Accountability Report

2017/18

Signed : Tracy Myhill ……
(Chief Executive)

Date ……

This Accountability Report includes a number of key documents, namely:

- A Corporate Governance Report. This sets out the composition and organisation of ABMU's governance structures and how these support the achievement of the entity's objectives. This detail is contained within our AGS attached at **Annex 'A'**

- A Directors' Report and a Statement of Accounting Officer's Responsibilities attached at **Annex 'B'**

- A Remuneration and Staff Report attached at **Annex 'C'**

- A Parliamentary Accountability and Audit Report attached at **Annex 'D'.**

Annex A

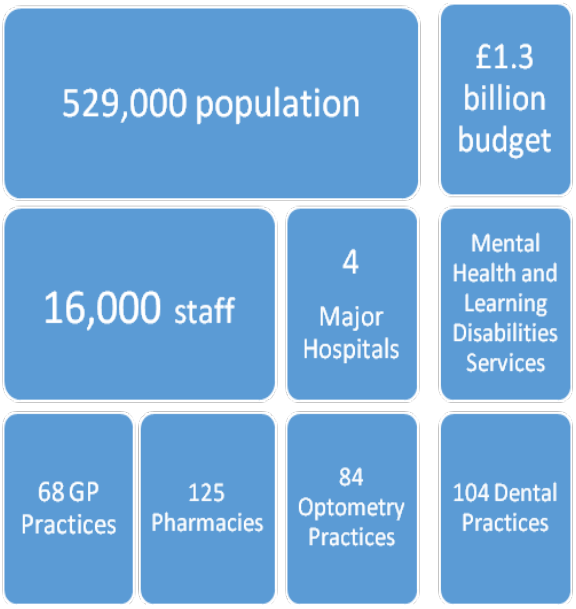
Corporate Governance Report 2017/18

Contents

1. INTRODUCTION

The Health Board has responsibility for: assessing the health needs; commissioning; planning and delivering healthcare for the populations of Bridgend, Neath Port Talbot and Swansea Local Authorities. Through our strong partnership arrangements we also have a joint responsibility for improving the health and wellbeing of our diverse communities. As a healthcare provider, we provide health promotion and prevention, primary care, community services, mental health, learning disabilities and hospital-based care for our resident population, and for some specialist services for people from a wider geographical area.

In 2017/18 ABMU had a budget of over £1.0 billion employing just over 16,000 staff, 70% of who are involved in direct patient care.



Our responsibilities extend to both primary (general practitioner, optician, pharmacy and dental services) and secondary (hospital) services together with certain tertiary services such as providing burns and plastic surgery services for Wales and the South West of England. We also provide forensic mental health services for the whole of South Wales and learning disability Services are provided from Swansea to Cardiff as well as for the Rhondda Cynon Taf and Merthyr Tydfil areas. A range of community based services are delivered within patients' own homes, via community hospitals, health centres, and clinics. ABMU also provides general medical and dental services to Hillside Secure Children's Unit and general medical services to HM Prison Swansea.

We have four acute hospital sites these being the Princess of Wales Hospital in Bridgend, Neath Port Talbot Hospital in Port Talbot and the Singleton and Morriston Hospital sites which are both in Swansea. Details of our other hospital sites are published on our website. At the end of March 2018, the total number of beds in the Health Board stood at 2,166.

We also provide a range of specialised services which are provided on a regional basis, including Burns and Plastic Surgery (for the whole of South Wales and South-West England), Forensic Mental Health Services (for South Wales) and Learning Disability Services (for the ABM UHB, Cwm Taf and Cardiff and the Vale Health Board areas). We also host the South West Wales Cancer Centre, providing radiotherapy and oncology for this area and other regional services such as specialised cardio-thoracic and pancreatic surgery. We do not provide specialist Child and Adolescent Mental Health Services (CAMHS) for our population, these are provided by Cwm Taf University Health Board.

2. SCOPE OF RESPONSIBILITY

The Board is accountable for good governance, risk management and internal control of the organisation. As Chief Executive of the Health 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 Health Board'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.

In discharging this responsibility I, together with the Board, am responsible for putting into 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.

2.1 Our purpose, vision and values

The Board has a clear purpose from which its strategic aims and priorities have been developed to fulfil our civic responsibilities by improving the health of our communities, reducing health inequalities and delivering prudent healthcare in which patients and users feel cared for, confident and safe.

The Health Board's agreed objectives seeks to ensure we meet national priorities set by Welsh Government, locally determined priorities and professional standards.

Our Purpose

To fulfil our civic responsibilities by improving the health of our communities, reducing health inequalities and delivering prudent healthcare in which patients and users feel cared for, confident and safe

Our Vision

To be an excellent healthcare, teaching and research organisation for ABMU and the wider region

Our Values

Our Corporate Objectives

Promoting and Enabling Healthier Communities	Delivering Excellent Patient Outcomes, Experience and Access	Demonstrating Value and Sustainability	Securing a Fully Engaged and Skilled Workforce	Embedding Effective Governance and Partnerships

A core element of the health board's strategic focus is our *Values and Behavior Framework.* Developed with service users, the community and staff, these values set out how we work and the values that we share.

caring for each other	working **together**	always **improving**
in every human contact in all of our communities and each of our hospitals.	**as patients, families, carers, staff and communities so that we always put patients first.**	**so that we are at our best for every patient and for each other.**

2.2 Targeted Intervention

In September 2016 ABMU Health Board 'the Board' was escalated by Welsh Government to "targeted intervention" status under the NHS Wales Escalation Framework arrangements. This increased level of monitoring continued during 2017/18. A firm focus for improvement was set for particular service areas which include unscheduled care, cancer, Referral to Treatment (RTT) times, infection control and the financial management. The Board has strived to make improvements in these areas and continues to do so.

During 2017/18 we established a Recovery and Sustainability Programme with a particular focus on addressing our deteriorating financial performance and to drive delivery of a savings programme which delivered some £17m. This has been informed by lessons from national reviews such as the Carter review; the work of the National Efficiency and Value Board; local benchmarking information; and local reviews and reports commissioned by the Health Board. The Programme has adopted a matrix approach with a 'vertical' focus on clear Financial Recovery and Savings Plans for each Service Delivery Unit and Corporate Department, with 'horizontal' cross-cutting workstreams to drive a standard approach, at pace, across the Health Board. Each workstream has an executive lead and nominated project management support.

The Programme has been reviewed and framed for 2018/19 to reflect learning from 2017/18 and to ensure alignment with the delivery of the Annual Plan. Its focus will shift focus from technical efficiency, reducing waste and improved controls (whilst these continue to be delivered), to a greater focus on new pathways and models, and the outcomes and value we get for patients from the money we spend. This will be critical in enabling the Health Board to move from a 'recovery' focus to a more sustainable trajectory.

Section 7 of this Annual Governance Statement describes the approach taken by the Health Board in relation to the development of an Annual Plan for the periods 2017/18 and 2018/19. During 2017/18, the Board received detailed reports on performance throughout the year as well as receiving assurance via the Performance & Finance Committee which holds responsibility for scrutinising performance for targeted intervention topics in particular.

3. OUR SYSTEM OF GOVERNANCE AND ASSURANCE

3.1 Overview

The Health Board has been constituted to comply with the Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009 and comprises the Chair, Vice Chair, Chief Executive, seven independent members (also known as independent members) and seven executive directors which ensures it is composed of individuals with a range of backgrounds, disciplines and areas of expertise. It can also include associate members with one such post being occupied during 2017/18. A nomination for a second associate member was put forward and approved by the Health Secretary in March 2018.

Our governance structure operates within the Welsh Government's *Governance e-manual & Citizen Centred Governance Principles* in that the seven principles together with their key objectives provide the regulatory framework for ABMU's business conduct and define its 'ways of working'. These arrangements support the principles included in Her Majesty's Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice 2011*.

The Board functions as a corporate decision-making body with executive directors and independent members being equal members sharing corporate responsibility by the Board. Details of Board members are set out in **Appendix 1.**

The principal role of the Board is to exercise effective leadership, direction and control which includes setting the overall strategic direction for the organisation (within Welsh Government policies and priorities) and establishing and maintaining high levels of corporate governance and accountability including risk management and internal control. It is also there to:

- Ensure delivery of aims and objectives through effective challenge and scrutiny of performance across all areas of responsibility.
- Ensure delivery of high quality and safe patient care.
- Build capacity and capability within the workforce to build on the values of the Health Board and creating a strong culture of learning and development.
- Enact effective financial stewardship by ensuring the Health Board is administered prudently and economically with resources applied appropriately and efficiently.
- Instigate effective communication between the organisation and its community to ensure its services are planned and responsive to identified needs.
- Appoint, appraise and oversee arrangements for remunerating of executives.

The Board has approved Standing Orders for the regulation of proceedings and business which translates the statutory requirements set out in the Local Health Board (Constitution, Membership and Procedures) (Wales) Regulations 2009 into day to day operating practice. Together with the adoption of a scheme of matters reserved for the Board, a detailed scheme of delegation to officers and an earned autonomy framework and Standing Financial Instructions, they provide the regulatory framework for the business conduct of the Health Board and define "its ways of working".

The Standing Orders and Standing Financial Instructions (SO & SFIs) are regularly reviewed and updated, with any changes then being submitted to the Board for approval. SO & SFIs are supported by a suite of corporate policies and, together with the Values and Standards of Behaviour Framework and Board Assurance arrangements to form the Health Board's Governance Framework.

There was a review of Board governance arrangements following the appointment of the new Director of Corporate Governance/ Board Secretary with a view to developing a Board Assurance Framework. The outcomes arising from this work will be detailed as part of the 2018/19 Annual Governance Statement.

3.2 Governance Reviews

Financial Governance Review

During 2017/18 the Welsh Government commissioned Deloitte to undertake a Financial Governance Review of the Health Board. As part of the review, Deloitte undertook a number of interviews with key members of staff from the Health Board. The Health Board accepted all the recommendations from this review and developed an action plan which is being monitored by the Audit Committee. Wales Audit Office has completed its annual Structured Assessment process which has been agreed by the Health Board in March 2018 and as a result a number of the recommendations from the financial governance review have now been superseded.

The position as at end of March 2018 is as follows;

- 16 recommendations have been completed (green status);
- There are six recommendations with an amber status and a number of actions have been implemented against these recommendations, however, it is considered that the recommendations cannot be fully closed down at this stage. These recommendations have now been added to the Governance Work Programme;
- There are seven recommendations which have been superseded by the recommendations of the Structured Assessment, it is therefore proposed that these are closed down as these are similar to those identified in 2017.

Our Performance and Finance Committee has been in operation since June 2017 and meets monthly. Arrangements are working well and continue to improve with the changes to independent membership of the Board, which is reflected in the expertise of members of the committee.

The Health Board has put in place a Governance Work Programme for 2018/19 which consolidates the outstanding recommendations of the Deloitte Financial Governance Review, the Wales Audit Office Structured Assessment and the actions from the Governance Stocktake into an integrated work programme.

We have also commissioned The Kings Fund, to undertake a comprehensive Board, Executive and Leadership development programme to be delivered during 2018/19. The programme comprises three work-streams designed to work in tandem to increase board, executive and senior leader confidence and capability.

- **Work-stream 1:** A bespoke board development programme that ensures ABMU's board has the capability, capacity and confidence to lead ABMU through the challenging times ahead;
- **Work-stream 2:** An executive development programme that will work in parallel with the board programme to enable the executive team to work effectively as a team to deliver the organisation's objectives; and
- **Work-stream 3:** A bespoke programme enabling executive and Delivery Unit leaders and their teams to make strong connections across ABMU and to deliver effectively as a collective.

Review of Serious Incident Reporting

In December 2017 fieldwork was carried out by the Welsh Government's Delivery Unit which reviewed the ways in which the Health Board managed serious incidents taking into account complaints, patient safety incidents and clinical negligence claims. This report was finalised in February 2018 and its main issues related to the oversight, scrutiny and challenge at a senior level and consistency in approach to management of such reports. Since the fieldwork was undertaken, significant progress has been made in relation to the approach taken by the Health Board in investigating serious incidents and the approach to learning amongst staff has significantly improved to support a culture where risk and harm are reduced as much as possible.

3.3 Role of the Board

The Board has overall responsibility for the strategic direction of the Health Board and provides leadership and direction to the organisation and has a key role in ensuring that the organisation has sound governance arrangements in place. It also ensures that we have an open culture and high standards in the way in which its work is conducted. Board members share corporate responsibility for all decisions and play a key role in monitoring the performance of the organisation.

The Health Board usually meets six times a year in public. The Board is formed from the appointment of individuals from a range of backgrounds, disciplines and expertise. It consists of the Chair, Vice Chair plus seven independent members (also known as non-officer members), the Chief Executive and seven executive directors. There are also currently two associate board members.

Each Board meeting begins with a patient story which sets out an individual's personal experience of the service. Such feedback is invaluable and is used to learn lessons, further improve services and in the planning of future services.

Details of Board members and when the Board met during 2017/18 are set out in **Appendix 1** along with the level of attendance at such meetings. All Board and Board Committee meetings held in 2017/18 were quorate with the exception of a single meeting of the Workforce & Organisational Development Committee in May 2017.

Board members are also involved in a range of other activities on behalf of the Board, such as development sessions (at least six a year), service visits and a range of other internal and external meetings. The Board also meets in public in June each year (to formally approve its annual accounts following detailed consideration by the Audit Committee) and July to approve its annual report and the Annual Quality Statement. These documents are available via our website.

3.4 Committees of the Board

The Health Board has established a range of committees as detailed in the diagram on page 15. These committees are chaired by Independent members of the board and they have key roles in relation to the system of governance and assurance, decision making, scrutiny, assessment of current risks and performance monitoring.

There was a review of Board Committee arrangements in the final quarter of 2017/18 which was approved at the March 2018 meeting of the Health Board. The following are some of its key conclusions:

- The remit and purpose of the committees to be much more clearly based on delegated functions of the Board;
- Tighter terms of reference would help avoid overlap with executive functions or duplication with other committees;
- Workforce metrics would in future form part of the remit of the Performance and Finance Committee;
- A Health & Safety Committee be established;
- The role of the Workforce & Organisational Development Committee be re-considered to determine how the Board will receive assurance on the wider strategic workforce issues;
- Board Development Sessions to become strategically focussed with a schedule of workshops planned for 2018/19.

At each meeting, the Board receives a key issues summary report from each of its committees and advisory groups which have met since the previous meeting. These set out details of key topics considered, assurances received, key risks and any decisions made.

All papers for the Health Board and Committees which are held in public are available on the Health Board website. The meetings that do not meet in public are either because of the confidential nature of their business such as the Remuneration and Terms of Service Committee or they are development meetings discussing plans in the formative stages.

The Audit Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. It undertakes these duties by providing advice and assurance to the Board on the effectiveness of arrangements in place around strategic governance, assurance framework and processes for risk management and internal control. The Committee independently monitors, reviews and reports to the Board on the processes of governance and where appropriate, facilitates and supports the attainment of effective processes. In discharging its duties, the Audit Committee, working to an agreed annual work programme, reviewed the assurance and prepared an Annual Report highlighting the following areas:

- Internal financial control matters, such as safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information;
- Adequacy of disclosure statements which are supported by the Head of Internal Audit Opinion and other opinions;
- The adequacy of relevant policies, legality issues and the Codes of Conduct, underpinned by review of the health Board 's Hospitality Register and Single Tender Actions summary;
- The policies and procedures related to fraud and corruption, together with

information on particular cases and outcomes;
- That the system for risk management is robust in identifying and mitigating risks, providing assurance to the Board that the risks impacting on the delivery of the Board's objectives are being appropriately managed;
- Assurances as to governance arrangements for the operation of any 'hosted' agencies such as the Emergency Medical Retrieval & Transportation Service (EMRTS)*.

*EMRTS Cymru is an all-Wales pre-hospital emergency medical service run as a partnership between NHS Wales and the Welsh Air Ambulance Charity. ABMU acts as the host for this service which is commissioned by the Emergency Ambulance Service Committee (EASC) on behalf of all Health Boards in Wales. The National Director provides a regular governance and activity report to the Medical Director and ABMU's Chief Executive and also to the Commissioner (Chief Ambulance Service Commissioner) at EASC. This report is considered at ABMU's Hosted Agencies Committee and at the Delivery Assurance Group which has representation from all Health Boards. The Medical Director also shares the regular reports with all other Medical Directors in Wales and the service has presented to the all-Wales Medical Directors Group. Welsh Government commissioned an external evaluation of EMRTS Cymru and this reported favourably about the delivery of the key objectives. An external review of the governance processes was also commissioned by ABMU which confirmed that the clinical governance arrangements were of very high quality and were working well.

In providing assurance to the Board, the Audit Committee has specifically:

- Approved risk-based Internal Audit plans and considered the opinions given on reports with Executive Directors held to account where appropriate;
- Considered the Head of Internal Audit Opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes;
- Discussed and approved for recommendation to the Board, ABMU's audited financial statements and Auditor General's Opinion;
- Reviewed and approved the ABMU's Governance Framework, including Standing Orders, Standing Financial Instructions and Scheme of Delegation and the System of Assurance set out in **Appendix 2**.
- Monitored the implementation of the recommendations following the Financial Governance Review in 2017;
- Supported the actions from the internal governance stocktake led by the Director of Corporate Governance/Board Secretary and agreed the Governance Work Programme for 2018-19;
- Continues to work with the Wales Audit Office with regard to the work of external audit on the accuracy of the financial statements. The Committee also works with the Wales Audit Office on the performance audits undertaken and the annual structured assessment.

A list of key issues considered by the Board, the Audit Committee and Quality & Safety Committee during 2016/17 is set out in **Appendix 3.**

Our Quality Priorities have been agreed as part of the process of

updating our Quality Strategy which sets out a vision of what we can, and will achieve through a focus on delivering high quality services by addressing those matters that will contribute to the achievement of our strategic objectives. We have nine Quality Priorities which are closely aligned to our targeted intervention areas. More details around this are available in our Annual Quality Statement which will be available from our website as of the end of July 2018.

The **Quality & Safety Committee** is the main assurance mechanism for reporting evidence based and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the quality and safety of healthcare. It is responsible for providing assurance to the Board in relation to the arrangements for safeguarding and improving the quality and safety of patient centred healthcare in accordance with its stated objectives and the requirements and standards determined for the NHS in Wales.

Each meeting begins with a patient story and presentation on governance and performance management arrangements from a service delivery unit team. The committee is supported by the Health and Care Standards Scrutiny Panel and also receives reports from internal and external audit, Health Inspectorate Wales and the ABM Community Health Council and each of these organisations has representatives who attend meetings of the committee. Where reports have identified concerns or deficiencies, action plans are produced to address the issues progress on which is reported through the Quality & Safety Committee. Following each meeting, a report on key issues is produced which is submitted to the bi-monthly meeting of the Health Board to keep it appraised of the topics that have been considered. Quality & Safety Committee agenda papers are available following each meeting via our website.

