



GIG
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Bwrdd Iechyd Prifysgol
Betsi Cadwaladr
University Health Board

Mr M Drakeford AC
Cadeirydd
Pwyllgor Iechyd a Gofal Cymdeithasol
Cynulliad Cenedlaethol Cymru
Bae Caerdydd
Caerdydd
CF99 1NA

Ein cyf / Our ref: MB/HS/070

Eich cyf / Your ref:

☎: 01248 384910

Gofynnwch am / Ask for: Mary Burrows

Ffacs / Fax: 01248 384937

E-bost / Email: mary.burrows@wales.nhs.uk

Dyddiad / Date: 22 Mehefin 2012

Annwyl Mr Drakeford

PWYLLGOR IECHYD A GOFAL CYMDEITHASOL CYNULLIAD CENEDLAETHOL CYMRU: CRAFFU ARIANNOL

Yn dilyn eich llythyr dyddiedig 1 Mehefin 2012, gweler isod yr wybodaeth y gofynnwyd amdani o ran y pwyllgor uchod. Oherwydd swm yr wybodaeth rwyf wedi ceisio ymateb yn y drefn y codwyd y pwyntiau er hwylustod.

Dyraniadau Refeniw a Chyfalaf Gwreiddiol

Gweler ynghlwm Atodiadau 1 a 2 sy'n rhoi manylion am y dyraniadau refeniw a chyfalaf gwreiddiol gan Lywodraeth Cymru ar gyfer y blynyddoedd ariannol 2011/12 a 2012/13.

Cynlluniau Ariannol Refeniw a Chyfalaf

Yn unol â'r cais, gweler ynghlwm yn Atodiadau 3 a 4, gopiâu o gynlluniau refeniw a chyfalaf y Bwrdd Iechyd yn cynnwys arbedion i gael eu cyflawni ar gyfer y blynyddoedd ariannol 2011/12 a 2012/13.

Cyllid Ychwanegol a ddarparwyd yn ystod 2011/12

Gweler ynghlwm gopi o lythyr gan Lywodraeth Cymru yn cadarnhau cyllid ychwanegol o £17 miliwn ar gyfer y flwyddyn ariannol 2011/12, yn unol â'r cais. Mae hwn yn Atodiad 5.

Sefyllfa Ariannol Diwedd Blwyddyn 2011/12

Adroddodd y Bwrdd Iechyd sefyllfa ariannol diwedd blwyddyn ar gyfer y flwyddyn ariannol 2011/12 o £75k yn weddill. Mae copi o'r llythyr gan Swyddfa Archwilio Cymru yn cadarnhau eu barn ddiamed am gyfrifon y Bwrdd Iechyd ynghlwm yn Atodiad 6.



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Cynlluniau, Blaenoriaethau ac Arbedion Ariannol

Yn ôl y gofyn, mae gan BIPBC gynlluniau manwl a chadarn i sicrhau cyflawni yn erbyn blaenoriaethau allweddol y Llywodraeth. Fel gweddill y GIG yng Nghymru, mae BIPBC wedi ymdrechu i gyflawni arbedion ariannol na welwyd eu tebyg o'r blaen, ond ar yr un pryd, gwneud cynnydd mewn ystod o feysydd perfformiad, targedau a chanlyniadau ansawdd. Fodd bynnag, mae'r GIG yng Nghymru yn gweithio mewn amgylchedd ariannol heriol ac mae dewisiadau anodd o'n blaenau. Yn ein barn ni, nid yw'r model presennol o wasanaethau GIG yng Nghymru yn gynaliadwy, ac mae angen newid y ffordd y mae gwasanaethau iechyd yn cael eu darparu i gleifion yn sylweddol. Mae angen newid mewn gwasanaeth er mwyn sicrhau fod BIPBC yn cyflawni a bodloni blaenoriaethau allweddol a thargedau'r Llywodraeth yn ogystal â lleihau costau, mae hyn yn ymwneud â gwella gwasanaethau GIG i sicrhau fod cleifion yn elwa o wasanaethau iechyd modern. Rydym yn gweithio mewn hinsawdd ariannol anodd, ond mae angen gwneud llawer o'r newidiadau hyn i wella ansawdd, diogelwch a chynnaladwyedd gwasanaethau. Dyma'r gwir i unrhyw wasanaeth cyhoeddus.

Hyderaf fod hyn yn darparu digon o wybodaeth i'ch Pwyllgor i gefnogi eich rôl bwysig, ond mae croeso i chi gysylltu â mi pe bai arnoch angen mwy o wybodaeth.

Yn gywir

MARY BURROWS
PRIF WEITHREDWR

Amgae:

Tabl Atodiadau

Atodiad 1: Dyraniadau Refeniw ar gyfer 2011/12 a 2012/13



Revenue
allocations.xlsx

Atodiad 2: Dyraniadau Cyfalaf ar gyfer 2011/12 a 2012/13



capital
allocations.xlsx

Atodiad 3: Cyllideb Flynyddol - 2011/12



2011-12 Budget
Strategy.pdf



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Atodiad 4: Cyllideb Flynyddol - 2012/13



Budget Report for
Board - April 2012 _F:



Appendix A -
Summary Financial Ga

Atodiad 5 : Cyllid a ddarparwyd yn ystod y flwyddyn gan Lywodraeth Cymru 2011/12



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Atodiad 6: Archwiliad o'r Cyfrifon Blynyddol 2011/12



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Audit of Financial Stat

DATE	TOTAL RESOURCE ALLOCATION								TOTAL	TOTAL
		Notification	Allocation	Resource	Revenue	GMS	Pharmacy	Dental	TOTAL	TOTAL
		Reference	Notification	Limit	Limit	Limit	Limit	Limit	Limit	Limit
		£	£	£	£	£	£	£	£	
29/02/12	NR Reverse 56 INIT - Transfer to GMS	BETHFS 63 INIT	-1,931,000	1,221,521,858	-1,931,000				-1,931,000	1,221,521,858
29/02/12	NR GP ICT Refresh & Maintenance	BETHFS 4 INIT	1,931,000	1,223,452,858		1,931,000			1,931,000	1,223,452,858
06/03/12	NR Electronic Staff Record Recharge 2011/12	BETHFS 64 INIT	-591,038	1,222,861,820	-591,038				-591,038	1,222,861,820
08/03/12	NR GMS : Dispensing one off back payment	BETHFS 5 INIT	284,000	1,223,145,820		284,000			284,000	1,223,145,820
16/03/12	NR BCU LHB Telerehab Proposal	BETHFS 65 RURAL	20,000	1,223,165,820	20,000				20,000	1,223,165,820
22/03/12	NR Overpayment of Rent - Amlwch Primary Care Scheme	BETHFS 66 PCPILOT	-95,939	1,223,069,881	-95,939				-95,939	1,223,069,881
22/03/12	NR Legal fees and Stamp Duty - Amlwch Primary Care Schemes	BETHFS 67 PCPILOT	24,193	1,223,094,074	24,193				24,193	1,223,094,074
22/03/12	NR Recovery of All Wales Veterans MH Allocation (Duplicated)	BETHFS 68 MENILL	-28,132	1,223,065,942	-28,132				-28,132	1,223,065,942
22/03/12	NR Adjustment to ESR Recharge	BETHFS 69 INIT	47,707	1,223,113,649	47,707				47,707	1,223,113,649
22/03/12	NR NHS Redress - "Putting Things Right" Funding	BETHFS 70 NHSREDRESS	20,793	1,223,134,442	20,793				20,793	1,223,134,442
22/03/12	NR One Wales - School Nursing	BETHFS 71 SCHOOL	46,883	1,223,181,325	46,883				46,883	1,223,181,325
22/03/12	NR Primary Care Estate - Flynngroew (IMP 162)	BETHFS 72 PCPILOT	21,917	1,223,203,242	21,917				21,917	1,223,203,242
22/03/12	NR Primary Care Estate - Rhosllanerchchugog (IMP 157)	BETHFS 73 PCPILOT	4,482	1,223,207,724	4,482				4,482	1,223,207,724
22/03/12	NR Primary Care Estate - Cadwgan Surgery (IMP 164)	BETHFS 74 PCPILOT	2,685	1,223,210,409	2,685				2,685	1,223,210,409
29/03/12	NR Donated & Government Grant Income (Resource only)	BETHFS 75 INIT	-1,200,000	1,222,010,409	-1,200,000				-1,200,000	1,222,010,409
18/04/12	NR Return of AME Funding	BETHFS 76 INIT	-2,511,000	1,219,499,409	-2,511,000				-2,511,000	1,219,499,409
									0	
			0	1,219,499,409	1,051,213,211	111,853,198	30,201,000	26,232,000	1,219,499,409	1,219,499,409

