



<b>Cyfarfod a dyddiad: Meeting and date:</b>	<b>Audit Committee – 10<sup>th</sup> June 2021</b>						
<b>Cyhoeddus neu Breifat: Public or Private:</b>	Public.						
<b>Teitl yr Adroddiad Report Title:</b>	Executive Director of Finance Briefing on Financial Accounts 2020-21						
<b>Cyfarwyddwr Cyfrifol: Responsible Director:</b>	Executive Director of Finance						
<b>Awdur yr Adroddiad Report Author:</b>	Financial Accountant, Reporting and Control						
<b>Craffu blaenorol: Prior Scrutiny:</b>	<p>The Health Board's annual financial statements for 2020-21 were subject to scrutiny by senior finance staff prior to submission to Welsh Government and Audit Wales on 30<sup>th</sup> April 2021.</p> <p>Audit Wales has now audited the statements and in accordance with the International Standard on Auditing (ISA) 260 have prepared an Audit of Financial Statements Report. This document provides a summary of the key issues arising and any amendments made to the unaudited financial statements along with recommendations arising from their work for your consideration prior to the approval of the accounts.</p>						
<b>Atodiadau Appendices:</b>	<p><b>Appendix 1</b> - Executive Director of Finance Briefing on Financial Accounts 2020-21</p> <p><b>Appendix 2</b> – Audited submission of 2020-21 Accounts</p> <p><b>Appendix 3</b> – ISA260</p>						
<b>Argymhelliad / Recommendation:</b>							
<p>At its meeting on 20<sup>th</sup> May 2021, the Board delegated authority for approval of the 2020-21 annual financial statements to the Audit Committee (Minute 21.87 refers).</p> <p>The Audit Committee is recommended to approve the Health Board's 2020-21 annual financial statements together with the Letter of Representation following consideration of the Audit Wales Audit of Financial Statements Report and confirmation of the Auditor General's intended opinion on the financial statements.</p>							
<b>Ticiwch fel bo'n briodol / Please tick as appropriate</b>							
<b>Ar gyfer penderfyniad /cymeradwyaeth For Decision/ Approval</b>	<input checked="" type="checkbox"/>	<b>Ar gyfer Trafodaeth For Discussion</b>	<input type="checkbox"/>	<b>Ar gyfer sicrwydd For Assurance</b>	<input type="checkbox"/>	<b>Er gwybodaeth For Information</b>	<input type="checkbox"/>
<b>Y/N i ddangos a yw dyletswydd Cydraddoldeb/ SED yn berthnasol Y/N to indicate whether the Equality/SED duty is applicable</b>						<b>No</b>	
<b>Sefyllfa / Situation:</b>							
The purpose of this paper and attachment is to provide Audit Committee members with a briefing on the Health Board's 2020-21 annual financial statements and to ensure that members have sufficient							

and appropriate information to be able to approve the statements in accordance with the above recommendation.

The attachment outlines the Health Board's achievement against Welsh Government financial targets and provides an analytical review of in-year movements for both income and expenditure transactions and balance sheet balances.

#### **Cefndir / Background:**

The Health Board has a statutory requirement to prepare a set of annual financial statements in a standard format provided by Welsh Government, with the approval of H M Treasury. The annual financial statements are completed in accordance with the National Health Services (Wales) Act 2006, the Welsh Government Health Board Manual for Accounts and HM Treasury's Financial Reporting manual (FReM) in order to reflect:

- International Financial Reporting Standards (IFRS);
- Accounting and disclosure requirements of the Companies Act 2006, where appropriate;
- Any other pronouncements made, or endorsed by, the International Accounting Standards Board.

The unaudited annual financial statements for 2020-21 were submitted to Welsh Government and Audit Wales on 30<sup>th</sup> April 2021.

Following completion of their financial audit, Audit Wales has prepared an Audit of Financial Statements Report providing a summary of amendments made to the unaudited financial statements along with recommendations arising from their audit work.

The audited annual financial statements now require approval by the Audit Committee prior to submission to Welsh Government and the Auditor General for Wales.

#### **Asesiad / Assessment & Analysis**

##### **Goblygiadau Strategol / Strategy Implications**

The preparation of annual financial statements provide publicly available information on the Health Board's performance against Welsh Government financial targets both annually and on a three-year rolling period.

##### **Opsiynau a ystyriwyd / Options considered**

The Health Board's annual financial statements are required to be approved for submission to Welsh Government and Audit Wales by either the Board or a sub-committee to which formal approval has been provided.

### **Goblygiadau Ariannol / Financial Implications**

The Health Board's annual financial statements provide details of performance against both revenue and capital resource allocations during the financial year. They also explain how the Health Board has performed against Welsh Government's annual and three-year rolling period targets.

The statements also provide disclosures on strategic cash support received from Welsh Government.

### **Dadansoddiad Risk / Risk Analysis**

Audit Wales has completed their audit of the Health Board's 2020-21 unaudited annual financial statements in accordance with the International Standard on Auditing (ISA) 260 and has prepared an Audit of Financial Statements Report. This report details issues identified during the course of the audit and, where appropriate, how these have been amended prior to audited submission. Where applicable it also provides recommendations for opportunities to improve processes within the Health Board.

The report provides details of the audit opinion that the Auditor General intends to issue following completion of Audit Wales work.

### **Cyfreithiol a Chydymffurfiaeth / Legal and Compliance**

The Health Board has a statutory requirement to prepare a set of annual financial statements in a standard format provided by Welsh Government, with the approval of H M Treasury. The purpose of this paper and attachment is to provide Audit Committee members with sufficient and appropriate information to be able to approve the annual accounts in accordance with this requirement.

### **Asesiad Effaith / Impact Assessment**

The Health Board's annual financial statements will be publicly available in bilingual format once approved by the Audit Committee. This work is being co-ordinated by the Health Board's Public Affairs Manager and the Welsh Language Team.

The annual financial statements will be available to interested parties either in electronic format on the Health Board's internet site or in paper format on request.



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Betsi Cadwaladr  
University Health Board

# Executive Director of Finance Briefing on Financial Accounts 2020-21

Sue Hill

Executive Director of Finance  
Betsi Cadwaladr University Health Board

# 1. Executive Summary

## 1.1 Purpose

- The purpose of this report is to provide Audit Committee members with a briefing on the 2020-21 financial accounts. References to page numbers within this report refer to the relevant sections of the Welsh Government's annual accounts proforma.

## 1.2 Key Financial Targets

- The NHS Finance (Wales) Act 2014 outlines two statutory duties that the Health Board is required to achieve:
  1. To ensure that its expenditure does not exceed the aggregate of the funding allocated to it over a rolling period of three financial years (the latest of which commenced on the 1<sup>st</sup> April 2018 and ended on the 31<sup>st</sup> March 2021). Revenue and Capital Funding are both included within this duty but measured separately;
  2. To prepare a plan to secure compliance with the above duty, and for that plan to be approved by the Minister for Health and Social Services.
- The Health Board is also required to comply with the CBI Prompt Payment Code and pay 95% of all non-NHS invoices, by number, within 30 days of receipt of the goods or a valid invoice.

## 1.3 Achievement of Financial Targets

- **Revenue resource performance.** The Health Board's outturn position for 2020-21 was a surplus of £0.49m, with the cumulative financial deficit over the three-year period of measure being £79.5m (page 26). The Health Board did not therefore achieve this target.
- **Capital resource performance.** The Health Board had a cumulative underspend of £0.1m against capital resource allocations for 2018-19 to 2020-21 and achieved this target (page 26).
- **Duty to prepare a three-year plan.** The three-year plan approval process was paused by Welsh Government in spring 2020 due to the Covid-19 pandemic and was not completed during the year. The status of all organisations therefore remained extant at that point i.e. based on January 2019 submissions. The Health Board had not submitted a three-year plan during 2019-20 and did not therefore achieve the statutory target (page 27).

- **Public Sector Payment Policy.** The Health Board paid 96.0% of all non-NHS invoices by number within 30 days (page 27) and therefore achieved this performance measure.

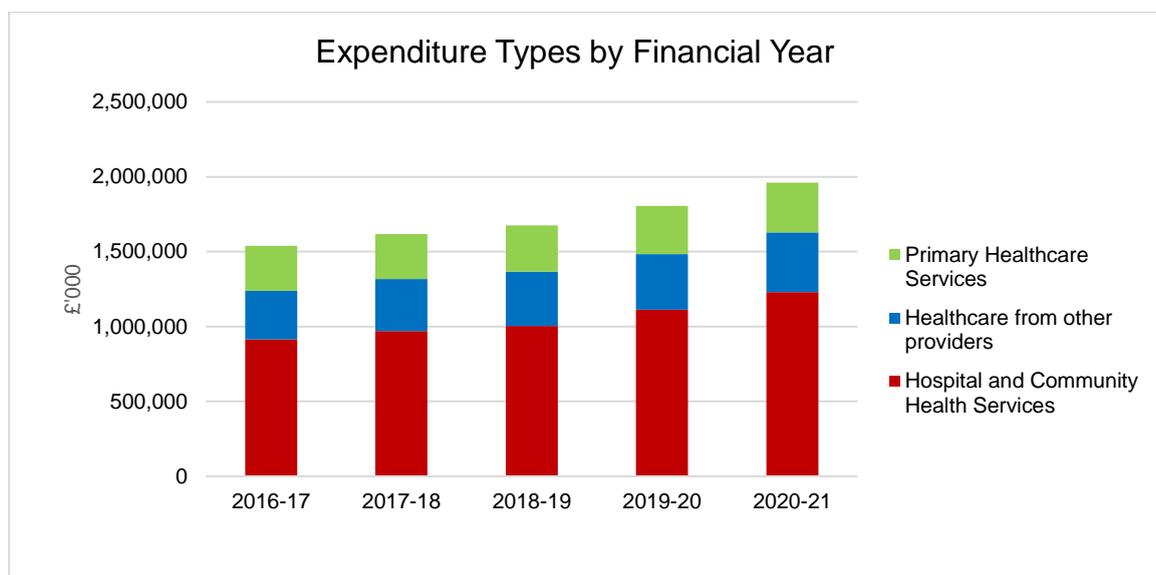
#### 1.4 Key points of note

- The Revenue Resource Allocation from the Welsh Government increased by £187.6m (11.6%) year on year to £1,809.7m (£1,622.2m for 2019-20). This increase included £173.0m of resource allocations relating to the Covid-19 pandemic.
- Year on year expenditure increased by 8.6% to £1,961.2m (£1,805.3m for 2019-20). Further details on this increase by expenditure type are provided in Section 2 of this report.
- Annual capital expenditure increased by £9.9m to £35.6m during 2020-21 (2019-20 £25.7m). This increase included £9.5m of expenditure funded by Covid-19 capital resource allocations from Welsh Government.

## 2. Analysis of Expenditure

### 2.0 Overview of revenue expenditure (page 2)

- The Health Board incurred gross expenditure of £1,961.2m during 2020-21, which represents an 8.6% increase on the previous year. Analysis of movements in key expenditure headings is provided in Sections 2.1 to 2.3 and summarised below:



### 2.1 Expenditure on Primary Healthcare Services (Note 3.1 page 28)

- Expenditure on Primary Healthcare Services increased by £9.3m to £331.8m during the year. This includes all Health Board payments to General Practitioners, dentists, opticians and pharmacists.
- Net expenditure on General Medical Services (GMS) increased by 6.0% to £144.6m, which included an increase in the per-capita payment made to GPs, additional payments for the extended Flu vaccination programme and fees payable for Covid-19 vaccinations administered in GP practices.
- Prescribed drugs and appliances expenditure represented 34.4% of all primary healthcare costs during the year and increased by 4.8% to £114.0m. This largely resulted from increased drugs tariffs and growth in demand relating to the Covid-19 pandemic.

### 2.2 Expenditure on healthcare from other providers (Note 3.2 page 28)

- Expenditure on purchasing healthcare from other providers increased by £29.2m to £398.8m during 2020-21, which represents 20.3% of all Health Board expenditure. This category includes the cost of healthcare services

commissioned from both NHS and non-NHS bodies including nursing homes, voluntary and private providers.

- The Health Board's contract with WHSSC/EASC increased by £12.6m (7.1%) during the year to £189.6m due to inflationary pressures, WHSSC investment plans and additional allocations received from Welsh Government for drugs rebates.
- Expenditure on Continuing Healthcare Costs (CHC) increased by £14.8m or 16.3% which included additional costs of £13.1m relating to the Covid-19 pandemic.

### **2.3 Expenditure on Hospital and Community Health Services (Note 3.3 page 29)**

- Expenditure on Hospital and Community Health Services increased by £117.4m (9.5%) during the year and represented 62.7% of total gross expenditure reported in the Statement of Comprehensive Net Expenditure on page 2.
- Expenditure on staff costs increased by £104.1m (13.3%) to £889.4m, which included increased costs for untaken annual leave and the NHS bonus payment. A further analysis of the increase in staff costs is provided in Section 2.4 below.
- Clinical supplies and services expenditure increased by £14.2m (10.7%) largely due to £15.7m of additional Covid-19 specific PPE and consumables provided by NWSSP.
- General supplies and services expenditure increased by £12.6m (27.7%) to £58.1m during 2020-21. Within this total expenditure with local authorities increased by £12.9m including payments for the Test, Trace, Protect (TTP) programme.
- Premises costs increased by £37.4m or 90.5% during the year which mainly related to expenditure for the commissioning, equipping and maintenance of the Field Hospitals and Mass Vaccination Centres. Accruals have also been recognised for the cost of decommissioning these sites during 2021-22
- Depreciation, amortisation and impairment expenditure relating to capital assets decreased by £50.2m to £31.8m during the year. This included a reduction in expenditure for impairments of £51.9m as the figure in the previous year had included revaluations following completion of works at Glan Clwyd Hospital and the Emergency Department, Ysbyty Gwynedd.
- The net charge to expenditure in respect of losses and special payments was £5.2m, an increase of £2.4m on the previous year. This included expenditure of £2.3m for consequential losses resulting from the Health Board's occupancy of leased premises as Field Hospitals and Mass Vaccination Centres. Further

analysis provided in Note 3.4 (page 29) shows that whilst the total expenditure for losses and special payments during the year was £6.6m, this was offset by additional income of £1.0m which will be due from the Welsh Risk Pool once claims are settled.

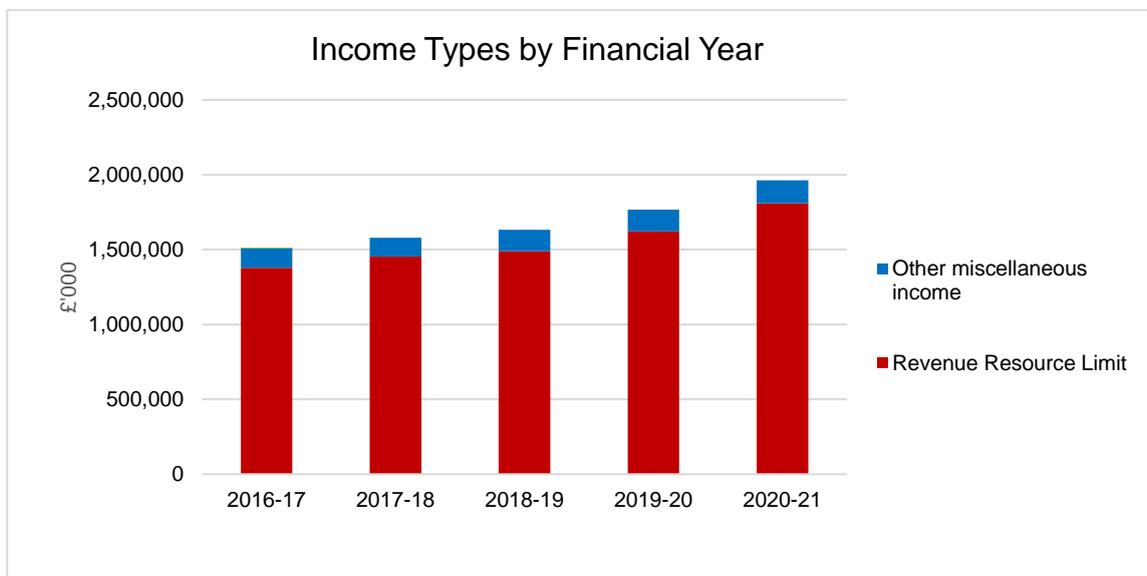
#### **2.4 Employee Benefits and Staff Numbers (Note 9 page 33)**

- This note discloses the total payroll and agency costs across the Health Board, including primary, secondary and community based workforce costs. Total expenditure for 2020-21 was £915.4m, which represents an in-year increase of £104.4m (2019-20 £811.0m).
- All Health Board staff received an inflationary pay award during the year with medical and dental staff receiving a 2.8% increase to basic pay and individuals holding either a senior or executive post receiving a 2% consolidated increase. Staff covered by the Agenda for Change agreement received an average inflation increase of 1.67%
- Staff paid under the Agenda for Change agreement also received incremental pay awards based on their individual bandings and pay points following national reforms of pay structures.
- The average number of employees increased by 537 during the year resulting in further additional pay costs (2019-20 increase of 264). Strict processes are in place to ensure that staff structures and vacancies are subject to scrutiny prior to recruitment.
- The increase in employee costs during 2020-21 also included the impact of the NHS bonus payment for Health Board employees of £20.8m and an increase of £19.6m in accruals for untaken annual leave.
- The Health Board is required to disclose the relationship between the remuneration of its highest paid director and the median salary of its employees in Note 9.6 of the annual accounts. The banded remuneration of the highest paid director during 2020-21 was £225,000-£230,000, which was 7.43 times the median salary of all employees (£30,615). This was a decrease on 2019-20 when the banded remuneration of the highest paid director was £225,000 to £230,000 and 7.7 times the median salary (£29,554).