Besides receiving reports on quality & safety issues we also have mechanisms in place to ensure that a range of staff are able to see care being delivered. An example of this is the *First Friday* initiative at Morriston Hospital where the senior team work alongside clinicians on the first Friday of every month undertaking audit and gaining patient and staff feedback using bespoke methodology that is linked to the Health and Care Standards. In addition to this, a programme of peer review spot-checks have been carried out both inside and outside normal working hours.

A new initiative, known as 'Breaking the Cycle' was put into place to help us address increased demand during winter period and this was implemented across ABMU between 8th and 22nd January 2018. The initiative aimed to increase system resilience during this traditionally difficult period through staff working in different ways across the unscheduled care system to improve patient flow, and to use the learning from this approach to inform the unscheduled care improvement action plan. We plan to use the analysis from this initiative building the things that worked well into our winter plans for 2018/19 and beyond.

We have systems in place which facilitate independent members and executive directors to visit service areas as part of our 15 Step Challenge Programme. The methodology considers aspects of the clinical care environment to confirm if it was

welcoming, safe, staff were caring, well organised and calm. The findings of such reviews are recorded and any required action is taken forward locally and overseen by the respective management team.

We also encourage service users and their families to provide their views on care and treatment. A report is presented to the Quality and Safety Committee at every meeting that outlines feedback gathered from our *Friends and Family* initiative, the all-Wales Patient Experience Framework results, complaints, compliments, incidents, risk management and patient safety alerts.

ABMU continues to work with partner agencies such as, the Bevan Commission to improve the quality and effectiveness of services that are provided to our patients. We have also continued to engage with the *1000 Lives Improvement Programme* team to promote and deliver improvement across a wide number of areas including both national and more local improvement initiatives.

3.5 Advisory Groups and Joint Committees

The Board also has three Advisory Groups and three joint committees. There are also a range of other boards and groups that report to the Board which include the Public Service Boards, Regional Partnership Boards and ARCH, (A Regional Collaboration for Health) Programme Board. There is also a Chair's Advisory Group which supports the connection between the business of key committees and assurance reporting.

Advisory Groups:

Stakeholder Reference Group (SRG)

The SRG provides a forum to facilitate full engagement and active debate. Its membership includes representatives from specific groups of the community, such as children and young people, sexual orientation, older people, ethnic minorities etc. Members also include statutory bodies such as Police, Fire and Rescue, Environment Agency, etc. This group therefore has excellent links to the wider general public and each representative's role is to highlight the issues raised by their particular groups. The Chair of the SRG is an associate Board member. Reports on key issues considered at meetings of the SRG are provided to the Board on a regular basis and can be accessed via our key documents pages on our website.

Health Professionals Forum (HPF)

Whilst the HPF's role is to provide a balanced, multidisciplinary professional advice to the Board on local strategy and delivery. The HPF has responsibility for facilitating engagement and debate amongst the wide range of clinical interests within the ABMU's area of activity. This advisory fora did not meet during 2017/18 but we have plans for it to do so again during 2018/19.

Local Partnership Forum (LPF)

The LPF's role is to provide a formal mechanism whereby AMBU, as the employer, and trade unions/professional bodies representing employees work together to improve health services. Key stakeholders engage with each other to inform debate

and seek to agree local priorities on workforce and health service issues. The chairmanship of the LPF is alternated between management and staff side. Key issues arising from meetings of the LPF are reported to the Board and can be accessed via our key documents pages on our website.

The Board has four other all-Wales 'joint committees' the outputs from which are reported to the Board:

Welsh Health Specialised Services Joint Committee (WHSSC)
The Welsh Health Specialised Services Committee (WHSSC) is responsible for the joint planning of Specialised and Tertiary Services on behalf of Local Health Boards in Wales. WHSSC was established in 2010 by the seven Local Health Boards in Wales to ensure that the population of Wales has fair and equitable access to the full range of specialised services. WHSSC is hosted by Cwm Taf University Health Board. The Health Board is represented on the Committee by the Chief Executive and reports of the joint committee's discussion and decisions are regularly reported to the Board.

The Emergency Ambulance Services Joint Committee (EASC)
EASC is a joint committee of the seven local health boards, with three Welsh NHS Trusts as Associate Members, which was established in April 2014. EASC is responsible for the joint planning and commissioning of emergency ambulance services on an all Wales basis. EASC is hosted by Cwm Taf University Health Board. A B M U Health Board is represented on the Committee by the Chief Executive and reports of the joint Committee's discussion and decisions are regularly reported to the Board

NHS Wales Shared Services Partnership Committee
The NHS Wales Shared Services Partnership Committee (NWSSP), a partnership committee of the seven Local Health Board and three NHS Trusts in Wales was established on 2012. NWSSP is hosted by Velindre NHS Trust and is responsible for the exercise of the Shared Services functions across NHS Wales. The Health Board is represented on the Committee by the Director of Finance and reports of the joint committee's discussion and decisions are regularly reported to the Board.

Joint Regional Planning and Delivery Forum (JRPDF)
The South Central & East, Joint Regional Planning and Delivery Forum (JRPDF) has been established as a joint committee of Aneurin Bevan, Cardiff & Vale, Cwm Taf, ABMU and Powys teaching Local Health Boards and similar arrangements also exist between ABMU and Hywel Dda University Health Board.

The Health Board works in partnership with a number of organisations including local authorities, mainly through Western Bay Regional Partnership Board, Swansea University, through the Collaboration Board, A Regional Collaboration for Health (ARCH), the NHS Collaborative and Acute Care Alliances. These arrangements continue to develop and mature. Areas of partnership working are reported directly to the Board.

Board and Committee Arrangements

Notes:

Other groups have a reporting line to committees are not shown on this diagram

BOARD
Chair: Andrew Davies

Executive Team
Chair: Tracy Myhill

Audit
Chair: Martin Sollis
Lead officer: Director of Corporate Governance

Charitable Funds
Chair: Martyn Waygood
Lead officer: Director of Finance

Remuneration & Terms of Service
Chair: Andrew Davies
Lead officer: Director of Corporate Governance

Mental Health and Capacity Act Legislative Committee
Chair: Emma Woollett
Lead officer: Director of Nursing and Patient Experience

Performance and Finance Committee
Chair: Emma Woollett
Lead officer: Director of Finance

Quality & Safety
Chair: Maggie Berry
Lead officer: Director of Nursing and Patient Experience

Health and Safety Committee
Chair: Martyn Waygood
Lead officer: Director of Strategy

Workforce and OD Committee
Chair: Ceri Phillips
Lead officer: Director of Workforce and OD

Delivery Unit Governance Sub Committee
Lead officer: Director of Finance

EMRTS Governance Sub Committee
Lead officer: Medical Director

CF Bids Panel
Lead Officer: Director of Finance

Hospital Managers Power of Discharge Sub Committee
Lead officer: Director of Nursing and Patient Experience

Standard for Health Services in Wales Scrutiny Panel
Lead officer: Director of Nursing and Patient Experience

Joint Committees

EASC
Lead officer: Director of Strategy

Joint Regional Planning and Delivery Committee
Lead officer: Director of Strategy

WHSSC
Lead officer: Director of Strategy

Shared Services
Lead officer: Director of Workforce and OD

Board Advisory Groups

Local Partnership Forum
Chair: Kate Lorenti/CEO/Staffside
Lead officer: Director of Workforce and OD

Healthcare Prof Forum
Chair:
Lead officer:

Stakeholder Ref Group
Chair: Alison James
Lead officer: Director of Nursing and Patient Experience

Groups Reporting to the Board

Strategy, Planning and Commissioning Group
Chair: Andrew Davies
Lead officer: Director of Strategy

ARCH Programme Board
Lead officer: Director of Strategy

Public Service Boards
Lead officer: Director of Strategy

Western Bay
Lead officer: Director of Strategy

Committees

Sub Committees

UHB Management

Board Advisory Groups

Groups Reporting to the Board

Joint Committees

4. ORGANISATIONAL STRUCTURE

In order to ensure that the values and behaviours drive a caring, supportive and ambitious culture within the organisation, the Board changed our operational management arrangements in 2015 and establish six delivery units. Each unit is led by a core 'triumvirate' which consists of the Service Director, Unit Medical Director and Unit Nurse Director. They are as follows:

- Neath Port Talbot Hospital
- Mental Health & Learning Disability Services
- Morriston Hospital
- Princess of Wales Hospital
- Singleton Hospital
- Primary Care and Community Services

There are also corporate directorates (in terms of finance, governance, information management and technology, workforce and organisational development, nursing, medical and planning) which play a central role in supporting the organisation as well as providing support to the delivery units. Like the delivery units, corporate directorates will also be subject to performance reviews from 2018 onwards bringing scrutiny to effective and efficient performance.

5. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

Our systems of internal control are 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. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies' aims and objectives, to evaluate the likelihood of those risks being realised and the impact this would have and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31st March 2018 and, up to the date of approval of the annual report and accounts.

6. CAPACITY TO HANDLE RISK

We have continued to develop and embed our approach to risk management over the last year to ensure risk systems continue to be streamlined and inter-connected. The understanding of risks actively informs the Board's key priorities and actions and its overall approach to risk governance. We see active and integrated risk management as key elements of all aspects of our functions and responsibilities especially in order to support the successful delivery of our business. This assists in ensuring high quality and safe health care is provided to local people, that we contribute to improving the health and well- being of our population and that a safe and supportive working environment is provided for our staff.

The Chief Executive has overall responsibility for the management of risk. The executive lead for risk management is the Director of Nursing & Patient Experience who has delegated responsibility for ensuring that arrangements are in place to

effectively assess and manage risks across the organisation, including maintaining and co-ordinating a Corporate Risk Register and the corporate reporting of risks.

As Accounting Officer I delegate particular aspects of my role to Executive Directors. These arrangements are reflected in job descriptions and performance review mechanisms. The Chief Executive role is directly accountable to the Board, has overall responsibility and accountability for all aspects of the Risk Management Policy and delegates this responsibility to the senior managers of the Health Board, as detailed in the Risk Management Strategy.

6.1 Risk and Control Framework

The risk management strategy sets out the structures and processes for the identification, evaluation and control of risk, as well as the system of internal control. Delivery of the strategy is overseen by the Audit Committee with individual officers having specific delegated responsibilities.

We are committed to ensuring staff throughout the organisation are trained and equipped to appropriately assess, manage escalate and report risks and further work continues to embed good risk management throughout the organisation. This work is being informed by best practice examples and through advice from Internal Auditors, Wales Audit Office and Welsh Government's Delivery Unit.

The delivery of healthcare services carries inherent risk and our risk profile is continually changing. The key risks that emerge which can impact upon our achievement of objectives is documented within ABMU's Corporate Risk Register which is updated quarterly and reported to the Audit Committee and Board and feeds into our Annual Plan.

Risk Registers are used to identify and manage significant risks within an organisation. In addition internal and external reports/reviews are used to inform the framework and register, in terms of new risks or amendments to existing risks.

In acknowledging that effective risk management is integral to the successful delivery of its services, we have systems and processes in place which identifies and assesses risks, decides on appropriate management and then provides assurance the effectiveness of their management. The implications of risks taken in pursuit of improved outcomes, in addition to the potential impact of risk-taking on and by its local communities, partner organisations and other stakeholders, is understood by the Board.

A risk management workshop for Board members was held in the autumn of 2017/18 and the Corporate Risk Register was most recently received at the March 2018 meeting of the Health Board. As a Health Board we recognise that work is required on strengthening the processes and systems of risk management. This has been highlighted through the internal governance stocktake and the Wales Audit Office Structured Assessment.

The overall assurance arrangements are set out in the Systems of Assurance, regularly reviewed by the Audit Committee, which toward the end of 2017/18 supported proposals for the development of a Board Assurance Framework. We recognise that this is a significant priority and that it will take us some time to put in place an overarching framework. The Audit Committee will receive regular reports on the progress of the Board Assurance Framework.

In enacting the risk appetite of the organisation which is set out in the ABMU Risk Management Strategy (pages 10-12), the Board has given consideration to its principle objectives, both strategic and operational, and identified the principal risks that may threaten the achievement of those objectives. In doing so, the Board is aware that the process involves managing potential principal risks and not merely being reactive in the event of any risk exposure. It acknowledges that the modernisation of delivery of healthcare services cannot be achieved without risks being taken, the subsequent consequences of taking those risks and mitigating actions to manage any such risks.

In terms of the Health Boards risk profiling, Table 1 sets out the corporate risks by risk rating.

Risk Matrix	LIKELIHOOD				
CONSEQUENCES	1 Rare	2 Unlikely	3 Possible	4 Probable	5 Expected
1 Negligible					
2 Minor					
3 Moderate			RR 7: Adverse Publicity	RR 13: Environment/ Premises	
4 Major			RR 17: Equipment Replacement RR 24: Compliance with PSN's RR 16: Waiting Times RR23 & 29: Business Continuity & Disaster Recovery RR 28: Service Business Interruption 46 Corporate Governance of the Board	RR 4: Infection Control RR9: Access to Services RR 11: Dignity in Care & Needs of Older People RR 27: Clinical Information Systems RR 36: Management of Paper Health Records RR 37: Reporting of Clinicial Information RR 38: Lack of Single Integrated Electronic RR 40: Insufficient information governance resources RR 39: IMTP not approved by WG RR 43: Deprivation of Liberties RR 45: Discharge Information RR 47 Sustainability of Primary Care Services	RR48: Compliance with GDPR

Risk Matrix	LIKELIHOOD				
CONSEQUENCES	1 Rare	2 Unlikely	3 Possible	4 Probable	5 Expected
5 Critical			RR 15: Population Health RR 41: Fire Safety for buildings with applied external cladding RR 1: Unscheduled Care	RR 2: Financial deficit risk of special measures RR 3: Workforce Planning Record RR 42: Sustainable services & finances. 44: ED Clicnial Systems	

RR – Risk Reference on the Corporate Risk Register PSA – Patient Safety Notices

The risk management arrangements enable the principal risks to be identified whilst also ensuring that these risks are not considered in isolation as they are derived from the prioritisation of all risks flowing through the organisation. Effective risk management is integral in enabling us to achieve our objectives, both strategic and operational in delivering safe, high quality services and patient care.

We manage risk within a framework that devolves responsibility and accountability throughout the organisation. Each Executive Director is responsible for managing risk within their area of responsibility and they ensure that there:

- are clear responsibilities for clinical, corporate and operational governance and risk management;
- is appropriate training for staff in risk assessment and risk management;
- mechanisms in place for identifying and managing significant risks through regular, timely and accurate reports to the executive team, relevant Board committees and the Board itself;
- are systems in place to learn lessons from any incidents or untoward occurrences and that corrective action is taken where required;
- are processes which allow details of the key risks to be reported to the Board;
- there is compliance with ABMU policies, legislation and regulations and professional standards for their functions.

Executive Directors consider, evaluate and address risk and actively engage with and report such matters to the Board and its committees. The Unit Directors (Service Director, Director of Nursing & Patient Experience and the Medical Director have devolved responsibilities for risk. Together, they ensure that robust systems are in place for risk management. In addition, the Director of Nursing & Patient Experience has specific responsibility for progressing compliance with the Health and Care Standards framework as specific strategic responsibility for key areas of patient safety. The Director of Finance also has specific responsibility for financial risk management and for providing regular, timely and accurate financial reporting to the Board in-line with requirements and professional standards.

Service delivery unit directors are responsible for the management of risk within their Units and must ensure that they have effective arrangements to carry this out. Any risks outside their control are communicated to the Chief Operating Officer with professional issues are relayed to the relevant executive lead e.g. Medical Director and Director of Nursing & Patient Experience.

Service Delivery Units have undertaken a self-assessment against the *Health and Care Standards* which has subsequently been reviewed and agreed by the Executive Team. The Health and Care Scrutiny Panel met in April 2018 to review and agree the overall assessment against the Health and Care standards. There is more about the outcome of this process in Section 8.2.

Finally, each unit has attended an end-of-year Performance Review with the Executive Team to discuss performance and governance arrangements. Each unit is developing structures to ensure the appropriate management of risk which has been confirmed within their mid-year and end-of-year performance reviews.

The Board recognises that there is risk associated with every decision it takes and within any proposed change in service. Therefore, the Board is keen to engage and consult with staff, the public and stakeholders to identify areas of concern and solutions. Working with partner organisations is critical to successful integrated working and delivering services with partners can bring significant benefits and innovation. Working in this way can also lead to risks around failing to align agendas and ineffective communication.

6.2 Top organisational risks

As of 31st March 2018 there were 28 risks on the ABMU Corporate Risk Register ranging from 12 to 20. In terms of the highest risks these are set out below:

- Workforce sustainability;
- Sustainable services within a sustainable financial position;
- Effective governance arrangements to enable ABMU to achieve its agreed financial deficit target.

Delivery of the financial deficit target

Subject to audit, the draft end-of-year financial position for 2017/18 shows improvement with an over spend of £32.417m against a deficit of £36m forecast in the financial plan. This includes a £7.4m penalty for not achieving 'referral to treatment targets'.

We have stabilised our financial position in 2017/18 and are on track to achieve a figure below our £36m deficit financial control total. This has been supported by our Recovery & Sustainability Programme which will continue to underpin our work to further reduce the deficit in 2018/19.

The financial risk plans in place to mitigate the risk is reported to each Audit Committee meeting and also to each Board meeting. Actions being taken to manage the risk include:

- Monitoring and reporting financial performance;
- Regular financial performance meetings between service delivery units management teams, the Chief Executive and Director of Finance;
- Continuing the operation of the Recovery and Sustainability Programme Board which oversees the delivery of key work streams to support the delivery of service efficiency improvements

In addition to the three key risks above, the following issues were also considered a significant concern during 2017/18:

- Infection control and prevention (otherwise referred to as healthcare acquired infections);
- Waiting times for Child & Adolescent Mental Health Services (which are provided on behalf of ABMU via Cwm Taf University Health Board);
- Sustainability of Primary Care Services particularly levels of GP vacancies;
- Informatics risks in relation to the electronic record, provision of clinical information and management of paper records.

It is recognised that additional work in these areas is required to reduce the risk further and detailed action plans are in place to support such work. The risks and controls in place and planned actions are set out in the Corporate Risk Register.

NHS Wales Informatics Services (NWIS)

The Wales Audit Office have published their report into Informatics Systems in NHS Wales in January 2018. We will be considering our response to this review at the time of writing this AQS.

The Health Board declared a Business Continuity Level 3 Incident as a result of the National Data Centre Failure on 24 January 2018, which resulted in loss of 17 national IT systems including Pathology (WLIMS), all GP systems, the Welsh Clinical Portal and the Internet and intermittent failure of a further 7 local IT systems. The Health Board has received a copy of the serious incident report which confirmed that the cause of the incident was a problem with the Check Point firewall equipment which occurred when a routine firewall change was applied. Actions as a result of this incident are being progressed by NWIS.

