development<br>expenditure-<br>internally<br>generated |   | Carbon<br>Reduction<br>Commitments |   |          |   | Total        |
| 8  |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 9  |   | £000                    | £000                                  | £000                          |   | £000     |   | £000   |   | £000                               |   |          |   | £000         |
| 10 |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 11 | <b>Cost or valuation at 1 April 2017</b>                              | 3,691                   | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 3,691        |
| 12 | Revaluation   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 13 | Reclassifications   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 14 | Reversal of impairments   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 15 | Impairments   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 16 | Additions- purchased  | 19                      | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 19           |
| 17 | Additions- internally generated                                       | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 18 | Additions- donated  | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 19 | Additions- government granted   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 20 | Reclassified as held for sale   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 21 | Transfers   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 22 | Disposals   | (140)                   | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | (140)        |
| 23 |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 24 | <b>Gross cost at 31 March 2018</b>                                    | <b>3,570</b>            | <b>0</b>                              | <b>0</b>                      |   | <b>0</b> |   | <b>0</b>   |   | <b>0</b>                           |   | <b>0</b> |   | <b>3,570</b> |
| 25 |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 26 | <b>Amortisation at 1 April 2017</b>                                   | 2,453                   | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 2,453        |
| 27 | Revaluation   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 28 | Reclassifications   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 29 | Reversal of impairments   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 30 | Impairment  | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 31 | Provided during the year  | 499                     | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 499          |
| 32 | Reclassified as held for sale   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 33 | Transfers   | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 34 | Disposals   | (140)                   | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | (140)        |
| 35 |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 36 | <b>Amortisation at 31 March 2018</b>                                  | <b>2,812</b>            | <b>0</b>                              | <b>0</b>                      |   | <b>0</b> |   | <b>0</b>   |   | <b>0</b>                           |   | <b>0</b> |   | <b>2,812</b> |
| 37 |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 38 | <b>Net book value at 1 April 2017</b>                                 | <b>1,238</b>            | <b>0</b>                              | <b>0</b>                      |   | <b>0</b> |   | <b>0</b>   |   | <b>0</b>                           |   | <b>0</b> |   | <b>1,238</b> |
| 39 |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 40 | <b>Net book value at 31 March 2018</b>                                | <b>758</b>              | <b>0</b>                              | <b>0</b>                      |   | <b>0</b> |   | <b>0</b>   |   | <b>0</b>                           |   | <b>0</b> |   | <b>758</b>   |
| 41 |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 42 |   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 43 | <b>At 31 March 2018</b>   |                         |                                       |                               |   |          |   |  |   |                                    |   |          |   |              |
| 44 | Purchased   | 615                     | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 615          |
| 45 | Donated   | 143                     | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 143          |
| 46 | Government Granted  | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 47 | Internally generated  | 0                       | 0                                     | 0                             |   | 0        |   | 0  |   | 0                                  |   | 0        |   | 0            |
| 48 | <b>Total at 31 March 2018</b>   | <b>758</b>              | <b>0</b>                              | <b>0</b>                      |   | <b>0</b> |   | <b>0</b>   |   | <b>0</b>                           |   | <b>0</b> |   | <b>758</b>   |

## 12. Intangible non-current assets

|  | Software<br>(purchased) | Software<br>(internally<br>generated) | Licences<br>and<br>trademarks | Patents  | Development<br>expenditure-<br>internally<br>generated | Carbon<br>Reduction<br>Commitments | Total        |
|--|-------------------------|---------------------------------------|-------------------------------|----------|--|------------------------------------|--------------|
|  | £000                    | £000                                  | £000                          | £000     | £000   | £000                               | £000         |
| <b>Cost or valuation at 1 April 2016</b> | 4,235                   | 0                                     | 0                             | 0        | 0  | 0                                  | 4,235        |
| 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                     | 151                     | 0                                     | 0                             | 0        | 0  | 0                                  | 151          |
| Additions- internally generated          | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Additions- donated                       | 30                      | 0                                     | 0                             | 0        | 0  | 0                                  | 30           |
| 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                                | (725)                   | 0                                     | 0                             | 0        | 0  | 0                                  | (725)        |
| <b>Gross cost at 31 March 2017</b>       | <b>3,691</b>            | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>3,691</b> |
| <b>Amortisation at 1 April 2016</b>      | 2,657                   | 0                                     | 0                             | 0        | 0  | 0                                  | 2,657        |
| 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                 | 521                     | 0                                     | 0                             | 0        | 0  | 0                                  | 521          |
| Reclassified as held for sale            | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Transfers                                | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Disposals                                | (725)                   | 0                                     | 0                             | 0        | 0  | 0                                  | (725)        |
| <b>Amortisation at 31 March 2017</b>     | <b>2,453</b>            | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>2,453</b> |
| <b>Net book value at 1 April 2016</b>    | <b>1,578</b>            | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>1,578</b> |
| <b>Net book value at 31 March 2017</b>   | <b>1,238</b>            | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>1,238</b> |
| <b>At 31 March 2017</b>                  |                         |                                       |                               |          |  |                                    |              |
| Purchased                                | 1,026                   | 0                                     | 0                             | 0        | 0  | 0                                  | 1,026        |
| Donated                                  | 212                     | 0                                     | 0                             | 0        | 0  | 0                                  | 212          |
| Government Granted                       | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| Internally generated                     | 0                       | 0                                     | 0                             | 0        | 0  | 0                                  | 0            |
| <b>Total at 31 March 2017</b>            | <b>1,238</b>            | <b>0</b>                              | <b>0</b>                      | <b>0</b> | <b>0</b>   | <b>0</b>                           | <b>1,238</b> |

**Additional disclosures re Intangible Assets**

**Explanatory Notes: Note 12 Intangible non-current assets**

- (i) Software intangible assets are amortised over a standard life of five years, subject to an annual review by the relevant department. The Health Board does not hold any intangible non-current assets where the useful lives are considered to be indefinite.
- (ii) The gross carrying amount of fully depreciated intangible assets still in use as at 31 March 2018 was £0.538m (31 March 2017 £0.502m).

**13 . Impairments**

|   | 2017-18                                |                              | 2016-17                                |                              |
|---|--|------------------------------|--|------------------------------|
|   | Property, plant<br>& equipment<br>£000 | Intangible<br>assets<br>£000 | Property, plant<br>& equipment<br>£000 | Intangible<br>assets<br>£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                     | 55,192                                 | 0                            | 298                                    | 0                            |
| Others (specify)                            | 0                                      | 0                            | 8,619                                  | 0                            |
| Reversal of impairments                     | (1,856)                                | 0                            | (501)                                  | 0                            |
| <b>Total of all impairments</b>             | <b>53,336</b>                          | <b>0</b>                     | <b>8,416</b>                           | <b>0</b>                     |

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

|   |               |          |              |          |
|---|---------------|----------|--------------|----------|
| Charged to the Statement of Comprehensive Net Expenditure | 45,046        | 0        | 8,383        | 0        |
| Charged to Revaluation Reserve                            | 8,290         | 0        | 33           | 0        |
|   | <b>53,336</b> | <b>0</b> | <b>8,416</b> | <b>0</b> |

Impairments charged to the Statement of Comprehensive Net Expenditure during 2017-18 were conducted by the District Valuer in accordance with the requirements of IFRS.

## 14.1 Inventories

|                                   | <b>31 March</b> | 31 March      |
|-----------------------------------|-----------------|---------------|
|                                   | <b>2018</b>     | 2017          |
|                                   | <b>£000</b>     | £000          |
| Drugs                             | 5,994           | 7,044         |
| Consumables                       | 8,928           | 9,079         |
| Energy                            | 229             | 227           |
| Work in progress                  | 0               | 0             |
| Other                             | 39              | 48            |
| <b>Total</b>                      | <b>15,190</b>   | <b>16,398</b> |
| Of which held at realisable value | <b>0</b>        | <b>0</b>      |

## 14.2 Inventories recognised in expenses

|  | <b>31 March</b> | 31 March   |
|--|-----------------|------------|
|  | <b>2018</b>     | 2017       |
|  | <b>£000</b>     | £000       |
| Inventories recognised as an expense in the period | 0               | 0          |
| Write-down of inventories (including losses)       | 177             | 134        |
| Reversal of write-downs that reduced the expense   | 0               | 0          |
| <b>Total</b>                                       | <b>177</b>      | <b>134</b> |

Write-down of inventories relates to the disposal of obsolete, out-of-date or damaged pharmacy stock. The write-down figure represents 0.3% of drugs purchases during the year (2016-17 0.2%).