# 3. Income

## 3.1 Income

- **Revenue Resource Allocation (Note 2.1 page 26)** The Health Board received a Revenue Resource Allocation of £1,809.7m from the Welsh Government, which was a £187.6m (11.6%) increase on 2019-20. This included £173.0m Welsh Government Covid-19 revenue funding as detailed in Note 34.2 on Page 72
- **Miscellaneous Income (Note 4 page 30)** In addition to the Revenue Resource Allocation from the Welsh Government, the Health Board received £152.5m of miscellaneous income during the year (2019-20 £144.6m). This included notional income of £15.7m relating to Covid-19 consumables and minor equipment that were purchased centrally by NWSSP and provided to the Health Board at no cost. A further £1.7m of notional income relates to equipment purchased centrally by the Department of Health and Social Care and also provided to the Health Board at no cost.



## 4. Statement of Financial Position

### 4.1 Statement of Financial Position (page 4)

- The Health Board's net assets as at the 31<sup>st</sup> March 2021 were £421.2m, which was a decrease of £64.0m on the previous year. This mainly resulted from an increase in Covid-19 related current liabilities including accruals for untaken annual leave and the NHS bonus payment payable during May 2021.

### 4.2 Capital Assets (Note 11 – page 39)

- Property, plant and equipment assets were valued at £588.1m as at 31<sup>st</sup> March 2021, which was an increase of £12.8m on the previous year. This movement included new capital expenditure less adjustments for sales, depreciation, impairments and revaluations.
- The Health Board received a Capital Resource Allocation of £34.0m from Welsh Government to fund Covid-19 capital expenditure as well as developments in the Substance Misuse Service, North Denbighshire Community Hospital and the Central Denbighshire Primary Care Centre.
- Negative in-year impairments of £3.2m resulted from the reversal of expenditure charged in previous years following positive indexation on buildings and dwellings in 2020-21. The Health Board also undertook a revaluation of Flint Community Hospital prior to its planned disposal in 2021-22.
- The Health Board received funding of £0.8m towards capital expenditure from charitable organisations including the Health Board's linked charity, Awyr Las, and hospital based voluntary bodies. A further £0.8m notional income related to Covid-19 assets provided by the Department of Health and Social Care at no cost.

### 4.3 Trade and other receivables (Note 15 – page 48)

- Trade and other Receivables decreased by £20.9m during the year to £110.3m (31<sup>st</sup> March 2020 £131.2m).
- This included a reduction of £19.8m in receivables with the Welsh Risk Pool, which are subject to the outcome of litigation claims being brought against the Health Board. (Section 4.6).
- Prepayments relate to amounts paid in advance for goods or services to be received in 2021-22, including rents, maintenance contracts and lease cars.

#### **4.4 Cash and cash equivalents (Note 17 page 50)**

- The Health Board receives an annual cash allocation from Welsh Government that can be drawn as required during the year. This allocation is in addition to any cash requirements relating to movements in payables or provisions balances from previous years which are requested separately.
- During 2020-21, the Health Board did not request any additional strategic cash support and the cumulative total remains at £149.7m. The Minister for Health and Social Services announced on 6<sup>th</sup> July 2020 that strategic cash support provided to NHS Wales organisations would no longer be repayable to Welsh Government.
- Whilst there is no statutory target for retained cash balances, the Health Board aims to hold no more than £9.3m of cash at each month-end, which represents two days of normal cash requirements based on the Welsh Government cash allocation. The closing cash balance at 31<sup>st</sup> March 2021 was £3.2m of which £2.5m related to funding for capital expenditure.

#### **4.5 Trade and other payables (Note 18 – page 51)**

- The value of trade and other payables as at the 31<sup>st</sup> March 2021 was £223.8m, which represented a year on year increase of £79.2m. This included accruals for untaken annual leave and the NHS bonus payment as well as decommissioning costs and consequential losses at the three Field Hospitals and Mass Vaccination Centres.
- Capital creditors were £5.8m at the end of the financial year, which reflects the phasing of capital schemes towards the final quarter of 2020-21.
- Local Authority payables decreased by £3.9m to £21.1m during the year as a result of reduced liabilities relating to ICF schemes offset by new payables for the Test, Trace, Protect (TTP) programme.
- Payments on account are advances made to community pharmacists to reflect the unavoidable time delay between the dispensing of a prescription and reimbursement by the Health Board. Additional advances were made during 2020-21 to assist pharmacists in managing pressures arising from the Covid-19 pandemic and these will be recovered during 2021-22.

#### **4.6 Provisions (Note 20 page 53)**

- Provisions are recognised for liabilities that exist at the end of the financial year and which are likely to crystallise at some point in the future. By their nature, provisions are often uncertain in terms of exact value or timing of settlement.

- The total level of provisions recognised in the Health Board's annual accounts decreased by £22.2m to £76.0m (31<sup>st</sup> March 2020 £98.2m). This included £58.1m relating to potential negligence claims, which represented 76.4% of the total.
- The total revenue cost of litigation claims during the year was £3.6m, offset by income of £1.0m, which will be due from Welsh Risk Pool subject to the outcome of each individual claim. Whilst this reduces the overall cost to the Health Board, the full cost remains within NHS Wales as the Welsh Risk Pool is funded from the Health and Social Care budget.
- The total for "All other losses and special payment" of £1.1m includes £0.9m in respect of consequential losses arising from the Health Board's occupancy of leased premises as Field Hospitals and Mass Vaccination Centres during the Covid-19 pandemic.
- Other provisions include pension costs relating to former staff, Continuing Healthcare (CHC) claims under review, holiday pay entitlements and pay banding reviews.

## 5. Contingent liabilities

- The Health Board is required to disclose details of claims made against it where the financial liability, if any, cannot yet be determined and these are referred to as contingent liabilities (Note 21 page 55).
- Contingent liabilities disclosed in Note 21.1 relate to legal claims for alleged negligence, continuing healthcare costs and the Pensions tax annual allowance – Scheme Pays arrangements, net of amounts recoverable from either the Welsh Risk Pool or Welsh Government.
- The Health Board held contingent liabilities of £169.1m relating to alleged medical or employer negligence at the balance sheet date, of which £167.9m will be recoverable from the Welsh Risk Pool in the event of those claims being successful.

## 6. Summary

- The Health Board's outturn position for 2020-21 was a surplus of £0.49m.
- The duty to achieve revenue financial balance over the three-year period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2021 was not met. The cumulative deficit during this period was £79.5m, which represented 1.6% of the cumulative Revenue Resource Allocation.
- The process for the 2020-23 integrated plan was paused by Welsh Government in spring 2020 and as a result the extant duty to have an approved plan for 2019-22 remained in place. The Health Board had not meet its duty to submit a three-year plan and operated under an Annual Plan during the year.
- Capital expenditure was £0.06m less than the Capital Resource Limit during 2020-21 and £0.1m less than the cumulative limit for the three year period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2021.
- The Health Board met the requirement to pay 95% of non-NHS creditors, by number, within 30 days of receipt of a valid invoice or goods. During 2020-21, 96.0% of invoices were paid within the target timescale (2019-20 95.3%).

# BETSI CADWALADR UNIVERSITY LOCAL HEALTH BOARD

## FOREWORD

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

### **Statutory background**

Betsi Cadwaladr University Local Health Board was established on 1st October 2009 following implementation of the Welsh Government's One Wales National Reform Programme for the NHS in Wales and the merger of North Wales NHS Trust, North West Wales NHS Trust and the following six former Local Health Boards:

Anglesey Local Health Board  
Conwy Local Health Board  
Denbighshire Local Health Board  
Flintshire Local Health Board  
Gwynedd Local Health Board  
Wrexham Local Health Board

The Health Board provides a full range of primary, community, mental health and acute hospital services to the population of North Wales from three main hospitals (Ysbyty Gwynedd in Bangor, Ysbyty Glan Clwyd in Bodelwyddan and Wrexham Maelor Hospital) along with a network of community hospitals, health centres, clinics, mental health units and community team bases. The Health Board also coordinates the work of GP practices and NHS services provided by dentists, opticians and pharmacists in North Wales.

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

Welsh Health Circular WHC/2016/054 replaces WHC/2015/014 'Statutory and Administrative Financial Duties of NHS Trusts and Local Health Boards' and further clarifies the statutory financial duties of NHS Wales bodies and is effective for 2020-21. The annual financial duty has been revoked and the statutory breakeven duty has reverted to a three year duty, with the first assessment of this duty in 2016-17.

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

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

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

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

	Note	2020-21 £'000	2019-20 £'000
Expenditure on Primary Healthcare Services	3.1	331,772	322,503
Expenditure on healthcare from other providers	3.2	398,786	369,614
Expenditure on Hospital and Community Health Services	3.3	<u>1,230,631</u>	<u>1,113,194</u>
		<b>1,961,189</b>	1,805,311
Less: Miscellaneous Income	4	<b>(152,515)</b>	<b>(144,574)</b>
<b>LHB net operating costs before interest and other gains and losses</b>		<b>1,808,674</b>	1,660,737
Investment Revenue	5	0	0
Other (Gains) / Losses	6	34	(19)
Finance costs	7	11	50
<b>Net operating costs for the financial year</b>		<b><u>1,808,719</u></b>	<b><u>1,660,768</u></b>

Details of the Health Board's performance against its revenue and capital allocations over the last three financial periods are provided in Note 2 on page 26.

The notes on pages 8 to 76 form part of these accounts.

**Other Comprehensive Net Expenditure**

	<b>2020-21</b>	2019-20
	<b>£'000</b>	£'000
Net (gain) / loss on revaluation of property, plant and equipment	<b>(9,116)</b>	<b>(5,132)</b>
Net (gain) / loss on revaluation of intangibles	<b>0</b>	0
(Gain) / loss on other reserves	<b>0</b>	0
Net (gain)/ loss on revaluation of PPE & Intangible assets held for sale	<b>0</b>	0
Net (gain)/loss on revaluation of financial assets held for sale	<b>0</b>	0
Impairment and reversals	<b>0</b>	0
Transfers between reserves	<b>0</b>	0
Transfers to / (from) other bodies within the Resource Accounting Boundary	<b>0</b>	0
Reclassification adjustment on disposal of available for sale financial assets	<b>0</b>	0
Other comprehensive net expenditure for the year	<b>(9,116)</b>	<b>(5,132)</b>
<b>Total comprehensive net expenditure for the year</b>	<b>1,799,603</b>	<b>1,655,636</b>

The notes on pages 8 to 76 form part of these accounts.

**Statement of Financial Position as at 31 March 2021**

	<b>31 March</b>	31 March
	<b>2021</b>	2020
<b>Notes</b>	<b>£'000</b>	£'000
<b>Non-current assets</b>		
Property, plant and equipment	11 <b>588,095</b>	575,257
Intangible assets	12 <b>848</b>	1,026
Trade and other receivables	15 <b>33,047</b>	51,496
Other financial assets	16 <b>0</b>	0
<b>Total non-current assets</b>	<b>621,990</b>	627,779
<b>Current assets</b>		
Inventories	14 <b>18,365</b>	17,402
Trade and other receivables	15 <b>77,254</b>	79,666
Other financial assets	16 <b>0</b>	0
Cash and cash equivalents	17 <b>3,242</b>	3,150
	<b>98,861</b>	100,218
Non-current assets classified as "Held for Sale"	11 <b>185</b>	0
<b>Total current assets</b>	<b>99,046</b>	100,218
<b>Total assets</b>	<b>721,036</b>	727,997
<b>Current liabilities</b>		
Trade and other payables	18 <b>(222,922)</b>	(143,633)
Other financial liabilities	19 <b>0</b>	0
Provisions	20 <b>(41,733)</b>	(46,846)
<b>Total current liabilities</b>	<b>(264,655)</b>	(190,479)
<b>Net current assets/ (liabilities)</b>	<b>(165,609)</b>	(90,261)
<b>Non-current liabilities</b>		
Trade and other payables	18 <b>(900)</b>	(958)
Other financial liabilities	19 <b>0</b>	0
Provisions	20 <b>(34,272)</b>	(51,349)
<b>Total non-current liabilities</b>	<b>(35,172)</b>	(52,307)
<b>Total assets employed</b>	<b>421,209</b>	485,211
<b>Financed by :</b>		
<b>Taxpayers' equity</b>		
General Fund	<b>288,642</b>	356,698
Revaluation reserve	<b>132,567</b>	128,513
<b>Total taxpayers' equity</b>	<b>421,209</b>	485,211

The Health Board has delegated authority for approval of the 2020-21 financial statements to the Audit Committee, which is a sub-committee of the Board. The financial statements on pages 2-7 were approved by the Committee on 10th June 2021 and signed on its behalf by:

Chief Executive and Accountable Officer ..... Date: 10th June 2021

The notes on pages 8 to 76 form part of these accounts.

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2021

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2020-21</b>			
<b>Balance at 1 April 2020</b>	356,698	128,513	485,211
Net operating cost for the year	(1,808,719)		(1,808,719)
Net gain/(loss) on revaluation of property, plant and equipment	0	9,116	9,116
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Other Reserve Movement	0	0	0
Transfers between reserves	5,062	(5,062)	0
Release of reserves to SoCNE	0	0	0
Transfers to/from LHBs	0	0	0
<b>Total recognised income and expense for 2020-21</b>	<b>(1,803,657)</b>	4,054	<b>(1,799,603)</b>
Net Welsh Government funding	1,701,908		1,701,908
Notional Welsh Government Funding	33,693		33,693
<b>Balance at 31 March 2021</b>	<b>288,642</b>	<b>132,567</b>	<b>421,209</b>
Included in Net Welsh Government Funding:			
Welsh Government Covid 19 Capital Funding	9,496		9,496
Welsh Government Covid 19 Revenue Funding	121,816		121,816

The notes on pages 8 to 76 form part of these accounts.

Transfers between reserves represents the balance held in the revaluation reserve for non-current assets disposed during the year (£142,000) and additional depreciation charged on assets that had been subject to an upward revaluation (£4,920,000).