DATE TOTAL RESOURCE ALLOCATION

<u>Notification</u>	<u>Allocation</u>	<u>Resource</u>	<u>Revenue</u>	<u>GMS</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>TOTAL</u>	<u>TOTAL</u>
<u>Reference</u>	<u>Notification</u>	<u>Limit</u>	<u>Limit</u>	<u>Limit</u>	<u>Limit</u>	<u>Limit</u>	<u>Limit</u>	<u>Limit</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>

Betsi Cadwaldr University Health Board
Capital Allocation 2011/12 and 2012/13

Capital Allocation 2012/13

	opening allocation £'000	in year additions £'000	closing allocation £'000	opening allocation £'000
Discretionary	9,130	535	9,665	8,492
All Wales			-	
BYN Continuing Health Care Units	43		43	
BYN Updgrade of Infrastructure/Boiler House	49		49	
YGC Theatre Recovery	3,184	5,450	8,634	944
YGC Wards 11/12 Roof and Ground	2,296		2,296	
Re-development of YGC (incl YGC A&E) - OBC Fees	-	2,100	2,100	12,014
S2S Community Based Pathology Services	200		200	
S2S Automated Medicine & Supply System	153		153	
S2S Reconfiguration of Pathology Services	1,550		1,550	
Llangollen LRC	-	27	27	
Pharmacy Robot		372	372	
Pharmacy Quality management System		264	264	
Llay		36	36	
Telemedicine Equipment (Tranche 1)		66	66	
Welsh Clinical Portal - Hardware		35	35	
LIMs - GP Links Sunquest HL7 & Hardware		66	66	
Orthopaedics		3,000	3,000	
EOY Funding 2011/12		399	399	
EOY Funding - Welsh Clinical Renal Network		100	100	
Fundus Cameras funding - three sites		124	124	
Ysybyty Alltwen Car Park		268	268	
YG A&E		257	257	
Powys brokerage		500	500	- 500
Total All Wales	7,475	13,064	20,539	12,458
Total Capital Allocation	16,605	13,599	30,204	20,950



Subject:	Annual Income and Expenditure Budget 2011/12				
Summary or Issues of Significance	This report presents the annual Income and Expenditure Budget for the Health Board to the Board for approval.				
Strategic Theme / Priority addressed by this paper	The Health Board has a statutory target to deliver a balanced financial position. The annual budget is set to deliver this requirement.				
Legislation or Healthcare Standard:	Standing Financial Instructions require the Director of Finance to present an annual Income and Expenditure budget to the Board prior to the commencement of the financial year. The Standing Financial Instructions outline the required contents of the budget report. These are satisfied through the Medium Term Financial Strategy and this Budget Report.				
Evidence base or other relevant information to inform decision (e.g risks)	The annual budget is based on the allocation income provided by the Welsh Assembly Government as set out in the annual Allocation Letter published to Health Boards on 18 th February 2011.				
Consultation with others:	Financial budgeting is considered weekly at the Board of Director and Executive Team Meetings. It has also been the subject of presentations and discussions at the Finance and Performance Committee and Board Development Sessions.				
Equality Impact Assessment (EqIA)	<table border="1"> <tr> <td>Has EqIA screening been undertaken?</td> <td>N</td> </tr> <tr> <td>Has a full EqIA been undertaken?</td> <td>N</td> </tr> </table>	Has EqIA screening been undertaken?	N	Has a full EqIA been undertaken?	N
Has EqIA screening been undertaken?	N				
Has a full EqIA been undertaken?	N				
Recommendations:	The Board is requested to approve the budget for 2011/12.				
Author(s)	Bob Evans & Nigel McCann- Assistant Directors of Finance				
Presented by	Helen Simpson - Director of Finance				
Date of report	11 th March 2011				
Date of meeting	23 rd March 2011				



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Health Board Annual Income and Expenditure Budget 2011/12 March 2011

Helen Simpson
Director of Finance
Betsi Cadwaladr University Health Board

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5. Recommendations

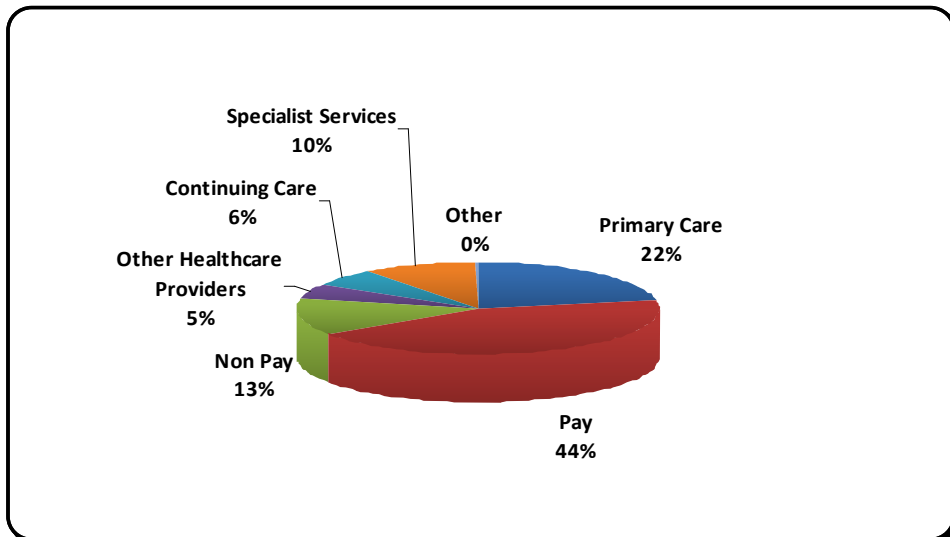
BETSI CADWALADR UNIVERSITY HEALTH BOARD ANNUAL INCOME AND EXPENDITURE BUDGET FOR 2011/12

1. PURPOSE OF THE PAPER

- 1.1 The purpose of the paper is to present the annual Income and Expenditure Budget for 2011/12 for Health Board approval.

2. BACKGROUND

- 2.1 The Health Board has a recurrent baseline Resource Limit of £1.2 billion, which is used to fund a range of services and budgets, as demonstrated in the chart below;



- 2.2 The Budget Setting approach and recommendations has been shared and discussed with the Board of Directors and Clinical Programme Groups (CPGs) at regular stages throughout the process.

- 2.3 The recommendations in the Budget Setting Process Report were approved by the Finance and Performance Committee on 22nd February which included:

- The approach to budget setting for 2011/12.
- The key principles adopting in setting the budgets.
- The approach to savings targets in 2011/12.
- The budget timetable which included the final baseline budget to be presented to the Board in March 2011 for approval.

2.4 The budget setting approach was previously presented to the Finance and Performance Committee in January 2011. The Finance & Performance Committee and the Board (in Board Briefing Sessions) have also considered:

- The financial savings target which has been updated and is now shown at £70.9 million or 6.1% of turnover following the receipt of the annual Welsh Assembly Government Allocation Letter for 2011/12 and a review of the reserves required for 2011/12.
- The budget setting process.
- The savings strategy.

2.5 In common with the financial challenges facing the Public Sector across the UK, the Budget for 2011/12 is set in the wider context of the Medium Term Financial Strategy which covers:

- The 2011/12 Allocation and resource availability over the planning period.
- Dealing with inflation and service pressures.
- The Health Board's strategy in responding to the financial challenges ahead.
- Financial reporting and budget management in support of achieving the strategy.
- The governance trail in working through the preparation and implementation of the strategy.