**15. Trade and other Receivables**

| Current   | 31 March       | 31 March       |
|---|----------------|----------------|
|   | 2018           | 2017           |
|   | £000           | £000           |
| Welsh Government  | 649            | 688            |
| WHSSC / EASC  | 762            | 674            |
| Welsh Health Boards                                     | 1,053          | 1,560          |
| Welsh NHS Trusts  | 1,461          | 641            |
| Non - Welsh Trusts                                      | 0              | 576            |
| Other NHS   | 3,065          | 1,559          |
| Welsh Risk Pool   | 33,243         | 27,577         |
| Local Authorities                                       | 4,106          | 2,243          |
| Capital debtors   | 0              | 0              |
| Other debtors   | 5,737          | 8,492          |
| Provision for irrecoverable debts                       | (1,487)        | (2,298)        |
| Pension Prepayments                                     | 0              | 0              |
| Other prepayments                                       | 3,956          | 4,347          |
| Other accrued income                                    | 2,078          | 2,191          |
| <b>Sub total</b>  | <b>54,623</b>  | <b>48,250</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   | 59,757         | 69,543         |
| Local Authorities                                       | 0              | 0              |
| Capital debtors   | 0              | 0              |
| Other debtors   | 0              | 0              |
| Provision for irrecoverable debts                       | (353)          | (400)          |
| Pension Prepayments                                     | 0              | 0              |
| Other prepayments                                       | 1,069          | 1,107          |
| Other accrued income                                    | 2,402          | 2,373          |
| <b>Sub total</b>  | <b>62,875</b>  | <b>72,623</b>  |
| <b>Total</b>  | <b>117,498</b> | <b>120,873</b> |
| <b>Receivables past their due date but not impaired</b> |                |                |
| By up to three months                                   | 2,057          | 2,771          |
| By three to six months                                  | 1,206          | 674            |
| By more than six months                                 | 878            | 328            |
|   | <b>4,141</b>   | <b>3,773</b>   |

**Provision for impairment of receivables**

|   |                |                |
|---|----------------|----------------|
| Balance at 1 April                            | (2,698)        | (2,860)        |
| Transfer to other NHS Wales body              | 0              | 0              |
| Amount written off during the year            | 259            | 237            |
| Amount recovered during the year              | 565            | 0              |
| (Increase) / decrease in receivables impaired | 34             | (75)           |
| Bad debts recovered during year               | 0              | 0              |
| Balance at 31 March                           | <b>(1,840)</b> | <b>(2,698)</b> |

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

**Receivables VAT**

|                   |              |              |
|-------------------|--------------|--------------|
| Trade receivables | 1,232        | 1,035        |
| Other             | 0            | 0            |
| Total             | <b>1,232</b> | <b>1,035</b> |

## 16. Other Financial Assets

|  | Current    |          | Non-current |          |
|--|------------|----------|-------------|----------|
|  | 31 March   | 31 March | 31 March    | 31 March |
|  | 2018       | 2017     | 2018        | 2017     |
|  | £000       | £000     | £000        | £000     |
| <b>Financial assets</b>                            |            |          |             |          |
| Shares and equity type investments                 |            |          |             |          |
| Held to maturity investments at amortised costs    | 0          | 0        | 0           | 0        |
| At fair value through SOCNE                        | 0          | 0        | 0           | 0        |
| Available for sale at FV                           | 0          | 0        | 0           | 0        |
| Deposits   | 0          | 0        | 0           | 0        |
| Loans  | 0          | 0        | 0           | 0        |
| Derivatives  | 0          | 0        | 0           | 0        |
| Other (Carbon Reduction Commitment Scheme credits) |            |          |             |          |
| 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                           | 167        | 0        | 0           | 0        |
| <b>Total</b>                                       | <b>167</b> | <b>0</b> | <b>0</b>    | <b>0</b> |

## 17. Cash and cash equivalents

|  | 2017-18      | 2016-17      |
|--|--------------|--------------|
|  | £000         | £000         |
| Balance at 1 April   | 3,510        | 2,062        |
| Net change in cash and cash equivalent balances                        | (1,406)      | 1,448        |
| Balance at 31 March  | <b>2,104</b> | <b>3,510</b> |
| Made up of:  |              |              |
| Cash held at GBS   | 2,028        | 3,427        |
| Commercial banks   | 0            | 0            |
| Cash in hand   | 76           | 83           |
| Current Investments  | 0            | 0            |
| <b>Cash and cash equivalents as in Statement of Financial Position</b> | <b>2,104</b> | <b>3,510</b> |
| Bank overdraft - GBS   | 0            | 0            |
| Bank overdraft - Commercial banks                                      | 0            | 0            |
| <b>Cash and cash equivalents as in Statement of Cash Flows</b>         | <b>2,104</b> | <b>3,510</b> |

## 18. Trade and other payables

| <b>Current</b>   | <b>31 March<br/>2018<br/>£000</b> | 31 March<br>2017<br>£000 |
|--|-----------------------------------|--------------------------|
| Welsh Government                                       | 25                                | 0                        |
| WHSSC / EASC   | 2,363                             | 763                      |
| Welsh Health Boards                                    | 728                               | 668                      |
| Welsh NHS Trusts                                       | 2,649                             | 1,531                    |
| Other NHS  | 17,176                            | 14,149                   |
| 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                            | 6,594                             | 5,820                    |
| NI contributions payable to HMRC                       | 8,199                             | 7,630                    |
| Non-NHS creditors                                      | 27,292                            | 36,313                   |
| Local Authorities                                      | 15,649                            | 11,229                   |
| Capital Creditors                                      | 11,814                            | 11,681                   |
| 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 | 52                                | 50                       |
| Pensions: staff  | 0                                 | 0                        |
| Accruals   | 55,238                            | 61,033                   |
| Deferred Income:                                       |                                   |                          |
| Deferred Income brought forward                        | 1,239                             | 1,554                    |
| Deferred Income Additions                              | 779                               | (236)                    |
| Transfer to / from current/non current deferred income | 0                                 | 0                        |
| Released to SoCNE                                      | (7)                               | (79)                     |
| Other creditors  | 2,803                             | 4,040                    |
| PFI assets –deferred credits                           | 0                                 | 0                        |
| Payments on account                                    | (10,247)                          | (10,455)                 |
| <b>Total</b>   | <b>142,346</b>                    | <b>145,691</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 | 1,067                             | 1,119                    |
| 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>1,067</b>                      | <b>1,119</b>             |

It is intended to pay all invoices within the 30 day period directed by the Welsh Government (Note 10 - Page 32 refers)

"Other taxes payable to HMRC" consists of PAYE, Student Loan Repayments, Construction Industry Scheme and Apprenticeship Levy liabilities less amounts recoverable in respect of Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay.