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2020

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity for 2019-20</b>			
<b>Balance at 1 April 2019</b>	402,323	128,076	<b>530,399</b>
Net operating cost for the year	(1,660,768)		<b>(1,660,768)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	5,132	<b>5,132</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	0	<b>0</b>
Other reserve movement	0	0	<b>0</b>
Transfers between reserves	4,695	(4,695)	<b>0</b>
Release of reserves to SoCNE	0	0	<b>0</b>
Transfers to/from LHBs	0	0	<b>0</b>
<b>Total recognised income and expense for 2019-20</b>	<b>(1,656,073)</b>	437	<b>(1,655,636)</b>
Net Welsh Government funding	1,578,821		<b>1,578,821</b>
Notional Welsh Government Funding	31,627		<b>31,627</b>
<b>Balance at 31 March 2020</b>	<b>356,698</b>	<b>128,513</b>	<b>485,211</b>

The notes on pages 8 to 76 form part of these accounts.

Transfers between reserves represents the balance held in the revaluation reserve for each non-current asset disposed during 2019-20.

**Statement of Cash Flows for year ended 31 March 2021**

	2020-21 £'000	2019-20 £'000
<b>Cash Flows from operating activities</b>		
Net operating cost for the financial year	<b>(1,808,719)</b>	(1,660,768)
Movements in Working Capital	27 <b>115,166</b>	6,739
Other cash flow adjustments	28 <b>55,545</b>	122,221
Provisions utilised	20 <b>(30,511)</b>	(22,472)
<b>Net cash outflow from operating activities</b>	<b>(1,668,519)</b>	(1,554,280)
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(34,789)</b>	(26,353)
Proceeds from disposal of property, plant and equipment	<b>67</b>	57
Purchase of intangible assets	<b>(165)</b>	(658)
Proceeds from disposal of intangible assets	<b>0</b>	0
Payment for other financial assets	<b>0</b>	0
Proceeds from disposal of other financial assets	<b>0</b>	0
Payment for other assets	<b>0</b>	0
Proceeds from disposal of other assets	<b>0</b>	0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(34,887)</b>	(26,954)
<b>Net cash inflow/(outflow) before financing</b>	<b>(1,703,406)</b>	(1,581,234)
<b>Cash Flows from financing activities</b>		
Welsh Government funding (including capital)	<b>1,701,908</b>	1,578,821
Capital receipts surrendered	<b>0</b>	0
Capital grants received	<b>1,590</b>	1,591
Capital element of payments in respect of finance leases and on-SoFP PFI Schemes	<b>0</b>	0
Cash transferred (to)/ from other NHS bodies	<b>0</b>	0
<b>Net financing</b>	<b>1,703,498</b>	1,580,412
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>92</b>	(822)
<b>Cash and cash equivalents (and bank overdrafts) at 1 April 2020</b>	<b>3,150</b>	3,972
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2021</b>	<b>3,242</b>	3,150

The notes on pages 8 to 76 form part of these accounts.

## Notes to the Accounts

### 1. Accounting policies

The Minister 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 2020-21 Manual for Accounts. The accounting policies contained in that manual follow the 2020-21 Financial Reporting Manual (FRM) in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, except for IFRS 16 Leases, which is deferred until 1st April 2022; to the extent that they are meaningful and appropriate to the NHS in Wales.

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 LHBs are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the LHB. 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.

From 2018-19, IFRS 15 Revenue from Contracts with Customers has been applied, as interpreted and adapted for the public sector, in the FRM. It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. The potential amendments identified as a result of the adoption of IFRS 15 are significantly below materiality levels.

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**

##### **1.4.1. Short-term employee benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Whilst the LHB does not ordinarily permit the carry forward of annual leave from one period to another it is recognised that Covid-19 lockdowns combined with staffing levels across the service have significantly impacted on the ability to take annual leave during 2020-21.

Where employees have been unable to take their annual leave allocation within the 2020-21 leave year, carry forward of up to twenty days outstanding leave (pro rata for part time staff) has been permitted. Whilst up to 50% of this leave may be further carried forward to the 2022-23 leave year all carried forward annual leave must be used by the end of that leave year. 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.

##### **1.4.2. 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.

The latest NHS Pension Scheme valuation results indicated that an increase in benefit required a 6.3% increase (14.38% to 20.68%) which was implemented from 1st April 2019.

As an organisation within the full funding scope, the joint (in NHS England and NHS Wales) transitional arrangement operated from 2019-20 where employers in the Scheme would continue to pay 14.38% employer contributions under their normal monthly payment process, in Wales the additional 6.3% being funded by Welsh Government directly to the Pension Scheme administrator, the NHS Business Services Authority (BSA the NHS Pensions Agency).

However, NHS Wales' organisations are required to account for **their staff** employer contributions of 20.68% in full and on a gross basis, in their annual accounts. Payments made on their behalf by Welsh Government are accounted for on a notional basis. For detailed information see Other Note within these accounts.

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 NHS Wales organisation 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 NHS Wales organisation's 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.

### 1.4.3. 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

#### 1.6.1. 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 NHS Wales organisation;
- 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.

#### 1.6.2. 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 services or for administrative purposes are stated in the Statement of Financial Position (SoFP) 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' organisations have applied these new valuation requirements from 1st April 2009.

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

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

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

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

From 2015-16, IFRS 13 Fair Value Measurement must be complied with in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Where there is no single class of asset that falls within IFRS 13, disclosures should be for material items only.

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 NHS organisation or the asset which would prevent access to the market at the reporting date. If the NHS organisation 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.

### 1.6.3. 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. For All Wales Capital Schemes that are completed in a financial year, NHS Wales organisations are required to obtain a revaluation 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

### 1.7.1. Recognition

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

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

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

## Measurement

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

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

### 1.8. Depreciation, amortisation and impairments

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

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

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

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

### 1.9. Research and Development

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

### 1.10 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the SoCNE. 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 NHS Wales organisation 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 SoCNE.

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 NHS Wales organisation 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 twenty-four hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash flows (SoCF), 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 Services (WRPS) 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 implemented in both 2019-20 and 2020-21. The WRP is hosted by Velindre NHS Trust.

#### **1.14.2. Future Liability Scheme (FLS) - General Medical Practice Indemnity (GMPI)**

The FLS is a state backed scheme to provide clinical negligence General Medical Practice Indemnity (GMPI) for providers of GMP services in Wales.

In March 2019, the Minister issued a Direction to Velindre NHS Trust to enable Legal and Risk Services to operate the Scheme. The GMPI is underpinned by new secondary legislation, The NHS (Clinical Negligence Scheme) (Wales) Regulations 2019 which came into force on 1 April 2019.

GMP Service Providers are not direct members of the GMPI FLS, their qualifying liabilities are the subject of an arrangement between them and their relevant LHB, which is a member of the scheme. The qualifying reimbursements to the LHB are not subject to the £25,000 excess.

### **1.15. Financial Instruments**

From 2018-19 IFRS 9 Financial Instruments has applied, as interpreted and adapted for the public sector, in the FReM. The principal impact of IFRS 9 adoption by LHBs was to change the calculation basis for bad debt provisions from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM recognised the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that included the date of initial application in the opening general fund within Taxpayer's equity.

### **1.16. Financial assets**

Financial assets are recognised on the SoFP 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.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

IFRS 9 requirements required a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS 9 to construct a provision matrix.

#### **1.16.1. 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.

#### **1.16.2. 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.

### **1.16.3 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.

### **1.16.4. 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.

### **1.16.5. 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 SOFP 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 SoCNE and the carrying amount of the asset is reduced directly, or through a provision of 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 SoCNE 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.

### **1.17. Financial liabilities**

Financial liabilities are recognised on the SOFP 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.

#### **1.17.1. Financial liabilities are initially recognised at fair value**

Financial liabilities are classified as either financial liabilities at fair value through the SoCNE or other financial liabilities.

#### **1.17.2. Financial liabilities at fair value through the 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 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.

#### **1.17.3. 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.

#### **1.18. Value Added Tax (VAT)**

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.

#### **1.19. 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 SoCNE. At the SoFP date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

#### **1.20. Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Wales organisation has no beneficial interest in them. Details of third party assets are given in the Notes 31 to the accounts.

#### **1.21. 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 the LHB 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 pay-outs 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 between 5- 50%, the liability is disclosed as a contingent liability.

### **1.22. Pooled budgets**

The LHB has entered into pooled budget arrangements with Local Authorities across North Wales. Under these arrangements funds are pooled in accordance with Section 33 of the NHS (Wales) Act 2006 for specific activities as detailed in Note 32 - Pooled budgets.

The LHB accounts for its share of the assets, liabilities, income and expenditure from these activities in accordance with each pooled budget's arrangements.

### **1.23. Critical Accounting Judgements and key sources of estimation uncertainty**

In the application of the 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.

### **1.24. Key sources of estimation uncertainty**

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

Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool.

Significant estimations are also made for continuing care costs resulting from claims post 1st April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.

Estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilities are adjusted in the following reporting period.

During 2020-21 the LHB made significant estimates of liabilities relating to the impact of Covid-19 pandemic, including:

- untaken annual leave at the end of the financial year (1.4.1 refers)
- the cost of the NHS Wales bonus payment scheme for health and social care staff
- costs relating to the decommissioning of Field Hospitals and Mass Vaccination Centres
- consequential losses arising from the LHBs use of leased premises as Field Hospitals and Mass Vaccination Centres.

Estimates in each of these four areas have been fully funded by Welsh Government through revenue resource allocations.

#### 1.24.1. Provisions

The LHB provides for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Following settlement to individual claimants by the NHS Wales organisation, the full cost is recognised in year and matched to income (less a £25K excess) via a WRPS debtor, until reimbursement has been received from the WRPS Committee.

#### 1.24.2. Probable & Certain Cases – Accounting Treatment

A provision for these cases is calculated in accordance with IAS 37. Cases are assessed and divided into four categories according to their probability of settlement;

<b>Remote</b>	Probability of Settlement	0 – 5%
	Accounting Treatment	Contingent Liability.
<b>Possible</b>	Probability of Settlement	6% - 49%
	Accounting Treatment	Defence Fee - Provision
	Contingent Liability for all other estimated expenditure.	
<b>Probable</b>	Probability of Settlement	50% - 94%
	Accounting Treatment	Full Provision
<b>Certain</b>	Probability of Settlement	95% - 100%

The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership.

The solicitor will estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of -0.25%.

Future liabilities for certain & probable cases with a probability of 95%-100% and 50%- 94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

### **1.25 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'.

#### **1.25.1. Services received**

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

#### **1.25.2. 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 LHB's approach for each relevant class of asset in accordance with the principles of IAS 16.

#### **1.25.3. 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 SoCNE.

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 SoCNE.

#### **1.25.4. Lifecycle replacement**

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the LHB's 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.

#### **1.25.5. 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 LHB's SoFP.

#### **1.25.6. 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.

### **1.26. 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.

### **1.27. 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

IFRS14 Regulatory Deferral Accounts

Applies to first time adopters of IFRS after 1st January 2016. Therefore not applicable.

IFRS 16 Leases is to be effective from 1st April 2022.

IFRS 17 Insurance Contracts, Application required for accounting periods beginning on or after 1st January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

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

During 2020-21 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 1st April 2013, the LHB established that as it is the corporate trustee of the linked charity "Betsi Cadwaladr University Health Board and Other Related Charities", it is considered for accounting standards compliance to have control of the Charity as a subsidiary. It is therefore required to consolidate the results of the Charity within the statutory accounts of the LHB.

The determination of control is an accounting standard test of control and there has been no change to the operation of the Charity or its independence in its management of charitable funds.

However, the LHB has with the agreement of the Welsh Government adopted the IAS 27 (10) exemption to consolidate. Welsh Government as the ultimate parent of the Local Health Boards will disclose the Charitable Accounts of Local Health Boards in the Welsh Government Consolidated Accounts.

Details of the transactions with the Charity are included in Note 30 Related Party Transactions.

## 2. Financial Duties Performance

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

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

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

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

### 2.1 Revenue Resource Performance

	Annual financial performance			
	2018-19 £'000	2019-20 £'000	2020-21 £'000	Total £'000
<b>Net operating costs for the year</b>	1,532,531	1,660,768	1,808,719	5,002,018
Less general ophthalmic services expenditure and other non-cash limited expenditure	(645)	84	538	(23)
Less revenue consequences of bringing PFI schemes onto SoFP	0	0	0	0
Total operating expenses	1,531,886	1,660,852	1,809,257	5,001,995
Revenue Resource Allocation	1,490,607	1,622,156	1,809,747	4,922,510
<b>Under / (over) spend against Allocation</b>	<b>(41,279)</b>	<b>(38,696)</b>	490	<b>(79,485)</b>

Betsi Cadwaladr University LHB has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2018-19 to 2020-21. The Health Board did not receive any additional cash-only support from Welsh Government during the year with cumulative strategic cash support remaining unchanged at £149.694 million.

The Minister for Health and Social Services announced on 6th July 2020 that once NHS Wales organisations that have previously been in deficit meet their three year break-even duty, they will no longer be required to repay any historic debt incurred prior to achieving the statutory duty. The Minister also announced that, with immediate effect, all strategic cash support provided to NHS Wales organisations would no longer be repayable.

Whilst changes to historic debt arrangements have not impacted on the Health Board during 2020-21 as the three year break-even duty was not achieved, the Health Board will no longer be required to repay the strategic cash support received from Welsh Government whilst it was in a deficit position.

### 2.2 Capital Resource Performance

	2018-19	2019-20	2020-21	Total
	£'000	£'000	£'000	£'000
<b>Gross capital expenditure</b>	50,869	25,714	35,587	112,170
Add: Losses on disposal of donated assets	0	0	0	0
Less NBV of property, plant and equipment and intangible assets disposed	(374)	(38)	(100)	(512)
Less capital grants received	0	0	(782)	(782)
Less donations received	(1,102)	(1,591)	(808)	(3,501)
Charge against Capital Resource Allocation	49,393	24,085	33,897	107,375
Capital Resource Allocation	49,408	24,109	33,958	107,475
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>15</b>	<b>24</b>	<b>61</b>	<b>100</b>

Betsi Cadwaladr University LHB has met its financial duty to break-even against its Capital Resource Limit over the 3 years 2018-19 to 2020-21

### 2.3 Duty to prepare a 3 year integrated plan

Due to the Covid-19 pandemic, the process for the 2020-23 integrated plan was paused in spring 2020 and a temporary quarterly planning arrangement put in place for 2020-21.

As a result the extant planning duty for 2020-21 remains the requirement to submit and have approved a 2019-22 integrated plan, as set out in the NHS Wales Planning Framework 2019-22.

Betsi Cadwaladr University LHB did not submit a 2019-22 integrated plan in accordance with the planning framework.

The Minister for Health and Social Services extant approval

**Status**

Not Approved

**Date**

Not applicable

Betsi Cadwaladr LHB has therefore not met its statutory duty to have an approved financial plan.