Throughout 2017/18 there were 2 other, less significant, incidents regarding the National data centres that affected ABMU services, particularly in pathology. During May, the Health Board has once again had to invoke Business Continuity processes due to loss of access to the pathology LIMS system. The unavailability of WLIMS has a knock on effect to all services awaiting patient tests to be processed, as results are

delayed. ABMU continue to work with NWIS to ensure that robust business continuity arrangements are in place within NWIS and that technical plans are in place to mitigate against further incidents. These outages created a serious governance risk and patient safety risk for the organisation and the Health Board has written to the Chief Executive of Velindre, as the host for NWIS to seek assurance that robust business continuity arrangements are in place within NWIS and that they are doing everything they should to ensure there are no further incidents of this nature.

Nursing Staffing Act

The Nurse Staffing Levels (Wales) Act 2016 became law in March 2016, with a phased commencement. The Act requires health service bodies to make provision for appropriate nurse staffing levels, and ensure that they are providing sufficient nurses to allow the nurses' time to care for patients sensitively. Sections 25A relates to the Health Boards/NHS Trusts overarching responsibility which came into effect in April 2017, requiring Health Boards to ensure they had robust workforce plans, recruitment strategies, and structures and processes in place to ensure appropriate nurse staffing levels across their organisations.

A baseline assessment using current planned rosters, acuity data, quality indicators and professional judgement for the reportable wards has been undertaken. A scrutiny panel has identified that further work was required to ensure that each service delivery unit is consistent in its approach to triangulation, application of the acuity data and its interpretation and professional judgement explanations.

The Health Board has taken reasonable steps to ensure it meets patient-centred care in line with the Act and agreed a number of additional actions which include:

- Agreeing 2018/19 as the 'Year Zero' position to facilitate meeting the reporting requirements of the Act.
- Implement an across Service Delivery Unit peer review process to further validate any assumptions across service delivery unit variations
- Each Service Delivery Unit Senior team to review its most recent acuity data to further triangulate professional judgement decision-making, variations and assumptions.
- Each Service Delivery Unit to benchmark with other health boards with similar wards.
- The designated person to meet with all Service Delivery Unit Nurse Directors to further discuss and review their triangulation approach prior to sign-off of ward establishments.

7. INTEGRATED MEDIUM TERM PLAN (IMTP) / ANNUAL PLAN

The Board agreed that an Annual Plan would be developed for 2017/18 and this was approved by the Health Board in March 2017. Quarterly monitoring reports on the

delivery of the Annual Plan are presented to the Health Board for assurance.

There were 109 actions in the Annual Plan 2017/18 and 53 of the actions have been completed demonstrating 49% of actions completed. Of the remaining actions, 37% are still in progress and 11% are closed, on hold or not progressing. Further detail is available in the report to the Board in May 2018. Examples of how we have delivered against our corporate objectives in 2017/18 are set out in our Annual Plan for 2018/19 which describes how we aim to use existing resources more effectively to demonstrate value and sustainability. This Plan was approved by the Board in March 2018 for onward submission to Welsh Government.

We recognise that successful delivery of the corporate objectives is underpinned by the modernisation and redesign of services. This in turn requires us to engage with patients, carers and families to ensure that any proposals reflect the needs of all individuals who either use or engage with our services. In 2017/18 we continued to build on our engagement activities to incorporate these critical views in our plans.

Achievements in 2017/18

- We have made good progress on our quality priorities to reduce the number of pressure ulcers and falls, our primary care access is improving and we largely comply with the Mental Health Measure;
- There are signs of resilience emerging in our unscheduled care system;
- We have more work to do to stabilise our workforce and to improve our unscheduled care performance, 36-week waiting times and cancer performance and reduce our infection rates; and.
- We have stabilised our financial situation in 2017/18 and we have delivered our financial control total. This has been supported by our Recovery and Sustainability Programme which will continue to underpin our work to further reduce our deficit in 2018/19.

Caring Together
Western Bay
Health and Social Care Programme
Gofalu Gyda'n Gilydd
Bae'r Gorllewin
Rhaglen Iechyd a Gofal Cymdeithasol

Our partnership work across health and social care is developed and delivered through the Western Bay Regional Partnership Board. It is designed to meet the challenges of demographic changes and health inequalities in the population we serve to support the sustainability of patient care and promote a model of care that is aligned with care being delivered 'Closer to Home'.

It also seeks to provide solutions to address the imbalance in demand and capacity in our system. The context incudes significant performance, workforce and financial challenges which ultimately impact on the quality of our services.

Through 2017/18 we have increasingly matured the partnership working arrangements between ourselves and Hywel Dda University Health Board and have developed a robust regional planning agenda together. Through the Joint Regional Planning and Delivery Committee we have developed a work programme to address both operational and longer term pressures across the region. A similar process is in place in the South East of Wales and we link into these planning systems via our team within Princess of Wales Hospital.

On a longer-term strategic basis, we have a key vehicle in ARCH which brings together ourselves with Hywel Dda University Health Board and Swansea University. The ARCH Portfolio is a collaboration which brings together health and science to transform the NHS in South West Wales; train and develop the next generation of doctors, nurses, health workers, scientists, innovators and leaders; and, boost the local economy by encouraging investment and creating new jobs.

Assessment against section 175 of National Health Service (Wales) Act 2006

The National Health Service Finance (Wales) Act 2014 became law in Wales from 27th January 2014, new duties with regard to operational planning were placed upon the Local Health Boards. The legislative changes are effected to section 175 of the NHS Wales Act 2006.

- S175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years;
- S175 (2A) and the Directions issued by the Welsh Ministers under section 175(2) to prepare a plan which sets out its strategy for securing 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.

For the period 2017/18, subject to audit, ABMU has met its financial duty to break-even against its Capital Resource Limit over three years however, failure to achieve financial balance, that is to manage aggregate expenditure within aggregate revenue resource allocations over the first rolling 3 year assessment has resulted in the Health Board failing to meet the first financial duty.

The Health Board was unable to develop an approvable three year plan for the period 2017/18 to 2018/19 for approval by the Minister and therefore did not meet their second financial duty.

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

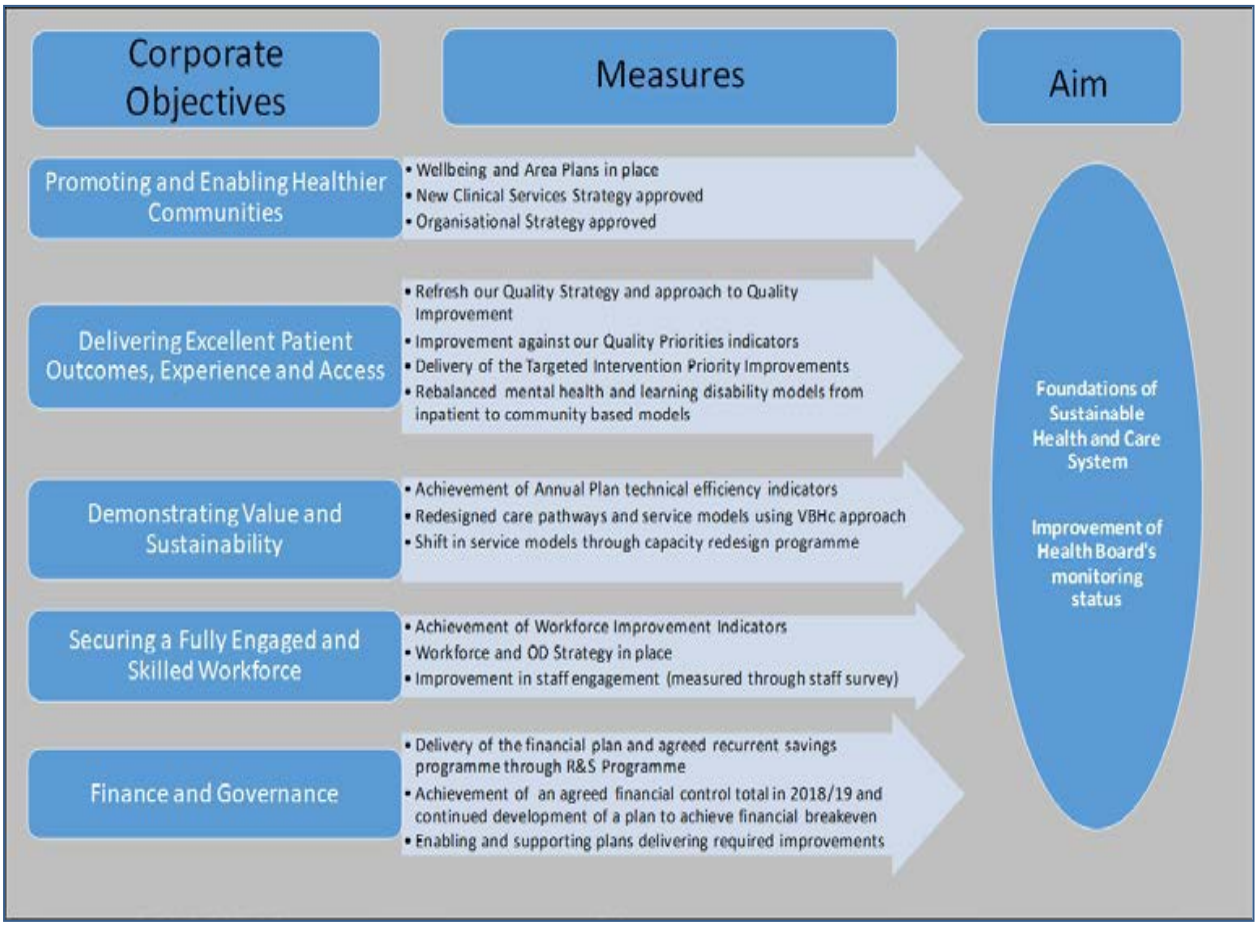
Development of the Annual Plan 2018/19

The Board agreed that a further Annual Plan for 2018/19 would be developed as our systems are currently unsustainable due to the scale of our financial and workforce challenges. These are primarily due to; demographic changes and health inequalities in the population we serve; a model of care which is overly weighted towards inpatient services and an imbalance in demand and capacity, leading to significant performance, workforce and financial challenges.

The overarching aim of our Annual Plan for 2018/19 is to improve our Targeted Intervention monitoring status and to provide the foundation for a sustainable health and care system. We will do this by delivering our Corporate Objectives which were developed and agreed in 2017 and our focus is on strategic development, improving quality and safety, improving efficiency and delivering improved performance through an integrated service, workforce and financial plan which is assured through the delivery mechanism of our Recovery and Sustainability Programme. Our Plan sets out clear, timely, deliverable actions, using the Wellbeing Future Generations Act Five Ways of Working, through five specific Service Improvement Plans for our Targeted Intervention Priority Areas (Unscheduled Care, Stroke, Planned Care, Cancer and Healthcare Acquired Infections). These also include clear financial, workforce and infrastructure enablers.

Section 2.2 of this Annual Governance Statement provides and update on the targeted intervention status and explains that the Board agreed that an Annual Plan would be developed for 2018/19 as our system is currently unsustainable due to the scale of our financial and workforce challenges.

Our Annual Plan has been developed within the national, regional and local health and care Strategic Context, including Prosperity for All, the Parliamentary Review of Health and Social Care, our Wellbeing and Area Plans developed through the Western Bay Regional Partnership Board and our regional planning work with Hywel Dda UHB and the ARCH Programme.

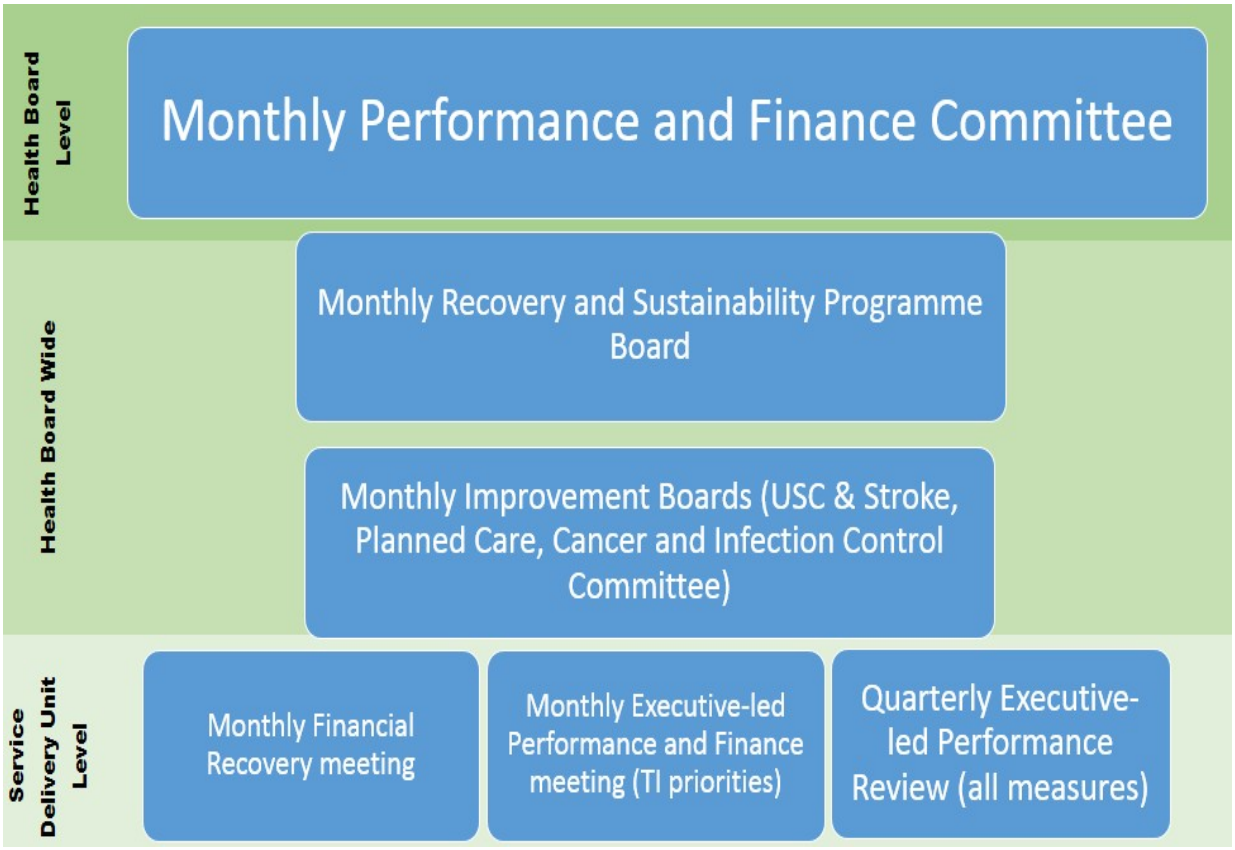


Our Plan aims to deliver:

- Improved quality and safety of services;
- Improved performance against our Targeted Intervention priorities;
- Modernised service models and redesigned capacity to reflect improved length of stay underpinned by a Values Based Healthcare approach;
- Increased sustainability of the workforce;
- Improved efficiency of our services;
- Fit with strategic direction of the Health Board; and,
- A reduced financial deficit.

The monitoring of the delivery of the Annual Plan is undertaken through the Performance & Finance Committee on behalf of the Board as shown in the diagram

below.



8. MANDATORY DISCLOSURES

8.1 Corporate Governance Code – for central Government departments

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 transposes to 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.

An assessment of compliance with the *Corporate Governance Code* is informed

by:

- The review of Board effectiveness, taking account of Unit based self-assessments against the Health and Care Standards*;*
- The outcome of the *Structured Assessment* by Wales Audit Office;

The Board is clear that it is complying with the main principles of the *Code*, is following the spirit of the *Code* to good effect and is conducting its business openly and in line with the *Code*. The Board recognises that not all reporting elements of the *Code* are outlined in this Governance Statement but are reported more fully in the ABMU Annual Report published each year.

Any breaches in Standing Orders are reported to the Audit Committee; one occurred in 2017/18 and was reported to the committee in April 2018. The breach related to an engagement of a contractor which exceed the quotation threshold. The original estimated value of the business, in its own right, would have been compliant however, the aggregated expenditure has resulted in a breach with no complaint contract underpinning the expenditure. The Audit Committee were satisfied by the proposed action to enforce a no purchase order/no pay policy during 2018.

Section 7 of this Annual Governance Statement provides the Health Board's position in relation to the two financial duties under section 175 of the National Health Service (Wales) Act. For the period 2017/18, the Health Board did not meet the two financial duties and therefore this has resulted in a breach of the Health Board Standing Orders and Standing Financial Instructions. During 2017/18, the Board has been fully engaged in the development and monitoring of the annual plan through meetings of the Finance and Performance Committee and the Board.

8.2 Health and Care Standards

The current standards came into effect as of April 2015, incorporating the *Standards for Health Services in Wales (2010)*' and the '*Fundamentals of Care Standards (2003)*'. The standards place the person at the centre and emphasise the importance of strong leadership, governance and accountability and form the Welsh Government's common framework of standards to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings.

The organisation uses the Health and Care Standards as part of its framework for gaining assurance on its ability to fulfil its aims and objectives for the delivery of safe, high quality health services. This involves self-assessment of performance against the standards across all activities and at all levels throughout the organisation.

Service directors, unit medical directors and unit directors of nursing are collectively responsible for ensuring that the Health and Care Standards are embedded across their particular service delivery unit and they self-assess against each of these including the

new Governance, Leadership and Accountability standard to ensure there is effective scrutiny. The ABMU (Health and Care Standards) Scrutiny Panel is comprised of three independent members (including the chairs of the Audit Committee and Quality & Safety Committee) together with the Director of Nursing and Patient Experience. Panel meetings are framed around the three key themes set out in the Governance and Accountability Module.

The Board completed the Module and has openly assessed its performance using the maturity matrix and deliberations including a review of the WAO's Structured Assessment referencing the individual responses to the following survey and received a report from the members of the Scrutiny Panel. This took place on 26th April 2018, the results of which are set out in the following table:

Governance & Accountability Module	The Board are developing plans and processes and can demonstrate progress with some of their key areas for improvement. **(3)**
Setting the Direction	✓
Enabling Delivery	✓
Delivering results achieving excellence	✓

This concluded that the overall maturity level should remain at three, the same level as in 2016/17. During the assessment process the Board agreed that the Governance Work Programme covers improvement actions for 2018/19. It was further agreed to review the process and mechanisms to assess board effectiveness further which will be aligned to the Board Development Programme 2018/19.

In reviewing governance arrangements as outlined earlier in this statement and taking into account its assessment against the *Governance & Accountability Module*, the Board is clear that it is operating in accordance with the Corporate Governance Code for central government departments: Code of Good Practice 2011 and that there have been no departures from the Code.

8.3 Equality, Diversity and Human Rights

The Health Board is committed to treating everyone fairly. People should not be put at a disadvantage because of their age, disability, religion and belief, gender, race, sexual orientation, pregnancy and maternity or because they are transgender, married or in a civil partnership.

Our equality objectives support us with delivering this commitment. These objectives are published within our Strategic Equality Plan 2017-2020 on our website. Our Plan identifies the actions that will drive forward progress towards achieving each of the equality objectives.