**19. Other financial liabilities**

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

**20. Provisions**

|   | At 1 April 2017 | Structured settlement cases transferred to Risk Pool | Transfer of provisions to creditors | Transfer between current and non-current | Arising during the year | Utilised during the year | Reversed unused | Unwinding of discount | At 31 March 2018 |
|---|-----------------|--|-------------------------------------|--|-------------------------|--------------------------|-----------------|-----------------------|------------------|
|   | £000            | £000   | £000                                | £000                                     | £000                    | £000                     | £000            | £000                  | £000             |
| <b>Current</b>                              |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 20,270          | (6,792)  | (214)                               | 300                                      | 31,272                  | (11,954)                 | (4,646)         | 0                     | 28,236           |
| Personal injury                             | 732             | 0  | 0                                   | 20                                       | 1,725                   | (1,071)                  | (122)           | 8                     | 1,292            |
| All other losses and special payments       | 144             | 0  | 0                                   | 0  | 488                     | (558)                    | (25)            | 0                     | 49               |
| Defence legal fees and other administration | 994             | 0  | 0                                   | 104                                      | 1,703                   | (1,129)                  | (591)           |                       | 1,081            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 158             |  |                                     | 273                                      | 0                       | (150)                    | (132)           | 2                     | 151              |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 4,068           |  | 0                                   | 0  | 2,935                   | (3,447)                  | (1,250)         |                       | 2,306            |
| <b>Total</b>                                | <b>26,366</b>   | <b>(6,792)</b>                                       | <b>(214)</b>                        | <b>697</b>                               | <b>38,123</b>           | <b>(18,309)</b>          | <b>(6,766)</b>  | <b>10</b>             | <b>33,115</b>    |
| <b>Non Current</b>                          |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 69,205          | 0  | 0                                   | (300)                                    | 0                       | 0                        | (9,398)         | 0                     | 59,507           |
| Personal injury                             | 3,467           | 0  | 0                                   | (20)                                     | 0                       | 0                        | 0               | 0                     | 3,447            |
| All other losses and special payments       | 0               | 0  | 0                                   | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Defence legal fees and other administration | 791             | 0  | 0                                   | (104)                                    | 0                       | 0                        | 0               |                       | 687              |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 662             |  |                                     | (273)                                    | 0                       | 0                        | 0               | 0                     | 389              |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 0               |  | 0                                   | 0  | 0                       | 0                        | 0               |                       | 0                |
| <b>Total</b>                                | <b>74,125</b>   | <b>0</b>   | <b>0</b>                            | <b>(697)</b>                             | <b>0</b>                | <b>0</b>                 | <b>(9,398)</b>  | <b>0</b>              | <b>64,030</b>    |
| <b>TOTAL</b>                                |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 89,475          | (6,792)  | (214)                               | 0  | 31,272                  | (11,954)                 | (14,044)        | 0                     | 87,743           |
| Personal injury                             | 4,199           | 0  | 0                                   | 0  | 1,725                   | (1,071)                  | (122)           | 8                     | 4,739            |
| All other losses and special payments       | 144             | 0  | 0                                   | 0  | 488                     | (558)                    | (25)            | 0                     | 49               |
| Defence legal fees and other administration | 1,785           | 0  | 0                                   | 0  | 1,703                   | (1,129)                  | (591)           |                       | 1,768            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 820             |  |                                     | 0  | 0                       | (150)                    | (132)           | 2                     | 540              |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 4,068           |  | 0                                   | 0  | 2,935                   | (3,447)                  | (1,250)         |                       | 2,306            |
| <b>Total</b>                                | <b>100,491</b>  | <b>(6,792)</b>                                       | <b>(214)</b>                        | <b>0</b>                                 | <b>38,123</b>           | <b>(18,309)</b>          | <b>(16,164)</b> | <b>10</b>             | <b>97,145</b>    |

**Expected timing of cash flows:**

|   | In year to 31 March 2019 | Between 1 April 2019 and 31 March 2023 | Thereafter   | Total         |
|---|--------------------------|--|--------------|---------------|
|   |                          |  |              | £000          |
| Clinical negligence                         | 28,237                   | 59,506                                 | 0            | 87,743        |
| Personal injury                             | 1,292                    | 1,234                                  | 2,213        | 4,739         |
| All other losses and special payments       | 49                       | 0                                      | 0            | 49            |
| Defence legal fees and other administration | 1,080                    | 688                                    | 0            | 1,768         |
| Pensions relating to former directors       | 0                        | 0                                      | 0            | 0             |
| Pensions relating to other staff            | 151                      | 389                                    | 0            | 540           |
| Restructuring                               | 0                        | 0                                      | 0            | 0             |
| Other                                       | 2,306                    | 0                                      | 0            | 2,306         |
| <b>Total</b>                                | <b>33,115</b>            | <b>61,817</b>                          | <b>2,213</b> | <b>97,145</b> |

**Provisions included within the "Other" categories above are as follows:**

|   | £'000        |
|---|--------------|
| Continuing Health Care claims subject to further review | 1,938        |
| Staff grading reviews and appeals                       | 206          |
| Relocation expenses                                     | 129          |
| Claims for on-call payment arrears                      | 33           |
| <b>Total</b>  | <b>2,306</b> |

The provision for Continuing Health Care claims is based on estimates from the claims which have been processed up to the balance sheet date. This is subject to a significant degree of sensitivity and is dependent on the percentage of claims which are deemed eligible along with the average settlement rate.

The expected timing of cashflows is based on best available information for each individual provision as at 31 March 2018 and may be subject to changes in future periods.

## 20. Provisions (continued)

|   | At 1 April 2016 | Structured settlement cases transferred to Risk Pool | Transfer of provisions to creditors | Transfer between current and non-current | Arising during the year | Utilised during the year | Reversed unused | Unwinding of discount | At 31 March 2017 |
|---|-----------------|--|-------------------------------------|--|-------------------------|--------------------------|-----------------|-----------------------|------------------|
|   | £000            | £000   | £000                                | £000                                     | £000                    | £000                     | £000            | £000                  | £000             |
| <b>Current</b>                              |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 24,446          | (4,156)  | (2,174)                             | (20,395)                                 | 36,657                  | (7,659)                  | (6,449)         | 0                     | 20,270           |
| Personal injury                             | 928             | 0  | 0                                   | 196                                      | 1,045                   | (735)                    | (753)           | 51                    | 732              |
| All other losses and special payments       | 185             | 0  | 0                                   | 0  | 312                     | (312)                    | (41)            | 0                     | 144              |
| Defence legal fees and other administration | 1,141           | 0  | 0                                   | (197)                                    | 1,302                   | (732)                    | (520)           |                       | 994              |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 163             |  |                                     | (32)                                     | 175                     | (159)                    | 0               | 11                    | 158              |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 4,383           |  | 0                                   | 0  | 1,921                   | (1,593)                  | (643)           |                       | 4,068            |
| <b>Total</b>                                | <b>31,246</b>   | <b>(4,156)</b>                                       | <b>(2,174)</b>                      | <b>(20,428)</b>                          | <b>41,412</b>           | <b>(11,190)</b>          | <b>(8,406)</b>  | <b>62</b>             | <b>26,366</b>    |
| <b>Non Current</b>                          |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 48,810          | 0  | 0                                   | 20,395                                   | 0                       | 0                        | 0               | 0                     | 69,205           |
| Personal injury                             | 3,663           | 0  | 0                                   | (196)                                    | 0                       | 0                        | 0               | 0                     | 3,467            |
| All other losses and special payments       | 0               | 0  | 0                                   | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Defence legal fees and other administration | 594             | 0  | 0                                   | 197                                      | 0                       | 0                        | 0               |                       | 791              |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 630             |  |                                     | 32                                       | 0                       | 0                        | 0               | 0                     | 662              |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 0               |  | 0                                   | 0  | 0                       | 0                        | 0               |                       | 0                |
| <b>Total</b>                                | <b>53,697</b>   | <b>0</b>   | <b>0</b>                            | <b>20,428</b>                            | <b>0</b>                | <b>0</b>                 | <b>0</b>        | <b>0</b>              | <b>74,125</b>    |
| <b>TOTAL</b>                                |                 |  |                                     |  |                         |                          |                 |                       |                  |
| Clinical negligence                         | 73,256          | (4,156)  | (2,174)                             | 0  | 36,657                  | (7,659)                  | (6,449)         | 0                     | 89,475           |
| Personal injury                             | 4,591           | 0  | 0                                   | 0  | 1,045                   | (735)                    | (753)           | 51                    | 4,199            |
| All other losses and special payments       | 185             | 0  | 0                                   | 0  | 312                     | (312)                    | (41)            | 0                     | 144              |
| Defence legal fees and other administration | 1,735           | 0  | 0                                   | 0  | 1,302                   | (732)                    | (520)           |                       | 1,785            |
| Pensions relating to former directors       | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Pensions relating to other staff            | 793             |  |                                     | 0  | 175                     | (159)                    | 0               | 11                    | 820              |
| Restructuring                               | 0               |  |                                     | 0  | 0                       | 0                        | 0               | 0                     | 0                |
| Other                                       | 4,383           |  | 0                                   | 0  | 1,921                   | (1,593)                  | (643)           |                       | 4,068            |
| <b>Total</b>                                | <b>84,943</b>   | <b>(4,156)</b>                                       | <b>(2,174)</b>                      | <b>0</b>                                 | <b>41,412</b>           | <b>(11,190)</b>          | <b>(8,406)</b>  | <b>62</b>             | <b>100,491</b>   |