The 2011/12 budget builds on the budget approach which began with the strategy, approved by the Board in March 2010 for the 2010/11 financial year.

3. 2011/12 FINAL BUDGET SUMMARIES

3.1 With the assistance of Programme Budgeting, the Health Board has looked at resource distribution to healthcare services. The resulting Final Budget Report for 2011/12 as presented contains:

- ***The Overall Savings Target (Appendix 1)***

This shows the revised savings target for 2011/12 following receipt of the annual Allocation Letter for 2011/12 received on 18th February 2011.

- ***The Savings Summary (Appendix 2)***

A summary of the structural deficits within the CPGs and Corporate Departments and how these are reduced by the full year effect of 2010/11 investments and plans. It also shows how the updated in-year Cash Releasing Efficiency Savings (CRES) Targets are distributed across CPGs and Corporate Departments in 2011/12.

- ***The Budget Strategy Summary (Appendix 3)***

This show the baseline budgets brought forward from 2010/11 in financial and manpower terms for CPGs and Corporate Departments. It also shows how these budgets are increased by the funding of inflation and unavoidable cost pressures and how they are reduced with the impact of agreed targeted savings schemes. The summary shows the resultant baseline budgets for 2011/12 for CPGs and Corporate Departments.

- ***Summary of Other Budgets and Provisions (Appendix 4)***

This shows a summary of other centrally held budgets for 2011/12 which includes the recurring contingencies and provisions brought forward from 2010/11 and additions required to meet Health Boards commitments in 2011/12.

3.2 The baseline budget summaries (in particular, **Appendix 3**) are intended to provide the opening base budgets for 2011/12. These budgets are a part of an ongoing budget process that will be refined for:

- Additional in year allocations received from the Welsh Assembly Government as they are received.
- Final allocations for General Medical Services (GMS) and General Dental Services (GDS) when settlements have been agreed nationally with the professions.
- Agreed service and financial transfers between CPGs/Corporate Departments.
- Allocations received in year for Medical Education including SIFT and Post Graduate Medical Education.
- Any further agreed allocations.

- 3.3 The overall savings target (**Appendix 1**) is based on the latest assessment of the significant pressures for 2011/12 that require separate consideration. In revising this assessment, any additional cost pressures and risk will need to be managed within the overall position of the Health Board in order to maintain financial balance. In setting the other budget provisions, regard has been taken to ensuring a balanced view, as too prudent a view would have led to higher savings targets for Health Board clinical services. As always, the overall Income & Expenditure position including financial risks and cost pressures will be reported upon on a monthly basis, as a minimum.
- 3.4 The savings summary (**Appendix 2**) including performance against the structural deficits brought forward and new savings targets by CPG and Corporate Department will be monitored through the Finance and Performance Committee on a monthly basis. Again in 2011/12 the savings targets for all CPGs and Corporate Departments will be challenging and incorporate the need to cover any additional local pressures and developments arising during the year.
- 3.5 The summary of other centrally held budgets (**Appendix 4**) sets out the provisions and contingencies set aside to cover specific in-year cost pressures and requirements. This also includes the retention of the Innovation Fund to further develop healthcare services.

4. CONCLUSION

- 4.1 In setting an overall balanced budget for 2011/12, and in setting individual savings targets for Clinical Programme Groups and Corporate Departments, the following are noted;
- The underlying recurrent deficit has reduced from £31m 2010/11 to £20m going into 2011/12.
 - The full year effect of savings schemes started in 2010/11 is estimated at £12.8m for 2011/12.
 - Allowing for this structural deficit and the new pressures of £38m in 2011/12, the average savings target (CRES) across the Health Board is 6.1%. This compares to an average of 7.5% in 2010/11. This reduction is due to the robust management and clinical engagement in tackling the structural deficit.

- Individual CRES savings targets for CPGs and Corporate Departments have been set on the basis of “deficits lie where they fall”, as such each is responsible for delivering underlying financial balance against their relevant budget allocation. The savings targets resulting from this principle have been modified to ensure safety of services and reflect activity pressures.
- Ring-fenced budgets (such as GMS, Mental Health, Research) have been protected from any additional CRES targets above their level of inflation pressures.
- Recognising the need to continue to invest in clinical services and clinical engagement across the Health Board, further funding provisions of £1.3m have been set aside to cover investments in Critical Care, Cancer Services and GP engagement.
- Contracts for specialist, and non-specialist, services with other Welsh Health Boards and English Trusts will continue to be reviewed in order to ensure that wherever possible and clinically appropriate, the Health Boards population are treated locally.
- The development of Programme Budgeting and a ‘Directory of Services’ detailing the activity and cost of services linked to the Service Line Management approach supporting clinician leaders in their delivery and management of services.
- As with any budget setting process there will be a number of financial risks. These are detailed within the Medium term Financial Strategy.

5. RECOMMENDATIONS

- 5.1 The Board is requested to approve the Annual Budget for 2011/12.

Helen Simpson
Director of Finance
 (Authors Bob Evans and Nigel McCann)

**BETSI CADWALADR UNIVERSITY HEALTH BOARD
SAVINGS REQUIREMENT FOR 2011/12**

	Original Estimate			Final Savings Target		
	£m	£m	%age	£m	£m	%age
Allocation Reduction		8.4	0.7		0.0	0.0
Pay Pressures						
- Pay Increases	4.8			4.1		
- Incremental Drift	3.3	8.1	0.7	3.3	7.4	0.6
Non Pay Inflation		8.2	0.7		8.2	0.7
Service & Other Pressures		29.5	2.6		22.1	2.0
Sub-total of new pressures		54.2	4.7		37.7	3.3
Structural deficit brought forward		42.5	3.7		20.3	1.9
Full year effect of 10/11 CRES					12.8	0.9
TOTAL		96.7	8.4		70.9	6.1

Notes

- 1 The original estimate is in line with previous presentations to the Board and F&P Committee
- 2 The final savings target reflects the impact of the WAG Allocation Letter received 18th February 2011
- 3 Service & Other Pressures are detailed in Appendix 4