We report annually on progress towards fulfilling each of these objectives. Assurance is provided to the Board through the Workforce and Organisational Development Committee. Examples of key highlights for 2017/2018 include:

- Moving up 93 places in **Stonewall's Workplace Equality Index** from a ranking of 247 in 2017 to 154 in 2018.
  Key achievements include:
  - rebranding of ABMU's LGBT+ Network, **Calon**, to be more inclusive through the explicit inclusion of Allies members (including Trans Allies) and improvements made to the visibility of the Network
  - success of the **No Bystanders** campaign run by ABMU Graduate Trainees
  - **collaboration** with other LGBT network groups in NHS Wales at Pride Cymru 2017 joining colleagues on the march and manning the stall.

- Supporting the implementation of the All Wales Standards for Communication and Information for People with Sensory Loss across the Health Board. Awareness raising included:
  - **Supporting your Senses Seminar** on 4 October 2017 jointly arranged by an ABMU Glaucoma Nurse Practitioner, Royal National Institute for the Blind (RNIB), SENSE and the Swansea Sensory Services Team to support individuals with vision and/or hearing loss.
  - Celebration of the national campaign **'It Makes Sense – Sensory Loss Awareness Month'**. We hosted the Cabinet Secretary's national launch of the campaign at Port Talbot Resource Centre on 23rd November 2017. Third sector organisations supported information stands on our sites.

- Becoming the first hospital in Wales to launch an **online access guide** for Morriston Hospital in partnership with *DisabledGo* on 8 May 2017. This tells people everything from how far the car park is from the main entrance to the location of the lifts and disabled toilets. It means that disabled people can find their way around Morriston Hospital before they have set off from home. The access guides will be particularly helpful to disabled people, their carers, family and friends.

8.4 NHS Pension Scheme

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 regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into 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. The Scheme is managed on our behalf by the NHS Wales Shared Services Partnership.

8.5 Emergency Preparedness / Civil Contingencies / Disaster Recovery/ Environmental Management

The Health Board continues to maintain its duties as a Category 1 responder and has strengthened its level of compliance. There is an Emergency Preparedness Resilience and Response Strategy Group in order to oversee the associated work programme which includes training and exercising; delivered in accordance to the civil protection duties and associated risk register. There are now a suite of emergency response plans in place to support the Health Board Major Incident Procedure and clear linkages to associated multi-agency and Network plans. The response to mass casualty arrangements has been further strengthened with the development of NHS Wales Mass Casualty Arrangements and our capacity to deliver specially trained A&E nurses to form part of a Medical Emergency Response Incident Team (MERIT) at a mass casualty clearing station continues grow. The Teams will be made of staff from Health Boards across Wales and will work alongside the Clinicians from the EMRTS who will provide the pre-hospital medical response and the Welsh Ambulance Service Trust teams.

A further two executive directors attended Wales Gold Command training this year and we have service business continuity plans in place supported by six Service Delivery Unit Overarching Tactical Business Continuity Plans and an ABMU Overarching/Significant Incident Procedure for the purpose of Strategic Command and Control.

In accordance with emergency preparedness and civil contingency requirements (as 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), we have contingency plans for extreme weather conditions.

We have also retained ISO14001 accreditation for our environmental management systems. Our Environment Committee, (chaired by ABMU's Chairman and attended by the Director of Strategy) oversees ABMU's long-term carbon reduction strategy which is set to align with the objectives determined within the Environmental (Wales) Act 2016 and the Well-being of Future Generations Act 2015. This has seen a growth in Recycling and Recovery rates.

We have also retained ISO14001 accreditation for our environmental management systems and through our Strategic Environmental Management Group which oversees our long-term carbon reduction strategy aligning with the objectives determined within the Envornmental (Wales) Act 2016 and the wellbeing and Future Generations Act 2015. This has seen an increasing in mixed recycling of more than 7% during 2017-18 with an additional 21.9 tonnes of waste being recycled compared with the previous year.

In addition we have reduced generation of 'black bag' non-recyclable waste and confidential waste by almost 5% and more than 17% respectively.

The Health Board working with Refit Cymru a Government initiate set up top support the public sector in the development of energy saving schemes. In the last year the Health Board have been developing the specification for an energy performance contract. ABMU is the first in Wales to enter into such an agreement with refit Cymru. With the exception of vehicle usage, these plans address scopes 1* and 2** of the Green House Gas Protocol (as set by World Resources Institute and World Business Council on Sustainable Development).

***Scope 1** – Direct emissions are emissions from sources that are owned or controlled by the company. For example, emissions from combustion in owned or controlled boilers, furnaces and vehiclescarbon footprint through reducing its energy consumption.

****Scope 2** – Accounts for emissions from the generation of purchased electricity. New buildings are designed to be energy efficient, complying with the energy standards for new buildings and where cost-effective energy saving systems are installed on new builds.

8.6 Data Security

All information governance incidents are reviewed by the Information Governance Board and during the year there were two incidents relating to data security that required reporting to the Information Commissioners Office (ICO). All reportable incidents have been investigated internally and where required support and cooperation has been provided to the ICO to inform their investigations. Of the two reportable incidents, two have been closed by the ICO, with no further action considered necessary.

Incident	Actions taken by the Health Board
– Loss of patient file containing therapy referral details for a small group of pre-school children	Review of procedures undertaken to prevent a recurrence. Staff compliant with information governance mandatory training.
– Information were found in a public area following the historic decommissioning of a health board building.	Major review of the decommissioning policy and procedures to provide a robust operational framework for future projects. Continued drive to ensure staff compliance with information governance mandatory training.

During the year there have been a small number of national data failures incidents which have had a significant impact on the organisation. Further details on the risks and the actions taken are covered in section 6.2.

8.7 Ministerial Directions

The Welsh Government has issued Non-Statutory Instruments and reintroduced Welsh Health Circulars in 2014/15. The Ministerial Directions that are relevant to Health Boards that were issued in 2017/18 are listed in the following table:

Effective From	Directions issued	Impact	Response
12 April 2017	The Primary Medical Services (Care Homes) (Directed Enhanced Services) (Wales) Directions 2017 (2017, No.9)	Requires the establishment of an enhanced service for care home residents, following set review and management of patient criteria, and make appropriate reimbursement of primary care contractors	Health Board has implemented this with effect from 1 April 2017, and we are fully compliant
12 April 2017	Primary Medical Services (Mental Health) (Directed Enhanced Services) (Wales) Directions 2017	Requires the establishment an enhanced service for training and education of primary care contractors in mental health issues, and make appropriate reimbursement of contractors	Health Board has implemented this with effect from 1 April 2017, and we are fully compliant
12 April 2017	Primary Medical Services (Oral Anti-coagulation with Warfarin) Directed Enhanced Service) (Wales) Directions 2017 (No.14)	Requires the establishment an enhanced service for the management of patients with a range of specified conditions through use of warfarin therapy, and make appropriate reimbursement of contractors	Health Board has implemented with effect from 1 October 2017, and we are progressing to full compliance.
26 April 2017	Managed Introduction of New Medicines Into the National Health Service in Wales Directions 2009 (Amendment) (Wales) Directions 2017 (2017 No. 17)	Requires the adoption of new medicines approved for use.	Health Board has implemented this and we are fully compliant.
4 May 2017	General Dental Services Statement of Financial Entitlements (Amendment) Directions 2017 (2017, No.19)	Requires adjustments to payments to general dental service contractors	Health Board has implemented with effect from 1 April 2017, and we are fully compliant
4 May 2017	Personal Dental Services Statement of Financial Entitlements (Amendment) Directions 2017 (2017, No.20)	Requires the adjustment of payments to personal dental service contractors	Health Board has implemented with effect from 1 April 2017, and we are fully compliant
10 August 2017	Financial Entitlements(Amendment)(No.2) Directions 2017	Requires the adjustment payments to general medical service contractors across a variety of areas	Health Board has implemented with effect from 1 April 2017, and we are fully compliant

Effective From	Directions issued	Impact	Response
1 October 2017	Statement of Financial Entitlements (Amendment) (No. 3) Directions 2017	Requires payments for general medical services contractors for introducing a Hepatitis vaccination regime for children, and prescribing / dispensing payment changes	Health Board has implemented from 1 October 2017, and we are fully compliant
20 March 2018	Financial Entitlements (Relaxation of Quality and Outcomes Framework) 2018 (2018 No.1)	Requires adoption of payment mechanisms for general medical services contractors claiming payment following the relaxation of the Quality and Outcomes Framework	Health Board has implemented from 20 March 2018, and we are fully compliant

Details of Welsh Health Circulars (WHCs) issued during the year are reported at each Board meeting and are available on our website. The Health Board has arrangements in place to ensure compliance.

9. REVIEW OF EFFECTIVENESS

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 internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework and comments made by external audits in their audit letter and other reports.

Executive directors and delivery unit senior leadership teams also have a responsibility for the development and maintenance of the internal control framework and for continually improving effectiveness within the organisation.

Work has continued to improve the performance information provided to the Board and its committees so that it can be assured on the accuracy and reliability of the information it receives as well as ensuring this is focussed on the achievement of organisational objectives.

As part of revisions to Board committee arrangements ABMU established a Performance & Finance Committee in June 2017 which has played a key role in overseeing improvements in key delivery areas.

The Board functioning as a corporate decision making body, has regularly considered assurance reports, whilst also receiving updates on key issues. Full details of Board reporting arrangements are set out in Section 1. The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisation's objectives and is primarily supported in this role

by the work of the Audit Committee and the Quality & Safety Committee. Further information about both these committees can be found at **Appendix 1.**

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

9.1 Internal Audit

Internal Audit provide me as accountable officer and the Board through the Audit Committee with a flow of assurance on the systems of internal control. I have commissioned a programme of audit work which has been 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.

The Head of Internal Audit has noted that during the 2017/18 year ABMU Health Board has remained in targeted intervention status under the NHS Wales Escalation Framework arrangements with focus and support received from the Welsh Government in driving improvement in challenging and difficult times.

In addition, during the year there was significant changes to Board membership and there is almost an entirely new Board in place at the close of 2017/18. At Executive Director level a number of key Executive departures occurred that were filled on an Interim basis. From September 2017 a number of Independent Member changes occurred as a result of their “term of office” ending, these changes resulted in new Independent Member appointments to Chair(s) positions for most of the key Committees.

Towards the end of 2017/18 the newly appointed Director of Corporate Governance completed a governance stocktake and is in the process of developing a Board Assurance Framework and also strengthening the risk management processes. The Board has supported this work and are aiming to strengthen governance arrangements early 2018/19 with the ongoing development of an integrated governance work programme.

Recognising the above, the Head of Internal Audit notes that the audit plan has been delivered with the support of the Board in the context of the challenges that the Health Board has encountered with increased monitoring by Welsh Government and the significant changes at the Board re Executive Director/Interim Executive Director appointments, and new Independent Membership at key committee(s) of the Board. In addition to the support of the Board, Internal Audit has seen increased support and engagement from management that is demonstrated with a report turnaround time taken for management response improving from 41% in 2016/17 to 58% in 2017/18.

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

-  + Amber	The Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **moderate impact on residual risk** exposure until resolved.

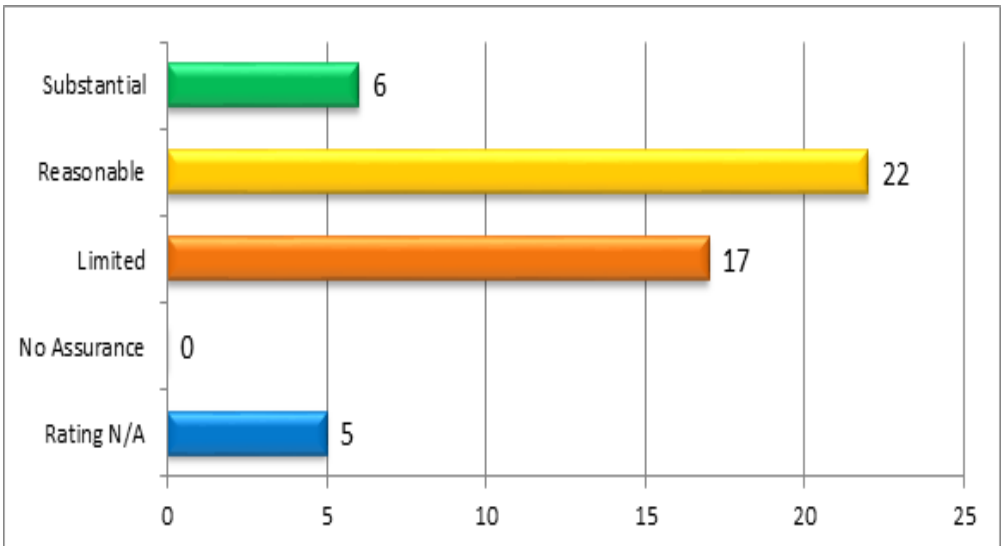
In reaching this opinion the Head of Internal Audit has identified 'reasonable assurance' in five of the eight assurance domains:

- Financial Governance and Management;
- Strategic planning, performance management and reporting;
- Operational Services and functional management;
- Information governance and security;
- Capital and estates management.

The remaining three domains were identified with 'limited assurance';

- Corporate governance, risk management and regulatory compliance;
- Clinical governance quality and safety;
- Workforce management.

There are a number of individual audit subject areas within some domains where limited assurance has been derived this year, or previously. Management are aware of the specific issues identified and have agreed action plans to improve control in these areas. Progress is monitored by the Audit Committee. These planned control improvements should be reference in the Annual Governance Statement where appropriate. The following chart sets out the overall findings for all the audits conducted during 2017/18:



Reports are received at each meeting of the Audit Committee from Internal Audit that provide an executive summary of the issues arising from their work. Copies of these are available from our website and reports from the Head of Internal Audit.

During the year, Internal Audit issued the following reports with a conclusion of "limited assurance" and details were notified to the Welsh Government:-

- Medical Directorate Review (subsequent review provided substantial assurance);
- Pressure ulcers;
- Medical Devices & Equipment maintenance;
- Protection of Vulnerable Adults (Deprivation of Liberty Standards)
- Health & Safety;
- Fire Safety;
- Fire Safety (follow-up);
- Corporate Legislative Compliance: Wellbeing of Future Generations Act;
- Golau Governance Review;
- Non-Pay Expenditure: Goods Receipting;
- Information Technology infrastructure assets;
- Sickness absence Management (follow-up);
- Staff Performance management & Appraisals;
- Statutory & Mandatory Training;
- Medical Locum Cover;
- European Working Time Directive: Portering Services at Morriston Hospital;
- Backlog maintenance.

As indicated previously, detailed action plans have been agreed to improve performance in all these areas and this will be monitored through the Audit Committee, with follow up Internal Audit reviews undertaken where necessary. Copies of the Audit Committee reports for such audits are available via our website www.abm.wales.nhs.uk. A number of planned audit assignments were deferred following Audit Committee approval, these

included:-

- Putting Things Right;
- Patient Recorded Outcome Measures (PROMS);
- Clinical Audit & Assurance;
- Discharge processes;
- Corporate governance: code compliance;
- System of Assurance-Health Board;
- Partnership Governance- ARCH;
- Information Technology/Cyber Security;
- Data Quality: Outpatient delayed follow-up;
- Human Resources & Organisational Development Directorate – follow-up;
- GP Managed Practices;
- Medical staff revalidation;
- Organisational change/contractual changes;
- Nurse rostering follow-up;
- Junior Doctor Bandings follow-up;
- ARCH programme;
- Transitional Care Unit/Neonatal and Paediatric capacity.

Although the above planned audit assignments were deferred following Audit Committee approval, the Head of Internal Audit has included them in the 2018/19 Internal Audit programme of work.

9.2 External Audit

The Wales Audit Office (WAO) have also scrutinised the Health Board's financial systems and processes, performance management, key risk areas and the internal Audit function on behalf of the Auditor General for Wales, ABMU's external auditor. WAO undertake financial and performance audit work specific to the ABMU and also provide information on the Auditor General's programme of national value for money examinations which impact on the Health Board, with best practice being shared.

The Wales Audit Office 2017 work found 'arrangements that support good governance are largely in place and continue to be strengthened, but the financial position is not sustainable and organisational capacity, connections between programmes and maintaining pace of change present challenges'.

The Wales Audit Office have provided a detailed report to support the Board in understanding the key issues especially in light of the major Board Member turnover with a number of interim executives and transitional arrangements in place during 2017. The Annual Audit Report was received by the Health Board at the March 2018 and it was felt the report presented a fair and balanced view of the organisation, recognising both the positive aspects identified and those areas where further progress is required.

During the year, WAO undertook the *Structured Assessment* which we use to further inform our improvement planning and the embedding of effective governance. The outcome of the review was reported to the Audit Committee in January 2018 and to the Board in March 2018.

It concluded that:

- This year has been an exceptionally difficult year for the Health Board given the fragility of the Board, alongside the need to respond to the issues giving rise to targeted intervention. At the point of producing this structured assessment report, the Health Board continues to find itself in a challenging position, both in terms of its finances, and performance against a number of key national targets. However, the appointment of a new substantive Chief Executive and the introduction of new independent members provide some much needed stability and capacity at Board level to help achieve the turnaround that is required;

- Whilst the Health Board has continued to evolve its corporate arrangements for governance, financial management, strategy development and workforce planning, these have not yet been effective at getting the Health Board to where it needs to be with its finances and performance;

- Whilst the approach to financial savings is strengthening, it is not yet sufficient to recover its cumulative deficit and achieve financial balance. A more focussed asset management is also needed to better prioritise within limited capital funds. Further priorities for 2018 are the need to embed new Board Committee and Delivery Board structures, strengthen aspects of governance and performance management, and build operational management accountability and capacity.

- Whilst working to an Annual Operating Plan, the Health Board is redeveloping its clinical strategy to inform its longer-term, more transformational planning, although planning capacity is limited;

- The Health Board needs to take account of a number of significant regional partnerships including ARCH, the City Deal and regional planning with Hywel Dda University Health Board. It is also involved in consultations on other regional service changes including the major trauma network, thoracic surgery, and potential service transfers for the population of Bridgend. In recognition of the scale of challenge facing the Health Board's planning function, the Welsh Government has agreed to support additional planning capacity.

Some issues identified in previous structured assessments remain, for example, the pace of change being affected by capacity, reorganisations, and the complexity of

programmes as identified in 2014. Other risks and challenges consistent with our previous work include:

- Delivering against plans with a focus on outcome not process and actions;
- Co-ordination and prioritisation of programmes and initiatives;
- Delivering a reasonable and sustained pace of change;
- Workforce planning;
- Living within the resource limit; and
- Frontline culture and capacity, accountability & leadership and ownership of change.

The full conclusions from the *Structured Assessment* are available via the WAO website http://www.wao.gov.uk. Management actions arising from the *Structured Assessment* are being incorporated into our Governance Work Programme.