## 21. Contingencies

### 21.1 Contingent liabilities

|   | <b>2017-18</b> | 2016-17 |
|---|----------------|---------|
|   | <b>£'000</b>   | £'000   |
| Provisions have not been made in these accounts for the following amounts : |                |         |
| Legal claims for alleged medical or employer negligence                     | <b>134,032</b> | 178,843 |
| Doubtful debts  | <b>0</b>       | 0       |
| Equal Pay costs   | <b>0</b>       | 0       |
| Defence costs   | <b>2,979</b>   | 4,117   |
| Continuing Health Care costs  | <b>4,260</b>   | 3,254   |
| Other   | <b>0</b>       | 0       |
| Total value of disputed claims  | <b>141,271</b> | 186,214 |
| Amounts recovered in the event of claims being successful                   | <b>131,276</b> | 174,477 |
| <b>Net contingent liability</b>   | <b>9,995</b>   | 11,737  |

In accordance with IAS37, the Health Board is required to disclose details of claims made against it where the financial liability, if any, cannot yet be determined. The contingent liabilities included in Note 21.1 relate to legal claims for alleged negligence (net of amounts recoverable from the Welsh Risk Pool in the event of claims being successful) and Continuing Health Care costs.

Further details of contingent liabilities included in the above note are provided on page 63 of these accounts.

**21.2 Remote Contingent liabilities**

|  | <b>2017-18</b> | 2016-17  |
|--|----------------|----------|
|  | <b>£'000</b>   | £'000    |
| The Health Board does not have any remote contingent liabilities | 0              | 0        |
|  | 0              | 0        |
|  | 0              | 0        |
| <b>Total</b>   | <b>0</b>       | <b>0</b> |

**21.3 Contingent assets**

|  | <b>2017-18</b> | 2016-17  |
|--|----------------|----------|
|  | <b>£'000</b>   | £'000    |
| The Health Board does not hold any contingent assets | 0              | 0        |
|  | 0              | 0        |
|  | 0              | 0        |
| <b>Total</b>   | <b>0</b>       | <b>0</b> |

**22. Capital commitments**

**Contracted capital commitments at 31 March**

|                               | <b>2017-18</b> | 2016-17       |
|-------------------------------|----------------|---------------|
|                               | <b>£'000</b>   | £'000         |
| Property, plant and equipment | 31,391         | 54,978        |
| Intangible assets             | 0              | 0             |
| <b>Total</b>                  | <b>31,391</b>  | <b>54,978</b> |

**Capital commitments as at 31 March 2018 related to the following schemes:**

- Glan Clwyd Hospital redevelopment
- Sub Regional Neonatal Intensive Care Centre at Glan Clwyd Hospital (SuRNICC)
- Patient Administration Systems (PAS)
- Emergency Department Clinical Information Management Solutions (EDCIMS)
- The Elms, Wrexham
- Emergency Department, Ysbyty Gwynedd

### 23. Losses and special payments

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

#### Gross loss to the Exchequer

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

|                                       | Amounts paid out during<br>period to 31 March 2018 |                   | Approved to write-off<br>to 31 March 2018 |                   |
|---------------------------------------|--|-------------------|---|-------------------|
|                                       | Number   | £                 | Number                                    | £                 |
| Clinical negligence                   | 193  | 14,478,772        | 131                                       | 10,149,919        |
| Personal injury                       | 64   | 1,070,867         | 60  | 1,252,977         |
| All other losses and special payments | 192  | 557,600           | 177                                       | 304,841           |
| <b>Total</b>                          | <b>449</b>   | <b>16,107,239</b> | <b>368</b>                                | <b>11,707,737</b> |

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

| Cases exceeding £300,000 | Case type           | Amounts                  | Approved to               |                           |
|--------------------------|---------------------|--------------------------|---------------------------|---------------------------|
|                          |                     | paid out in<br>year<br>£ | Cumulative<br>amount<br>£ | write-off<br>in year<br>£ |
| 00RT7MN0002              | Clinical Negligence | 2,315,953                | 7,673,413                 | 0                         |
| 02RT9PI0004              | Personal Injury     | 26,844                   | 326,636                   | 0                         |
| 04RT9MN0023              | Clinical Negligence | 182,927                  | 2,100,000                 | 0                         |
| 05RT9MN0011              | Clinical Negligence | 0                        | 3,374,800                 | 3,374,800                 |
| 06RT9MN0022              | Clinical Negligence | 0                        | 450,000                   | 0                         |
| 08RT7MN0008              | Clinical Negligence | 3,198,196                | 4,925,000                 | 0                         |
| 09RT8MN0015              | Clinical Negligence | 800,000                  | 1,065,000                 | 0                         |
| 09RT8MN0039              | Clinical Negligence | 1,050,000                | 1,153,000                 | 0                         |
| 10RT9MN0033              | Clinical Negligence | 255,000                  | 565,000                   | 0                         |
| 117A1MN0067              | Clinical Negligence | 25,000                   | 548,231                   | 548,231                   |
| 11RT9MN0022              | Clinical Negligence | 0                        | 915,500                   | 915,500                   |
| 127A1MN0004              | Clinical Negligence | 0                        | 390,142                   | 390,142                   |
| 127A1MN0097              | Clinical Negligence | 160,000                  | 310,000                   | 310,000                   |
| 137A1MN0053              | Clinical Negligence | 672,000                  | 672,000                   | 672,000                   |
| 147A1MN0064              | Clinical Negligence | 897,891                  | 897,891                   | 0                         |
| 147A1MN0095              | Clinical Negligence | 50,000                   | 332,500                   | 0                         |
| <b>Sub-total</b>         |                     | <b>9,633,811</b>         | <b>25,699,113</b>         | <b>6,210,673</b>          |
| <b>All other cases</b>   |                     | <b>6,473,428</b>         | <b>14,545,720</b>         | <b>5,497,064</b>          |
| <b>Total cases</b>       |                     | <b>16,107,239</b>        | <b>40,244,833</b>         | <b>11,707,737</b>         |

**24. Finance leases**

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

The Health Board does not have any finance lease obligations as a lessee.

**Amounts payable under finance leases:**

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

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

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

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

The Local Health Board does not have any finance leases receivable as a lessor.

**Amounts receivable under finance leases:**

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

## 25. Private Finance Initiative contracts

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

The Health Board does not have any PFI scheme off-statement of financial position.

| Commitments under off-SoFP PFI contracts                | Off-SoFP PFI contracts | Off-SoFP PFI contracts |
|---|------------------------|------------------------|
|   | 31 March 2018<br>£000  | 31 March 2017<br>£000  |
| Total payments due within one year                      | 0                      | 0                      |
| Total payments due between 1 and 5 years                | 0                      | 0                      |
| Total payments due thereafter                           | 0                      | 0                      |
| Total future payments in relation to PFI contracts      | <u>0</u>               | <u>0</u>               |
| Total estimated capital value of off-SoFP PFI contracts | 0                      | 0                      |

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

The Conwy & Denbighshire NHS Trust (a legacy organisation of the Health Board) contracted with Fresenius Medical Care to build and equip a Renal Diabetic Unit at Glan Clwyd Hospital under PFI contract arrangements. The Scheme commenced on 1 September 2004 and is due to run until 1 September 2034

Whilst Fresenius continue to have defined responsibilities for the maintenance of the Unit, including the provision of consumables, the Health Board is responsible for the delivery of all clinical care and other support costs. The Unit is treated as an asset of the Health Board and is included in Note 11. Property, Plant and Equipment.