BETSI CADWALADR UNIVERSITY HEALTH BOARD
2011/12 SAVINGS SUMMARY

	GROSS BASE BUDGET	CRES: IN-YEAR PRESSURES APPENDIX 1	2010/11 PRESSURES B/FWD	FULL YEAR EFFECT of 2010/11 CRES	APPENDIX 4 FUNDING	TOTAL CRES	TOTAL CRES
	£000's	£000's	£000's	£000's	£000's	£000's	%
Assembly Allocations							
Assembly Allocations	(1,163,782)	0	0	0	0	0	0.00%
Total Revenue Resource Limit							
Clinical Programme Groups							
Primary, Community and Specialist Medicine	147,745	(5,906)	(10,864)	(3,908)	7,048	(13,630)	9.23%
Emergency & Specialist Surgery	104,539	(4,181)	(4,991)	(4,010)	4,200	(8,982)	8.59%
Anaesthetics & Critical Care	26,767	(1,069)	(1,992)	(480)	1,100	(2,441)	9.12%
Childrens Services	38,227	(1,576)	(238)	(131)	408	(1,537)	4.00%
Womens Services	25,751	(1,073)	(2,050)	(200)	1,000	(2,323)	9.02%
Mental Health & Learning Disabilities	65,022	(2,644)	(530)	(1,000)	1,570	(2,604)	4.00%
Cancer & Palliative Medicine	22,095	(921)	(986)	(67)	507	(1,467)	6.64%
Therapies and Clinical Support	42,414	(1,751)	340	(672)	400	(1,683)	3.97%
Pathology	23,019	(959)	(1,450)	(16)	0	(2,425)	10.54%
Radiology	18,404	(767)	(1,047)	0	0	(1,814)	9.86%
Medicines Management	140,595	(5,842)	306	(2,306)	391	(7,451)	5.30%
Continuing Care	74,300	(2,781)	(8,056)	0	7,000	(3,837)	5.16%
Total Clinical Programme Groups	728,878	(29,469)	(31,558)	(12,790)	23,624	(50,194)	7.12%
Corporate Services							
Chief Executive	726	(30)	0	0	0	(30)	4.17%
Medical Director	13,228	(509)	(1,531)	0	1,000	(1,040)	7.87%
Medical Education	(815)	0	0	0	0	0	0.00%
Executive Nurse	31,798	(1,325)	(1,259)	(20)	0	(2,604)	8.19%
Performance & Business Support	3,155	(131)	(26)	0	0	(157)	4.99%
Finance Executive	12,170	(507)	(36)	(18)	0	(561)	4.61%
Planning Executive	25,606	(1,025)	(2,553)	0	1,000	(2,578)	10.07%
Workforce & Organisational Change	5,369	(224)	(10)	0	0	(234)	4.35%
Executive Director of Primary, Community & Me	149,091	(374)	(2,198)	0	2,000	(572)	5.15%
Executive Director of Therapies & Health Scienc	1,313	(54)	0	0	26	(28)	4.08%
Executive Director of Public Health	376	(16)	0	0	0	(16)	4.17%
Governance & Communications	5,873	(245)	0	0	0	(245)	4.17%
Capital Charges	32,930	0	0	0	0	0	0.00%
Other Corporate (central income, etc)	(22,657)	0	26,823	0	(27,650)	(827)	3.65%
Other SLA and Other	176,740	(3,803)	(8,000)	0	0	(11,803)	6.68%
Total Corporate Services	434,903	(8,243)	11,210	(38)	(23,624)	(20,695)	5.55%
Total Income and Expenditure	0	(37,711)	(20,348)	(12,828)	0	(70,888)	6.1%

**BETSI CADWALADR UNIVERSITY HEALTH BOARD
2011/12 SUMMARY BUDGETS**

BUDGET HEADING	2011/12		PROPOSED 2011/12 BUDGET CHANGES				2011/12
	RECURRENT BUDGET B/FWD	RECURRENT BUDGET B/FWD	INFLATION/PRESSURES	APPENDIX 4 CHANGES	IN-YEAR CRES	NET CHANGE TO BUDGET	BASELINE BUDGET
	£000's	WTE	£000's	£000's	£000's	£000's	£000's
Assembly Allocations							
Recurrent Assembly Allocations	(1,155,160)	0	0	0	0	0	(1,155,160)
Anticipated Allocations in Baseline	(8,622)	0	0	0	0	0	(8,622)
Total Revenue Resource Limit	(1,163,782)	0	0	0	0	0	(1,163,782)
Clinical Programme Groups							
Primary, Community and Specialist Medicine	143,237	3,146	3,366	7,048	(5,906)	4,508	147,745
Emergency & Specialist Surgery	101,663	1,981	2,857	4,200	(4,181)	2,876	104,539
Anaesthetics & Critical Care	26,259	389	478	1,100	(1,069)	508	26,767
Childrens Services	38,855	954	539	408	(1,576)	(628)	38,227
Womens Services	25,508	559	316	1,000	(1,073)	243	25,751
Mental Health & Learning Disabilities	65,022	1,796	1,074	1,570	(2,644)		65,022
Cancer & Palliative Medicine	21,633	280	876	507	(921)	462	22,095
Therapies and Clinical Support	42,838	1,073	926	400	(1,751)	(424)	42,414
Pathology	22,859	312	1,119	0	(959)	160	23,019
Radiology	18,776	327	395	0	(767)	(372)	18,404
Medicines Management	145,810	298	236	391	(5,842)	(5,214)	140,595
Continuing Care	70,081	0		7,000	(2,781)	4,219	74,300
Total Clinical Programme Groups	722,543	11,115	12,181	23,624	(29,469)	6,336	728,879
Corporate Services							
Chief Executive	748	12	8	0	(30)	(23)	726
Medical Director	12,183	361	554	1,000	(509)	1,044	13,228
Medical Education	(973)	40	158	0		158	(815)
Executive Nurse	31,952	1,228	1,171	0	(1,325)	(154)	31,798
Performance & Business Support	3,214	105	72	0	(131)	(60)	3,155
Finance Executive	12,364	243	313	0	(507)	(194)	12,170
Planning Executive	24,496	294	1,135	1,000	(1,025)	1,110	25,606
Workforce & Organisational Change	5,477	156	116	0	(224)	(107)	5,369
Executive Director of Primary, Community & Mental	147,341	171	124	2,000	(374)	1,750	149,091
Executive Director of Therapies & Health Sciences	1,316	13	25	26	(54)	(3)	1,313
Executive Director of Public Health	387	3	4	0	(16)	(11)	376
Governance & Communications	5,919	124	199	0	(245)	(45)	5,873
Business Service Centre SLA	301	0	0	0	0	0	301
Capital Charges	30,324	0	2,606	0	0	2,606	32,930
Other SLA and Other	180,533	0	10	0	(3,803)	(3,793)	176,740
Total Corporate Services	455,584	2,752	6,493	4,026	(8,242)	2,277	457,861
Centrally held budgets	43,323	0	19,037	(27,650)	0	(8,613)	34,710
Other Income	(57,668)	0	0	0	0	0	(57,668)
Total Income and Expenditure	0	13,867	37,711	0	(37,711)	0	0

	£000's	£000's
Brought Forward Budgets		43,323
In-year service and cost pressures (Appendix 2)		
Statutory Compliance	1,000	
NICE	2,215	
CHC Pressures	4,300	
Contracts	5,000	
Prescribing	5,000	
Pay inflation provision	1,522	
Total in-year service and cost pressures		19,037
Funding released to budgets (Appendix 2)		
Statutory Compliance	(1,000)	
NICE	(2,000)	
Protecting Ring-fenced budgets	(3,570)	
Clinical Coding and IMT support	(1,000)	
CHC Pressures	(7,000)	
AOF / RTT and service pressures	(13,080)	
Total funding released to delegated budgets		(27,650)
Opening baseline budget for 2011/12		34,710

Notes

- 1 The opening baseline budget includes the following additional provisions for in-year developments:
 - a) £1m for Critical Care, subject to agreed business case
 - b) £75k for GP engagement
 - c) £225k for Cancer Services
- 2 The new pressures identified in setting the overall savings target as set out in Appendix 1 are shown as £37.7m. Of this, £18.64m has been released directly into budgets, (see Appendix 3, column headed "inflation / pressures"). £19.037m is held centrally to cover specific in-year pressures.

SAVINGS PLAN UPDATE 24th April 2012

Ref	2012/13 Financial Gap	Original £M	Revised £M	Revised %
7.1	Underlying Financial Gap brought forward	52.20	41.30	3.47%
7.2	New 2012/13 inflationary pressures	10.10	10.10	0.85%
7.3	New 2012/13 service and trend growth costs	20.20	15.30	1.29%
7.4	2012/13 Access Targets (Orthopaedics)	11.70	10.20	0.86%
7.4	Further gaps in 2012/13 Access Targets	7.50	2.20	0.19%
7.5	Other in-year cost pressures	5.60	2.50	0.21%
	Total Financial Gap	107.30	81.60	6.86%
7.6	Welsh Government Structural Support	(17.00)	-17.00	(1.43%)
	Net Financial Gap	90.30	64.60	5.43%
			REVISED £M	
	TO BE ACHIEVED THROUGH			
	CPG / Exec Department CRES plans		-21.27	
	PAY RELATED SCHEMES - MEDICAL PAY		-5.43	
	PAY RELATED SCHEMES - OTHER PAY		-6.05	
	NON PAY RELATED SCHEMES		-6.65	
	PRIMARY CARE AND PRIMARY CARE PRESCRIBING		-4.60	
	ESTATES RELATED SAVINGS		-1.70	
	INFORMATION TECHNOLOGY RELATED SAVINGS		-0.50	
	COMMISSIONING, EFFICIENCY, PRODUCTIVITY AND ACTIVITY RELATED SAVINGS		-11.33	
	INCOME GENERATION		-0.06	
	OTHER		-7.01	
	Revised Gap Bridged 25th April 2012		0.00	0.00%