Conclusion

As Accountable Officer and based on the review process outlined above I have reviewed the relevant evidence and assurances in respect of internal control. The Board and its Executive Directors are alert to their accountabilities in respect of internal control. The Board has assessed itself against the *Health and Care Standards* to assist with the identification and management of risk.

In 2016 the Health Board was placed in 'targeted intervention' by the Welsh Government and, subsequently there was significant senior leadership turnover. As a result during 2017/18 the posts of Chief Executive, Chief Operating Officer, Director of Nursing & Patient Experience and Director of Workforce positions were held by acting/interim post-holders, while Directors of Finance, Therapies and Public Health were new into post. Alongside executive turnover, completed terms of office for five longstanding independent member posts meant that the Health Board has seen considerable turnover of board independent members in 2017.

The challenges we face remain largely the same as those described in the Annual Governance Statement in 2017. With the support of the Board, as Accountable Officer, I am determined we will address these. We are working on developing an Integrated Medium Term Plan, setting out our clinical strategy alongside our continuing focus on improving quality, reducing waiting times and improving access.

This Governance Statement highlights the significant challenges that the organisation has faced during 2017/18. However, with the changes to the Executive Team and the independent member appointments, I am confident that we have good plans in place to address the weaknesses highlighted in this statement. The Health Board is disappointed with the number of areas across the organisation that have received 'limited' assurance reports from the Head of Internal Audit. There are also a significant number of recommendations from the Wales Audit Office Structured Assessment.

Whilst the last year has been difficult and challenging for the organisation the latter part of the financial year has started to bring some stability and progress is beginning to be made. We have seen some progress with regard to its financial status and the Health Board continues to strive to deliver much needed improvement in particular service areas such as unscheduled care, meeting 36 week waiting times, cancer service targets and lowering rates of infection. Key to this will be continuation of improved financial delivery and a robust workforce model. We have series of controls in place to manage and mitigate these risks which are documented within our corporate risk register.

My review confirms that the Board has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and that no significant internal control issues have been identified. Internal Audits identified areas requiring action to strengthen systems and processes as listed on pages 35-38.

Detailed action plans have been agreed to improve performance in all these areas along with a Governance Work Programme for 2018/19. These will be monitored through the Audit Committee, with follow up internal audits undertaken where necessary.

Tracy Myhill
Chief Executive **Date**:

Annual Governance Statement Appendices

Appendix 1

Board and Committee Dates 2017-2018

Health Board (8)	Audit Committee (8)	Mental Health and Capacity Act Legislative Committee (2)	Remuneration & Terms of Service Committee (8)	Charitable Funds Committee (5)	Finance and Performance Committee (10)	Quality and Safety Committee	Strategy, Planning and Commissioning group (2)	Workforce and OD Committee (4)
25th May 2017	13th April 2017	3rd August 2017	11th May 2017	23rd June 2017	8th June 2017	20th April 2017	4th October 2017	3rd May 2017 (not quorate)
31st May 2017	18th May 2017	8th February 2017	7th June 2017	4th September 2017	30th August 2017	22nd June 2017	10th January	6th September 2017
27th July (AGM) 2017	31st May 2017		12th June 2017	11th October 2017	11th September 2017	17th August 2017		17th January 2018
27th July 2017	20th July 2017		15th June 2017	4th December 2017	27th October 2017	19th October 2017		8th March 2018
28th September 2017	14th September 2017		15th June 2017	13th March 2018	14th November 2017	7th December 2017		
8th December 2017	16th November 2017		28th June 2017		21st December 2017	1st February 2018		
25th January 2018	23rd January 2017		31st August 2017		24th January 2017			
29th March 2018	15th March		26th October 2017		6th February 2018			
			14th December 2017		21st February 2018			
					21st March 2018			

Board and Committee Attendance 2017-2018

	Health Board (8)	Audit Committee (8)	Mental Health and Capacity Act Legislative Committee (2)	Remuneration & Terms of Service Committee	Charitable Funds Committee	Finance and Performance Committee (10)	Quality and Safety Committee	Strategy, Planning and Commissioning Group (2)	Workforce and OD Committee (4)
Andrew Davies Chair	8			8		8		2	
Emma Woollett Vice-Chair (from October 2017)	3		1	1		8	1	1	1
Ceri Phillips Independent Member	8					3	4	1	2
Jackie Davies Independent Member (from August 2017)	4				2	5			3
Maggie Berry Independent Member	7	5	2		1		5	1	
Mark Child Independent Member (from October 2017)	1	2						1	
Martin Sollis Independent Member (from June 2017)	6	5		3	5	10			1
Martyn Waygood Independent Member (from June 2017)	4	2		3	4		2		
Tom Crick Independent Member (from October 2017)	2	3							
Chantal Patel Independent Member	7	2	1				5		3

	Health Board (8)	Audit Committee (8)	Mental Health and Capacity Act Legislative Committee (2)	Remuneration & Terms of Service Committee (8)	Charitable Funds Committee (5)	Finance and Performance Committee (10)	Quality and Safety Committee	Strategy, Planning and Commissioning Group (2)	Workforce and OD Committee (4)
Charles Janczewski Vice-Chair (until September 2017)	5	4	1	5	1	3			
Gaynor Richards Independent Member (until September 2017)	4			2	0				1
Paul Newman Independent Member (until September 2017)	1			5	2		3		2
Melvyn Nott Independent Member (April 2017)	0	1							
Sandra Miller Independent Member (April 2017)	0								
Tracy Myhill Chief Executive (from February 2018)	1					2			
Lynne Hamilton Director of Finance (from June	8	5		1	4	9		1	
Angela Hopkins Interim Director of Nursing and Patient Experience (from December 2017)	2	1	1				2		

	Health Board (8)	Audit Committee (8)	Mental Health and Capacity Act Legislative Committee (2)	Remuneration & Terms of Service Committee (8)	Charitable Funds Committee (5)	Finance and Performance Committee (10)	Quality and Safety Committee	Strategy, Planning and Commissioning Group (2)	Workforce and OD Committee (4)
Sandra Husbands Director of Public Health (from June 2017)	6						4	1	
Kate Lorenti Interim Director of Human Resources	4			7		5			4
Siân Harrop-Griffiths Director of Strategy	6				4	7		2	
Christine Morrell Director of Therapies and Health Sciences	5	1					6		1
Hamish Laing Medical Director	8					1	6	2	
Chris White Interim Chief Operating Officer (from December 2017)	3		1			3			
Alex Howells Interim Chief Executive (until February 2018)	6			8		5		1	
Rory Farrelly Interim Chief Operating Officer/Director of Nursing and Patient Experience (until December 2017)	5	4	1		1	3	2		1

	Health Board (8)	Audit Committee (8)	Mental Health and Capacity Act Legislative Committee (2)	Remuneration & Terms of Service Committee (8)	Charitable Funds Committee (5)	Finance and Performance Committee (10)	Quality and Safety Committee	Strategy, Planning and Commissioning Group (2)	Workforce and OD Committee (4)
Paul Gilchrist Interim Director of Finance (until June 2017)	**1**	**2**				**1**			
Sue Cooper Associate Board Member	**3**								
Alison James Associate Board Member	**4**								

Please note that the board membership underwent significant changes throughout 2017-2018 with a number of executive directors and independent members departing and joining the organisation. As such, the membership of the committees has been reviewed, resulting in some board members only attending a small number of meetings, either because they have joined or left a particular group partway through the year or because they have attended at the request of the Chairman to ensure a meeting was quorate.

Appendix 2

Declaration of Interests - ABMU Board Members - 2017/18

Name/Title	Interests Declared
Andrew Davies, Chairman	- Localist Limited (not-for-profit company running hyper-local media sites (non-remunerated)) – director; - National Dance Company for Wales (non-remunerated) – chairman; - Ospreys in the Community (non-for-profit body managing the Ospreys' community activities (non-remunerated)) – board member; - Swansea Early Years Strategy Steering Group (non-remunerated) – chairman; - Welsh Government TATA Task Force (non-remunerated) – member.
Emma Woollett, Vice-Chair (from October 2017)	- University Hospitals Bristol NHS Foundation Trust – non-executive director; - Woollett Consulting Ltd – owner/director (provide advisory services to NHS and non-NHS organisations.
Charles Janczewski, Independent member (until September 2017)	- Dasi Business Solutions – proprietor.

Name/Title	Interests Declared
Paul Newman, Independent member (until September 2017)	- MP properties – partner; - MPJ properties – partner; - Bexmoor Ltd - director and shareholder; - Penman Properties Ltd - director and shareholder; - Copper Court Ltd – director; - Rivalslot Ltd – director; - Longpark Ltd – director; - Maysouth Ltd – director; - Magnetrade Ltd – director; - Melin Property Partnership – partner; - Winch Wen Industrial Estate Management LTD – director; - Flowlong LTD – director; - Legrocco (No 5) LTD – director and shareholder; - Vivian Court (Swansea) LTD – director; - Neath Rugby LTD – director and shareholder; - Llys Felin Newydd Management LTD – director.
Martyn Waygood, Independent member (From May 2017)	- Independent member (legal) for Cardiff and Vale University Health Board until September 2017; - Son is an accountant for Cardiff and Vale
Martin Sollis, Independent member (From May 2017)	- Nothing to declare
Ceri Phillips, Independent member	- Welsh Wound Innovation – director (non-remunerated); - Mundipharma – honorarium for attending meeting.
Chantal Patel, Independent member	- Swansea University – head of inter-professional studies at CHHS; - Indian Society of South West Wales – secretary; - Pobl & Tai Gwalia (Housing Group) – board member; - Glamorgan Family Development Centre – chair; - More Green Recycling Charity – board member; - Clinical Ethics Committee at ABMU Health Board – member from university perspective.

Name/Title	Interests Declared
Mel Nott, Independent member (Until May 2017)	- Bridgend County Borough Council – leader; - National Adoption Service – chair; - Welsh Local Government Association – presiding officer.
Mark Child, Independent member (From October 2017)	- Cabinet member for health and wellbeing for Swansea Council; - Wales National Pool board member.
Gaynor Richards, Independent member (Until September 2017)	- Neath Port Talbot Council for Voluntary Service – executive director; - BIG Lottery Wales Committee – board member; - NPTC Group of Colleges – chair of board of governors; - Neath Port Talbot Children's Rights Unit – company secretary/co-director.
Sandra Miller, Independent member (Until May 2017)	- Neath Port Talbot County Borough Council – cabinet member/councillor; - Neath Port Talbot Council for Voluntary Service – elected member interest.
Jackie Davies, Independent member	- Royal College of Nursing board member; - Labour party member
Maggie Berry, Independent member	- Cardiff and Vale Care and Repair – chair (board member)

Name/Title	Interests Declared
Debra Williams, Independent member (until May 2017)	- Careers Wales – chair; - Swansea University – trustee; - Alacrity Foundation – trustee;
Tom Crick, Independent member (from October 2017)	- BCS, Chartered Institute for IT vice-presidency trustee; - Dwr Cymru board member
Susan Cooper, Associate Board Member	- Nothing to declare
Alison James, Associate Board Member	- Neath Port Talbot Carers' Service
Alex Howells, Interim Chief Executive (Until January 2018)	- Nothing to declare
Tracy Myhill, Chief Executive (from February 2018)	– Omimark Ltd (incorporated 5th April 2013, dissolved 4th August 2015) - Director – not trading but registered with Companies House; – Trivallis Housing Association - Chair (September 2017-December 2017) – Trivallis Housing Association - Board member (January 2018 – present – Highfield Close Management Ltd - Director 29th November - present
Paul Gilchrist, Acting Director of Finance (Until June 2017)	- Nothing to declare
Lynne Hamilton, Director of Finance (From June 2017)	- Nothing to declare
Hamish Laing, Medical Director	- Maggie's Cancer Centre Charity (national) – professional advisory board member; - Swansea University – honorary professor (school of medicine).
Rory Farrelly, Director of Nursing and Patient Experience/ Interim Chief Operating Officer/ Interim Deputy Chief Executive (Until December 2017)	- Association of British Paediatric Nurses (ABPN) – chair and president; - University of Swansea – honorary professorial post in nursing; - Royal College of Nursing – member.

Name/Title	Interests Declared
Angela Hopkins, Interim Director of Nursing & Patient Experience (From December 2017)	- Royal College of Nursing Foundation expert advisor; - Angela Hopkins consultancy – training provision in Wales; reviews within NHS Wales; interim roles in NHS organisation.
Kate Lorenti, Acting Director of Human Resources (Until March 2018	- Nothing to declare.
Siân Harrop-Griffiths, Director of Strategy	- Nothing to declare.
Christine Morrell, Director of Therapies and Health Sciences	- Nothing to declare
Steve Combe, Director of Corporate Governance	- Wife and daughter are employed by ABMU Health Board.
Pamela Wenger, Director of Corporate Governance (from January 2018)	- Nothing to declare

Appendix 3

KEY REPORTS RECEIVED IN 2017/18

ABMU Board

- Patient Story;
- Performance reports;
- Key issues reports from board committees, stakeholder reference group and partnership forum;
- Finance positions;
- Integrated Medium Term Plan/annual plan;
- Minutes and summaries of the meetings of the Joint Regional Planning and Delivery Committee; Welsh Health Specialised Services (WHSSC) joint committee; Emergency Ambulance Committee and NHS Wales Shared Services Partnership Committee;
- Affixing of the common seal;
- Welsh Health Circulars;
- Annual accounts;
- Annual governance statement;
- Organ donation;
- Recovery and sustainability programme;
- Medical engagement scale;
- Older persons' mental health issues;
- Arts in health;
- Children and young persons' services;
- Primary and community services strategy;
- Discretionary capital;
- Framework for engagement and consultation with the community health council;
- Funded nursing care;
- Major trauma services;
- Thoracic surgery review;
- Public service board's wellbeing plans and Western Bay Regional Public Service Board area plan;
- Research and development;
- Annual report from the Director of Public Health;
- 111 service evaluation report;
- Medical locum cap;
- Older persons' charter;
- Western Bay adult mental health strategic framework;
- Partnership between ABM and Cardiff and Vale university health boards;
- Business case for transforming cancer services;
- Nurse Staffing Act (Wales) 2016;
- Wales Audit Office annual report and structured assessment;
- Corporate risk register;

- Proposed changes to Bridgend boundary;
- Board committee arrangements;
- Emergency preparedness resilience and response annual report.

Audit Committee:

- Annual governance statement;
- Risk management system and risk register;
- Annual quality statement;
- Organisational annual report;
- Review of standing orders and financial instructions;
- Minutes and terms of reference of hosted agencies governance sub-committees;
- Declarations of interest register;
- Hospitality register;
- NHS Wales Shared Services Partnership (NWSSP) internal audit assignment summary and progress reports;
- Wales Audit Office performance reports, structured assessment and annual report;
- Post-payment verification reports;
- Information governance board updates;
- Wales Audit Office reviews, management responses and action plans:
- Radiology services;
- Review of emergency ambulance services commissioning arrangements;
- GP out-of-hours;
- Discharge planning;
- Follow-up of outpatients.
- Wales Audit Office annual report and structured assessment;
- Medical appraisal to support revalidation action plan progress report;
- Continuing healthcare performance reports;
- Consultant contract follow-up management response progress report;
- NWSSP accounts payable;
- Annual accounts reports;
- Remuneration and staff report;
- Bridgend trading clinic trading account;
- Summary on capital contracts and consultant appointments;
- Financial control procedure review plan;
- Risk and controls around financial management;
- Losses and special payments;
- Review audit registers and status of recommendations;
- NWSSP single tender actions and quotations;
- NWSSP contract extensions;
- Clinical audit plan, mid-year progress report and annual report;
- Counter fraud reports, annual plan and report and self-assessment;
- Annual review of Quality and Safety Committee work;
- Capital contracts and consultant appointments;

- WHSSC and EASC annual governance statements;
- Standards of business conduct and scheme of delegation;
- Oracle – new service provider;
- General data protection regulation;
- Governance stock take and outline work programme;
- Financial governance review update;
- Draft board assurance framework
- Audit Committee annual report and terms of reference.

Quality and Safety Committee:

- Delivery Units' performance presentation and patient stories;
- Quality and safety dashboard;
- Older person's dashboard;
- Patient feedback report;
- Reports from external review and regulatory bodies;
- Quality and safety priorities;
- Big Fight campaign;
- Catering and nutrition update;
- Proposed improvement to mortality reporting and themes from mortality reviews;
- Internal audit and clinical audit reports;
- Pharmacy and medicines management report;
- External review of theatres;
- Staying healthy update;
- Annual quality statement;
- Safeguarding;
- Infection control;
- NHS Wales prior approval policy;
- Concerns and claims annual report;
- Quality and safety committee annual report, self-assessment and terms of reference;
- Health and care standards annual scrutiny report;
- Controlled drugs accountable officer's annual report;
- Quality and Safety Forum reports;
- Welsh Government quality division feedback report;
- External review of decontamination and theatres reports and action plans;
- Blood Glucometry;
- Emergency Medical and Retrieval Transfer Service (EMRTS) clinical governance reports;
- Volunteering policy;
- Quality assurance framework toolkit;
- 111 pathfinder;
- Microbiology;
- Decontamination;
- Combined safeguarding children guidance;
- Estates and environment report;

- Child and adolescent mental health services (CAMHS);
- Desktop review and lessons learned report;
- Clinical outcome group updates;
- Wales Audit Office – follow-up not booked;
- Improvement in the management of gallstone disease;
- Health board female genital mutilation policy for ratification;
- Clinical coding;
- Thoracic surgery review;
- Discharge information improvement;
- Never event report;
- Management of medical devices policy;
- Welsh Risk Pool annual report.

Annex B

Directors' Report and Statement of Accountable Officer's Responsibilities

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 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.

Tracy Myhill.....Chief Executive 30th May

2018.....(date)

Statement of Directors' responsibilities 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 Welsh Ministers.

By Order of the Board

Signed:

Chairman.....Andrew Davies.....dated:.30th May 2018

Chief Executive.....Tracy Myhill.....dated:.30th May 2018

Director of Finance...Lynne Hamilton.....dated:..30th May 2018

Annex C

Remuneration and Staff Report

Remuneration and Staff Report Annex C

REMUNERATION AND STAFF REPORT

This report provides information in relation to Executive Directors' and Non-officer Members' remuneration, and outlines the arrangements which operate within the Health Board to determine this. It also includes information on staff numbers, composition, sickness absence data, staff policies applied during the year, expenditure on consultancy, off-payroll engagements and exit packages.

1. The Remuneration and Terms of Services Committee

This Committee considers the remuneration and performance of Executive Directors in accordance with the policy detailed below.

The norm is for Executive Directors and very senior managers' salaries (those outside of Agenda for Change) to be uplifted in accordance with the Welsh Government identified normal pay inflation percentage. For 2017/18 there was a pay inflation uplift of 1% for Executive Directors and very senior managers in line with the pay award agreed nationally for NHS staff.