#### 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 2018<br>£000       | 31 March 2018<br>£000        | 31 March 2018<br>£000       |
| Total payments due within one year                 | 52                          | 38                           | 327                         |
| Total payments due between 1 and 5 years           | 226                         | 136                          | 1,435                       |
| Total payments due thereafter                      | 841                         | 191                          | 5,828                       |
| Total future payments in relation to PFI contracts | <u>1,119</u>                | <u>365</u>                   | <u>7,590</u>                |

|  | On SoFP PFI Capital element | On SoFP PFI Imputed interest | On SoFP PFI Service charges |
|--|-----------------------------|------------------------------|-----------------------------|
|  | 31 March 2017<br>£000       | 31 March 2017<br>£000        | 31 March 2017<br>£000       |
| Total payments due within one year                 | 50                          | 40                           | 315                         |
| Total payments due between 1 and 5 years           | 218                         | 143                          | 1,383                       |
| Total payments due thereafter                      | 901                         | 222                          | 6,207                       |
| Total future payments in relation to PFI contracts | <u>1,169</u>                | <u>405</u>                   | <u>7,905</u>                |

Total present value of obligations for on-SoFP PFI contracts **7,024**

| <b>25.3 Charges to expenditure</b>   | <b>2017-18</b> | 2016-17    |
|--|----------------|------------|
|  | <b>£000</b>    | £000       |
| Service charges for On Statement of Financial Position PFI contracts (excl interest costs) | <b>314</b>     | <b>303</b> |
| Total expense for Off Statement of Financial Position PFI contracts                        | <b>0</b>       | <b>0</b>   |
| The total charged in the year to expenditure in respect of PFI contracts                   | <b>314</b>     | <b>303</b> |

The LHB is committed to the following annual charges

|  | <b>31 March 2018</b> | 31 March 2017 |
|--|----------------------|---------------|
| <b>PFI scheme expiry date:</b>                 | <b>£000</b>          | £000          |
| Not later than one year                        | <b>0</b>             | <b>0</b>      |
| Later than one year, not later than five years | <b>0</b>             | <b>0</b>      |
| Later than five years                          | <b>314</b>           | <b>303</b>    |
| <b>Total</b>                                   | <b>314</b>           | <b>303</b>    |

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

**25.4 Number of PFI contracts**

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

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

**PFI Contract**

Renal Diabetic Unit at Glan Clwyd Hospital On SOFP

## **26. Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

The Health Board 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 Health Board 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 Health Board in undertaking its activities.

### **Currency risk**

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

### **Interest rate risk**

Health Boards are not permitted to borrow and the Health Board therefore has low exposure to interest rate fluctuations.

### **Credit risk**

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

### **Liquidity risk**

The Health Board 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 Health Board is not, therefore, exposed to significant liquidity risks.

**27. Movements in working capital**

|  | <b>2017-18</b> | 2016-17  |
|--|----------------|----------|
|  | <b>£000</b>    | £000     |
| (Increase)/decrease in inventories                               | <b>1,208</b>   | (824)    |
| (Increase)/decrease in trade and other receivables - non-current | <b>9,748</b>   | (20,447) |
| (Increase)/decrease in trade and other receivables - current     | <b>(6,540)</b> | 6,209    |
| Increase/(decrease) in trade and other payables - non-current    | <b>(52)</b>    | (49)     |
| Increase/(decrease) in trade and other payables - current        | <b>(3,345)</b> | 9,132    |
| <b>Total</b>   | <b>1,019</b>   | (5,979)  |
| Adjustment for accrual movements in fixed assets - creditors     | <b>(133)</b>   | (5,769)  |
| Adjustment for accrual movements in fixed assets - debtors       | <b>0</b>       | 0        |
| Other adjustments  | <b>167</b>     | 0        |
|  | <b>1,053</b>   | (11,748) |

**28. Other cash flow adjustments**

|   | <b>2017-18</b> | 2016-17 |
|---|----------------|---------|
|   | <b>£000</b>    | £000    |
| Depreciation  | <b>29,167</b>  | 28,575  |
| Amortisation  | <b>499</b>     | 521     |
| (Gains)/Loss on Disposal  | <b>26</b>      | (370)   |
| Impairments and reversals   | <b>45,046</b>  | 8,383   |
| Release of PFI deferred credits                                   | <b>0</b>       | 0       |
| Donated assets received credited to revenue but non-cash          | <b>(909)</b>   | (3,750) |
| Government Grant assets received credited to revenue but non-cash | <b>0</b>       | (1,639) |
| Non-cash movements in provisions                                  | <b>14,963</b>  | 26,738  |
| <b>Total</b>  | <b>88,792</b>  | 58,458  |

## 29. Third Party assets

As at 31 March 2018, the Health Board held £277,158 cash at bank and in hand on behalf of third parties (31 March 2017 £241,836) comprising:

|   | <b>2017-18</b> | <b>2016-17</b> |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| Monies held on behalf of patients - savings accounts                  | 138,421        | 129,385        |
| Monies held on behalf of patients - current accounts and cash in hand | 81,750         | 67,867         |
| Deposits for staff residential accommodation                          | 56,050         | 44,584         |
| Monies held on behalf of Abergele Hospital League of Friends          | 937            | 0              |
|   | <u>277,158</u> | <u>241,836</u> |

These balances have been excluded from the Cash and Cash Equivalents figure reported in Note 17 of these Accounts.

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

The Health Board does not consider that there are any additional disclosure requirements relating to events following the end of the reporting period.

### 31. Related Party Transactions

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

| Health Bodies                         | Expenditure with related party<br>£000 | Income from related party<br>£000 | Amounts owed to related party<br>£000 | Amounts due from related party<br>£000 |
|---------------------------------------|--|-----------------------------------|---------------------------------------|--|
| Abertawe Bro Morgannwg University LHB | 485                                    | (494)                             | 15                                    | 97                                     |
| Aneurin Bevan LHB                     | 225                                    | 574                               | 73                                    | 248                                    |
| Cardiff & Vale University LHB         | 678                                    | 868                               | 38                                    | 303                                    |
| Cwm Taf LHB                           | 67                                     | 128                               | 33                                    | 58                                     |
| Hywel Dda LHB                         | 4,395                                  | 646                               | 128                                   | 95                                     |
| Powys LHB                             | 877                                    | 3,018                             | 441                                   | 253                                    |
| WHSSC / EASC                          | 158,537                                | 39,434                            | 2,363                                 | 762                                    |
| Public Health Wales NHS Trust         | 4,315                                  | 3,619                             | 173                                   | 885                                    |
| Velindre NHS Trust                    | 18,048                                 | 5,105                             | 2,353                                 | 481                                    |
| Welsh Ambulance Services NHS Trust    | 4,917                                  | 396                               | 123                                   | 94                                     |
| Welsh Risk Pool                       | 0                                      | 0                                 | 0                                     | 93,000                                 |
| Welsh Government                      | 99                                     | 1,507,841                         | 25                                    | 649                                    |
| <b>Total</b>                          | <b>192,643</b>                         | <b>1,561,135</b>                  | <b>5,765</b>                          | <b>96,925</b>                          |

| Other Organisations   | Expenditure with related party<br>£000 | Income from related party<br>£000 | Amounts owed to related party<br>£000 | Amounts due from related party<br>£000 |
|---|--|-----------------------------------|---------------------------------------|--|
| Conwy County Borough Council  | 7,054                                  | 1,697                             | 4,405                                 | 713                                    |
| Denbighshire County Council   | 6,853                                  | 2,154                             | 2,085                                 | 563                                    |
| Flintshire County Council   | 8,243                                  | 2,001                             | 3,012                                 | 566                                    |
| Gwynedd County Council  | 8,761                                  | 1,485                             | 2,296                                 | 446                                    |
| Isle of Anglesey Council  | 4,850                                  | 1,146                             | 1,680                                 | 248                                    |
| Wrexham County Borough Council  | 7,071                                  | 3,768                             | 2,158                                 | 1,564                                  |
| Other Welsh Local Authorities (Including Police & Crime Commissioners and Fire Authorities) | 276                                    | 234                               | 13                                    | 6                                      |
| <b>Total</b>  | <b>43,108</b>                          | <b>12,485</b>                     | <b>15,649</b>                         | <b>4,106</b>                           |

#### Charitable Funds

The Health Board is corporate trustee of the Betsi Cadwaladr University Health Board Charity and Other Related Charities (registered charity number 1138976). All voting members of the Health Board can act as corporate trustees of the charity. Operational responsibility for the administration of the charity is delegated to a Charitable Funds Committee.