Betsi Cadwaladr University Health Board

Health Board Paper 26.4.12 Item 12.41.1



**GIG
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Bwrdd Iechyd Prifysgol
Betsi Cadwaladr
University Health Board

Name of Committee:	Health Board
Subject:	Annual Income and Expenditure Budget for 2012/13
Summary or Issues of Significance	The purpose of the report is to recommend the Annual Budget for 2012/13.
Strategic Theme / Priority / Values addressed by this paper	The Budget Process forms an integral part of the Annual Financial and Operational Planning cycle.
Healthcare Standard addressed	<i>Making it safe / better / sound / work / happen</i> This is a part of the financial governance process aligned to the 'making it happen' theme.
Equality Impact Assessment	The Budget Process is an integral part and supporting element to the Annual Planning Process which is equality impact assessed.
Recommendations:	To approve Annual Income and Expenditure Budget for 2012/13.
Author(s)	Geoff Lang, Acting Chief Executive and Helen Simpson, Executive Director of Finance
Presented by	Helen Simpson, Executive Director of Finance
Date of report	25th April 2012
Date of meeting	26 th April 2012

BETSI CADWALADR UNIVERSITY HEALTH BOARD

APPROVAL OF THE HEALTH BOARD ANNUAL BUDGET FOR 2012/13

HEALTH BOARD MEETING

THURSDAY 26TH APRIL 2012

1. PURPOSE OF THE REPORT

The purpose of the report is to recommend to the Health Board the annual budget for 2012/13.

This report includes:

- An assessment of the financial gap for 2012/13.
- An update on the 2012/13 savings plans agreed to reduce the financial gap.
- An update on further 2012/13 savings measures and themes identified since the Board meeting in March, to bridge the remaining financial gap.
- The interim budget arrangements approved from 1st April 2012 and in place, pending the approval of a balanced budget plan for 2012/13 effective from 1st May 2012.
- Reference to the importance of the proposed accountability and delivery framework to provide improved assurance around the delivery of plans including financial targets.
- The importance of the planning process and adherence to deadlines.

2. INTRODUCTION

The March meeting of the Board would usually complete the budget process and approve the Health Board's Annual Income and Expenditure Budget for the forthcoming year. This report primarily covers the approval of budgets for the current financial year. However as part of this process it is crucial that the planning process for 2013/14 needs to be commenced immediately. The process to be completed in the autumn of this year is to ensure that the Board has assurance as to the robustness of plans, supporting budgets and the completeness of the engagement process in advance of 1st April 2013.

At the March Board meeting, the Board recognising that there was further work required on the Operational Plan to enable completion of a balanced budget,

approved interim annual budget arrangements for 2012/13. This recognised that a financial recovery response was required while the Operational Plan was reviewed. The proposals within this paper now regularise the budget arrangements for 2012/13 and are applicable from the 1st May 2012. As Health Board members are aware this budget is a financial recovery turnaround approach for this financial year.

The Acting Chief Executive has reiterated the importance of this plan for the whole of this financial year and the necessity to hardwire the savings initiatives into operational plans and budgets. Performance will be monitored, underperformance identified and rectifications made as part of the new accountability and delivery arrangements implemented across the Health Board. These arrangements have been approved following a separate paper presented to the Finance and Performance Committee.

Strengthening of the governance surrounding budget management is required and will be implemented in accordance with good practice. Lessons learned from the last financial year will be incorporated into the new policies and procedures. The Audit Committee in addition to the Finance and Performance Committee will receive assurances that this has been implemented in a timely manner.

3. FINANCIAL CONTEXT FOR 2012/13

The financial year 2011/12 was extremely challenging and as the Health Board are aware there remains a flat cash scenario for the medium term. Hence it is clear that financial pressures will be a continuing feature, requiring robust management. The Health Board planning and budget setting process is set within the overall context of a very challenging financial environment which requires a clear Operational Plan with strategic change to support the financial and service control measures that are already in place. Forward planning on the piloting of resource assumptions for localities will be a part of the budget programme during 2012/13.

4. INCOME AND EXPENDITURE BUDGET PROCESS FOR 2012/13

Throughout the budget process and the identification of savings schemes, safety of patient services has been a prime consideration and it is an essential requirement that all schemes are risk assessed by senior clinicians to ensure that safety is not compromised. A financial risk assessment is also undertaken on each scheme by the Finance Director and her team.

The Income and Expenditure Budget has the following parameters:

- The allocation produces a 'flat cash' income scenario.
- In 2012/13 while income is broadly static compared with 2011/12, expenditure is higher due to a number of pressures including pay awards where they are applicable, the implications of NICE guidance, and the impact of demand on our services.

- The Health Board needs to ensure that it secures sufficient savings to offset the additional costs.
- The demand pressures include the need to plan to meet essential performance targets.
- The required breakeven target remains the statutory requirement from the Welsh Government.

5. IDENTIFICATION OF THE FINANCIAL GAP FOR 2012/13

The financial gap includes the underlying deficit brought forward from 2011/12 and the new inflationary, service and performance target led cost pressures in 2012/13. The financial gap has been reviewed and refined from £90.3 million to £64.6 million (5.43%), and is summarised in the table below.

	2012/13 Opening Financial Gap	2012/13 £m Opening	2012/13 £m Updated	2012/13 % Updated
5.1	Underlying Financial Gap B/Fwd	52.2	41.3	3.47
5.2	New 2012/13 inflationary pressures	10.1	10.1	0.85
5.3	New 2012/13 service and trend growth costs	20.2	15.3	1.29
5.4	2012/13 Access Targets (Orthopaedics)	11.7	10.2	0.86
5.4	Further gaps in 2012/13 Access Targets	7.5	2.2	0.18
5.5	Other in-year cost pressures	5.6	2.5	0.21
	Total Financial Gap	107.3	81.6	6.86
5.6	Welsh Government Structural Support	(17.0)	(17.0)	(1.43)
	Net Financial Gap	90.3	64.6	5.43

5.1 Underlying Financial Gap Brought Forward from 2011/12

The underlying deficit for CPGs and Corporate Departments reflects existing budgets, the full year effect of inflation and cost pressures and the full year effect of savings plans in progress in 2011/12. The underlying gap brought forward is the sum of the underlying budget deficits brought forward by the CPGs and Corporate

Departments. Using the deficits brought forward as a baseline position continues to provide a clear audit trail for the purposes of accountability and ownership. The revised financial gap brought forward reflects the cost pressures that will remain with CPGs and Corporate Departments to manage within their current resources.

5.2 New Inflationary Pressures for 2012/13

This covers pay inflation for the lower paid employees, incremental increases and non pay inflation as shown below.

New 2012/13 Inflationary Pressures	£m Opening	£m Updated
Pay inflation (pay awards, SAS doctors)	2.8	2.8
Incremental Drift	3.4	3.4
Non-Pay Inflation	3.9	3.9
Total	10.1	10.1

5.3 New 2012/13 Service and Trend Growth Pressures

This overall heading covers the following service cost pressures:

New 2012/13 Service and Trend Growth Pressures	Opening £m	Updated £m
Continuing Healthcare and NHS Registered Care	5.9	3.9
NICE and High Cost Drugs	3.3	3.3
Prescribing Growth	4.8	4.8
Specialist and Non Specialist Commissioning	3.3	3.3
Statutory Compliance	2.9	0
Total	20.2	15.3

These headings are expected to provide additional cost pressures in 2012/13, and based on trend pressures over recent years the pressures are likely to materialise at these levels. In this context, it is noted that Continuing Healthcare expenditure growth has reduced significantly over the last three financial years and prescribing expenditure is currently lower than the previous period to date in either of the last two financial years.

The revised assessment of pressures reflects that Continuing Healthcare pressures in the Mental Health and Learning Disabilities service are to be contained within current placement costs. Statutory compliance pressures will be managed within the recurrent budget provided to the Planning and Estates Department in 2011/12 for that purpose.