If there were to be an up-lift over and above this level, this would always be agreed as a result of changes in roles and responsibilities and with advice from an independent consultancy with specialist knowledge of job evaluation and executive pay within the NHS. The Remuneration and Terms of Services Committee would receive a detailed report in respect of issues to be considered in relation to any uplift to Executive Directors salaries (including advice from the Welsh Government) and having considered all the advice and issues put before them, would report their recommendations to the Health Board for ratification.

The Committee also reviews objectives set for Executive Directors and assesses performance against those objectives when considering recommendations in respect of annual pay uplifts. It should be noted that Executive Directors are not on any form of performance related pay.

The Remuneration and Terms of Services Committee is chaired by the Health Board's Chairman, and the membership includes three other Non-officer Members (Chairs of Board Committees). The Committee meets as often as required to address business and formally reports in writing its recommendations to the Health Board. Meetings are minuted and decisions fully recorded.

The Committee also recommends to the Board annual pay uplifts in respect of Executive Directors and very senior managers in the Health Board who are not within the remit of Agenda for Change. For 2017/18, the only uplifts recommended were an inflationary uplift of 1%.

2. Non-officer Members' Remuneration

Remuneration for Non-officer Members is decided by the Welsh Government, who also determines tenure of appointment.

3. Single Remuneration Report

The Single Total Remuneration for each Director and Non-officer Member for 2017/18 and 2016/17 are shown in the table below. 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 salaries disclosed in the table below reflect new appointments and leavers during the financial years 2017/18 and 2016/17. Whilst the salaries disclosed relate to the period in post during the year, the NHS Pensions Agency is unable to attribute part year pension benefits to post holders and therefore, the full financial year Pension Benefits are shown. It should also be noted that the table below only includes Directors in post at 31st March 2018 since the NHS Pensions Agency is unable to provide the relevant information on pensions for staff who have left or are no longer acting as Executive Directors.

The value of pension benefits is calculated as follows: (real increase in pension[1] multiplied by 20 plus real increase in lump sum) less (contributions made by the individual).

The pension calculation is based on information received from NHS BSA Pensions Agency, included in the Disclosure of Senior Managers' Remuneration (Greenbury) 2018 report. Further details on the Single Total Remuneration figure from Cabinet Office can be found at the following Employer Pension Notices website in EPN 536 (2017-18)
http://*www.civilservicepensionscheme.org.uk/employers/employer-pension-notices/epn536-annual-resource-accounts-2017-18-disclousure-of-salary-pension-and-compensation-information/*

[1] excluding increases due to inflation or any increase or decrease due to a transfer of pension rights

Names	Titles	2017/18					2016/17				
		Salary £5k Bands) £000	ther Remun. £5k Bands £000	Benefits in Kind (to nearest £100) £00	Pension Benefits (to nearest £1000) £000	Total £5k Bands) £000	Salary £5k Bands) £000	ther Remun. £5k Bands £000	Benefits in Kind (to nearest £100) £00	Pension Benefits (to nearest £1000) £000	Total £5k Bands) £000
A Davies	Chairman	65-70	0	0	0	**65-70**	65-70	0	0	0	**65-70**
C Janczewski	Vice Chairman until 30th September 2017	25-30	0	0	0	**25-30**	55-60	0	0	0	**55-60**
E Woollett	Vice Chairman from 1st October 2017	25-30	0	0	0	**25-30**					
T Myhill	Chief Executive from 1st February 2018	30-35	0	0	117	**150-155**					
A Howells	Interim Chief Executive from 1st February 2017 to 31st January 2018. Chief Operating Officer until 31st January 2017	170-175	0	0	0	**170-175**	140-145	0	0	96	**235-240**
P Roberts	Chief Executive until 7th March 2017						350-355	0	4	0	**350-355**
L Hamilton	Director of Finance from 29th May 2017	110-115	0	0	25	**140-145**					
P Gilchrist	Interim Director of Finance from 27th October 2016 until 12th June 2017	25-30	0	0	0	**25-30**	55-60	0	0	144	**200-205**
E Williams	Director of Finance until 31st October 2016						80-85	0	0	0	**80-85**
H Laing	Medical Director	175-180	35-40	0		**210-215**	170-175	35-40	0		**210-215**
C White	Interim Chief Operating Officer from 1st December 2017	45-50	0	0	26	**70-75**					
A Hopkins	Interim Director of Nursing & Patient Experience from 4th December 2017	80-85	0	0		**80-85**					
R Farelly	Acting Deputy Chief Executive, Acting Chief	85-90	0	7	0	**85-90**	125-130	0	10	28	**150-155**

Names	Titles	2017/18					2016/17				
		Salary £5k Bands) £000	ther Remun. £5k Bands £000	Benefits in Kind (to nearest £100) £00	Pension Benefits (to nearest £1000) £000	Total £5k Bands) £000	Salary £5k Bands) £000	ther Remun. £5k Bands £000	Benefits in Kind (to nearest £100) £00	Pension Benefits (to nearest £1000) £000	Total £5k Bands) £000
	Operating Officer and Director of Nursing & Patient Experience until 6th December 2017										
B Edgar	Director of Human Resources until 21st July 2017	90-95	0	0	0	**90-95**	95-100	0	0	0	**95-100**
K Lorenti	Acting Director of Human Resources from 1st October 2016	125-130	0	0	74	**195-200**	60-65	0	0	138	**200-205**
A Hall	Interim Director of Therapies & Health Sciences until 28th February 2017						90-95	0	0	0	**90-95**
C Morrell	Director of Therapies & Health Sciences from 6th February 2017	95-100	0	0		**95-100**	15-20	0	0		**15-20**
S Husbands	Director of Public Health from 5th June 2017	90-95	0	0	155	**245-250**					
S Hayes	Director of Public Health until 31st March 2017						15-20	0	0	8	**120-125**
S-H-Griffiths	Director of Strategy	120-125	0	26	10	**135-140**	120-125	0	20	20	**145-150**
P Wenger	Director of Corporate Governance/Board Secretary from 1st January 2018	25-30	0	0	81	**105-110**					
S Combe (*)	Board Secretary until 31st December 2017	75-80	0	0		**75-80**	90-95	0	0		**90-95**

Names	Titles	2017/18					2016/17				
		Salary £5k Bands) £000	ther Remun. £5k Bands £000	Benefits in Kind (to nearest £100) £00	Pension Benefits (to nearest £1000) £000	Total £5k Bands) £000	Salary £5k Bands) £000	ther Remun. £5k Bands £000	Benefits in Kind (to nearest £100) £00	Pension Benefits (to nearest £1000) £000	Total £5k Bands) £000
P Newman	Non-officer Member until 30th September 2017	5-10	0	0	0	**5-10**	15-20	0	0	0	**15-20**
M Berry	Non-officer Member	15-20	0	0	0	**15-20**	15-20	0	0	0	**15-20**
M Nott	Non-officer Member until 4th May 2017	0-5	0	0	0	**0-5**	15-20	0	0	0	**15-20**
G Richards	Non-officer Member until 30th September 2017	5-10	0	0	0	**5-10**	15-20	0	0	0	**15-20**
C Patel	Non-officer Member	15-20	0	0	0	**15-20**	15-20	0	0	0	**15-20**
C Phillips	Non-officer Member	15-20	0	0	0	**15-20**	15-20	0	0	0	**15-20**
D Evans Williams	Non-officer Member until 8th May 2017	0-5	0	0	0	**0-5**	15-20	0	0	0	**15-20**
M Sollis	Non-officer Member from 8th June 2017	10-15	0	0	0	**10-15**					
M Waygood	Non-officer Member from 1st June 2017	5-10	0	0	0	**5-10**					
T Crick	Non-officer Member from 16th October 2017	5-10	0	0	0	**5-10**					
M Child	Non-officer Member from 16th October 2017	5-10	0	0	0	**5-10**					
J Davies	Non-officer Member	0	0	0	0	**0**					
S Miller	Non-officer Member						0	0	0	0	**0**

(*) As Board Secretaries were not included in the remuneration disclosures in 2016/17, prior year comparator information is not available in respect of pension benefits.

The following notes provide explanations for either no salary or changes in salary or post between the financial the years:

- P Roberts, Chief Executive left on 7th March 2017. In line with the Settlement Agreement for his departure, the salary reported within the table above includes payment for accrued but untaken annual leave of £3,452, an ex-gratia payment for the termination of his employment of £113,213 and a payment of £50,000 in respect of his contractual entitlement to

payment in lieu of notice. The terms of this exit package were agreed by the Remuneration Committee and made in accordance with Welsh Government guidance.

- H Laing, other remuneration related to payment of a Clinical Excellence Award

- E Williams, Director of Finance was seconded to Powys Teaching Health Board from 1st November 2016.

- C White commenced as Interim Chief Operating Officer on 1st December 2017 on a 12 month secondment from Cwm Taf Health Board.

- A Hopkins commenced as Interim Director of Nursing & Patient Experience on 4th December 2017 and was engaged on a 6 month contract via a Personal Services Contract (PSC). This arrangement falls within the remit of the IR35 regulations.

- R Farrelly, Director of Nursing & Patient Experience was also Acting Deputy Chief Executive and Acting Chief Operating Officer from 20th March 2017 until 6th December 2017. No additional remuneration was accepted for these additional responsibilities.

- B Edgar, Director of Human Resources was on long term sickness absence from 20th July 2016 until 17th January 2017, and seconded to NWSSP from 16th January 2017 until departure on 21st July 2017. In line with the settlement agreement for her departure, the salary reported within the table above represents a repayment for over taken annual leave of £2,359.50, an ex-gratia payment for termination of employment of £63,125 and a payment of £31,562.50 in respect of her contractual entitlement to payment in lieu of notice.

- M Waygood, Non Officer Member, commenced on 1st June 2017 but did not take any remuneration until 1st October 2017

- S Miller and her replacement as Non-Officer Members, J Davies, are full time employees of the Health Board and as such, have not received the remuneration that is normally paid to a Non-officer Member.

The former Chief Executive left the Health Board on 7th March 2017, receiving payments in line with the Settlement Agreement. The former Director of Human Resources also left the Health Board on 21st July 2017. These payments (excluding the payment for accrued but untaken annual leave and over taken annual leave respectively)) are disclosed in this report, and in full within the

Annual Accounts within Note 3.3 (Expenditure on Hospital and Community Services) and also within Note 5.5 (Reporting of other compensation schemes – exit packages).
Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the LHB in the financial year 2017/18 was £210,000 - £215,000 (2016/17, £210,000 - £215,000). This was 7.4 times (2016/17, 7.7) the median remuneration of the workforce, which was £28,667 (2016/17, £27,552).

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

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

In 2017/18, 2 (2016/17, 3) employees received remuneration in excess of the highest-paid director. The remuneration for these 2 employees includes payments in respect of waiting list initiatives undertaken in addition to their normal salary. Remuneration for staff ranged from £16,523 to £222,051 (2016/17 £16,132 to £289,519).

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. Benefits in kind relate to benefits derived from the provision of a leased car.

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

4. Directors Pension Benefits

The NHS scheme requires that employees pay from 5% up to 14.5%, on a tiered scale, of their earnings, into the NHS Pension Scheme, with the employer contributing 14.3%. The employer's contribution to the NHS Pension Scheme is excluded from the salary figures shown below for Executive Directors.

Cash Equivalent Transfer Value

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

The disclosures in the table below do not apply to non-officer members as they are not members of the NHS Pension Scheme and do not receive pensionable remuneration. It should be noted that the table below only includes Directors in post at 31st March 2018 since the NHS Pensions Agency is unable to provide the relevant information on pensions for staff who have left or are no longer acting as Executive Directors.

Name	Title	Real Increase/ (Decrease) in Pension @ Age 60 (bands of £2,500) £000	Real Increase/ (Decrease) in Pension Lump Sum @ Age 60 (bands of £2,500) £000	Total accrued Pension at age 60 at 31 March 2018 (bands of £5,000) £000	Lump Sum at age 60 related to accrued Pension at 31 March 2018 (bands of £5,000) £000	Cash Equiv. Transfer Value at 01/04/2018 £000	Cash Equiv. Transfer Value at 31/03/2017 £000	Real increase in Cash Equiv. Transfer Value £000	Employer's contrib. to stake-holder pension £000
T Myhill	Chief Executive	5-7.5	0-2.5	60-65	170-175	1178	1021	126	0
L Hamilton	Director of	0-2.5		0-5		25	0	25	0

Name	Title	Real Increase/ (Decrease) in Pension @ Age 60 (bands of £2,500) £000	Real Increase/ (Decrease) in Pension Lump Sum @ Age 60 (bands of £2,500) £000	Total accrued Pension at age 60 at 31 March 2018 (bands of £5,000) £000	Lump Sum at age 60 related to accrued Pension at 31 March 2018 (bands of £5,000) £000	Cash Equiv. Transfer Value at 01/04/2018 £000	Cash Equiv. Transfer Value at 31/03/2017 £000	Real increase in Cash Equiv. Transfer Value £000	Employer's contrib. to stake-holder pension £000
	Finance								
C White	Interim Chief Operating Officer	0-2.5	5-7.5	50-55	155-160	1104	980	95	0
K Lorenti	Acting Director of Human Resources	2.5-5	7.5-10	20-25	55-60	429	334	85	0
S Husbands	Director of Public Health	5-7.5	20-22.5	30-35	95-100	651	473	163	0
S Harrop-Griffiths	Director of Strategy	0-2.5	(0-2.5)	45-50	115-120	801	724	55	0
P Wenger	Director of Corporate Governance/Board Secretary	2.5-5	5-7.5	30-35	75-80	504	424	68	0

- L Hamilton has no lump sum as she is not a member of the 1995 NHS Pension Scheme. She is a member of the 2015 NHS Pension Scheme where no lump sum is payable.
- A Hopkins chose not to be covered by the NHS Pensions Arrangement in 2017/18
- H Laing and C Morrell were not covered by the NHS Pension Arrangements in 2016/17 or 2017/18.

5. Contracts of employment

With the exception of the Interim Director of Nursing & Patient Experience (A Hopkins) and the Interim Chief Operating Officer (C White), all Executive Directors are on permanent Contracts of Employment. Executive Directors are required to give the Health Board three months notice and are eligible to receive three months notice from the Health Board. The policy on duration of contracts, notice period and termination periods is that set by the Welsh Government.

A Hopkins, Interim Director of Nursing has been appointed on a 6 month contract via a PSC which commenced on 4th December 2017.

C White, Interim Chief Operating Officer is employed on a 12 month secondment from Cwm Taf Health Board which commenced on 1st December 2017. C White has a permanent contract with Cwm Taf Health Board.

The only provisions for early termination are as allowed by the NHS Pension Scheme (compensation for premature retirement) regulations. In all other cases of early termination this will be as detailed in individuals' contract of employment.

6. Other information

There are no local pay bargaining initiatives within the Health Board. No payments have been made for Professional Indemnity Insurance for any Officer or Director.

7. Staff Report Section

This section of the report includes information on staff numbers, composition, sickness absence data, staff policies applied during the year, expenditure on consultancy, off-payroll engagements and exit packages.

7.1 Staff Numbers and Composition

The average number of employees by staff group for 2017/18 is set out in the table below, along with the comparison for 2016/17. The average is calculated as the whole time equivalent number of employees under contract of service at the end of each calendar month in the financial year, divided by the number of months in the financial year.

Staff Group	Permanent Staff	Agency Staff	Total 2016/17	2015/16
Administration, Clerical & Board Members	2,475	26	**2,501**	**2,494**
Medical & Dental	1,351	35	**1,386**	**1,376**
Nursing, Midwifery registered	4,458	109	**4,567**	**4,540**
Professional, Scientific & technical staff	439	0	**439**	**473**
Additional Clinical Services	2,780	18	**2,798**	**2,795**
Allied Health Professions	904	3	**907**	**890**
Healthcare Scientists	322	6	**328**	**320**
Estates and Ancillary	1,384	35	**1,419**	**1,451**
Students	9	0	**9**	**14**
Totals	**14,122**	**232**	**14,354**	**14,353**

This Health Board has 16,094 employees, of which 8 are Executive Directors, of these staff, 3,512 are male, including 2 Executive Directors, and 12,582 are female, including 6 female Executive Directors.

There are also 10 Non-officer Members, of which 6 are male and 4 are female.

7.2 Sickness Absence Data

	2017/18	2016/17
Total days lost	294,456.22	290,047.56
Short Term Sickness (27 days or less)	85,798.25	81,514.99
Long Term Sickness (28 days or more)	208,657.91	208,532,56
Total staff years	13,990.25	13,880.68
Average working days lost	13	13
Total staff employed in period (headcount)	16,081	15,946
Total staff employed in period with no absence (headcount)	6,062	5,916
Percentage staff with no sick leave	38.08%	37.76%

7.3 Staff Policies applied during the year:

The staff policy on equality was applied during the year to address the following:

- For giving full and fair consideration to applications for employment by the Health Board made by disabled persons, having regard to their particular aptitudes and abilities.
- For continuing the employment of, and for arranging appropriate training for, employees of the Health board who have become disabled persons during the period when they were employed by the Health Board.
- Otherwise for the training, career development and promotion of disabled persons employed by the Health Board.

7.4 Expenditure on Consultancy

As disclosed in Note 3.3 of the Health Board's Accounts, the Health Board incurred expenditure of £0.476m on Consultancy Services in 2017/18. Expenditure on Consultancy Services is incurred when outside expertise is required by the Health Board to support the Health Board in managing its services and functions on a day to day basis. Such examples include:

- Management Consultancy to support performance improvement through independent reviews of the Health Board's Clinical Services and benchmarking of clinical and other performance data.
- Management Consultancy to support the Health Board with staffing and other operational management issues.
- External advice and support to the Health Board in implementing staff development and training programmes including coaching for performance and mentoring.

7.5 Off-payroll Engagements

Table 1: For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months

Number of existing engagements as of 31 March 2018	2
Of which...	
Number that have existed for less than one year at time of reporting.	2
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

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months

Number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	4
Number of these engagements which were assessed as caught by IR35	3
Number of these engagements which were assessed as not caught by IR35	1
Number of these engagements that were engaged directly (via PSC contracted to department) and are on the departmental payroll;	2
Number of these engagements that were reassessed for consistency/assurance purposes during the year whom assurance has been requested but not received;	1
Number that saw a change to IR35 status following the consistency review.	1

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	1

Details of the exceptional circumstances that led to each of these engagements.	On resignation of the Director of Nursing & Patient Experience in December 2017, temporary cover has been provided off payroll via a PSC for a 6 month period. The permanent Director of Nursing & Patient Experience has been appointed who is not the person providing the temporary cover and will commence in post in July 2018.
Details of the length of time each of these exceptional engagements lasted	Commenced on 4th December 2017 for a 6 month period
Total number of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year. This figure includes engagements which are ON PAYROLL as well as those off-payroll.	1

The 4 off payroll engagements during the year covered the roles of Interim Director of Nursing (arrangement still in place at 31st March 2018), Director of Recovery and Sustainability (engagement ceased), provision of Human Resources specialist advice (arrangement still in place at 31st March 2018) and provision of specialist I.T. support to configure and implement specialist software (engagement ceased).