The Health Board received revenue and capital grants totalling £1.66 million from the charitable fund during the year (2016-17 £4.68 million).

This in-year reduction was as a result of significant one-off capital grants which were received during 2016/17 including the purchase of a Linear Accelerator for the North Wales Cancer Treatment Centre and the redevelopment of Alaw Ward, Ysbyty Gwynedd.

**31. Related Party Transactions (Continued)**

All Board Members are required to submit an annual Declaration of Interests covering the following seven areas:

A: Interest in a company which may compete for an NHS contract to supply goods and services to Betsi Cadwaladr University Local Health Board  
 B: Any self-beneficial interest in a private care home, hostel or independent health care provider  
 C: Any relevant outside employment, including self employment, whilst employed by the Health Board  
 D: Interest in the Pharmaceutical Industry or Allied Commercial Sector  
 E: Personal links to, or relationships with, individuals in local or national government / AMs / MPs  
 F: Councillorships, Directorships or any other relevant position  
 G: Any other matters to declare (including issues relating to personal relationships and maintaining clear professional boundaries)

Declarations are also required where an individual Board member does not have any interests to declare.

The following tables details all interests declared by Board Members during the 2017/18 financial year including any material transactions with related parties. Full details of individual Board Members declarations are provided in Note 34 Other Information.

| Name                                   | Details of positions held during the financial year (or part thereof) | Dates positions held | Declarations made |
|--|---|----------------------|-------------------|
| <b>Directors / Executive Directors</b> |   |                      |                   |
| Mr G Doherty                           | Chief Executive   | 01.04.17 - 31.03.18  | G                 |
| Dr E Moore                             | Executive Medical Director  | 01.04.17 - 31.03.18  | G                 |
| Mr A Thomas                            | Executive Director of Therapies & Health Sciences                     | 01.04.17 - 31.03.18  | C, G              |
| Mr G M Lang                            | Executive Director of Strategy  | 01.04.17 - 31.03.18  | G                 |
| Mr R Favager                           | Executive Director of Finance   | 01.04.17 - 31.03.18  | E                 |
| Mr C Wright                            | Director of Corporate Services  | 01.04.17 - 20.05.17  | G                 |
| Mrs D Sharp                            | Acting Board Secretary  | 01.04.17 - 31.03.18  | G                 |
| <b>Independent Members</b>             |   |                      |                   |
| Dr P Higson OBE                        | Chair   | 01.04.17 - 31.03.18  | C, F, G           |
| Mrs M Hanson                           | Vice Chair  | 01.04.17 - 31.03.18  | E, G              |
| Mrs M W Jones                          | Independent Member  | 01.04.17 - 31.03.18  | E, F, G           |
| Cllr B Feeley                          | Independent Member  | 01.04.17 - 31.03.18  | F                 |
| Ms J Dean                              | Independent Member and Trades Union Representative                    | 01.04.17 - 31.12.17  | F, G              |
| Prof J Rycroft-Malone                  | Independent Member and University Representative                      | 01.04.17 - 31.03.18  | F, G              |
| Mr C Stradling                         | Independent Member  | 01.04.17 - 31.03.18  | F                 |
| Mrs B Russell Williams                 | Independent Member  | 01.04.17 - 31.03.18  | A, C              |
| Mr J Cunliffe                          | Independent Member  | 01.04.17 - 31.03.18  | F, G              |
| Cllr C Carlisle                        | Independent Member  | 01.04.17 - 31.03.18  | F                 |
| <b>Associate Board Members</b>         |   |                      |                   |
| Mr Ff Williams                         | Associate Board Member - Chair, Stakeholder Reference Group           | 01.05.17 - 31.03.18  | G                 |
| Prof M Rees                            | Associate Board Member - Chair, Healthcare Professional Forum         | 01.04.17 - 31.03.18  | C                 |
| Mrs N Stubbins                         | Associate Board Member - Director of Social Services                  | 01.04.17 - 31.03.18  | F                 |

No other Health Board members who served during the 2017/18 financial year disclosed any related party interests.

| Material transactions between the Health Board and related parties during 2017-18 were as follows (unless already reported on page 60): | Expenditure with related party<br>£000 | Income from related party<br>£000 | Amounts owed to related party<br>£000 | Amounts due from related party<br>£000 |
|---|--|-----------------------------------|---------------------------------------|--|
| Bangor University   | 1,402                                  | 838                               | 347                                   | 109                                    |
| Boots the Chemist   | 5,515                                  | 1                                 | 0                                     | 0                                      |
| Cartrefi Cymru  | 74                                     | 0                                 | 0                                     | 0                                      |
| Coleg Cambria   | 16                                     | 2                                 | 1                                     | 0                                      |
| Health Professions Council  | 0                                      | 1                                 | 0                                     | 0                                      |
| Manchester University NHS Foundation Trust  | 928                                    | 0                                 | 27                                    | 0                                      |
| Mantell Gwynedd   | 79                                     | 0                                 | 0                                     | 0                                      |
| Pwllgor Mind Cymru  | 0                                      | 1                                 | 0                                     | 0                                      |
| Royal Liverpool and Broadgreen University Hospitals NHS Trust   | 5,196                                  | 5                                 | 862                                   | 1                                      |
| University of Chester   | 27                                     | 8                                 | 3                                     | 8                                      |

## 32. Pooled budgets

The Health Board has entered into three pooled budgets; one jointly with Flintshire County Council and Wrexham County Borough Council and two with Denbighshire County Council.

Under these arrangements, which are governed by the NHS (Wales) Act 2006, funds are pooled for the following activities:

- North East Wales Community Equipment Service
- Denbighshire Community Equipment Service
- Denbighshire Health and Social Care Support Workers Service

Management boards representing the partner organisations oversee the operational management of each of the pooled budgets.

A memorandum note to the accounts provides details of the joint income and expenditure of each of the pooled budget arrangements. The information within this memorandum note is subject to audit as part of the local authorities accounts.

### **Integrated Care Fund**

The Intermediate Care Fund (ICF) was established in 2014 to support initiatives which prevent unnecessary hospital admission, inappropriate admission to residential care and delayed discharges from hospital. From 1 April 2017 this Fund was rebranded as the Integrated Care Fund to better reflect an expanded scope.

Regional Partnership Boards (RPBs) lead on the planning and use of the funds alongside health services, social services, housing and third independent sector to ensure delivery which maximises outcomes for the use of the resource. This delivery mechanism provides assurance that the objectives for the use of this fund are met as outlined in the Welsh Government guidance. The RPBs have further established Programme Boards to monitor measurable performance outcomes and financial returns using results based accountability (outcome) methodologies. The Health Board Area Directors have also established ICF/ISB Lead Groups at a local health economy level tied into this RPB structure, to ensure that the decisions, interventions and investments are delivered at a local level. These ISBs include representation from Health, Local Authority, Ambulance, Fire, Third Sector.

The Health Board's expenditure for the year was £11.4 million (2016-17 £11.4 million) which was in line with allocated funding from Welsh Government.