### 2.4 Creditor payment

The LHB is required to pay 95% of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice (whichever is the later). The LHB has achieved the following results:

	<b>2020-21</b>	2019-20
Total number of non-NHS bills paid	<b>301,116</b>	329,268
Total number of non-NHS bills paid within target	<b>289,037</b>	313,739
Percentage of non-NHS bills paid within target	96.0%	95.3%

**The LHB has met the target.**

### 3. Analysis of gross operating costs

#### 3.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2020-21 Total £'000	2019-20 £'000
General Medical Services	144,643		144,643	136,403
Pharmaceutical Services	34,310	(6,835)	27,475	25,045
General Dental Services	32,992		32,992	35,540
General Ophthalmic Services	1,769	6,297	8,066	8,464
Other Primary Health Care expenditure	4,583		4,583	8,278
Prescribed drugs and appliances	114,013		114,013	108,773
<b>Total</b>	<b>332,310</b>	<b>(538)</b>	<b>331,772</b>	<b>322,503</b>

#### 3.2 Expenditure on healthcare from other providers

	2020-21 £'000	2019-20 £'000
Goods and services from other NHS Wales Health Boards	5,363	5,377
Goods and services from other NHS Wales Trusts	10,402	10,511
Goods and services from Health Education and Improvement Wales (HEIW)	0	0
Goods and services from other non Welsh NHS bodies	66,743	67,079
Goods and services from WHSSC / EASC	189,594	177,021
Local Authorities	0	0
Voluntary organisations	8,826	7,567
NHS Funded Nursing Care	8,473	7,515
Continuing Care	106,173	91,324
Private providers	3,212	3,220
Specific projects funded by the Welsh Government	0	0
Other	0	0
<b>Total</b>	<b>398,786</b>	<b>369,614</b>

**Note 3.1 Expenditure on Primary Healthcare Services includes pay costs of £24,955,000 comprising:**

	2020-21 £'000	2019-20 £'000
General Medical Services	23,395	22,342
Pharmaceutical Services	83	0
General Dental Services	423	826
Other Primary Health Care Expenditure	1,054	1,019
	<b>24,955</b>	<b>24,187</b>

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

	2020-21 £'000	2019-20 £'000
Directors' costs	2,330	2,499
Operational Staff costs	880,195	782,814
Single lead employer Staff Trainee Cost	6,844	0
Collaborative Bank Staff Cost	0	0
Supplies and services - clinical	147,059	132,866
Supplies and services - general	58,143	45,528
Consultancy Services	59	2,651
Establishment	9,057	9,810
Transport	6,210	6,074
Premises	78,811	41,367
External Contractors	0	0
Depreciation	34,635	32,899
Amortisation	278	358
Fixed asset impairments and reversals (Property, plant & equipment)	(3,156)	48,712
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	388	398
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	5,225	2,796
Research and Development	519	370
Other operating expenses	4,034	4,052
<b>Total</b>	<b>1,230,631</b>	<b>1,113,194</b>

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

	2020-21 £'000	2019-20 £'000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence;		
Secondary care	1,658	10,042
Primary care	0	0
Redress Secondary Care	68	140
Redress Primary Care	0	0
Personal injury	123	984
All other losses and special payments	3,019	417
Defence legal fees and other administrative costs	1,704	1,058
Gross increase/(decrease) in provision for future payments	6,572	12,641
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	(314)	(360)
<b>Less: income received/due from Welsh Risk Pool</b>	<b>(1,033)</b>	<b>(9,485)</b>
<b>Total</b>	<b>5,225</b>	<b>2,796</b>

	2020-21 £	2019-20 £
Permanent injury included within personal injury:	171,000	571,000

Fixed asset impairments and reversals (Property, plant & equipment) in Note 3.3 includes a credit of £3,662,000 (2019-20 £2,541,000) in respect of the reversal of impairments charged to expenditure in previous periods. The value of impairment reversals is also reported in the Cost or valuation section of Note 11.1 Property, plant and equipment on page 39 of these accounts.

**4. Miscellaneous Income**

	<b>2020-21</b>	2019-20
	<b>£'000</b>	£'000
Local Health Boards	4,927	5,681
Welsh Health Specialised Services Committee (WHSSC)/Emergency Ambulance Services Committee (EASC)	44,170	41,442
NHS Wales trusts	5,934	4,783
Health Education and Improvement Wales (HEIW)	15,443	14,533
Foundation Trusts	723	1,342
Other NHS England bodies	14,770	18,084
Other NHS Bodies	349	469
Local authorities	12,835	11,006
Welsh Government	8,899	7,954
Welsh Government Hosted bodies	0	0
Non NHS:		
Prescription charge income	24	42
Dental fee income	1,876	7,555
Private patient income	369	1,112
Overseas patients (non-reciprocal)	102	149
Injury Costs Recovery (ICR) Scheme	896	1,520
Other income from activities	10,706	11,031
Patient transport services	0	0
Education, training and research	4,709	5,532
Charitable and other contributions to expenditure	1,333	1,596
Receipt of NWSSP Covid centrally purchased assets	15,740	0
Receipt of Covid centrally purchased assets from other organisations	0	0
Receipt of donated assets	808	1,591
Receipt of Government granted assets	1,712	0
Non-patient care income generation schemes	260	294
NHS Wales Shared Services Partnership (NWSSP)	0	0
Deferred income released to revenue	90	82
Contingent rental income from finance leases	0	0
Rental income from operating leases	319	324
Other income:		
Provision of laundry, pathology, payroll services	106	127
Accommodation and catering charges	2,282	3,345
Mortuary fees	299	333
Staff payments for use of cars	1,073	1,167
Business Unit	0	0
Other	1,761	3,480
<b>Total</b>	<b>152,515</b>	<b>144,574</b>
Other income Includes;		
Staff recharges not included in other lines	716	1,231
Movement in Expected Credit Losses (ECLs) on invoiced income	(160)	513
Ad-Trac income	258	188
Sports Council for Wales	0	82
	0	0
	0	0
<b>Total</b>	<b>814</b>	<b>2,014</b>
Welsh Government Covid 19 income included in total above;.	58	
Injury Cost Recovery (ICR) Scheme income		
	<b>2020-21</b>	<b>2019-20</b>
	%	%
To reflect expected rates of collection ICR income is subject to a provision for impairment of:	22.43	21.79

**Covid-19 income sources**

The Welsh Government line in the above note includes £58,000 of miscellaneous income relating to Covid-19. All other Covid-19 revenue income received from Welsh Government during 2020-21 was provided as part of the Revenue Resource Allocation (Note 34.2 page 72).

Receipt of Covid centrally purchased assets from other organisations (£930,000) and Receipt of Government granted assets (£782,000) relate to revenue and capital items provided to the Health Board by the Department of Health at no cost.

Receipt of NWSSP Covid centrally purchased assets relates to items of revenue equipment (£7,330,000) and consumables (£8,410,000) procured by NWSSP and provided to the Health Board at no cost.

**Injury Cost Recovery (ICR) Scheme**

Whilst Injury Cost Recovery (ICR) Scheme income is generally subject to a provision for impairment of 22.43% to reflect expected rates of collection, the Health Board has further increased the provision impairment rate on specific aged cases in order to reflect the additional risk of potential non-recovery.

**5. Investment Revenue**

	2020-21 £000	2019-20 £000
<b>Rental revenue :</b>		
PFI Finance lease income		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue :</b>		
Bank accounts	0	0
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**6. Other gains and losses**

	2020-21 £000	2019-20 £000
Gain/(loss) on disposal of property, plant and equipment	(34)	22
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	(3)
Gain/(loss) on disposal of financial assets	0	0
Change on foreign exchange	0	0
Change in fair value of financial assets at fair value through SoCNE	0	0
Change in fair value of financial liabilities at fair value through SoCNE	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>(34)</b>	<b>19</b>

**7. Finance costs**

	2020-21 £000	2019-20 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts		
main finance cost	35	37
contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>35</b>	<b>37</b>
Provisions unwinding of discount	(24)	13
Other finance costs	0	0
<b>Total</b>	<b>11</b>	<b>50</b>

## 8. Operating leases

### LHB as lessee

As at 31st March 2021 the Health Board had 1,501 operating lease agreements in place for the lease of 47 premises, 366 items of equipment and 1,088 vehicles.

Lease arrangements in respect of 1 premises, 105 items of equipment and 287 vehicles expired during the 2020-21 financial year.

<b>Payments recognised as an expense</b>	<b>2020-21</b>	2019-20
	<b>£000</b>	£000
Minimum lease payments	<b>5,690</b>	5,826
Contingent rents	<b>0</b>	0
Sub-lease payments	<b>0</b>	0
<b>Total</b>	<b>5,690</b>	5,826

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

<b>Payable</b>	<b>£000</b>	£000
Not later than one year	<b>5,282</b>	4,879
Between one and five years	<b>10,406</b>	7,941
After 5 years	<b>24,211</b>	23,928
<b>Total</b>	<b>39,899</b>	36,748

### LHB as lessor

<b>Rental revenue</b>	<b>£000</b>	£000
Rent	<b>292</b>	282
Contingent rents	<b>0</b>	0
<b>Total revenue rental</b>	<b>292</b>	282

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

<b>Receivable</b>	<b>£000</b>	£000
Not later than one year	<b>292</b>	282
Between one and five years	<b>134</b>	160
After 5 years	<b>357</b>	421
<b>Total</b>	<b>783</b>	863

**9. Employee benefits and staff numbers**

9.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Specialist Trainee (SLE)	Collaborative Bank Staff	Other	Total	2019-20
	£000	£000	£000	£000	£000	£000	£000	£000
Salaries and wages	684,141	2,643	23,320	5,411	0	25,370	740,885	648,051
Social security costs	62,731	0	0	670	0	0	63,401	58,508
Employer contributions to NHS Pension Scheme	109,842	0	0	763	0	0	110,605	103,832
Other pension costs	421	0	0	0	0	0	421	397
Other employment benefits	0	0	0	0	0	0	0	0
Termination benefits	55	0	0	0	0	0	55	215
<b>Total</b>	<b>857,190</b>	<b>2,643</b>	<b>23,320</b>	<b>6,844</b>	<b>0</b>	<b>25,370</b>	<b>915,367</b>	<b>811,003</b>

Charged to capital							843	963
Charged to revenue							914,524	810,040
							<b>915,367</b>	<b>811,003</b>

Net movement in accrued employee benefits (untaken staff leave accrual included above)							19,585	4
Covid 19 Net movement in accrued employee benefits (untaken staff leave accrual included in above)							21,784	0

The "Other" staff column includes temporary and contract staff such as short-term direct engagement contracts, IR35 applicable staff, Out of Hours GPs and GMS Locum Doctors. Social Security costs relating to these groups of staff for the 2020-21 financial year are included within the Permanent Staff column of the above note.

The increase in accrued employee benefits reported above mainly relates to annual leave entitlements that employees were unable to take during 2020-21 due to the impact of the Covid-19 pandemic. Where employees were unable to take their full annual leave entitlement during their leave year, carry forward of up to twenty days (pro rata for part-time staff) was permitted. Further information is provided in Accounting Policy Note 1.4.1 Short-term employee benefits on page 9.

Employee costs in Note 9.1 include £20,778,000 in respect of the NHS and social care staff bonus payment announced by the Minister for Health and Social Services on 17th March 2021. This is a one-off non-consolidated non-pensionable payment of £735 plus employers social security costs and the apprenticeship levy.

**9.2 Average number of employees**

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Specialist Trainee (SLE)	Collaborative Bank Staff	Other	Total	2019-20
	Number	Number	Number	Number	Number	Number	Number	Number
Administrative, clerical and board members	2,980	15	70	0	0	0	3,065	3,088
Medical and dental	1,303	16	7	112	0	123	1,561	1,483
Nursing, midwifery registered	4,860	0	168	0	0	1	5,029	4,976
Professional, Scientific, and technical staff	717	12	5	0	0	0	734	620
Additional Clinical Services	3,291	0	1	0	0	0	3,292	3,242
Allied Health Professions	917	0	32	0	0	0	949	903
Healthcare Scientists	249	0	1	0	0	0	250	254
Estates and Ancillary	1,293	0	3	0	0	0	1,296	1,164
Students	106	0	0	0	0	0	106	15
<b>Total</b>	<b>15,716</b>	<b>43</b>	<b>287</b>	<b>112</b>	<b>0</b>	<b>124</b>	<b>16,282</b>	<b>15,745</b>

**9.3. Retirements due to ill-health**

	2020-21	2019-20
Number	15	10
Estimated additional pension costs £	705,980	607,355

This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. NHS Pensions has advised that there were 15 early retirements with an estimated additional pension cost of £705,980. These additional pension costs have been calculated on an average basis and will be borne by the NHS Pension Scheme.

**9.4 Employee benefits**

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

9.5 Reporting of other compensation schemes - exit packages

Exit packages cost band (including any special payment element)	2020-21	2020-21	2020-21	2020-21	2019-20
	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made	Total number of exit packages
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	0	0	0	1
£10,000 to £25,000	0	0	0	0	1
£25,000 to £50,000	0	0	0	0	3
£50,000 to £100,000	0	1	1	0	1
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>6</b>

Exit packages cost band (including any special payment element)	2020-21	2020-21	2020-21	2020-21	2019-20
	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages	Total cost of exit packages
	£'s	£'s	£'s	£'s	£'s
less than £10,000	0	0	0	0	7,608
£10,000 to £25,000	0	0	0	0	24,831
£25,000 to £50,000	0	0	0	0	126,446
£50,000 to £100,000	0	55,078	55,078	0	56,118
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>55,078</b>	<b>55,078</b>	<b>0</b>	<b>215,003</b>

Exit costs paid in year of departure	Total paid in year 2020-21	Total paid in year 2019-20
	£'s	£'s
Exit costs paid in year	55,078	215,003
<b>Total</b>	<b>55,078</b>	<b>215,003</b>

This disclosure reports the number and value of exit packages taken by staff leaving the Health Board during the year.

Whilst the exit costs in this note are accounted for in full in the year of departure, the expenses associated with these departures may have been recognised either in part or full in a previous period. Total exit costs paid during 2020-21, the year of departure, were £55,078 (2019-20 £215,003).

The Health Board has paid all redundancy and other departure costs in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Additional costs relating to early retirements, including early retirements on grounds of redundancy for employees entitled to pension benefits, have been met by the Health Board and not by the NHS Pension Scheme.

Ill-health retirement costs are not included in these tables as they are met by the NHS Pension Scheme and further details are provided in Note 9.3.

## 9.6 Remuneration Relationship

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

The banded remuneration of the highest-paid director in the Health Board in the financial year 2020-21 was £225,000 to £230,000 (2019-20, £225,000 to £230,000). This was 7.43 times (2019-20, 7.70 times) the median remuneration of the workforce, which was £30,615 (2019-20, £29,554).

The banded remuneration of the Chief Executive of the Health Board in the financial year 2020-21 was £210,000 to £215,000 (2019-20, £210,000 to £215,000). This was 6.94 times (2019-20, 7.19) the median remuneration of the workforce, which was £30,615 (2019-20, £29,554).

In 2020-21, 10 employees (2019-20, 15) received remuneration in excess of the highest-paid director. Remuneration for all staff ranged from £18,005 to £310,000 (2019-20, £17,652 to £295,000).

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

The Remuneration Relationship has decreased in 2020-21 due to the highest-paid director remuneration remaining in the same banding, with the median remuneration of the workforce increasing by £1,061. This reflects the fact that all staff received an inflationary pay award and that many staff worked additional hours throughout the year, due to pressures arising from the COVID-19 pandemic.

An average 1.67% inflationary pay increase was received by staff covered by the Agenda for Change agreement. In addition, Medical Staff received an inflationary pay award of 2.8%.

## 9.7 Pension costs

### PENSION COSTS

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care 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 2021, is based on valuation data as 31 March 2020, updated to 31 March 2021 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 latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

### **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 8% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 3% of this.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,240 and £50,000 for the 2020-2021 tax year (2019-2020 £6,136 and £50,000).

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.

	2020-21	2020-21	2019-20	2019-20
NHS	Number	£000	Number	£000
Total bills paid	5,195	317,540	5,856	292,228
Total bills paid within target	4,587	310,282	5,420	290,210
Percentage of bills paid within target	88.3%	97.7%	92.6%	99.3%
<b>Non-NHS</b>				
Total bills paid	301,116	710,788	329,268	651,781
Total bills paid within target	289,037	695,683	313,739	634,803
Percentage of bills paid within target	96.0%	97.9%	95.3%	97.4%
<b>Total</b>				
Total bills paid	306,311	1,028,328	335,124	944,009
Total bills paid within target	293,624	1,005,965	319,159	925,013
Percentage of bills paid within target	95.9%	97.8%	95.2%	98.0%

During 2020-21 the Health Board paid 96.0% of non-NHS invoices by number within 30 days (2019-20 95.3%) and therefore achieved the Welsh Government performance measure.