It is confirmed that all existing off-payroll engagements, outlined above, have at some point been subject to an IR35 assessment using the HM Revenue & Customs online assessment tool.

7.6 Exit packages

The figures disclosed relate to exit packages agreed in the year. The actual date of departure might be in a subsequent period, and the expense in relation to the departure costs may have been accrued in a previous period. The data here is therefore presented on a different basis to other staff costs and expenditure noted in the Health Board's Annual Accounts.

	2017-18				2016-17
Staff Numbers **Exit packages cost band (including any special payment element)**	**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**
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	1	1	0	0
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	1	1	0	2
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	1
more than £200,000	0	0	0	0	0
Total	**0**	**2**	**2**	**0**	**3**
Exit Packages Costs **Exit packages cost band (including any special payment element)**	**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**
	£	**£**	**£**	**£**	**£'**
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	24,421	24,421	0	0
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	92,328	92,328	0	103,433
£100,000 to £150,000	0	0	0	0	107,988
£150,000 to £200,000	0	0	0	0	166,665
more than £200,000	0	0	0	0	0
Total	**0**	**116,749**	**116,749**	**0**	**270,098**

Of the exit packages disclosed above:

- 1 packages comprises redundancy and other departure costs paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS); and

- 1 package relates to the former Director of Human Resources under a Settlement Agreement whereby the terms were approved by the Remuneration Committee and in accordance with Welsh Government guidance.

Exit costs are accounted for in full in the year of departure. Where the Health Board has agreed early retirements, the additional costs are met by the Health Board and not by the NHS pension's scheme. Ill health retirement costs are met by the NHS pension's scheme and are not included in the table.

Annex D

Parliamentary Accountability and Audit Report

National Assembly for Wales Accountability and Audit Report

1. Regularity of Expenditure

Regularity is the requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of Government Accounting.

The Abertawe Bro Morgannwg University Health Board ensures that the funding provided by Welsh Ministers has been expended for the purposes intended by Welsh Ministers and that the resources authorised by Welsh Ministers to be used have been used for the purposes for which the use was authorised.

The Health Board's Chief Executive is the Accountable Officer and ensures that the financial statements are prepared in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, the Chief Executive is required to:

- observe the accounts directions issued by Welsh Ministers, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures from them; and
- prepare them on a going concern basis on the presumption that the services of the Health Board will continue in operation.

2. Remote Contingent Liabilities

Remote contingent liabilities are made for three categories, comprising indemnities, letters of comfort and guarantees.

Indemnity in the legal sense may also refer to an exemption from liability for damages. The concept of indemnity is based on a contractual agreement made between two parties, in which one party agrees to pay for potential losses or damages caused by the other party

Letters of comfort, however vague, give rise to moral and sometimes legal obligations.
They should therefore be treated in the same way as any other proposal for a liability. Great care should be taken with proposals to offer general statements of awareness of a third party's position, or oral statements with equivalent effect. Creditors could easily take these to mean more than intended and threats of legal action could result.

Guarantees should normally arise using statutory powers. They typically involve guarantees against non-payment of debts to third parties.

The Health Board has identified remote contingent liabilities in the form of indemnities in respect of the net liability for remote clinical negligence and personal injury claims. This remote contingent liability comprises the first £25,000 of such claims with all indemnities above this value being met by the Welsh Risk Pool.

The value of remote contingent liabilities for 2017-18 is £0.144m and is disclosed in note 21.2 of the Health Board's accounts.

ABERTAWE BRO MORGANNWG UNIVERSITY HEALTH BOARD

FOREWORD

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

Statutory background

The Local Health Board was established on 1 October 2009.

Performance Management and Financial Results

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

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

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

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

	Note	2017-18 £'000	2016-17 £'000
Expenditure on Primary Healthcare Services	3.1	**242,052**	232,790
Expenditure on healthcare from other providers	3.2	**238,469**	236,363
Expenditure on Hospital and Community Health Services	3.3	**887,423**	868,757
		1,367,944	1,337,910
Less: Miscellaneous Income	4	**(243,248)**	(240,222)
LHB net operating costs before interest and other gains and losses		**1,124,696**	1,097,688
Investment Revenue	5	**0**	0
Other (Gains) / Losses	6	**(127)**	30
Finance costs	7	**4,923**	4,966
Net operating costs for the financial year		**1,129,492**	1,102,684

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

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

Other Comprehensive Net Expenditure

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

Statement of Financial Position as at 31 March 2018

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

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

Chief Executive Tracy Myhill…….. Date 30th May 2018

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

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

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
Changes in taxpayers' equity for 2017-18			
Balance at 1 April 2017	408,605	27,826	**436,431**
Net operating cost for the year	(1,129,492)		**(1,129,492)**
Net gain/(loss) on revaluation of property, plant and equipment	0	17,074	**17,074**
Net gain/(loss) on revaluation of intangible assets	0	0	**0**
Net gain/(loss) on revaluation of financial assets	0	0	**0**
Net gain/(loss) on revaluation of assets held for sale	0	(44)	**(44)**
Impairments and reversals	0	0	**0**
Movements in other reserves	0	0	**0**
Transfers between reserves	(3,785)	3,785	**0**
Release of reserves to SoCNE	0	0	**0**
Transfers to/from LHBs	(505)	0	**(505)**
Total recognised income and expense for 2017-18	(1,133,782)	20,815	**(1,112,967)**
Net Welsh Government funding	1,124,543		**1,124,543**
Balance at 31 March 2018	399,366	48,641	**448,007**

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

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

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

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

Statement of Cash Flows for year ended 31 March 2018

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

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

Notes to the Accounts

1. Accounting policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income and funding

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

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

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

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

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

Only non-NHS income may be deferred.

1.4 Employee benefits

Short-term employee benefits

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

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

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

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

NEST Pension Scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.7 Intangible assets

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

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

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

1.8 Depreciation, amortisation and impairments
Freehold land, assets under construction and assets held for sale are not depreciated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.21 Pooled budget

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

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

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

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

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

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

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

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

Annual Leave Accrual

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

Retrospective Continuing Healthcare Claims

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

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

General Medical Services Quality and Outcomes Framework

An amount of £2.299m (2016-17: £2.328m) was accrued on the basis of the number of points achieved by each GP Practice in 2017/18 capped at 567 points which is the maximum number of points available under this scheme. Of the 567 QOF points available, during 2017/18 GP practices were able to opt out of over 75% of the total points. The only elements of QOF which practices were not able to opt out of during the period to 31st March 2018 were the two influenza indicators and the cluster network domain indicators. The intention of Welsh Government was to ensure that no GP practice lost out financially as a result of QOF relaxation. The Health Board has estimated that around 50% of practices would benefit from the relaxation of QOF and therefore the outturn QOF points from 2016/17 have been increased by 1% and the cost per point for 2017/18 uplifted by 2.43% in accordance with the inflation uplift advised by Welsh Government.

Prescribing Costs

The Health Board has accrued a total of £15.815m (2016-17: £15.137m) in respect of prescribing costs for the months of February and March 2018. The costs were derived using the highest average daily charge after September 2017 to derive an average weighted daily run rate for prescribing. This weighted daily run rate is based on 50% calender days in the month and 50% prescribing days in the month. This average cost was then applied to the number of days in February and March to arrive at an amount for accrual. This amount was then reviewed to take into account the estimated impact of category M changes effective from January 2018 which impact in February and March. In addition No Cheaper Stock Option (NCSO) information was assessed to determine whether adjustments needed to be made for any specific drugs within the accrual methodology.

Pharmacy

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

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

1.24 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

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

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

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

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

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

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

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

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

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

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

1.28 Accounting standards that have been issued but not yet been adopted
The following accounting standards have been issued and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM
IFRS 9 Financial Instruments
IFRS14 Regulatory Deferral Accounts
IFRS15 Revenue from contracts with customers
IFRS 16 Leases

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

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

1.30 Charities

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

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

2. Financial Duties Performance

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

- A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years
- A duty under section 175 (2A) to prepare a plan in accordance with planning directions issued by the Welsh Ministers, to secure compliance with the duty under section 175 (1) while improving the health of the people for whom it is reponsible, 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	2016-17	2017-18	**Total**
	£'000	£'000	£'000	**£'000**
Net operating costs for the year	1,033,143	1,102,684	**1,129,492**	**3,265,319**
Less general ophthalmic services expenditure and other non-cash limited expenditure	(2,716)	(147)	**726**	**(2,137)**
Less revenue consequences of bringing PFI schemes onto SoFP	(2,118)	(2,283)	**(1,551)**	**(5,952)**
Total operating expenses	1,028,309	1,100,254	**1,128,667**	**3,257,230**
Revenue Resource Allocation	1,028,395	1,060,938	**1,096,250**	**3,185,583**
Under /(over) spend against Allocation	86	(39,316)	**(32,417)**	**(71,647)**

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

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

The Health Board received £30.528 million repayable cash only support in 2017-18. The accumulated cash only support provided to the Health Board by the Welsh Government is £55.292 million as at 31 March 2018. The cash only support is provided to assist the Health Board with ensuring payments to staff and suppliers, there is no interest payable on cash only support. Repayment of this cash assistance will be in accordance with the Health Board's future Integrated Medium Term Plan submissions.

2.2 Capital Resource Performance

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

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

2.3 Duty to prepare a 3 year plan

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

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

	2017-18 to 2019-20
The Cabinet Secretary for Health and Social Services approval status	Not Approved

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

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

Following the LHB being placed in Targeted Intervenion in September 2016, it was 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 £36 million, was approved by its Board in March 2017. The LHB's eventual deficit for 2017-18 was £32.417million

3. Analysis of gross operating costs

3.1 Expenditure on Primary Healthcare Services

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

3.2 Expenditure on healthcare from other providers

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

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

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

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

3.3 Expenditure on Hospital and Community Health Services

	2017-18 £'000	2016-17 £'000
Directors' costs	1,799	1,969
Staff costs	627,156	622,083
Supplies and services - clinical	134,734	131,486
Supplies and services - general	11,117	11,838
Consultancy Services	476	658
Establishment	14,817	15,152
Transport	3,208	2,911
Premises	28,866	28,386
External Contractors	3,829	2,812
Depreciation	32,495	30,360
Amortisation	607	482
Fixed asset impairments and reversals (Property, plant & equipment)	14,716	6,373
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets	0	0
Impairments & reversals of non-current assets held for sale	0	0
Audit fees	407	412
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	3,739	6,188
Research and Development	4,982	6,071
Other operating expenses	4,475	1,576
Total	**887,423**	868,757

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

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

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

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

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

4. Miscellaneous Income

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

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

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

5. Investment Revenue

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

6. Other gains and losses

	2017-18	2016-17
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	37	(30)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	90	0
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	127	(30)

7. Finance costs

	2017-18	2016-17
	£000	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	39	51
Interest on obligations under PFI contracts		
main finance cost	2,673	2,786
contingent finance cost	2,194	2,037
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
Total interest expense	4,906	4,874
Provisions unwinding of discount	17	92
Other finance costs	0	0
Total	4,923	4,966

8. Operating leases

LHB as lessee

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

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

Total future minimum lease payments		
Payable	**£000**	£000
Not later than one year	**6,150**	6,050
Between one and five years	**15,021**	16,082
After 5 years	**8,455**	7,146
Total	**29,626**	29,278

There are no future sublease payments expected to be received.

LHB as lessor

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

Rental revenue	**£000**	£000
Rent	**522**	547
Contingent rents	**0**	0
Total revenue rental	**522**	547

Total future minimum lease payments		
Receivable	**£000**	£000
Not later than one year	**383**	501
Between one and five years	**871**	1,506
After 5 years	**1,309**	1,769
Total	**2,563**	3,776

9. Employee benefits and staff numbers

9.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	2016-17
	£000	£000	£000	£000	£000	£000
Salaries and wages	505,619	45	19,518	0	**525,182**	525,850
Social security costs	47,628	6	0	0	**47,634**	46,967
Employer contributions to NHS Pension Scheme	62,174	6	0	0	**62,180**	60,242
Other pension costs	177	0	0	0	**177**	185
Other employment benefits	0	0	0	0	**0**	0
Termination benefits	117	0	0	0	**117**	103
Total	615,715	57	19,518	0	**635,290**	633,347
Charged to capital					**743**	698
Charged to revenue					**634,547**	632,649
					635,290	633,347
Net movement in accrued employee benefits (untaken staff leave accrual included above)					(236)	35

Please explain what is included under the other heading

9.2 Average number of employees

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

9.3. Retirements due to ill-health

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

9.4 Employee benefits

The LHB does not have an employee benefit scheme.

9.5 Reporting of other compensation schemes - exit packages

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

Exit packages cost band (including any special payment element)	2017-18 Cost of compulsory redundancies	2017-18 Cost of other departures	2017-18 Total cost of exit packages	2017-18 Cost of special element included in exit packages	2016-17 Total cost of exit packages
	£'s	£'s	£'s	£'s	£'s
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	24,421	24,421	0	0
£25,000 to £50,000	0	0	0	0	0
£50,000 to £100,000	0	92,328	92,328	0	103,433
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	166,665
more than £200,000	0	0	0	0	0
Total	**0**	**116,749**	**116,749**	**0**	**270,098**

Of the packages disclosed above for 2017/18, 1 package comprises departure costs paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). The remaining package relates to a payment made to the former Director of Human Resources who left the Health Board on 21st July 2017. This package comprised payments in lieu of notice and an Ex-Gratia Payment on termination.

Of the packages disclosed above for 2016/17, 2 packages comprise departure costs paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). The remaining package relates to a payment made to the former Chief Executive who left the Health Board on 7th March 2017. This package comprised payments in lieu of notice, payments for untaken annual leave and an Ex-Gratia Payment on termination.

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

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

9.6 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the LHB in the financial year 2017-18 was £210,000-£215,000 (2016-17, £210,000 - £215,000). This was 7.4 times (2016-17, 7.7) the median remuneration of the workforce, which was £28,667 (2016-17, £27,552).

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

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

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

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

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

9.7 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. 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	**5,822**	**176,146**	5,807	180,254
Total bills paid within target	**4,881**	**164,686**	4,747	168,768
Percentage of bills paid within target	**83.8%**	**93.5%**	81.7%	93.6%
Non-NHS				
Total bills paid	**300,160**	**379,963**	297,931	358,739
Total bills paid within target	**282,150**	**354,208**	286,394	339,787
Percentage of bills paid within target	**94.0%**	**93.2%**	96.1%	94.7%
Total				
Total bills paid	**305,982**	**556,109**	303,738	538,993
Total bills paid within target	**287,031**	**518,894**	291,141	508,555
Percentage of bills paid within target	**93.8%**	**93.3%**	95.9%	94.4%

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

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

11.1 Property, plant and equipment

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

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

	£000
Freehold	**480,002**
Long Leasehold	**54,896**
Short Leasehold	**0**
	534,898

The land and buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. LHBs are required to apply the revaluation model set out n IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms lengh transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

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

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2016	59,403	505,158	12,714	28,338	119,246	1,710	29,316	6,765	**762,650**
Indexation	1,932	0	0	0	0	0	0	0	**1,932**
Additions									
- purchased	130	2,356	0	21,505	13,506	0	4,523	843	**42,863**
- donated	0	33	0	0	275	0	91	0	**399**
- government granted	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	(225)	0	0	0	**(225)**
Reclassifications	0	28,759	0	(31,339)	1,516	0	898	144	**(22)**
Revaluations	(1,335)	0	0	0	0	0	0	0	**(1,335)**
Reversal of impairments	325	0	0	0	0	0	0	0	**325**
Impairments	0	(7,693)	0	0	0	0	0	0	**(7,693)**
Reclassified as held for sale	(601)	0	0	0	0	0	0	0	**(601)**
Disposals	0	0	0	0	(3,044)	0	(77)	(9)	**(3,130)**
At 31 March 2017	59,854	528,613	12,714	18,504	131,274	1,710	34,751	7,743	**795,163**
Depreciation at 1 April 2016	0	61,032	1,314	0	90,314	1,143	18,478	3,878	**176,159**
Indexation	0	0	0	0	0	0	0	0	**0**
Transfer from/into other NHS bodies	0	0	0	0	(202)	0	0	0	**(202)**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Revaluations	0	0	0	0	0	0	0	0	**0**
Reversal of impairments	0	0	0	0	0	0	0	0	**0**
Impairments	0	(995)	0	0	0	0	0	0	**(995)**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	(2,992)	0	(70)	(9)	**(3,071)**
Provided during the year	0	16,376	276	0	9,159	132	3,680	737	**30,360**
At 31 March 2017	0	76,413	1,590	0	96,279	1,275	22,088	4,606	**202,251**
Net book value at 1 April 2016	59,403	444,126	11,400	28,338	28,932	567	10,838	2,887	**586,491**
Net book value at 31 March 2017	59,854	452,200	11,124	18,504	34,995	435	12,663	3,137	**592,912**
Net book value at 31 March 2017 comprises :									
Purchased	59,854	448,530	11,124	18,504	34,381	425	12,213	3,099	**588,130**
Donated	0	3,312	0	0	583	0	269	0	**4,164**
Government Granted	0	358	0	0	31	10	181	38	**618**
At 31 March 2017	59,854	452,200	11,124	18,504	34,995	435	12,663	3,137	**592,912**
Asset financing :									
Owned	57,694	404,781	11,124	18,504	34,154	435	12,663	3,137	**542,492**
Held on finance lease	0	0	0	0	841	0	0	0	**841**
On-SoFP PFI contracts	2,160	47,419	0	0	0	0	0	0	**49,579**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2017	59,854	452,200	11,124	18,504	34,995	435	12,663	3,137	**592,912**

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

	£000
Freehold	**472,640**
Long Leasehold	**50,538**
Short Leasehold	**0**
	523,178

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

11. Property, plant and equipment (continued)

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

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

Equipment lives are as follows:
Short Life Medical Equipment - 5 Years
Medium Life Medical Equipment - 10 Years
Long Life Medical Equipment - 15 Years
Radiology Scanners - 5 Years (except MRI Scanners which are 7 years)
Vehicles - 5 Years
Furniture - 10 Years
IMT Hardware & Software - 5 years or reflects contract life for some software assets

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

Morriston Hospital Cardiac Catheterisation Laboratories - May 2017
Morriston Hospital Human Resources Department Refurbishment - May 2017
Llansamlet Laundry Refurbishment - November 2017
Singleton Hospital Linear Accelerator Installation - March 2018
Singleton Hospital Endoscopy Refurbishment - March 2018
Singleton Hospital Infrastructure - March 2018
Princess of Wales Hospital Infrastructure - March 2018