5.4 Access Targets 2012/13

The £11.7 million is the 2012/13 assessed net requirement to meet the Orthopaedic Referral to Treat (RTT) access targets after the use of the Welsh Government funding of £2.67 million provided in the opening Allocation for 2012/13. The revised figure of £10.2 million revises the support costs in maintaining performance at the 36 week target.

Further performance gaps were identified to ensure delivery of the 26 week waiting time standard, notably within Ophthalmology, Dermatology and Gynaecology, at £7.5 million in the Opening Financial Plan. These have been updated to £2.20 million, to maintain performance within the 36 week target.

5.5 Welsh Government Structural Support

The structural support provided by the Welsh Government has been provided non-recurrently again in 2012/13. As non recurrent support, this has not been applied to service budgets.

6. SAVINGS SCHEMES AGREED FOR 2012/13 TO REDUCE THE FINANCIAL GAP

Savings plans identified from within the CPGs and Corporate Departments as referred to in the budget report for March total £21.3 million. This leaves a remaining gap of £43.3 million to be found through further recurrent savings and solutions.

7. FURTHER SAVINGS MEASURES AND THEMES TO BRIDGE THE REMAINING FINANCIAL GAP

The further savings measures and themes being pursued to bridge the financial gap are shown in the summary provided in support of this paper. The measures reflect themes that build on savings already delivered in these areas and those already assumed within 2012/13 performance plans:

This now eradicates the remaining financial gap to be managed during this financial year, with assurance that these are delivered in full provided by the new

accountability and delivery arrangements presented by the Acting Chief Executive and approved by the Finance and Performance Committee.

Remaining Financial Gap to be Managed	£m
Net Financial Gap – Section 5	64.6
Savings Schemes from CPGs/Corporate Departments	(21.3)
Further Savings Measures as at 18 th April 2012	(23.2)
Further Savings post 18 th April 2012	(20.1)
Bridging of the Financial Gap as at 24th April 12	0

Appendix A to this report summarises the key areas where savings and efficiencies will be delivered across the Health Board.

8. PLANNING, ACCOUNTABILITY AND DELIVERY DURING APRIL 2012

The Operational Planning process for 2012/13 did not provide solutions which identified sufficient savings to provide the Board with confidence that financial balance could be delivered. In view of this, changes in the review and accountability mechanisms have now been approved. Without sufficient savings plans that provided confidence, the Health Board was unable to receive an Annual Budget for approval at the March meeting as would usually be the case.

At the March meeting, the Health Board, taking account of the extraordinary circumstances at the time, approved the following interim measures.

- New recurrent expenditure is not to be committed unless approved by the Chief Executive as Accountable Officer or his nominated signatory.
- Premium pay costs are not incurred without the approval of the Accountable Officer or nominated signatory.
- Further due diligence of the RTT activity calculations is undertaken mindful of productivity and efficiency requirements.
- Non pay controls currently in place are continued.
- An urgent review of locum and agency expenditure is undertaken with such expenditure authorised only by a Chief of Staff, Executive Director or the Accountable Officer.

9. PLANNING ACCOUNTABILITY AND DELIVERY EFFECTIVE FROM 1ST MAY 2012

As contained within this report and following scrutiny by the Finance and Performance Committee it is recommended that the Board approve the annual budget. Key to this is the new arrangements for performance assurance and the Delivery Board which has been established by the Acting Chief Executive and endorsed by the Finance and Performance Committee.

At the March Board Meeting, alongside the budget arrangements paper the Board approved a Performance Assurance Framework paper to:

- Demonstrate improved accountability and scrutiny for the delivery of change.
- Provide a structured executive review process for Quality, Performance, Activity, HR and Finance.

Clarity on strategic service change is essential to update the Medium Term Financial Plan and to finalise a robust budget plan for 2012/13. Whilst this strategy is being developed we have a financial recovery process to provide stability as we progress through this financial year. It has also been agreed that the Delivery Board will ensure that plans and savings are delivered in full and in a timely manner.

10. FINANCIAL GOVERNANCE PROCESSES

The Health Board Finance Reports and Savings Monitoring Reports are received and scrutinised by the Finance and Performance Committee. The Finance Reports are then reviewed at monthly Board meetings. The Finance and Performance Committee provides robust challenge and scrutiny of the financial position and savings schemes on behalf of the Health Board.

11. RECOMMENDATION

The Health Board are requested to approve a balanced budget for 2012/13 based on the information contained within this report. This budget has been co-produced by the Executive Team working closely with the Chiefs of Staff. The Delivery Board and supporting new arrangements for performance management will provide the Health Board with greater assurance of delivery during the course of this financial year.

Geoff Lang
Acting Chief Executive

Helen Simpson
Executive Director of Finance

FAO Mike Hainwright



Llywodraeth Cynulliad Cymru
Welsh Assembly Government
Parc Cathays / Cathays Park
Caerdydd / Cardiff
CF10 3NQ

Head of Finance
Betsi Cadwaladr LHB
Trust HQ
Ysbyty Gwynedd
Penrhosgarnedd
Bangor
LL57 2PW

Dyddiad / Date 25-Oct-11

Dear Colleague

REVENUE ALLOCATION ADJUSTMENT 2011-12

DEPT REF: BETHFS 36 INIT

I am writing to confirm the following adjustment to your Revenue allocation

	Amount £	R/NR*
Resource Limit	17,000,000.00	NR
Cash Limit	17,000,000.00	NR

*(R' signifies a recurrent allocation; 'NR' non-recurrent.)

This adjustment confirms:

Additional Allocation to support NHS Financial position

Your revised resource and cash limits now stand at

	Amount £
Resource Limit	1,022,508,941.00
Cash Limit	994,480,941.00

Yours sincerely

David Sweeney
Financial Control Team
HSS Finance
Department of Health, Social Services and Children



BUDDSODDWR AEWYN FODL
INVESTOR IN PEOPLE

Ffôn / Tel: 029 2082 Ext / Ext: 3773
GTN: 1208 3773
Ffacs / Fax: 029 2082 5429

E-bost / E-mail: David.Sweeney@wales.gov.uk



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Audit of Financial Statements Report

Betsi Cadwaladr University Local Health Board

Audit year: 2011-12

Issued: May 2012

Document reference: 327A2012

Status of report

This document has been prepared for the internal use of Betsi Cadwaladr University Local Health Board as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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The team who delivered the work comprised of Mike Usher, Matthew Edwards and the North Wales financial audit team.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Betsi Cadwaladr University Local Health Board (the Health Board) at 31 March 2012 and its income and expenditure for the year then ended.
2. We received the draft financial statements for the year ended 31 March 2012 on 3 May 2012, one day prior to the agreed deadline of 4 May 2012, and have now substantially completed the audit work. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Executive Director of Finance.
3. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
4. The quantitative levels at which we judge such misstatements to be material for the Health Board are £13.3 million for income and expenditure items and working capital balances, and £5.4 million for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

Proposed audit report

5. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
6. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

7. There are no misstatements identified in the financial statements, which remain uncorrected.
8. The Health Board shares financial risks relating to the Welsh Health Specialised Services Committee (WHSSC) with all Welsh LHBs. The audit of WHSSC in Cwm Taf LHB's financial statements is being completed and there are currently no issues impacting on the Health Board. If any amendments are required to the Health Board's financial statements, we will inform you as soon as possible.