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

	2020-21	2019-20
	£	£
Amounts included within finance costs (note 7) from claims made under this legislation	58	476
Compensation paid to cover debt recovery costs under this legislation	1595	300
<b>Total</b>	<b>1653</b>	<b>776</b>

11.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2020</b>	46,961	482,553	18,620	10,966	114,534	842	24,576	7,493	706,545
Indexation	(507)	14,042	542	0	0	0	0	0	14,077
Additions									
- purchased	0	0	0	19,953	12,269	0	1,611	69	33,902
- donated	0	95	0	0	708	0	0	0	803
- government granted	0	0	0	0	782	0	0	0	782
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	8,838	339	(12,525)	820	0	2,528	0	0
Revaluations	0	(3,651)	(11)	0	0	0	0	0	(3,662)
Reversal of impairments	0	3,651	11	0	0	0	0	0	3,662
Impairments	(506)	0	0	0	0	0	0	0	(506)
Reclassified as held for sale	(185)	(152)	0	0	0	0	0	0	(337)
Disposals	(15)	(64)	0	0	(4,686)	(10)	(159)	(6)	(4,940)
<b>At 31 March 2021</b>	<b>45,748</b>	<b>505,312</b>	<b>19,501</b>	<b>18,394</b>	<b>124,427</b>	<b>832</b>	<b>28,556</b>	<b>7,556</b>	<b>750,326</b>
<b>Depreciation at 1 April 2020</b>	0	43,111	1,561	0	69,177	646	13,609	3,184	131,288
Indexation	0	4,905	56	0	0	0	0	0	4,961
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	(3,651)	(11)	0	0	0	0	0	(3,662)
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	(152)	0	0	0	0	0	0	(152)
Disposals	0	(13)	0	0	(4,651)	(10)	(159)	(6)	(4,839)
Provided during the year	0	19,155	662	0	9,992	43	4,111	672	34,635
<b>At 31 March 2021</b>	<b>0</b>	<b>63,355</b>	<b>2,268</b>	<b>0</b>	<b>74,518</b>	<b>679</b>	<b>17,561</b>	<b>3,850</b>	<b>162,231</b>
<b>Net book value at 1 April 2020</b>	<b>46,961</b>	<b>439,442</b>	<b>17,059</b>	<b>10,966</b>	<b>45,357</b>	<b>196</b>	<b>10,967</b>	<b>4,309</b>	<b>575,257</b>
<b>Net book value at 31 March 2021</b>	<b>45,748</b>	<b>441,957</b>	<b>17,233</b>	<b>18,394</b>	<b>49,909</b>	<b>153</b>	<b>10,995</b>	<b>3,706</b>	<b>588,095</b>
<b>Net book value at 31 March 2021 comprises :</b>									
Purchased	45,748	434,379	17,233	18,394	44,253	153	10,957	3,349	574,466
Donated	0	6,676	0	0	4,941	0	38	356	12,011
Government Granted	0	902	0	0	715	0	0	1	1,618
<b>At 31 March 2021</b>	<b>45,748</b>	<b>441,957</b>	<b>17,233</b>	<b>18,394</b>	<b>49,909</b>	<b>153</b>	<b>10,995</b>	<b>3,706</b>	<b>588,095</b>
<b>Asset financing :</b>									
Owned	45,748	440,968	17,233	18,394	49,909	153	10,995	3,706	587,106
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	989	0	0	0	0	0	0	989
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>45,748</b>	<b>441,957</b>	<b>17,233</b>	<b>18,394</b>	<b>49,909</b>	<b>153</b>	<b>10,995</b>	<b>3,706</b>	<b>588,095</b>

The net book value of land, buildings and dwellings at 31 March 2021 comprises :

	£000
Freehold	500,026
Long Leasehold	4,912
Short Leasehold	0
	<u>504,938</u>

Valuers 'material uncertainty', in valuation. The disclosure relates to the materiality in the valuation report not that of the underlying account.

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
<b>Cost or valuation at 1 April 2019</b>	47,436	474,284	18,439	75,528	106,252	1,172	22,929	7,004	<b>753,044</b>
Indexation	(260)	9,391	365	0	0	0	0	0	<b>9,496</b>
Additions									
- purchased	0	0	0	15,638	4,803	39	2,427	539	<b>23,446</b>
- donated	0	642	0	0	891	0	12	0	<b>1,545</b>
- government granted	0	0	0	0	0	0	0	0	<b>0</b>
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	68,846	13	(80,200)	9,036	0	1,878	427	<b>0</b>
Revaluations	(9)	(22,097)	(204)	0	0	0	0	0	<b>(22,310)</b>
Reversal of impairments	0	2,534	7	0	0	0	0	0	<b>2,541</b>
Impairments	(206)	(51,047)	0	0	0	0	0	0	<b>(51,253)</b>
Reclassified as held for sale	0	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	(6,448)	(369)	(2,670)	(477)	<b>(9,964)</b>
<b>At 31 March 2020</b>	<b>46,961</b>	<b>482,553</b>	<b>18,620</b>	<b>10,966</b>	<b>114,534</b>	<b>842</b>	<b>24,576</b>	<b>7,493</b>	<b>706,545</b>
<b>Depreciation at 1 April 2019</b>	0	42,545	1,255	0	66,040	976	12,528	2,955	<b>126,299</b>
Indexation	0	3,139	32	0	0	0	0	0	<b>3,171</b>
Transfer from/into other NHS bodies	0	0	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	0	0	0	0	0	0	0	<b>0</b>
Revaluations	0	(20,748)	(369)	0	0	0	0	0	<b>(21,117)</b>
Reversal of impairments	0	0	0	0	0	0	0	0	<b>0</b>
Impairments	0	0	0	0	0	0	0	0	<b>0</b>
Reclassified as held for sale	0	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	(6,448)	(369)	(2,670)	(477)	<b>(9,964)</b>
Provided during the year	0	18,175	643	0	9,585	39	3,751	706	<b>32,899</b>
<b>At 31 March 2020</b>	<b>0</b>	<b>43,111</b>	<b>1,561</b>	<b>0</b>	<b>69,177</b>	<b>646</b>	<b>13,609</b>	<b>3,184</b>	<b>131,288</b>
<b>Net book value at 1 April 2019</b>	<b>47,436</b>	<b>431,739</b>	<b>17,184</b>	<b>75,528</b>	<b>40,212</b>	<b>196</b>	<b>10,401</b>	<b>4,049</b>	<b>626,745</b>
<b>Net book value at 31 March 2020</b>	<b>46,961</b>	<b>439,442</b>	<b>17,059</b>	<b>10,966</b>	<b>45,357</b>	<b>196</b>	<b>10,967</b>	<b>4,309</b>	<b>575,257</b>
<b>Net book value at 31 March 2020 comprises :</b>									
Purchased	46,961	431,875	17,059	10,966	39,971	196	10,898	3,887	<b>561,813</b>
Donated	0	6,668	0	0	5,386	0	69	418	<b>12,541</b>
Government Granted	0	899	0	0	0	0	0	4	<b>903</b>
<b>At 31 March 2020</b>	<b>46,961</b>	<b>439,442</b>	<b>17,059</b>	<b>10,966</b>	<b>45,357</b>	<b>196</b>	<b>10,967</b>	<b>4,309</b>	<b>575,257</b>
<b>Asset financing :</b>									
Owned	46,961	438,415	17,059	10,966	45,357	196	10,967	4,309	<b>574,230</b>
Held on finance lease	0	0	0	0	0	0	0	0	<b>0</b>
On-SoFP PFI contracts	0	1,027	0	0	0	0	0	0	<b>1,027</b>
PFI residual interests	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2020</b>	<b>46,961</b>	<b>439,442</b>	<b>17,059</b>	<b>10,966</b>	<b>45,357</b>	<b>196</b>	<b>10,967</b>	<b>4,309</b>	<b>575,257</b>

The net book value of land, buildings and dwellings at 31 March 2020 comprises :

	£000
Freehold	498,665
Long Leasehold	4,797
Short Leasehold	0
	<b>503,462</b>

Valuers 'material uncertainty', in valuation. The disclosure relates to the materiality in the valuation report not that of the underlying account.

0

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

### Disclosures:

#### (i) Donated Assets

Donated tangible asset additions during 2020-21 included schemes funded by:

- Betsi Cadwaladr University Health Board and Other Related Charities - £480,000
- Other hospital based voluntary bodies - £323,000
- Department of Health - £782,000

#### (ii) Valuations

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

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

#### (iii) Asset Lives

Property, plant and equipment is depreciated using the following asset lives:

- Land is not depreciated.
- Buildings as determined by the Valuation Office Agency.
- Equipment between 5-15 years.

#### (iv) Compensation

The Health Board did not receive any compensation from third parties for assets impaired, lost or given up during the year.

#### (v) Write Downs

There were no write downs of capital assets during the year.

#### (vi) Open Market Value

The Health Board does not hold any property where the value is considered to be materially different from its open market value.

#### (vii) Assets Held for Sale or sold in the period.

The balance of £185,000 on Note 11.2 non-current assets held for sale at 31st March 2021 relates to Flint Community Hospital. The Health Board did not hold any non-current assets for sale at 31st March 2020.

**11. Property, plant and equipment**

11.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance brought forward 1 April 2020</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the year	185	0	0	0	0	185
Revaluation	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2021</b>	<u>185</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>185</u>
<b>Balance brought forward 1 April 2019</b>	38	0	0	0	0	38
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the year	(38)	0	0	0	0	(38)
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance carried forward 31 March 2020</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The non-current assets held for sale balance of £185,000 as at 31st March 2021 relates to Flint Community Hospital which will be disposed during 2021-22.

## 12. Intangible non-current assets

### 2020-21

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2020</b>	<b>4,236</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,236</b>
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	95	0	0	0	0	0	95
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	5	0	0	0	0	0	5
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	(22)	0	0	0	0	0	(22)
<b>Gross cost at 31 March 2021</b>	<b>4,314</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,314</b>
<b>Amortisation at 1 April 2020</b>	<b>3,210</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,210</b>
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	278	0	0	0	0	0	278
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(22)	0	0	0	0	0	(22)
<b>Amortisation at 31 March 2021</b>	<b>3,466</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,466</b>
<b>Net book value at 1 April 2020</b>	<b>1,026</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,026</b>
<b>Net book value at 31 March 2021</b>	<b>848</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>848</b>
<b>At 31 March 2021</b>							
Purchased	805	0	0	0	0	0	805
Donated	43	0	0	0	0	0	43
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2021</b>	<b>848</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>848</b>

## 12. Intangible non-current assets 2019-20

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2019</b>	3,881	0	0	0	0	0	<b>3,881</b>
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Additions- purchased	677	0	0	0	0	0	<b>677</b>
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	46	0	0	0	0	0	<b>46</b>
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	(368)	0	0	0	0	0	<b>(368)</b>
<b>Gross cost at 31 March 2020</b>	<b>4,236</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,236</b>
<b>Amortisation at 1 April 2019</b>	3,220	0	0	0	0	0	<b>3,220</b>
Revaluation	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Provided during the year	358	0	0	0	0	0	<b>358</b>
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	(368)	0	0	0	0	0	<b>(368)</b>
<b>Amortisation at 31 March 2020</b>	<b>3,210</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,210</b>
<b>Net book value at 1 April 2019</b>	<b>661</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>661</b>
<b>Net book value at 31 March 2020</b>	<b>1,026</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,026</b>
<b>At 31 March 2020</b>							
Purchased	972	0	0	0	0	0	<b>972</b>
Donated	54	0	0	0	0	0	<b>54</b>
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2020</b>	<b>1,026</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,026</b>

**Additional Disclosures re Intangible Assets**

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

- (i) Software intangible assets are amortised over a standard life of five years, subject to an annual review by the relevant department. The Health Board does not hold any intangible non-current assets where the useful lives are considered to be indefinite;
- (ii) The gross carrying amount of fully depreciated intangible assets still in use as at 31st March 2021 was £2,971,000 (31st March 2020 £2,830,000).
- (iii) Donated intangible asset additions of £5,000 during 2020-21 were funded by Betsi Cadwaladr University Health Board and Other Related Charities.

### 13 . Impairments

	2020-21		2019-20	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :				
Loss or damage from normal operations	0	0	0	0
Abandonment in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	506	0	51,253	0
Others (specify)	0	0	0	0
Reversal of Impairments	(3,662)	0	(2,541)	0
<b>Total of all impairments</b>	<b>(3,156)</b>	<b>0</b>	<b>48,712</b>	<b>0</b>
<b>Analysis of impairments charged to reserves in year :</b>				
Charged to the Statement of Comprehensive Net Expenditure	(3,156)	0	48,712	0
Charged to Revaluation Reserve	0	0	0	0
	<b>(3,156)</b>	<b>0</b>	<b>48,712</b>	<b>0</b>

Impairments charged to the Statement of Comprehensive Net Expenditure during 2020-21 were conducted by the District Valuer in accordance with the requirements of IFRS.

#### Analysis of impairments during 2020-21

	£000
Impairment on revaluation of Flint Community Hospital transferred to Assets Held for Sale as due for disposal	82
Impact of 2% decrease in indexation on land during 2020-21	424
Reversal of impairments previously charged to SoCNE due to 3% increase in indexation on buildings and dwellings	(3,662)
	<b>(3,156)</b>

**14.1 Inventories**

	<b>31 March</b>	31 March
	<b>2021</b>	2020
	<b>£000</b>	£000
Drugs	<b>8,472</b>	7,850
Consumables	<b>9,664</b>	9,277
Energy	<b>213</b>	245
Work in progress	<b>0</b>	0
Other	<b>16</b>	30
<b>Total</b>	<b>18,365</b>	17,402
Of which held at realisable value	<b>0</b>	0

**14.2 Inventories recognised in expenses**

	<b>31 March</b>	31 March
	<b>2021</b>	2020
	<b>£000</b>	£000
Inventories recognised as an expense in the period	<b>0</b>	0
Write-down of inventories (including losses)	<b>0</b>	0
Reversal of write-downs that reduced the expense	<b>0</b>	0
<b>Total</b>	<b>0</b>	<b>0</b>

Welsh Government requires additional disclosures to be made in Note 14.2 where an NHS organisation purchase inventories for resale. The Health Board does not routinely sell inventories to third parties and is not therefore required to complete this note.

**Covid 19 stock**

In the context of a challenging global market for Personal Protective Equipment (PPE) and other consumables, Welsh Government established the NHS Wales Support Services Partnership (NWSSP) as a centralised response team to oversee national requirements during the Covid-19 pandemic.

NWSSP provided the Health Board with a significant quantity of consumables stock at nil cost, the value of which has been included in Note 4 Miscellaneous Income with corresponding expenditure in the Supplies and services - clinical line of Note 3.3 Expenditure on Hospital and Community Health Services. Further information is provided in a footnote to Note 4 on page 30.

As at 31st March 2021, the Health Board held £443,000 of PPE stock which is included in the consumables stock figure of Note 14.1. This included stock held in the Health Board's existing hospitals as well as three Field Hospitals, Mass Vaccination Centres and Covid-19 hub stores.

## 15. Trade and other Receivables

<b>Current</b>	<b>31 March 2021 £000</b>	31 March 2020 £000
Welsh Government	2,628	6,999
WHSSC / EASC	4,688	2,051
Welsh Health Boards	769	594
Welsh NHS Trusts	2,953	1,983
Health Education and Improvement Wales (HEIW)	462	66
Non - Welsh Trusts	0	0
Other NHS	2,341	4,330
2019-20 Scheme Pays - Welsh Government Reimbursement	0	0
<b>Welsh Risk Pool Claim reimbursement</b>		
NHS Wales Secondary Health Sector	45,827	47,596
NHS Wales Primary Sector FLS Reimbursement	3	0
NHS Wales Redress	414	481
Other	0	0
Local Authorities	7,953	5,331
Capital debtors - Tangible	0	0
Capital debtors - Intangible	0	0
Other debtors	6,820	7,436
Provision for irrecoverable debts	(2,237)	(3,024)
Pension Prepayments NHS Pensions	0	0
Pension Prepayments NEST	0	0
Other prepayments	3,288	3,663
Other accrued income	1,345	2,160
<b>Sub total</b>	<b>77,254</b>	<b>79,666</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
2019-20 Scheme Pays - Welsh Government Reimbursement	0	0
<b>Welsh Risk Pool Claim reimbursement;</b>		
NHS Wales Secondary Health Sector	30,522	48,507
NHS Wales Primary Sector FLS Reimbursement	0	0
NHS Wales Redress	0	0
Other	0	0
Local Authorities	0	0
Capital debtors - Tangible	0	0
Capital debtors - Intangible	0	0
Other debtors	0	0
Provision for irrecoverable debts	(288)	(371)
Pension Prepayments NHS Pensions	0	0
Pension Prepayments NEST	0	0
Other prepayments	56	685
Other accrued income	2,757	2,675
<b>Sub total</b>	<b>33,047</b>	<b>51,496</b>
<b>Total</b>	<b>110,301</b>	<b>131,162</b>

**15. Trade and other Receivables (continued)****Receivables past their due date but not impaired**

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
By up to three months	1,019	1,978
By three to six months	1,154	693
By more than six months	1,593	1,172
	<u>3,766</u>	<u>3,843</u>

**Expected Credit Losses (ECL) / Provision for impairment of receivables**

Balance at 1 April 2020	(2,249)	(5,121)
Transfer to other NHS Wales body	0	0
Amount written off during the year	174	34
Amount recovered during the year	0	0
(Increase) / decrease in receivables impaired	(450)	2,838
Bad debts recovered during year	0	0
Balance at 31 March 2021	<u>(2,525)</u>	<u>(2,249)</u>

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

The balance as at 31st March 2021 includes £1,022,000 in respect of non invoiced receivables (2019-20 £1,146,000). Prior year figures have not been restated.