### 33. Operating segments

Accounting standard IFRS 8 defines an operating segment as a component of an entity:

1. That engages in activities from which it may earn revenue and incur expenses (including internally);
2. Whose operating results are regularly reviewed by the Chief Operating Decision Maker to make decisions about resource allocation to the segment and assesses its performance;
3. For which discrete information is available.

The Health Board's Operational Management Structure reports on an Area-based and Site-based divisional approach with each of the individual functions being responsible for their own services and performance within devolved management structures. Three of the Health Board's functions are considered to represent operating segments under the accounting standard with their performance being reported at monthly Board meetings.

Information on divisions which do not exceed the reporting thresholds has also been disclosed in the following table in order to provide additional details of the Health Board's activities during the year.

| <b>Area Teams - Operating Costs less Miscellaneous Income</b>     | <b>2017-18</b>   | <b>2016-17</b>   |
|---|------------------|------------------|
|   | <b>£'000</b>     | <b>£'000</b>     |
| Area Teams *  | 593,150          | 561,498          |
| Commissioner Contracts *  | 177,916          | 175,524          |
| Provider Income   | (16,283)         | (8,171)          |
| <b>Total Area Teams</b>   | <b>754,783</b>   | <b>728,851</b>   |
| <b>Secondary Care - Operating Costs less Miscellaneous Income</b> |                  |                  |
| Secondary Care - District Hospital Services *                     | 303,141          | 299,554          |
| North Wales Hospital Services                                     | 96,422           | 92,292           |
| Womens Services   | 37,305           | 32,954           |
| <b>Total Secondary Care</b>                                       | <b>436,868</b>   | <b>424,800</b>   |
| <b>Mental Health &amp; Learning Disabilities</b>                  | <b>118,231</b>   | <b>112,350</b>   |
| <b>Corporate Functions and Other Expenditure</b>                  | <b>108,382</b>   | <b>110,003</b>   |
| <b>Depreciation, Impairments and Finance Costs</b>                | <b>74,752</b>    | <b>37,520</b>    |
| <b>Donated/Granted Capital Income</b>                             | <b>(909)</b>     | <b>(5,389)</b>   |
| <b>(Profit)/Loss on disposal of capital assets</b>                | <b>26</b>        | <b>(370)</b>     |
| <b>Operating Costs sub-total</b>                                  | <b>1,492,133</b> | <b>1,407,765</b> |
| <b>Revenue Resource Limit</b>                                     | <b>1,453,295</b> | <b>1,377,981</b> |
| <b>Under/(over) spend against Revenue Resource Limit</b>          | <b>(38,838)</b>  | <b>(29,784)</b>  |

The 2016-17 provider income comparative (£8,171k) has been moved from Secondary Care to Area Teams within the Operating Segments note to reflect a change in internal reporting arrangements.

\* Operating segments which meet the standard criteria for reporting as per par 1.360 of the Welsh Government Manual for Accounts 2017-18.

## 34. Other Information

### **Continuing Healthcare Cost uncertainties**

Liabilities for continuing healthcare costs continue to be a significant financial issue for the Health Board. The 31 July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1 April 2003 resulted in a large increase in the number of claims registered.

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

Note 20 - Provisions sets out the £1.938 million provision made for probable continuing care costs relating to 108 claims received for Phases 1- 6;

Note 21.1 - Contingent liabilities sets out the £4.260 million contingent liability for possible continuing care costs relating to 238 claims received.

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

### **Special Measures**

The Welsh Government Minister for Health and Social Services took the decision to place the Health Board into Special Measures on 8 June 2015. As part of Special Measures the Minister appointed a team to provide support for improvement in the following key areas:

Governance and Leadership  
Mental Health Services  
Maternity Services at Ysbyty Glan Clwyd  
GP and Primary Care Services

On 1 February 2018 the Welsh Government Cabinet Secretary for Health and Social Services stated that the Health Board will remain in Special Measures. It was noted that significant progress had been made in a number of areas including leadership and governance, complaints and concern management, and improvements in the ways it engages with members of the public. It was also noted that a Mental Health Strategy had been developed in partnership with services users. It was confirmed that the financial position was still a cause for concern and that performance in a number of areas still needs to be improved.

Welsh Government has issued a framework to support improvement in these areas of concern. This framework sets out clear milestones and expectations. In assessing future progress, Welsh Government confirmed they are not only looking to ensure the Health Board has met milestones and expectations, but also that sustainable solutions are in place to maintain progress.

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

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

Following the outcome of the Supreme Court ruling the Health Board accrued £3.101 million expenditure within its financial position for the 2017-18 financial year as advised by Welsh Government. This liability is included within the accrued expenditure line of Note 18 Trade and other payables.

## 34. Other Information (continued)

### IFRS 9

IFRS 9 Financial Instruments is effective from the 1<sup>st</sup> January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FReM) for the 2018-19 financial year.

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

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

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

### IFRS15

IFRS 15 Revenue from Contracts with Customers is effective from the 1<sup>st</sup> January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FReM) for the 2018-19 financial year.

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

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

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

No material impacts are anticipated as a consequence of IFRS15 becoming effective in the FReM for 2018-19.

**34. Other Information (continued)****Related Party Transactions**

As detailed in Note 31 Related Party Transaction, Board Members are required to make an annual Declaration of Interests, including nil returns where applicable. The following table provides details of all declarations of interest made during the 2017/18 financial year.