Corrected misstatements

9. There are presentational misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

10. In the course of the audit we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you.

We have no concerns about the qualitative aspects of your accounting practices and financial reporting, and acknowledge the significant achievement of preparing the consolidated financial statements by the submission date

11. The timetable set by the Welsh Government for the preparation, audit and publication of the accounts of NHS bodies was ambitious and placed considerable expectations on:
- the audited bodies, to submit draft financial statements by 4 May this year;
 - the Audit Committee and the Health Board to review and approve the consolidated audited financial statements by 7 June this year; and
 - the auditors, to submit the audited financial statements, again by 7 June this year.
12. Despite these challenging deadlines, we found the information provided in the healthcare, the Welsh Risk Pool and the consolidated accounts to be relevant, reliable, comparable, material and easy to understand. For the first time since the Health Board was established, the draft consolidated financial statements were made available to us by the submission date of 4 May 2012. This was a significant achievement, given the additional work required in preparing the consolidated financial statement, helping us to achieve the overall completion timetable on a timely basis.
13. All the draft financial statements were prepared to a high standard and were generally supported by comprehensive and timely working papers. It is pleasing to be able to report that, as a result, the audit process has generally gone smoothly.
14. We also concluded that your accounting policies and estimates are appropriate and that the financial statement disclosures are unbiased, fair and clear.

We did not encounter any significant difficulties during the audit, although the Annual Governance Statement and pooled budget statements were not provided by the due date

15. We were not restricted in our work and we received the vast majority of the information that we required for our audit in a timely and helpful manner. The Health Board did however experience some delays in compiling the Annual Governance Statement (a new requirements for 2011-12). The initial draft was not available until 10 May 2012 and a further more comprehensive draft was provided on 29 May 2012. Consideration should be given to further developing arrangements for preparing the Annual Governance Statement for 2012-13 and beyond, ensuring improved timeliness and full compliance with the requirements of the Welsh Government.
16. Delay also arose with the preparation of Note 31 'Pooled Budgets' that was submitted for audit 25 May 2012, as the Health Board was awaiting information from partner organisations. We are satisfied that the Health Board took all reasonable steps to obtain the information for the Conwy Community Equipment Loans Store and Denbighshire Community Equipment Services early in financial statements planning process.
17. The Health Board notified us of the delays and as we received timely notification, we were able to adjust our work programme accordingly, thereby ensuring that the overall completion timetable was not jeopardised.

There is one other significant matter to draw to your attention

18. All NHS bodies across Wales are facing significant financial challenges. The Health Board met its statutory targets for 2011-12 despite facing significant financial pressures. The Welsh Government allocated additional funding to all NHS bodies across Wales, with the Health Board receiving an additional £17 million structural support in October 2011.
19. In common with NHS bodies across Wales, the Health Board will need to address significant financial challenges to ensure financial stability for 2012-13 and beyond. The Health Board reported in its Annual Income and Expenditure Budget for 2012-13 that meeting this challenge requires a clear Operational Plan with strategic change to support the financial and service control measures.
20. To ensure a balance position for 2012-13 it will be necessary for the Health Board to implement savings schemes amounting to some £64.6 million as reported to the Health Board in April. The Health Board has reported that savings plans for the current year are being developed and implemented and it has confirmed that all schemes are impact assessed to ensure quality and safety of services is not compromised.
21. We will continue to monitor the financial position of all health boards in Wales as part of our programme of work for 2012-13. This work will also inform my national report on NHS finances that I plan publishing in late summer 2012.

There are four other matters significant to the oversight of the financial reporting process that we need to report to you

Despite some improvements since 2010-11, the Health Board has been unable to fully demonstrate that all of its capitalised staff costs comply with the requirements of International Accounting Standard 16

22. Note 5.1 'Employee benefits and staff numbers' disclosures include £1.57 million (£1.88 million in 2010-11) for capitalised staff costs. International Accounting Standard (IAS) 16 provides scope for employee costs arising directly from the construction or acquisition of an item of property, plant and equipment to be capitalised, rather than reported as revenue items, because they are directly attributable capital costs.
23. The Health Board has not been able to demonstrate that employee costs of £180,000 within the £1.57 million total (£164,000 in 2010-11) are directly attributable to specific assets and we therefore cannot fully conclude on the appropriateness of capitalising these costs. This matter was raised in 2009-10 and 2010-11, and the Health Board has confirmed to us that it is continuing to develop its processes in order to fully demonstrate that costs are appropriately capitalised. The Health Board has recognised the importance of developing its processes and has committed to working the Wales Audit Office to address the matter in 2012-13.

The Health Board should continue to give further consideration to segmental reporting disclosures

24. There is a requirement under International Financial Reporting Standard (IFRS) 8 to provide 'segmental' financial information in published accounts, based on how information is routinely reported to top management to support their decisions. We are pleased to note that the rationale to support the Health Board's decision to disclose two business segments (Healthcare and the Welsh Risk Pool) were reported to the Audit Committee in March 2012.
25. Whilst we are broadly content with this rationale we note that, unlike other health boards in Wales, the Health Board provides information to its Board that is analysed by Clinical Programme Groups (CPGs). The Health Board therefore has the scope, should it wish to do so, to provide users of its published accounts with additional information on the activities of each CPG. The Health Board should continue to review its segmental reporting disclosures on an annual basis, in light of any future developments and guidance from the Welsh Government.

There are inadequate systems in place to identify and account for the value of replaced elements of property, plant and equipment

26. The IAS 16 has applied to all NHS bodies since 2009-10. It sets out the specific accounting requirements for the recognition and measurement of fixed assets (known as 'property, plant and equipment') in the Statement of Financial Position.

-
27. The IAS 16 requires that when parts of assets are replaced, any outstanding value of the replaced asset needs to be taken out of the property values (de-recognised) and any gain or loss is recognised in the revenue account. This was a new requirement from 2009-10 onwards. The Health Board has developed arrangements during the year but, in common with other health boards, it relies upon information from the District Valuer to fully comply with this standard. The Health Board has confirmed that it will continue to address this 2012-13.
28. Our audit work and the representations that we anticipate will be provided by management in the Letter of Representation, together give us reasonable assurance that there are no material misstatements in the 2011-12 financial statements arising from this issue.

The Health Board has taken a reasonable approach to the initial implementation of disclosure of the relationship between the remuneration of the highest paid director and the median remuneration of the Health Board's workforce

29. HM Treasury has provided guidance on new requirements for disclosure of senior employees' pay in the wake of the Hutton Fair Pay review. The Welsh Government also provided guidance for NHS bodies in Wales but recognised that inconsistencies in the calculation of the disclosures were likely to exist in 2011-12. It is clear from the audit process that health bodies across Wales have sought to apply this guidance appropriately to their own individual circumstances. However, there are variations in the calculations of these disclosures between health bodies, making it more difficult in making meaningful comparison.
30. The Health Board has sought additional guidance from the Welsh Government on specific aspects in applying this guidance. This resulted in a change to the ratio of the highest paid director against the median remuneration of the workforce set out in Note 5.6 'Remuneration Relationship' as summarised in Appendix 3.
31. We understand that the Welsh Government and NHS bodies will be working together during 2012-13 to develop detailed guidance that improves the consistent calculation of these disclosures in future years.

We did not identify any material weaknesses in your internal controls

No material weaknesses in the Health Board's internal controls were identified during our audit.

Appendix 1

Final Letter of Representation

(Insert Health Board's letterhead)

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ
7 June 2012

Representations regarding the 2011-12 financial statements

This letter is provided in connection with your audit of the financial statements of Betsi Cadwaladr University Local Health Board for the year ended 31 March 2012.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

I acknowledge as Chief Executive and Accountable Officer my responsibility for:

- Preparing the financial statements in accordance with legislative requirements and the Treasury's Financial Reporting Manual. In preparing the financial statements, I am 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 Betsi Cadwaladr University Local Health Board will continue in operation.
- Ensuring the regularity of any expenditure and other transactions incurred.
- The design, implementation and maintenance of internal control to prevent and detect error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Betsi Cadwaladr University Local Health Board and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- the identity of all related parties and all the related party relationships and transactions of which we are aware; and
- our knowledge of all possible and actual instances of irregular transactions.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Specific representations

Requirement to de-recognise parts of assets that have been replaced

The IAS 16 requires that when parts of assets are replaced they are derecognised and the gain or loss (if any) on disposal is recognised in the revenue account. The IAS 16 has been adapted for use in the public sector but there is currently some uncertainty as to how this de-recognition and disposal treatment should be applied to specialised assets in the public sector. Specialist property, plant and machinery asset values are derived from professional valuations and it is difficult to identify sufficient asset information on individual asset components to apply this IAS requirement in full.