**Receivables VAT**

Trade receivables	1,973	1,049
Other	0	0
Total	<u>1,973</u>	<u>1,049</u>

## 16. Other Financial Assets

	Current		Non-current	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
<b>Financial assets</b>				
Shares and equity type investments				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
Deposits	0	0	0	0
Loans	0	0	0	0
Derivatives	0	0	0	0
Other (Specify)				
Held to maturity investments at amortised costs	0	0	0	0
At fair value through SOCNE	0	0	0	0
Available for sale at FV	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 17. Cash and cash equivalents

	2020-21 £000	2019-20 £000
Balance at 1 April 2020	3,150	3,972
Net change in cash and cash equivalent balances	92	(822)
Balance at 31 March 2021	<b>3,242</b>	<b>3,150</b>
Made up of:		
Cash held at GBS	3,180	3,050
Commercial banks	0	0
Cash in hand	62	100
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>3,242</b>	<b>3,150</b>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>3,242</b>	<b>3,150</b>

The cash and cash equivalents balance as at 31st March 2021 comprised funding for revenue expenditure of £744,000 (2019-20 £1,452,000) and funding for capital projects of £2,498,000 (2019-20 £1,698,000).

In response to additional disclosure requirements in accounting standard IAS7 - Statement of Cash Flows the changes in liabilities arising from financing activities during 2020-21 were as follows:

Lease liabilities	£	0
PFI liabilities	£	376,000

These movements relate to cash payments made during the year.

No comparative information is required by IAS7 in 2020-21.

**18. Trade and other payables**

<b>Current</b>	<b>31 March 2021 £000</b>	31 March 2020 £000
Welsh Government	19	65
WHSSC / EASC	3,101	470
Welsh Health Boards	86	485
Welsh NHS Trusts	2,326	3,262
Health Education and Improvement Wales (HEIW)	0	4
Other NHS	16,277	17,799
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	1,603	3,094
NI contributions payable to HMRC	9,837	5,380
Non-NHS payables - Revenue	18,612	27,694
Local Authorities	22,050	25,900
Capital payables- Tangible	5,816	5,118
Capital payables- Intangible	0	65
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	57	55
Pensions: staff	0	0
Non NHS Accruals	153,369	61,776
Deferred Income:		
Deferred Income brought forward	1,922	1,507
Deferred Income Additions	(19)	497
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	(90)	(82)
Other creditors	1,967	1,850
PFI assets –deferred credits	0	0
Payments on account	(14,011)	(11,306)
<b>Sub Total</b>	<b>222,922</b>	<b>143,633</b>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC / EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Health Education and Improvement Wales (HEIW)	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 payables - Revenue	0	0
Local Authorities	0	0
Capital payables- Tangible	0	0
Capital payables- Intangible	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	900	958
Pensions: staff	0	0
Non NHS Accruals	0	0
Deferred Income :		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
PFI assets –deferred credits	0	0
Payments on account	0	0
<b>Sub Total</b>	<b>900</b>	<b>958</b>
<b>Total</b>	<b>223,822</b>	<b>144,591</b>

It is intended to pay all invoices within the 30 day period directed by the Welsh Government (further information in Note 10 on page 38).

**18. Trade and other payables (continued).**

<b>Amounts falling due more than one year are expected to be settled as follows:</b>	<b>31 March</b>	31 March
	<b>2021</b>	2020
	<b>£000</b>	£000
Between one and two years	<b>121</b>	117
Between two and five years	<b>129</b>	125
In five years or more	<b>650</b>	716
Sub-total	<b>900</b>	958

**19. Other financial liabilities**

<b>Financial liabilities</b>	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>£000</b>	£000	<b>£000</b>	£000
Financial Guarantees:				
At amortised cost	<b>0</b>	0	<b>0</b>	0
At fair value through SoCNE	<b>0</b>	0	<b>0</b>	0
Derivatives at fair value through SoCNE	<b>0</b>	0	<b>0</b>	0
Other:				
At amortised cost	<b>0</b>	0	<b>0</b>	0
At fair value through SoCNE	<b>0</b>	0	<b>0</b>	0
<b>Total</b>	<b>0</b>	0	<b>0</b>	0

20. Provisions

	At 1 April 2020	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 2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence:-									
Secondary care	37,234	(11,774)	(1,236)	3,062	21,050	(15,909)	(4,056)	0	28,371
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	284	0	(86)	0	456	(295)	(93)	0	266
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	838	0	0	369	431	(644)	(523)	0	471
All other losses and special payments	1	0	(1,325)	0	3,027	(628)	(8)	0	1,067
Defence legal fees and other administration	1,215	0	0	251	1,435	(1,026)	(463)		1,412
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	155			155	0	(155)	0	0	155
2019-20 Scheme Pays - Reimbursement	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	7,119		0	0	5,616	(1,860)	(884)		9,991
<b>Total</b>	<b>46,846</b>	<b>(11,774)</b>	<b>(2,647)</b>	<b>3,837</b>	<b>32,015</b>	<b>(20,517)</b>	<b>(6,027)</b>	<b>0</b>	<b>41,733</b>
<b>Non Current</b>									
Clinical negligence:-									
Secondary care	46,408	(9,566)	(403)	(3,062)	9,901	(9,665)	(4,192)	0	29,421
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	4,056	0	0	(369)	226	0	(11)	(22)	3,880
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	648	0	0	(251)	782	(329)	(50)		800
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	237			(155)	93	0	(2)	(2)	171
2019-20 Scheme Pays - Reimbursement	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>51,349</b>	<b>(9,566)</b>	<b>(403)</b>	<b>(3,837)</b>	<b>11,002</b>	<b>(9,994)</b>	<b>(4,255)</b>	<b>(24)</b>	<b>34,272</b>
<b>TOTAL</b>									
Clinical negligence:-									
Secondary care	83,642	(21,340)	(1,639)	0	30,951	(25,574)	(8,248)	0	57,792
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	284	0	(86)	0	456	(295)	(93)	0	266
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	4,894	0	0	0	657	(644)	(534)	(22)	4,351
All other losses and special payments	1	0	(1,325)	0	3,027	(628)	(8)	0	1,067
Defence legal fees and other administration	1,863	0	0	0	2,217	(1,355)	(513)		2,212
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	392			0	93	(155)	(2)	(2)	326
2019-20 Scheme Pays - Reimbursement	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	7,119		0	0	5,616	(1,860)	(884)		9,991
<b>Total</b>	<b>98,195</b>	<b>(21,340)</b>	<b>(3,050)</b>	<b>0</b>	<b>43,017</b>	<b>(30,511)</b>	<b>(10,282)</b>	<b>(24)</b>	<b>76,005</b>

Expected timing of cash flows:

	In year to 31 March 2022	Between 1 April 2022 and 31 March 2026	Thereafter	Total
				£000
Clinical negligence:-				
Secondary care	28,371	29,421	0	57,792
Primary care	0	0	0	0
Redress Secondary care	266	0	0	266
Redress Primary care	0	0	0	0
Personal injury	471	1,182	2,698	4,351
All other losses and special payments	1,067	0	0	1,067
Defence legal fees and other administration	1,412	800	0	2,212
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	155	163	8	326
2019-20 Scheme Pays - Reimbursement	0	0	0	0
Restructuring	0	0	0	0
Other	9,991	0	0	9,991
<b>Total</b>	<b>41,733</b>	<b>31,566</b>	<b>2,706</b>	<b>76,005</b>

Provisions included within the "Other" categories above relate to:

	£'000
Continuing Healthcare claims subject to further review	7,128
Holiday pay entitlements on overtime and additional hours	2,166
Staff regrading appeals and pay arrears	453
Relocation expenses	192
GP managed practices premises costs	52
<b>Total</b>	<b>9,991</b>

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

The "All other losses and special payments" total of £1,067,000 includes a provision of £947,000 in respect of consequential losses relating to the Health Board's occupancy of leased premises as Field Hospitals / Mass Vaccination Centres during the Covid-19 pandemic.

The expected timing of cashflows is based on best available information for each individual provision as at 31st March 2021 and may be subject to changes in future periods.

20. Provisions (continued)

	At 1 April 2019	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 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence:-									
Secondary care	27,180	(10,459)	105	16,432	21,634	(11,401)	(6,257)	0	37,234
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	502	0	0	0	358	(358)	(218)	0	284
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	1,588	0	0	310	718	(1,497)	(281)	0	838
All other losses and special payments	19	0	0	0	436	(435)	(19)	0	1
Defence legal fees and other administration	1,157	0	0	169	1,137	(773)	(475)		1,215
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	153			157	0	(155)	0	0	155
2019-20 Scheme Pays - Reimbursement	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	9,053		0	0	3,279	(4,280)	(933)		7,119
<b>Total</b>	<b>39,652</b>	<b>(10,459)</b>	<b>105</b>	<b>17,068</b>	<b>27,562</b>	<b>(18,899)</b>	<b>(8,183)</b>	<b>0</b>	<b>46,846</b>
<b>Non Current</b>									
Clinical negligence:-									
Secondary care	65,927	(1,968)	(4,950)	(16,432)	9,160	(3,261)	(2,068)	0	46,408
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	3,814	0	0	(310)	547	(7)	0	12	4,056
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	726	0	0	(169)	461	(305)	(65)		648
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	313			(157)	81	0	(1)	1	237
2019-20 Scheme Pays - Reimbursement	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	0		0	0	0	0	0		0
<b>Total</b>	<b>70,780</b>	<b>(1,968)</b>	<b>(4,950)</b>	<b>(17,068)</b>	<b>10,249</b>	<b>(3,573)</b>	<b>(2,134)</b>	<b>13</b>	<b>51,349</b>
<b>TOTAL</b>									
Clinical negligence:-									
Secondary care	93,107	(12,427)	(4,845)	0	30,794	(14,662)	(8,325)	0	83,642
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	502	0	0	0	358	(358)	(218)	0	284
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	5,402	0	0	0	1,265	(1,504)	(281)	12	4,894
All other losses and special payments	19	0	0	0	436	(435)	(19)	0	1
Defence legal fees and other administration	1,883	0	0	0	1,598	(1,078)	(540)		1,863
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	466			0	81	(155)	(1)	1	392
2019-20 Scheme Pays - Reimbursement	0			0	0	0	0	0	0
Restructuring	0			0	0	0	0	0	0
Other	9,053		0	0	3,279	(4,280)	(933)		7,119
<b>Total</b>	<b>110,432</b>	<b>(12,427)</b>	<b>(4,845)</b>	<b>0</b>	<b>37,811</b>	<b>(22,472)</b>	<b>(10,317)</b>	<b>13</b>	<b>98,195</b>

## 21. Contingencies

### 21.1 Contingent liabilities

	2020-21 £'000	2019-20 £'000
Provisions have not been made in these accounts for the following amounts :		
Legal claims for alleged medical or employer negligence:-		
Secondary care	169,143	126,695
Primary care	0	31
Redress Secondary care	0	0
Redress Primary care	0	0
Doubtful debts	0	0
Equal Pay costs	0	0
Defence costs	2,124	2,284
Continuing Health Care costs	25	439
Other	3,003	0
Total value of disputed claims	<u>174,295</u>	<u>129,449</u>
Amounts (recovered) in the event of claims being successful	<u>(170,915)</u>	<u>(125,022)</u>
<b>Net contingent liability</b>	<b><u>3,380</u></b>	<b><u>4,427</u></b>

In accordance with IAS37, the Health Board is required to disclose details of claims made against it where the financial liability, if any, cannot yet be determined. The contingent liabilities included in Note 21.1 relate to legal claims for alleged negligence (net of amounts recoverable from the Welsh Risk Pool in the event of claims being successful), Continuing Health Care costs and Pensions tax annual allowance - Scheme Pays arrangements 2019-20 (net of amounts recoverable from Welsh Government).

#### Pensions tax annual allowance – Scheme Pays arrangements 2019-20

In accordance with a Ministerial Direction issued on 18th December 2019, the Welsh Government have taken action to support circumstances where pensions tax rules are impacting upon clinical staff who want to work additional hours, and have determined that:

clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement.

Welsh Government, on behalf of Betsi Cadwaladr University LHB, will pay the members who opt for reimbursement of their pension, a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction.

This scheme will be funded directly by the Welsh Government to the NHS Business Services Authority Pension Division, the administrators on behalf of the Welsh claimants.

Clinical staff have until 31st March 2022 to opt for this scheme and the ability to make changes up to 31st July 2026.

At the date of approval of these accounts, there was insufficient data of take-up of the scheme by the Welsh clinical staff to enable a reasonable assessment of future take up to be made. As no reliable estimate can therefore be made to support the creation of a provision at 31st March 2021, the existence of an unquantified contingent liability is instead disclosed.

Contingent liabilities of £3,003,000 relating to Scheme Pays are included in the Other line of Note 21.1 with a corresponding value in the Amounts(recovered) in the event of claims being successful line.

**21.2 Remote Contingent liabilities**

	<b>2020-21</b>	2019-20
	<b>£'000</b>	£'000
Please disclose the values of the following categories of remote contingent liabilities :		
Guarantees	<b>0</b>	0
Indemnities	<b>353</b>	6,797
Letters of Comfort	<b>0</b>	0
<b>Total</b>	<b>353</b>	<b>6,797</b>

The 2020-21 balance for remote contingent liabilities relates to 11 litigation claims (2019-20 2 claims). In the event of these claims being successful £124,000 (2019-20 £6,747,000) would be recoverable from the Welsh Risk Pool.