IFRS13 Fair value measurement

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

11. Property, plant and equipment

11.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2017	1,875	0	0	0	0	**1,875**
Plus assets classified as held for sale in the year	330	0	0	0	0	**330**
Revaluation	0	0	0	0	0	**0**
Less assets sold in the year	(1,875)	0	0	0	0	**(1,875)**
Add reversal of impairment of assets held for sale	0	0	0	0	0	**0**
Less impairment of assets held for sale	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	**0**
Balance carried forward 31 March 2018	330	0	0	0	0	**330**
Balance brought forward 1 April 2016	1,274	0	0	0	0	**1,274**
Plus assets classified as held for sale in the year	1,875	0	0	0	0	**1,875**
Revaluation	0	0	0	0	0	**0**
Less assets sold in the year	0	0	0	0	0	**0**
Add reversal of impairment of assets held for sale	0	0	0	0	0	**0**
Less impairment of assets held for sale	0	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(1,274)	0	0	0	0	**(1,274)**
Balance carried forward 31 March 2017	1,875	0	0	0	0	**1,875**

The following asset was sold in year:

Land Plot Cefn Coed Hospital

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

Fairwood Hospital

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2017	6,135	0	9	0	0	0	**6,144**
Revaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications	**124**	**0**	**0**	**0**	**0**	**0**	**124**
Reversal of impairments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions- purchased	**672**	**0**	**270**	**0**	**0**	**0**	**942**
Additions- internally generated	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions- donated	**22**	**0**	**0**	**0**	**0**	**0**	**22**
Additions- government granted	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassified as held for sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfers	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross cost at 31 March 2018	**6,953**	**0**	**279**	**0**	**0**	**0**	**7,232**
Amortisation at 1 April 2017	4,151	0	0	0	0	0	**4,151**
Revaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reversal of impairments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Provided during the year	**605**	**0**	**2**	**0**	**0**	**0**	**607**
Reclassified as held for sale	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfers	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Disposals	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation at 31 March 2018	**4,756**	**0**	**2**	**0**	**0**	**0**	**4,758**
Net book value at 1 April 2017	**1,984**	**0**	**9**	**0**	**0**	**0**	**1,993**
Net book value at 31 March 2018	**2,197**	**0**	**277**	**0**	**0**	**0**	**2,474**
At 31 March 2018							
Purchased	**2,164**	**0**	**277**	**0**	**0**	**0**	**2,441**
Donated	**33**	**0**	**0**	**0**	**0**	**0**	**33**
Government Granted	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Internally generated	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total at 31 March 2018	**2,197**	**0**	**277**	**0**	**0**	**0**	**2,474**

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

12. Intangible non-current assets

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

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

Additional disclosures re Intangible Assets

For each class of intangible asset disclose :

the effective date of revaluation - **None**

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

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

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

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

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

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

13 . Impairments

	2017-18 Property, plant & equipment £000	2017-18 Intangible assets £000	2016-17 Property, plant & equipment £000	2016-17 Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	**0**	0	**0**	0
Abandonment in the course of construction	**13**	0	**7**	0
Over specification of assets (Gold Plating)	**0**	0	**0**	0
Loss as a result of a catastrophe	**0**	0	**0**	0
Unforeseen obsolescence	**0**	0	**0**	0
Changes in market price	**445**	0	**0**	0
Others (specify)	**26,563**	0	**6,690**	0
Reversal of impairments	(5,881)	0	(324)	0
Total of all impairments	**21,140**	0	**6,373**	0
Analysis of impairments charged to reserves in year :				
Charged to the Statement of Comprehensive Net Expenditure	**14,716**	0	**6,373**	0
Charged to Revaluation Reserve	**6,424**	0	**0**	0
	21,140	0	**6,373**	0

The impairment losses disclosed as "other" above comprise:

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

£3.724m impairment review

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

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

14.1 Inventories

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

14.2 Inventories recognised in expenses

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

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

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

15. Trade and other Receivables

Current	31 March 2018 £000	31 March 2017 £000
Welsh Government	1,858	2,684
WHSSC / EASC	1,675	2,199
Welsh Health Boards	4,069	5,347
Welsh NHS Trusts	1,340	512
Non - Welsh Trusts	32	49
Other NHS	551	579
Welsh Risk Pool	31,106	40,527
Local Authorities	2,609	1,365
Capital debtors	13	40
Other debtors	9,209	8,973
Provision for irrecoverable debts	(2,222)	(1,165)
Pension Prepayments	0	0
Other prepayments	5,334	5,205
Other accrued income	327	217
Sub total	**55,901**	66,532
Non-current		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	153,983	83,525
Local Authorities	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments	0	0
Other accrued income	0	0
Sub total	**153,983**	83,525
Total	**209,884**	150,057
Receivables past their due date but not impaired		
By up to three months	3,509	3,464
By three to six months	529	195
By more than six months	745	189
	4,783	3,848

Provision for impairment of receivables		
Balance at 1 April	(1,165)	(1,298)
Transfer to other NHS Wales body	0	0
Amount written off during the year	155	96
Amount recovered during the year	377	574
(Increase) / decrease in receivables impaired	(1,589)	(537)
Bad debts recovered during year	0	0
Balance at 31 March	(2,222)	(1,165)

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	1,219	1,073
Other	0	0
Total	**1,219**	1,073

16. Other Financial Assets

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

17. Cash and cash equivalents

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

18. Trade and other payables

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

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

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

19. Other financial liabilities

	Current		Non-current	
Financial liabilities	**31 March 2018**	31 March 2017	**31 March 2018**	31 March 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
Total	**0**	0	**0**	0

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
Current	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Clinical negligence	**29,338**	0	(1,652)	(930)	18,640	(18,658)	(9,151)	0	**17,587**
Personal injury	**1,661**	0	0	435	768	(940)	(930)	16	**1,010**
All other losses and special payments	**0**	0	0	0	221	(221)	0	0	**0**
Defence legal fees and other administration	**1,945**	0	0	(539)	1,562	(661)	(818)		**1,489**
Pensions relating to former directors	**2**			4	0	(2)	0	0	**4**
Pensions relating to other staff	**146**			64	75	(142)	(5)	1	**139**
Restructuring	**0**			0	0	0	0	0	**0**
Other	**2,478**		0	0	4,009	(1,296)	(1,328)		**3,863**
Total	**35,570**	**0**	**(1,652)**	(966)	25,275	(21,920)	(12,232)	**17**	**24,092**
Non Current									
Clinical negligence	**83,278**	0	(3,200)	930	82,005	(3,857)	(6,248)	0	**152,908**
Personal injury	**6,479**	0	0	(435)	153	0	(161)	0	**6,036**
All other losses and special payments	**0**	0	0	0	0	0	0	0	**0**
Defence legal fees and other administration	**338**	0	0	539	491	(91)	0		**1,277**
Pensions relating to former directors	**20**			(4)	0	0	0	0	**16**
Pensions relating to other staff	**260**			(64)	4	0	0	0	**200**
Restructuring	**0**			0	0	0	0	0	**0**
Other	**0**		0	0	0	0	0		**0**
Total	**90,375**	**0**	**(3,200)**	**966**	**82,653**	**(3,948)**	**(6,409)**	**0**	**160,437**
TOTAL									
Clinical negligence	**112,616**	**0**	**(4,852)**	**0**	**100,645**	**(22,515)**	**(15,399)**	**0**	**170,495**
Personal injury	**8,140**	**0**	**0**	**0**	**921**	**(940)**	**(1,091)**	**16**	**7,046**
All other losses and special payments	**0**	**0**	**0**	**0**	**221**	**(221)**	**0**	**0**	**0**
Defence legal fees and other administration	**2,283**	**0**	**0**	**0**	**2,053**	**(752)**	**(818)**		**2,766**
Pensions relating to former directors	**22**			**0**	**0**	**(2)**	**0**	**0**	**20**
Pensions relating to other staff	**406**			**0**	**79**	**(142)**	**(5)**	**1**	**339**
Restructuring	**0**			**0**	**0**	**0**	**0**	**0**	**0**
Other	**2,478**		**0**	**0**	**4,009**	**(1,296)**	**(1,328)**		**3,863**
Total	**125,945**	**0**	**(4,852)**	**0**	**107,928**	**(25,868)**	**(18,641)**	**17**	**184,529**

Expected timing of cash flows:

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

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

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

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

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

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

21. Contingencies

21.1 Contingent liabilities

Provisions have not been made in these accounts for the following amounts :	**2017-18 £'000**	2016-17 £'000
Legal claims for alleged medical or employer negligence	**80,325**	112,735
Doubtful debts	**0**	0
Equal Pay costs	**0**	0
Defence costs	**2,892**	4,257
Continuing Health Care costs	**8,336**	2,249
Other	**0**	0
Total value of disputed claims	**91,553**	119,241
Amounts recovered in the event of claims being successful	**70,422**	108,478
Net contingent liability	**21,131**	10,763

Continuing Healthcare Cost Uncertainties

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

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

Note 20 sets out the £432,694 provision made for probable continuing care costs relating to the 37 claims remaining.

Note 21.1 sets out the £1,334,103 contingent liability for possible continuing care cost re;lating to 36 claims remaining.

At the end of the 2016/17 financial year, the LHB disclosed a contingent liability of £2,249,067 in respect of 190 continuing healthcare claims for which the assessment process remained incomplete (phases 3, 4 and 5 claims). At that stage the LHB did not have the information to make a judgement on the likely success or otherwise of those claims, but recognised that they may result in significant additional costs to the LHB which could not be quantified at that time.

Signifiant progress has been made during the 2017/18 financial year in both assessing these phase 3 ,4 and 5 claims and making payments against the claims received. This progress has enabled the LHB to be in a position as at 31st March 2018 to include the following amounts relating to these uncertain continuing healthcare costs for these claims:

Note 20 sets out the £2,034,556 provision for probable continuing care costs relating to 139 claims received.

Note 21.1 sets out the £7,002,080 contingent liability for possible continuing care costs relating to 126 claims received.

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

21.2 Remote Contingent liabilities

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

21.3 Contingent assets

	2017-18 £'000	2016-17 £'000
	0	0
	0	0
	0	0
Total	**0**	0

22. Capital commitments

Contracted capital commitments at 31 March	2017-18 £'000	2016-17 £'000
Property, plant and equipment	**1,032**	6,116
Intangible assets	**0**	0
Total	**1,032**	6,116

23. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2018		Approved to write-off to 31 March 2018	
	Number	£	Number	£
Clinical negligence	125	21,882,532	21	2,172,097
Personal injury	49	482,089	22	502,786
All other losses and special payments	232	220,727	232	220,727
Total	406	22,585,348	275	2,895,610

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

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

24. Finance leases

24.1 Finance leases obligations (as lessee)

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

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

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

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

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

Amounts payable under finance leases:

Land	**31 March 2018 £000**	31 March 2017 £000
Minimum lease payments		
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	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

24.1 Finance leases obligations (as lessee) continue

Amounts payable under finance leases:

Buildings	**31 March 2018**	31 March 2017
Minimum lease payments	**£000**	£000
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	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

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

24.2 Finance leases obligations (as lessor) continued

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

Amounts receivable under finance leases:

	31 March 2018	31 March 2017
Gross Investment in leases	**£000**	£000
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	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0
Present value of minimum lease payments		
Within one year	**0**	0
Between one and five years	**0**	0
After five years	**0**	0
Present value of minimum lease payments	**0**	0
Included in:		
Current borrowings	**0**	0
Non-current borrowings	**0**	0
	0	0

25. Private Finance Initiative contracts

25.1 PFI schemes off-Statement of Financial Position

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

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

25.2 PFI schemes on-Statement of Financial Position

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

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

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

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

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

	On SoFP PFI Capital element 31 March 2017 £000	On SoFP PFI Imputed interest 31 March 2017 £000	On SoFP PFI Service charges 31 March 2017 £000
Total payments due within one year	2,309	4,866	4,459
Total payments due between 1 and 5 years	11,668	20,249	17,604
Total payments due thereafter	33,815	48,989	34,849
Total future payments in relation to PFI contracts	47,792	74,104	56,912
Total present value of obligations for on-SoFP PFI contracts	**45,482**		

25.3 Charges to expenditure	2017-18	2016-17
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	2,428	2,368
Total expense for Off Statement of Financial Position PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	2,428	2,368

The LHB is committed to the following annual charges

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

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

25.4 Number of PFI contracts

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

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

PFI Contract	
Neath Port Talbot Hospital	On

26. Financial risk management

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

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

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

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

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

27. Movements in working capital

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

28. Other cash flow adjustments

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

29. Third Party assets

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

30. Events after the Reporting Period

None

31. Related Party Transactions

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

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

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

Board Member	Payments to related party	Receipts from related party	Amounts owed to related party	Amounts due from related party
	£	£	£	£
C Patel - Gower College & POBL/Gwalia	105,997	889	3,000	0
D Williams - Swansea University & Swansea Bay Futures	7,095,254	714,054	671,101	128,083
E Woollett -Uversity of Bristol NHS Foundation Trust	492,520	4,773	0	555
G Richards - Neath Port Talbot CVS	124,612	0	71	0
J Davies - Royal College of Nursing Wales	12,780	834	0	0
M Child - Swansea City Council	12,557,224	12,191,540	1,156,984	1,044,532
M Nott - Bridgend County Borough Council	7,079,381	4,597,027	1,462,546	612,546
S Miller - Neath Port Talbot County Borough Council	7,039,925	7,029,875	1,471,664	822,775
S Cooper - Bridgend County Borough Council	7,079,381	4,597,027	1,462,546	612,546
Professor T Crick - Welsh Water/Dwr Cymru	1,262,100	72,000	0	0

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

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

32. Pooled budgets

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

The pool is hosted by Bridgend County Borough Council. The financial operation of the pool is governed by a pooled budget agreement between Bridgend County Borough Council and the Health Board. Contributions to the pool from the Health Board amounted to £158,135 for the 2017/18 financial year. The Health Board accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

Pooled Budget Memorandum Account

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

32. Pooled budgets (cont'd)

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

Section 33 Partnership : Community Equipment

1. Statutory Partners

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

2. Aims of the Partnership

To provide an integrated community equipment service that meets the defining criteria and good practice within the guidance provided by the Welsh Assembly Government.

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

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

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

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

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

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

3. Pooled Budget Memorandum Account

Gross Funding	**2017-18**	**2016-17**
	£	£
City & County of Swansea	698,155	615,741
Neath Port Talbot County Borough Council	465,437	388,130
ABMU Local Health Board	1,163,593	970,003
Other Income	42,919	97,359
Prior Years Underspend Carried Forward	0	0
Total Funding	**2,370,104**	**2,071,233**
Expenditure	2,370,104	2,071,233
Net (under)/over spend	**0**	**0**

32. Pooled budgets (cont'd)

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

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

1. Statutory Partners

Rhondda Cynon Taff County Borough Council
Merthyr Tydfil County Borough Council
Bridgend County Borough Council
Cwm Taf Local Health Board
Abertawe Bro Morgannwg University Local Health Board (Bridgend Locality)

2. Aims of the Partnership

To provide an integrated community equipment service that meets the defining criteria and good practice within the guidance provided by the Welsh Assembly Government.

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

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

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

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

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

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

3. Financial Value of the Pooled Budget

Gross Funding	**2017-18**	**2016-17**
	£	£
Rhondda Cynon Taff County Borough Council	788,151	1,124,991
Merthyr Tydfil County Borough Council	130,468	213,000
Bridgend County Borough Council	608,833	629,203
Cwm Taf Local Health Board	223,325	245,034
Abertawe Bro Morgannwg Local Health Board	694,076	304,643
Other Income Received	200,938	128,447
Total Funding	**2,645,791**	**2,645,318**
Total Expenditure	**2,733,604**	**2,573,643**
Pool (Deficit)/Surplus	**(87,813)**	**71,675**

33. Operating segments

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

ABMU Health Board has organised its operational services into 6 Service Delivery Units (SDU)s.
Four of these units are centred on the Health Board's main hospital sites of Morriston, Neath Port Talbot, Princess of Wales and Singleton. The remaining two SDU's cover Mental Health and Learning Disabilities Services and Primary Care and Community Services.

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

1. Aggregation still allows users to evaluate the business and its operating environment.

2. Service Delivery Units have similar economic characteristics.

3. The Service Delivery Units are similar in respect of all of the following:-

> The nature of the service provided
> The Service Delivery Units operate fundamentally similar processes
> The end customers (the patients) fall into broadly similar categories
> The Service Delivery Units share a common regulatory environment

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

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

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

34. Other Information

Accounting Standards to be Adopted 2018-19

I**FRS9**

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

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

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

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

IFRS15

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

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

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

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

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

NHS Funded Nursing Care Supreme Court Ruling

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

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

34. Other Information (Cont'd)

On 1 October 2016 :
The South Wales Cancer Network and the Surgical Materials Testing Laboratory (SMTL) and their associated assets and liabilities were transferred from Abertawe Bro Morgannwg University (ABMU) Health Board.

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

The table below shows the amounts included in the accounts of ABMU Health Board for these services in 2016/17 and is provided for comparative purposes only to support the understanding of the movements in values between 2016/17 and 2017/18 in the accounts notes

Note 4	**2016-17**
Income	**£000**
NHS Trusts	90
Local Health Boards	43
WHSCC	258
Charitable & other Contributions to Expenditure	292
Other income from activities	63
Other Income	100
Total	**846**

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

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

The Certificate and independent auditor's report of the Auditor General for Wales to the National Assembly for Wales

Report on the audit of the financial statements

Opinion
I certify that I have audited the financial statements of Abertawe Bro Morgannwg University 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 Abertawe Bro Morgannwg University 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 Opinion
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 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 opinion.

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 prepatration 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 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 theron.

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

The Health Board has breached its resource limit by spending £71.647 million over the £3,185,583 million that it was authorised to spend in the 3 year period 2015-16 to 2017-18. This spend constitutes irregular expenditure. Further detail is set out in the attached report on page 70.

Qualified Opinion on Regularity

In my opinion, except for the irregular expenditure of £71.647 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 Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Performance Report has 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 board and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report.

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 Statemens of Directors' and Chief Executive's Responsibilities on Pages 204, 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 statments that are free from material misstatemnent, whether due to fraud or error.

In preparing the financial statements, the Directors and Chief Executive are responsible for assessing the 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 conducetd 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. 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 givern them.

Huw Vaughan Thomas
Auditor General for Wales
13 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, Abertawe Bro Morgannwg University Local Health Board (the LHB) failed to meet both the first and second financial duty and so I have decided to issue a narrative report to explain the position.

Failure of the first financial duty

The **first financial duty** gives additional flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The 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 £3,185,583 million by £71.647 million. The LHB did not therefore 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 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 2017-17 to 2019-20.

Following the LHB being placed in Targeted Intervention in September 2016, it was not in a position to submit a three-year Integrated Medium Term Plan for 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 £36.000 million, was approved by its Board in March 2017. The LHB's eventual deficit for 2017-18 was £32.417 million.

Huw Vaughan Thomas
Auditor General for Wales
13 June 2018

24 Cathedral Road
Cardiff
CF11 9LJ

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

LOCAL HEALTH BOARDS

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

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

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

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

FORM AND CONTENT

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

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

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

MISCELLANEOUS

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

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

Signed by the authority of Welsh Ministers

Signed : Chris Hurst Dated :

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

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