| Name                                 | Details of positions held during the financial year           | Declaration                               | Details of interest declared   |
|--------------------------------------|---|---|--|
| <b>Directors/Executive Directors</b> |   |   |  |
| Mr G Doherty                         | Chief Executive   | G   | Trustee of Dangerpoint, a charity that provides health and safety training to children across North Wales  |
| Dr E Moore                           | Executive Medical Director                                    | G   | Wife is the Clinical Director of Breast and Endocrine Surgery at the Royal Liverpool and Broadgreen University Hospitals NHS trust   |
| Mr A Thomas                          | Executive Director of Therapies & Health Sciences             | C<br>G                                    | Panel member of the Health Care Professions Council<br>Spouse employed by Boots as an Accuracy Checking Technician   |
| Mr G M Lang                          | Executive Director of Strategy                                | G   | Governor of Coleg Cambria  |
| Mr R Favager                         | Executive Director of Finance                                 | E   | Daughter is employed on the NHS Wales Graduate Scheme (with effect from September 2017)  |
| Mr C Wright                          | Director of Corporate Services                                | G   | No declaration was received during the 2017/18 financial year as Mr Wright left the Health Board in May 2017. During the previous financial year Mr Wright had disclosed that his partner was a Director of University Hospital of South Manchester NHS Foundation Trust (UHSM). This Trust became part of a newly formed Manchester University NHS Foundation Trust on 1st October 2017.  |
| Mrs D Sharp                          | Acting Board Secretary  | G   | Partner is Town Clerk and Financial Officer, Bangor City Council   |
| <b>Independent Board Members</b>     |   |   |  |
| Dr P Higson OBE                      | Chair   | C<br>F<br>G                               | Self employed Clinical Psychologist (has never transacted with the Health Board in this capacity)<br>Trustee of Cartrefi Cymru<br>Brother of Ruth Hussey CB OBE  |
| Mrs M Hanson                         | Vice Chair  | E<br>G<br>G<br>G<br>G<br>G                | Husband is David Hanson, MP for Delyn<br>Part-time student at Chester University<br>Undertakes occasional lecturing/supervision at Chester University for which payment can be claimed<br>School Governor at St Richard Gwyn Catholic High School in Flint<br>Vice-Chairman of 2025 and also Vice-Chairman of North Wales Regional Partnership Board<br>Member of Public Health Wales Advisory Board and Fellow of the Royal Society for Public Health   |
| Mrs M W Jones                        | Independent Member  | E<br>E<br>F<br>F<br>F<br>F<br>G<br>G<br>G | Historic dealings with a number of local AMs and MPs and used to work with two AMs in a previous career<br>Distantly related to the Chair of the National Assembly for Wales, Social Care and Sport Committee<br>Member of Snowdonia National Park Authority<br>Vice Chair of Arts Council Wales<br>Trustee of Canolfan Gerdd William Mathias<br>Member of the Development Board of Bangor University<br>Member of Pwylgor Mind Cymru<br>Two family members are employees of BCUHB<br>Son works as a journalist for BBC Wales<br>Niece is employed as a lawyer for the National Assembly of Wales  |
| Cllr B Feeley                        | Independent Member  | F<br>F<br>F<br>F<br>F<br>F<br>F<br>F<br>F | Elected County Councillor and Cabinet Member for Denbighshire County Borough Council<br>Cabinet Lead Member for well being and independence, responsible for Adult Social Care, Extra Care Housing, Supported Independent Living, Homelessness<br>Lead on NHS matters and partnership with BCU which includes integration of Social Services and Health, Leisure Services, Culture and Heritage<br>Denbighshire County Council's Older Person's Champion<br>Member of the National Social Care Partnership Board<br>Member of National and Regional Social Services Policy Groups<br>Member of North Wales Regional Partnership Board (Part 9 Board)<br>Member of Ageing Well in Denbighshire Forum<br>Member of Creating an Active Denbighshire Group |
| Ms J Dean                            | Independent Member and Trades Union Representative            | F<br>G                                    | Director Tregarth Community Allotments Community Interest Company<br>Partner is a part-time employee of Bangor University  |
| Prof J Rycroft-Malone                | Independent Member and University Representative              | F<br>G                                    | Programme Director - National Institute for Health NIHR HS&DR Research Programme<br>Husband is a member of staff of the Health Board   |
| Mr C Stradling                       | Independent Member  | F<br>F                                    | Deputy Chair and Chair of the Audit Committee of the Local Democracy and Boundary Commission for Wales<br>Member of the Snowdonia National Park Authority (including Planning Committee and Performance and Resources Committee)   |
| Mrs B Russell Williams               | Independent Member  | A, C                                      | Chief Executive Officer Mantell Gwynedd (Third sector umbrella body)   |
| Mr J Cunliffe                        | Independent Member  | F<br>G                                    | Director of Abemet Ltd<br>Spouse is an employee of the Health Board  |
| Cllr C Carlisle                      | Independent Member  | F<br>F<br>F                               | As a member of Conwy County Borough Council sits on the group that looks at the provision of CAMHS services within Conwy<br>Group Leader of the Conservative Group on Conwy County Borough Council<br>Deputy Chair (Political) of Clwyd West Conservative Association  |
| <b>Associate Board Members</b>       |   |   |  |
| Mr Ff Williams                       | Associate Board Member - Chair, Stakeholder Reference Group   | G<br>G<br>G<br>G                          | Wife is employed by the Health Board<br>Sister and Brother-in-Law work for Mental Health Services in Bangor (Childrens Services)<br>Brother is a GP with Health Prestatyn<br>Chief Executive of Cartrefi Cymunedol Gwynedd, a housing association operating predominately out of Gwynedd. In this role works closely with BCU Area Directors   |
| Prof M Rees                          | Associate Board Member - Chair, Healthcare Professional Forum | C   | Seconded from the Health Board as a specialist assessor for the Care Quality Commission (CQC)  |
| Mrs N Stubbins                       | Associate Board Member - Director of Social Services          | F   | Statutory Director of Social Services, Denbighshire County Council   |

## **Memorandum Note - Note 32 - Pooled Budgets**

### **North East Wales Community Equipment Service Memorandum Accounts 2017-18**

The North East Wales Pool is hosted by Flintshire County Council and the formal partnership agreement commenced on 8 July 2009. A memorandum of account has been produced by Flintshire County Council, as shown below:

|  | <b>2017-18</b> | <b>2016-17</b> |
|--|----------------|----------------|
|  | <b>£ 000</b>   | <b>£ 000</b>   |
| <b>Pooled Budget contributions</b>                             |                |                |
| Flintshire County Council                                      | (291)          | (288)          |
| Wrexham County Borough Council                                 | (277)          | (275)          |
| Betsi Cadwaladr University Local Health Board                  | (401)          | (397)          |
| Other  | (159)          | (140)          |
| <b>Total Pooled Budget contributions for the year</b>          | <b>(1,128)</b> | <b>(1,100)</b> |
| <b>Expenditure</b>   |                |                |
| Equipment Purchases  | 411            | 539            |
| Operating Expenditure  | 585            | 495            |
| Non Operating Expenditure                                      | 0              | 0              |
| <b>Total Expenditure for the year</b>                          | <b>996</b>     | <b>1,034</b>   |
| <b>Net (Surplus)/Deficit on the Pooled Budget for the Year</b> | <b>(132)</b>   | <b>(66)</b>    |

### **Denbighshire Community Equipment Services Memorandum Accounts 2017-18**

The Denbighshire Pool is hosted by Denbighshire County Council. The initial three year partnership agreement commenced on 1 April 2009 and ended on 31st March 2012. The second partnership agreement commenced on 1 April 2012 and ran until 31 March 2015. For 2015-16 onwards it was decided to revert to one year agreements.

A memorandum of account has been produced by Denbighshire County Council which is shown below:

|  | <b>2017-18</b> | <b>2016-17</b> |
|--|----------------|----------------|
|  | <b>£ 000</b>   | <b>£ 000</b>   |
| <b>Pooled budget contributions</b>                             |                |                |
| Denbighshire County Council                                    | (219)          | (220)          |
| Betsi Cadwaladr University Local Health Board (Core)           | (138)          | (138)          |
| Betsi Cadwaladr University Local Health Board (Bed Service)    | (38)           | 0              |
| Other - HEC / CHC / Intermediate Care                          | (138)          | (136)          |
| <b>Total Pooled Budget contributions for the year</b>          | <b>(533)</b>   | <b>(494)</b>   |
| <b>Expenditure</b>   |                |                |
| Equipment purchases  | 133            | 149            |
| Operating Expenditure  | 395            | 352            |
| Change of computer system from DICES to ELMS                   | 28             | 0              |
| <b>Total Expenditure for the year</b>                          | <b>556</b>     | <b>501</b>     |
| <b>Net (Surplus)/Deficit on the Pooled Budget for the Year</b> | <b>23</b>      | <b>7</b>       |
| <b>Cumulative net (Surplus)/Deficit on the Pooled Budget</b>   | <b>(15)</b>    | <b>(38)</b>    |

## Memorandum Note - Note 32 - Pooled Budgets

### **Denbighshire Health and Social Care Support Workers Service - Memorandum Accounts 2017-18**

The Denbighshire Health and Social Care Support Workers Service Pool is hosted by Denbighshire County Council who have produced a memorandum account for the 2017-18 financial year as shown below.

|  | <b>2017-18</b> | <b>2016-17</b> |
|--|----------------|----------------|
|  | <b>£ 000</b>   | <b>£ 000</b>   |
| <b>Pooled Budget contributions</b>   |                |                |
| Denbighshire County Council  | (50)           | (50)           |
| Betsi Cadwaladr University Local Health Board                                  | (50)           | (92)           |
| Betsi Cadwaladr University Local Health Board - Primary Care 3 x 30 hour posts | (60)           | 0              |
| ICF Grant Allocation   | (51)           | (33)           |
| ICF Grant Allocation - from slippage   | 0              | 0              |
| <b>Total Pooled Budget contributions for the year</b>                          | <b>(211)</b>   | <b>(175)</b>   |
| <br>   |                |                |
| <b>Expenditure</b>   |                |                |
| Employee Expenses  | 189            | 163            |
| Other Operating Expenditure  | 22             | 10             |
| <b>Total Expenditure for the year</b>  | <b>211</b>     | <b>173</b>     |
| <br>   |                |                |
| <b>Net (Surplus)/Deficit on the Pooled Budget for the Year</b>                 | <b>0</b>       | <b>(2)</b>     |
| <br>   |                |                |
| <b>Cumulative net (Surplus)/Deficit on the Pooled Budget</b>                   | <b>(47)</b>    | <b>(47)</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