**21.3 Contingent assets**

	<b>2020-21</b>	2019-20
	<b>£'000</b>	£'000
The Health Board did not hold any contingent assets at the balance sheet date	<b>0</b>	0
	<b>0</b>	0
	<b>0</b>	0
<b>Total</b>	<b>0</b>	<b>0</b>

**22. Capital commitments**

**Contracted capital commitments at 31 March**

	<b>2020-21</b>	2019-20
	<b>£'000</b>	£'000
Property, plant and equipment	<b>3,524</b>	10,299
Intangible assets	<b>271</b>	0
<b>Total</b>	<b>3,795</b>	<b>10,299</b>

**Capital commitments as at 31 March 2021 related to the following schemes:**

- Patient Administration Systems (PAS)
- Substance Misuse - Holyhead, Anglesey
- Substance Misuse - Shotton, Flintshire
- North Denbighshire Community Hospital, Rhyl
- Emergency Department Clinical Information Management Solutions (EDCIMS)
- Central Denbighshire (Ruthin and Denbigh Hospitals) Primary Care Centre
- Wrexham Continuity Programme

### 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 2021	
	Number	£
Clinical negligence	155	25,658,819
Personal injury	56	643,750
All other losses and special payments	491	627,906
<b>Total</b>	<b>702</b>	<b>26,930,474</b>

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

Cases where cumulative amount exceeds £300,000	Number	Case type	Amounts	
			paid out in year	Cumulative amount
			£	£
	02RT9PI0004	Personal Injury	28,793	411,367
	03RT8PI0015	Personal Injury	23,047	350,034
	04RT9PI0001	Personal Injury	19,224	309,689
	06RT9MN0022	Clinical Negligence	135,000	2,485,000
	09RT8MN0015	Clinical Negligence	0	5,675,000
	09RT8MN0039	Clinical Negligence	0	1,153,000
	10RT9MN0034	Clinical Negligence	705,000	765,000
	117A1MN0019	Clinical Negligence	847,304	998,304
	117A1MN0038	Clinical Negligence	0	306,000
	117A1MN0052	Clinical Negligence	135,000	3,136,037
	11RT8MN0019	Clinical Negligence	457,800	457,800
	127A1MN0023	Clinical Negligence	30,000	807,500
	127A1MN0030	Clinical Negligence	6,513,797	7,633,797
	127A1MN0103	Clinical Negligence	175,000	335,000
	127A1MN0107	Clinical Negligence	200,000	330,000
	147A1MN0009	Clinical Negligence	290,000	657,500
	147A1MN0038	Clinical Negligence	0	373,297
	147A1MN0064	Clinical Negligence	0	2,695,000
	147A1MN0215	Clinical Negligence	4,884,953	5,345,297
	157A1MN0023	Clinical Negligence	2,436,346	2,877,013
	157A1MN0101	Clinical Negligence	376,261	386,261
	157A1MN0149	Clinical Negligence	0	350,600
	157A1MN0205	Clinical Negligence	0	371,500
	157A1MN0273	Clinical Negligence	1,410,700	1,465,988
	167A1MN0103	Clinical Negligence	0	1,035,541
	177A1MN0018	Clinical Negligence	0	417,500
	177A1MN0043	Clinical Negligence	0	851,758
	177A1MN0090	Clinical Negligence	0	1,380,000
	177A1MN0274	Clinical Negligence	345,000	375,000
	177A1MN0276	Clinical Negligence	1,030,000	1,030,000
	177A1PI0025	Personal Injury	4,664	624,961
	177A1PI0068	Personal Injury	38,038	305,693
			0	0
			0	0
			0	0
			0	0
			0	0
			0	0
			0	0
			0	0
<b>Sub-total</b>	<b>32</b>		<b>20,085,927</b>	<b>45,696,437</b>
<b>All other cases</b>	<b>670</b>		<b>6,844,547</b>	<b>14,968,674</b>
<b>Total cases</b>	<b>702</b>		<b>26,930,474</b>	<b>60,665,111</b>

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

The Health Board did not hold any finance lease obligations as a lessee at the balance sheet date.

**Amounts payable under finance leases:**

<b>Land</b>	<b>31 March 2021 £000</b>	31 March 2020 £000
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

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

<b>Buildings</b>	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**Present value of minimum lease payments**

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

**Other**

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

**Present value of minimum lease payments**

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

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

The Health Board did not hold any finance lease receivables as a lessor at the balance sheet date.

**Amounts receivable under finance leases:**

	<b>31 March</b>	31 March
	<b>2021</b>	2020
	<b>£000</b>	£000
<b>Gross Investment in leases</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
Present value of minimum lease payments	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
	<u>0</u>	<u>0</u>

## 25. Private Finance Initiative contracts

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

The Health Board did not have any PFI Schemes that were deemed to be off-statement of financial position at the balance sheet date.

Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2021 £000	31 March 2020 £000
Total payments due within one year	0	0
Total payments due between 1 and 5 years	0	0
Total payments due thereafter	0	0
Total future payments in relation to PFI contracts	<u>0</u>	<u>0</u>
Total estimated capital value of off-SoFP PFI contracts	0	0

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

Capital value of scheme included in Fixed Assets Note 11 £000  
989

Contract start date: 1 September 2004

Contract end date: 1 September 2034

The Conwy & Denbighshire NHS Trust (a legacy organisation of the Health Board) contracted with Fresenius Medical Care to build and equip a Renal Diabetic Unit at Glan Clwyd Hospital under PFI contract arrangements. Whilst Fresenius continue to have defined responsibilities for the maintenance of the Unit, the Health Board is responsible for the delivery of all clinical care and other support costs.

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

	On SoFP PFI Capital element 31 March 2021 £000	On SoFP PFI Imputed interest 31 March 2021 £000	On SoFP PFI Service charges 31 March 2021 £000
Total payments due within one year	57	33	390
Total payments due between 1 and 5 years	250	112	1,709
Total payments due thereafter	650	110	4,899
Total future payments in relation to PFI contracts	<u>957</u>	<u>255</u>	<u>6,998</u>

	On SoFP PFI Capital element 31 March 2020 £000	On SoFP PFI Imputed interest 31 March 2020 £000	On SoFP PFI Service charges 31 March 2020 £000
Total payments due within one year	55	35	364
Total payments due between 1 and 5 years	242	120	1,598
Total payments due thereafter	716	135	5,193
Total future payments in relation to PFI contracts	<u>1,013</u>	<u>290</u>	<u>7,155</u>

31 March 2021  
£000  
Total present value of obligations for on-SoFP PFI contracts 6,549

**25.3 Charges to expenditure**

	2020-21	2019-20
	£000	£000
Service charges for On Statement of Financial Position PFI contracts (excl interest costs)	376	351
Total expense for Off Statement of Financial Position PFI contracts	0	0
The total charged in the year to expenditure in respect of PFI contracts	<u>376</u>	<u>351</u>

The LHB is committed to the following annual charges

	31 March 2021	31 March 2020
	£000	£000
<b>PFI scheme expiry date:</b>		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	376	351
<b>Total</b>	<u>376</u>	<u>351</u>

The estimated annual payments in future years will vary from those which the Health Board 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
	<b>On / Off- statement of financial position</b>	
<b>PFI Contract</b>		
Number of PFI contracts which individually have a total commitment > £500m	0	
<b>PFI Contract</b>	On	

**25.5 The Health Board did not have any Public Private Partnerships during the year**

## **26. Financial risk management**

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

The Health Board is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply.

The Health Board has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Health Board in undertaking its activities.

### **Currency risk**

The Health Board is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the United Kingdom and sterling based. The Health Board does not have any overseas operations. The Health Board therefore has low exposure to currency rate fluctuations.

### **Interest rate risk**

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

### **Credit risk**

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

### **Liquidity risk**

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

**27. Movements in working capital**

	<b>2020-21</b>	2019-20
	<b>£000</b>	£000
(Increase)/decrease in inventories	<b>(963)</b>	(1,325)
(Increase)/decrease in trade and other receivables - non-current	<b>18,449</b>	17,867
(Increase)/decrease in trade and other receivables - current	<b>2,412</b>	(13,263)
Increase/(decrease) in trade and other payables - non-current	<b>(58)</b>	(55)
Increase/(decrease) in trade and other payables - current	<b>79,289</b>	2,218
<b>Total</b>	<b>99,129</b>	5,442
Adjustment for accrual movements in fixed assets - creditors	<b>(633)</b>	1,297
Adjustment for accrual movements in fixed assets - debtors	<b>0</b>	0
Other adjustments	<b>16,670</b>	0
	<b>115,166</b>	6,739

**28. Other cash flow adjustments**

	<b>2020-21</b>	2019-20
	<b>£000</b>	£000
Depreciation	<b>34,635</b>	32,899
Amortisation	<b>278</b>	358
(Gains)/Loss on Disposal	<b>34</b>	(19)
Impairments and reversals	<b>(3,156)</b>	48,712
Release of PFI deferred credits	<b>0</b>	0
NWSSP Covid assets issued debited to expenditure but non-cash	<b>0</b>	0
Covid assets received credited to revenue but non-cash	<b>(15,740)</b>	0
Donated assets received credited to revenue but non-cash	<b>(808)</b>	(1,591)
Government Grant assets received credited to revenue but non-cash	<b>(1,712)</b>	0
Non-cash movements in provisions	<b>8,321</b>	10,235
Other movements	<b>33,693</b>	31,627
<b>Total</b>	<b>55,545</b>	122,221

Other movements of £33,693,000 in Note 28 Other cash flow adjustments (2019-20 £31,627,000) relate to notional expenditure for additional staff employer pension contributions. Further information is provided in Note 34.1 on page 71

Other adjustments of £16,670,000 in Note 27 Movements in working capital include Covid centrally purchased assets provided to the Health Board at no cost by NWSSP (£15,740,000) and DHSC (£930,000).

## 29. Events after the Reporting Period

### Field Hospitals / Mass Vaccination Centres

In March 2021 the Health Board announced that the three Field Hospitals at Ysbyty Enfys Deeside, Ysbyty Enfys Llandudno and Ysbyty Enfys Bangor would continue to be used as Mass Vaccination Centres into the 2021-22 financial year. Decommissioning at Bangor is currently planned to commence from 31st May 2021 with decommissioning at Llandudno and Deeside taking place from 31st July 2021. Once these sites have been returned to their owners the vaccination programme will continue to be provided through the Health Board's network of Local Vaccination Centres.

The estimated costs of decommissioning these sites along with consequential losses arising from their occupancy have been recognised in full in the 2020-21 annual accounts and funded by Welsh Government (Note 34.2 on page 72).

### Covid-19 consequential losses approvals

The Health Board has incurred consequential losses with third parties as a result of its occupancy of premises as Field Hospitals and Mass Vaccination Centres during the Covid-19 pandemic. These losses, including remaining amounts expected to be paid during 2021-22 have been fully recognised in the 2020-21 annual accounts. The Chief Executive NHS Wales approved payment of losses totalling £101,000 to two parties during May 2021.

### Financial statements authorised for issue date

These financial statements were authorised for issue by the Chief Executive and Accountable Officer on 15th June 2021 the date they were certified by the Auditor General for Wales

### 30. Related Party Transactions

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

Health Bodies and Welsh Government	Expenditure with related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government	197	1,714,589	19	2,628
Aneurin Bevan LHB	81	566	17	462
Cardiff & Vale University LHB	2,412	243	1,566	141
Cwm Taf Morgannwg LHB	137	36	14	(11)
Health Education and Improvement Wales (HEIW)	0	15,520	0	462
Hywel Dda LHB	5,012	236	0	1
Powys LHB	481	3,603	31	114
Public Health Wales NHS Trust	5,375	4,161	184	821
Swansea Bay University LHB	214	362	9	62
Velindre NHS Trust	35,669	4,775	2,121	2,029
Welsh Ambulance Services NHS Trust	5,827	389	84	103
Welsh Risk Pool	0	0	0	76,766
WHSSC / EASC	189,601	44,248	3,101	4,688
<b>Total</b>	<b>245,006</b>	<b>1,788,728</b>	<b>7,146</b>	<b>88,266</b>

Other Organisations	Expenditure with related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Conwy County Borough Council	9,948	1,619	4,870	644
Denbighshire County Council	9,096	4,110	3,494	2,104
Flintshire County Council	17,302	2,715	6,477	1,322
Gwynedd County Council	11,120	1,571	2,329	653
Isle of Anglesey Council	6,416	1,440	2,806	475
Wrexham County Borough Council	9,159	3,912	2,040	2,730
Other Welsh Local Authorities (Including Police & Crime Commissioners and Fire Authorities)	462	292	34	25
<b>Total</b>	<b>63,503</b>	<b>15,659</b>	<b>22,050</b>	<b>7,953</b>

#### Charitable Funds

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

The Health Board received revenue and capital grants totalling £1,818,000 from the charitable fund during the year (2019-20 £2,184,000).

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

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

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

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

The following tables details all interests declared by Board Members during the 2020-21 financial year including any material transactions with related parties.

Name	Details of positions held during the financial year (or part thereof)	Dates positions held	Declarations made
<b>Directors / Executive Directors</b>			
S Dean	Interim Chief Executive	01.04.20 - 31.08.20	Seconded civil servant employed by Welsh Government.
Prof A Guha	Interim Executive Medical Director	21.09.20 - 31.03.21	Chair of the Wirral Asian Association, that promotes the culture and heritage of people of Asian heritage. The Charity also works for the community at large. Sits on a number of key committees at Health Technology Assessment Wales, All Wales Medical Strategy Group and Health Education and Improvement Wales.
L Singleton	Acting Associate Board Member Director of Mental Health & Learning Disabilities	01.04.20 - 01.06.20	Husband is the owner of Gwynedd Forklifts and GFL Access.
D Sharp	Acting Board Secretary	01.04.20 - 10.01.21	Partner is employed by Mold Town Council as Town Clerk and Financial Officer.
A Thomas	Executive Director of Therapies and Health Sciences	01.04.20 - 31.03.21	Spouse is employed by Boots UK as an Accuracy Checking Technician. Son is employed by the Health Board.
<b>Independent Members</b>			
M Polin OBE QPM	Chair	01.04.20 - 31.03.21	Spouse is employed by the Health Board as a Health Visitor.
L J Reid	Independent Member and Vice Chair	01.04.20 - 31.03.21	Committee Chair for the Primary Care Appeals Service of NHS Resolution. Employed by regulatory body, Care Quality Commission as a Special Advisor. Justice of the Peace for HMCTS, North Wales Central. Director of Anakrisis Ltd which provides specialist training and advisory services to NHS England Married to a GP in Denbighshire.
Prof N Callow	Independent Member	01.04.20 - 31.03.21	Pro Vice-Chancellor Learning and Teaching and Head of College of Human Sciences, Bangor University
Cllr C Carlisle	Independent Member	01.04.20 - 31.03.21	County Councillor, Conwy County Borough Council. Cabinet Member for Children, Families and Safeguarding, Conwy County Borough Council. Member of the Child Adoption Panel, Conwy County Borough Council.
J Cunliffe	Independent Member	01.04.20 - 31.03.21	Director of Abernet Ltd. Member of the Joint Audit Committee, North Wales Police and Crime Commissioner.
J F Hughes	Independent Member	01.04.20 - 31.03.21	One daughter is employed by the Designed to Smile service in the Health Board. One daughter is employed by District Nursing teams in the Health Board. One daughter is employed by WRVS based in Ysbyty Gwynedd.
Cllr R Medwyn Hughes	Independent Member	01.04.20 - 31.03.21	Director of Meditel Limited. Local Authority member, Gwynedd County Council. Member of the Care Scrutiny Committee and the Audit and Governance Committee at Gwynedd County Council. Bangor City Councillor.
H E Jones	Independent Member	01.04.20 - 31.03.21	Member of Gwynedd Pension Board. Justice of the Peace for North West Wales bench. Member of Adra (Tai) Cyfyngedig/Housing
L Meadows	Independent Member	01.04.20 - 31.03.21	Trustee of Wirral Hospice St John's, in a voluntary capacity.
L Tomos CBE	Independent Member	22.10.20 - 31.03.21	Trustee and Board Member, Books Council of Wales
H Wilkinson	Independent Member	01.04.20 - 23.11.20	Chief Executive, Denbighshire Voluntary Services Council. Wales Committee Member of the National Lottery Community Fund.
<b>Associate Board Members</b>			
M Edwards	Associate Board Member	01.04.20 - 31.03.21	Corporate Director and Statutory Director of Social Services at Gwynedd Council. Lead Director for ADSS Cymru on the Welsh Language. Member of the Welsh Language Partnership Board. Chair of the Regional Integrated Commissioning Board. Member of the Regional Partnership Board.
G Evans	Associate Board Member	01.04.20 - 31.03.21	Member of the Welsh Therapy Advisory Committee (WTAC). Member of the National Joint Professional Advisory Committee. Spouse is employed by the Health Board.
Ff Williams	Associate Board Member	01.04.20 - 31.03.21	Chief Executive of Adra (Tai) Cyfyngedig/Housing Association.

No other Health Board members who served during the 2020-21 financial year disclosed any related party interests.