In common with other NHS bodies in Wales, other than the professional valuation information, the Health Board does not have systems in place to ensure full compliance with the standard. In the absence of full information, the Health Board is therefore only able to recognise any such gains/losses as part of the periodic revaluation. It is management's view that there would be no material impact on the financial statements arising from this current treatment, as the net book value of the replaced asset parts (which are usually replaced at or near the end of their economic life) is likely to be minimal.

Continuing healthcare claims

The Health Board has obtained sufficient appropriate evidence to support its liabilities for continuing healthcare claims as set out in Note 17 'Provisions'.

Representations by the Chief Executive and the Chair of the Health Board

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Betsi Cadwaladr University Local Health Board on 7 June 2012.

Signed by:
Chief Executive as Accountable Officer

Signed by:
Chair of the Health Board

Date: 7 June 2012

Date: 7 June 2012

Appendix 2

Proposed audit report of the Auditor General to the National Assembly

I certify that I have audited the financial statements of Betsi Cadwaladr University Local Health Board for the year ended 31 March 2012 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement and Statement of Changes in Tax Payers Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities as set out on pages 61 and 62, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of financial statements

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

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

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Betsi Cadwaladr University Local Health Board as at 31 March 2012 and of its net operating costs, its recognised gains and losses and cash flows 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.

Opinion on Regularity

- In my opinion in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers;
- I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

Matters on which I report by exception

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

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

Report

- I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
12 June 2012

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft healthcare financial statements which should be drawn to the attention of the Audit Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Nature of correction	Reason for correction	Impact
<p>Note 5.1 'Employee benefits and staff numbers – Employee costs charged to capital' decreased from £1,750,000 to £1,570,000</p>	<p>The footnote was overstated by £180,000 as the amount disclosed contained a transposition error.</p>	<p>The adjustment increased 'Employee costs salaries and wages – permanent staff' by a corresponding amount. Presentational disclosure only.</p>
<p>Note 5.6 'Remuneration Relationship - ratio of the highest paid director against the median remuneration of the workforce' decreased from 9.59 to 7.81 times.</p>	<p>The Health Board identified that the ratio was misstated as the median remuneration of the workforce was not calculated in accordance with revised guidance issued by the Welsh Government.</p>	<p>The adjustment had no impact on any other disclosures. Presentational disclosure only.</p>
<p>Note 23 'Related Party Transactions – material transactions with other organisations' was amended to include reference to:</p> <ul style="list-style-type: none"> NHS Blood and Transplant. NHS Supply Chain. 	<p>The note incorrectly excluded transactions with the two organisations referred to.</p>	<p>Additional narrative included in Note 23 summarising the transactions with the two organisations. Presentational disclosure only.</p>
<p>Note 27.1 'Contingent Liabilities – Continuing Health Care costs' decreased from £9,557,000 to £6,690,000.</p>	<p>The 'Continuing Health Care costs' contingent liability was overstated as the amount disclosed included the provision element in Note 16 in error.</p>	<p>The adjustment decreased the 'Net Contingent Liability' by a corresponding amount. Presentational disclosure only.</p>
<p>Note 31 'Pooled budgets' was amended to include 2011-12 memorandum accounts for:</p> <ul style="list-style-type: none"> Denbighshire Community Equipment Service Conwy Community Equipment Loans Store 	<p>Memorandum accounts were included following receipt of information from partner organisations.</p>	<p>The adjustment had no impact on any other disclosures. Presentational disclosure only.</p>

Appendix 4

Summary of corrections made to the draft Welsh Risk Pool financial statements which should be drawn to the attention of the Audit Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Nature of correction	Reason for correction	Impact
Corrections arising from the local audit of the draft Welsh Risk Pool financial statements		
Note 7 'Trade and other receivables – Current – Welsh Government' increased from £169,089,000 to £220,977,000.	The 'Welsh Government - current receivable' was misclassified as non current receivables in error.	The adjustment decreased 'Non current - Welsh Government' receivables by a corresponding amount. Presentational disclosure only.
Note 9 'Provisions – Total Non Current – At 1 April 2010' decreased from £148,842,000 to £120,433,000.	The prior year figure for total 'non current provisions' at 1 April 2010 was incorrectly disclosed due to a typographical error as it did not agree to the 2010-11 audited accounts.	The adjustment decreased the total 'non current provisions' at 1 April 2010. Presentational disclosure only. The correct comparative figure was included in the Consolidated Accounts.
Corrections arising from information provided by other Health Boards		
Note 9 'Provisions – Total Current' decreased from £202,264,000 to £202,070,000.	Reconciliation of information provided from Aneurin Bevan Local Health Board revealed that movement in current provision was incorrectly reported by £308,000 made up of an increase in Clinical Negligence and Personal Injury of £1.1 million and £104,000 respectively, and a decrease in Defence Legal Fees of £898,000. In addition, the auditor at Powys Local Health Board identified a misstatement within the quantum report amounting to £500,000 reducing the amount arising in year. In both cases, information was incorrectly reported by the Health Boards to the Welsh Risk Pool.	Corresponding adjustments were required to the following: <ul style="list-style-type: none"> • Note 1 'Operating costs – special payments and irrecoverable debts'. • Note 2 'Miscellaneous Income – Welsh Government'. • Note 7 'Trade and other receivables – current – Welsh Government'. Presentational disclosure only.

Nature of correction	Reason for correction	Impact
<p>Note 9 'Provision – Total Non-Current decreased from £98,070,000 to £97,762,000.</p>	<p>Reconciliation of information provided from Aneurin Bevan Local Health Board revealed that movement in current provision was incorrectly reported by £308,000 made up of an increase in Clinical Negligence of £316,000 and a decrease in Personal Injury and Defence Legal Fees of £111,000 and £513,000 respectively. This was due to information being incorrectly reported by the Health Board to the Welsh Risk Pool.</p>	<p>Corresponding adjustments were required to Note 7 'Trade and other receivables – non-current – Welsh Government' ' Presentational disclosure only.</p>

Appendix 5

Summary of corrections made to the draft consolidated financial statements which should be drawn to the attention of the Audit Committee

During our audit we identified the following misstatements (in addition to those identified in the healthcare and Welsh Risk Pool accounts in Appendices 3 and 4 respectively) that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Nature of correction	Reason for correction	Impact
Note 3.4 2010-11 'Losses, special payments and irrecoverable debts: Charges to operating expenses – Defence legal fees and other administrative costs' decreased from £19,399,000 to £657,000.	'Defence legal fees and other administrative costs' for the prior year (relating to the Welsh Risk Pool) was overstated as the amount disclosed was misclassified in error as it should have been included as clinical negligence.	The adjustment increased 'Clinical Negligence' for 2010-11 by a corresponding amount. Presentational disclosure only.
Note 5.5, 'Reporting of other compensation schemes - exit packages' increased from £2,619,000 to £2,678,000.	A voluntary severance payment disclosed in Note 1.1 'Losses and special payments and irrecoverable debts: charges to operating expenses – All other losses and special payments' of the Welsh Risk Pool financial statements was excluded in error.	The adjustment had no impact on any other disclosures. Presentational disclosure only.
Note 16 'Trade and other payables – Non current – Welsh Government' decreased from £134,862,000 to £0.	'Non Current - Non-NHS Creditors' was miss-classified as 'Welsh Government' payables in error.	The adjustment increased 'Non Current - Non-NHS Creditors' by a corresponding amount from £0 to £134,863,000. Presentational disclosure only.



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Tel: 029 2032 0500

Ffôn: 029 2032 0500

Fax: 029 2032 0600

Ffacs: 029 2032 0600

Textphone: 029 2032 0660

Ffôn Testun: 029 2032 0660

E-mail: info@wao.gov.uk

E-bost: info@wao.gov.uk

Website: www.wao.gov.uk

Gwefan: www.wao.gov.uk