Material transactions between the Health Board and related parties during 2020-21 were as follows (unless already reported on page 66).	Expenditure with related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Adra	2	0	0	0
Bangor University	1,052	791	227	259
Boots the Chemist	3,491	0	0	0
Denbighshire Voluntary Services Council	45	0	0	0
Gwynedd Forklifts	1	0	0	0

### 31. Third Party assets

As at 31st March 2021, the Health Board held £225,031 cash at bank and in hand on behalf of third parties (31st March 2020 £272,827) comprising:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£</b>	<b>£</b>
Monies held on behalf of patients - savings accounts	70,313	98,396
Monies held on behalf of patients - current accounts and cash in hand	118,918	113,350
Deposits for staff residential accommodation	35,800	45,900
Monies held on behalf of Glan Clwyd Hospital League of Friends	0	15,181
	<u>225,031</u>	<u>272,827</u>

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

The Health Board also holds a quantity of consignment stock that remains the property of suppliers until it is used and is therefore considered as a third party asset. The value of consignment stock as at 31st March 2021 was £2,731,248 (2019-20 £2,857,997).

## 32. Pooled budgets

The Health Board has entered into five pooled budget arrangements which are governed by the NHS (Wales) Act 2006:

- North East Wales Community Equipment Service - hosted by Flintshire County Council
- Denbighshire Community Equipment Service - hosted by Denbighshire County Council
- Denbighshire Health and Social Care Support Workers Service - hosted by Denbighshire County Council
- Bryn-y-Neuadd Community Equipment Store - hosted by Betsi Cadwaladr University Local Health Board
- North Wales Older People Accommodation Pooled Budget - hosted by Denbighshire County Council

The financial arrangements for each of these five agreements are subject to partner organisations normal annual auditing requirements with each host body being responsible for the audit of the accounts of individual arrangements in accordance with their statutory audit requirements.

Memorandum notes on pages 74-76 of these accounts provide details of the joint income and expenditure transactions for each of these arrangements.

### **Integrated Care Fund**

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

Regional Partnership Boards (RPBs) lead on the planning, allocations, monitoring and Welsh Government reporting of the funds across health services, social services, housing and third independent sector to ensure delivery which maximises outcomes for the use of the resource. This delivery mechanism provides assurance that the objectives for the use of this fund are met as outlined in Welsh Government guidance.

The RPBs have further established Programme Boards to monitor measurable performance outcomes and financial returns using results based accountability (outcome) methodologies. Linked with this RPB structure the Health Board's Area Directors have also established ICF/ISB Lead Groups at a local health economy level to ensure that the decisions, interventions and investments are delivered at a local level. These ISBs include representation from the health sector, local authorities, ambulance and fire services and voluntary bodies.

Total ICF funding, including Winter Planning Allocations, allocated through the North Wales Regional Partnership Boards for 2020-21 was £25.8m (2019-20 £26.10m) of revenue funding plus ICF capital grant funding of £9.4m (2019-20 £8.20m). These funding flows are managed through the Health Board's Statement of Comprehensive Net Expenditure and reported in Note 3.3 Expenditure on Hospital and Community Health Services and Note 4 Miscellaneous Income.

### 33. Operating segments

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

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

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

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

<b>Area Teams - Operating Costs less Miscellaneous Income</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Area Teams *	720,381	637,320
Commissioner Contracts *	215,606	205,188
Provider Income	(16,811)	(20,755)
<b>Total Area Teams</b>	<b>919,176</b>	<b>821,753</b>
<b>Secondary Care - Operating Costs less Miscellaneous Income</b>		
Secondary Care - District Hospital Services *	350,097	332,145
North Wales Hospital Services	108,176	102,539
Womens Services	42,075	39,126
<b>Total Secondary Care</b>	<b>500,348</b>	<b>473,810</b>
<b>Mental Health &amp; Learning Disabilities</b>	<b>139,040</b>	<b>126,630</b>
<b>Corporate Functions and Other Expenditure *</b>	<b>185,982</b>	<b>126,636</b>
<b>6.3% Staff employer pension contributions notional expenditure (See Note 34.1)</b>	<b>33,693</b>	<b>31,627</b>
<b>Depreciation, Impairments and Finance Costs</b>	<b>32,574</b>	<b>82,006</b>
<b>Donated/Granted Capital Income</b>	<b>(1,590)</b>	<b>(1,591)</b>
<b>(Profit)/Loss on disposal of capital assets</b>	<b>34</b>	<b>(19)</b>
<b>Operating Costs sub-total</b>	<b>1,809,257</b>	<b>1,660,852</b>
<b>Revenue Resource Limit</b>	<b>1,809,747</b>	<b>1,622,156</b>
<b>Under/(over) spend against Revenue Resource Limit</b>	<b>490</b>	<b>(38,696)</b>

\* Operating segments which meet the standard criteria for reporting as per par 1.425 of the Welsh Government Manual for Accounts 2020-21.

**34. Other Information****34.1. 6.3% Staff Employer Pension Contributions - Notional Element**

The value of notional transactions is based on estimated costs for the twelve month period 1st April 2020 to 31st March 2021. This has been calculated from actual Welsh Government expenditure for the 6.3% staff employer pension contributions between April 2020 and February 2021 alongside Health Board data for March 2021.

Transactions include notional expenditure in relation to the 6.3% paid to NHS BSA by Welsh Government and notional funding to cover that expenditure as follows:

	<b>2020-21</b>
	<b>£000</b>
<b>Statement of Comprehensive Net Expenditure for the year ended 31 March 2021</b>	
Expenditure on Primary Healthcare Services	907
Expenditure on healthcare from other providers	5
Expenditure on Hospital and Community Health Services	32,781
<b>Statement of Changes in Taxpayers' Equity For the year ended 31 March 2021</b>	
Net operating cost for the year	33,693
Notional Welsh Government Funding	33,693
<b>Statement of Cash Flows for year ended 31 March 2021</b>	
Net operating cost for the financial year	33,693
Other cash flow adjustments	33,693
<b>2.1 Revenue Resource Performance</b>	
Revenue Resource Allocation	33,693
<b>3. Analysis of gross operating costs</b>	
<b>3.1 Expenditure on Primary Healthcare Services</b>	
General Medical Services	845
Pharmaceutical Services	4
General Dental Services	17
Other Primary Health Care expenditure	41
<b>3.2 Expenditure on healthcare from other providers</b>	
Continuing Care	5
<b>3.3 Expenditure on Hospital and Community Health Services</b>	
Directors' costs	68
Staff costs	32,713
<b>9.1 Employee costs</b>	
<b>Permanent Staff</b>	
Employer contributions to NHS Pension Scheme	33,693
Charged to capital	0
Charged to revenue	33,693
<b>18. Trade and other payables</b>	
<b>Current</b>	
Pensions: staff	0
<b>28. Other cash flow adjustments</b>	
Other movements	33,693

**34. Other Information (continued)****34.2. Other (continued)****Welsh Government Covid 19 Funding**

	<b>2020-21</b>
	<b>£000</b>
<b>Capital</b>	
Capital Funding Field Hospitals	18
Capital Funding Equipment & Works	9,478
Capital Funding other (Specify)	0

**Welsh Government Covid 19 Capital Funding****9,496****Revenue**

Sustainability Funding	66,100
C-19 Pay Costs Q1 (Future Quarters covered by SF)	5,379
Field Hospital (Set Up Costs, Decommissioning & Consequential losses)	23,819
PPE (including All Wales Equipment via NWSSP)	5,581
TTP- Testing & Sampling - Pay & Non Pay	1,570
TTP - NHS & LA Tracing - Pay & Non Pay	6,251
Vaccination - Extended Flu Programme	1,097
Vaccination - COVID-19	5,544
Bonus Payment	20,778
Annual Leave Accrual - Increase due to Covid	20,200
Urgent & Emergency Care	4,078
Support for Adult Social Care Providers	5,663
Hospices	0
Independent Health Sector	0
Mental Health	1,176
Other Primary Care	2,038
Other	3,792

**Welsh Government Covid 19 Revenue Funding****173,066**

The Health Board received £58,000 of Welsh Government Covid-19 Revenue funding as miscellaneous income, which is included in Note 4 on page 30. All other income detailed above was received through the Health Board's Revenue and Capital Resource Allocations.

Additional Covid-19 funding of £17,452,000 was received in the form of capital assets, minor equipment and consumables provided to the Health Board at no cost as follows:

£ 8,410,000 consumables provided by NWSSP
£ 7,330,000 revenue equipment provided by NWSSP
£ 930,000 revenue equipment provided by the Department of Health
£ 782,000 capital equipment provided by the Department of Health

This funding is included in Note 4 Miscellaneous Income on page 30 with matching expenditure for revenue items in Note 3.3 Expenditure on Hospital and Community Health Services and for capital items in Note 11.1 Property, plant and equipment.

## 34. Other Information (continued)

### 34.3 Implementation of IFRS 16 Leases

HM Treasury agreed with the Financial Reporting Advisory Board (FRAB), to defer the implementation of IFRS 16 Leases until 1st April 2022, due to circumstances caused by Covid-19. To ease the pressure on NHS Wales Finance Departments the IFRS 16 detailed impact statement has been removed by the Welsh Government Health and Social Services Group, Finance Department.

The Health Board expects that the introduction of IFRS 16 will have a significant impact and this will be worked through for disclosure in the 2021-22 financial statements.

### Note 15 Receivables past their due date but not impaired

The Receivables past their due date but not impaired footnote to Note 15 analyses outstanding unimpaired invoices at the balance sheet date by age category. All invoices generated by the Health Board are subject to thirty day payment terms and any invoices which were thirty days old, or less, at the balance sheet date are therefore excluded from this footnote.

The total value of outstanding invoices included in Note 15 as at 31st March 2021 was £10,985,000 (31st March 2020 £13,020,000) of which £5,955,000 (31st March 2020 £7,534,000) had not yet passed their due date and were therefore excluded from the calculation. Of the remaining balance £1,264,000 (31st March 2020 £1,643,000) of invoices had been either partly or fully impaired resulting in a remaining balance of £3,766,000 which were past their due date but not impaired (31st March 2020 £3,843,000).

### Welsh Government Joint Escalation and Intervention Arrangements

Under the Welsh Government's Joint Escalation and Intervention Arrangements, officials meet with Audit Wales and Healthcare Inspectorate Wales twice a year to discuss the overall position of each Health Board and NHS Trust in respect of quality, service performance and financial management. A wide range of information and intelligence is considered to identify any issues and inform the assessment which has four escalation levels:

- Routine arrangements
- Enhanced monitoring
- Targeted intervention
- Special measures

Following a special tripartite meeting in November 2020, the Minister for Health and Social Services received advice from the Chief Executive of NHS Wales that the escalation status of Betsi Cadwaladr University Health Board should change. On the 24th November 2020, the Minister issued a written statement announcing that the Health Board would come out of special measures with immediate effect and would move to Targeted Intervention status.

On 3rd March 2021 the Minister published a Targeted Intervention framework for the Health Board detailing requirements in four key areas: mental health, strategy, planning and performance, leadership and engagement. These areas align with the recommendations from the tripartite meeting held in November 2020 and a maturity matrix approach has been agreed to track and evidence improvement with a number of actions already planned or underway.

The Minister reiterated that targeted intervention remains a heightened level of escalation that will require significant action on the part of the Health Board, and this will be accompanied by a level of continued oversight from Welsh Government officials.

Copies of the Minister for Health and Social Services full statements are available on the Welsh Government website at:

[www.gov.wales/betsi-cadwaladr-university-health-board-taken-out-special-measures](http://www.gov.wales/betsi-cadwaladr-university-health-board-taken-out-special-measures)

<https://gov.wales/written-statement-targeted-intervention-framework-betsi-cadwaladr-university-health-board>

**34. Other Information (continued)****Memorandum Note - Note 32 - Pooled Budgets****North East Wales Community Equipment Service Memorandum Accounts 2020-21**

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

	2020-21	2019-20
	£ 000	£ 000
<b>Pooled Budget contributions</b>		
Flintshire County Council	302	300
Wrexham County Borough Council	287	285
Betsi Cadwaladr University Local Health Board	424	419
Other	153	226
<b>Total Pooled Budget contributions for the year</b>	<b>1,166</b>	<b>1,230</b>
<b>Expenditure</b>		
Equipment Purchases	362	416
Operating Expenditure	713	793
Non Operating Expenditure	0	0
<b>Total Expenditure for the year</b>	<b>1,075</b>	<b>1,209</b>
<b>Net Surplus/(Deficit) on the Pooled Budget for the Year</b>	<b>91</b>	<b>21</b>

**Denbighshire Community Equipment Service Memorandum Accounts 2020-21**

The Denbighshire Pool is hosted by Denbighshire County Council. The initial three year partnership agreement commenced on 1st April 2009 and ended on 31st March 2012.

The second partnership agreement commenced on 1st April 2012 and ran until 31st March 2015. For 2015-16 onwards it was decided to revert to one year agreements.

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

	2020-21	2019-20
	£ 000	£ 000
<b>Pooled budget contributions</b>		
Denbighshire County Council	219	219
Betsi Cadwaladr University Local Health Board (Core)	138	138
Betsi Cadwaladr University Local Health Board (Bed Service)	51	51
Other - HEC / CHC / Intermediate Care	205	116
<b>Total Pooled Budget contributions for the year</b>	<b>613</b>	<b>524</b>
<b>Expenditure</b>		
Equipment purchases (Core and CHC)	140	122
Operating Expenditure	442	420
<b>Total Expenditure for the year</b>	<b>582</b>	<b>542</b>
<b>Net Surplus/(Deficit) on the Pooled Budget for the Year</b>	<b>31</b>	<b>(18)</b>
<b>Cumulative net Surplus/(Deficit) on the Pooled Budget</b>	<b>46</b>	<b>15</b>

**34. Other Information (continued)****Memorandum Note - Note 32 - Pooled Budgets****Denbighshire Health and Social Care Support Workers Service Memorandum Accounts 2020-21**

The Denbighshire Health and Social Care Support Workers Service Pool is hosted by Denbighshire County Council. A memorandum account for the pooled budget arrangement is provided below.

	<b>2020-21</b>	<b>2019-20</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Pooled Budget contributions</b>		
Denbighshire County Council	50	50
Betsi Cadwaladr University Local Health Board	50	50
ICF Grant Allocation	53	51
ICF Grant Allocation - from slippage	0	3
<b>Total Pooled Budget contributions for the year</b>	<b>153</b>	<b>154</b>
<b>Expenditure</b>		
Employee Expenses	145	140
Other Operating Expenditure	12	15
<b>Total Expenditure for the year</b>	<b>157</b>	<b>155</b>
<b>Net Surplus/(Deficit) on the Pooled Budget for the Year</b>	<b>(4)</b>	<b>(1)</b>
<b>Cumulative net Surplus/(Deficit) on the Pooled Budget</b>	<b>42</b>	<b>46</b>

**Bryn-y-Neuadd Community Equipment Store Memorandum Accounts 2020-21**

The Bryn-y-Neuadd Community Equipment Store Pool is hosted by Betsi Cadwaladr University Local Health Board in partnership with Ynys Mon Council, Conwy County Borough Council and Gwynedd County Council. A memorandum account for the pooled budget arrangement is provided below.

	<b>2020-21</b>	<b>2019-20</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Contributions</b>		
Ynys Mon County Council	156	156
Conwy County Council	183	183
Gwynedd County Council	196	196
Betsi Cadwaladr University Local Health Board	484	484
Special Orders	90	90
<b>Total Pooled Budget Contributions</b>	<b>1,109</b>	<b>1,109</b>
<b>Expenditure</b>		
Operating Expenses	743	607
Equipment Purchases (incl. Special Orders)	366	519
<b>Total Expenditure</b>	<b>1,109</b>	<b>1,126</b>
<b>Net Surplus/(Deficit) on the Pooled Budget for year</b>	<b>0</b>	<b>(17)</b>
<b>Cumulative Net Surplus/(Deficit) on the Pooled Budget</b>	<b>(93)</b>	<b>(93)</b>

**34. Other Information (continued)****Memorandum Note - Note 32 - Pooled Budgets****North Wales Older People Accommodation Pooled Budget Memorandum Accounts 2020-21**

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Local Health Board in relation to the provision of care home accommodation for older people.

The arrangement came into effect on 1<sup>st</sup> April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22). The transactions relating to Betsi Cadwaladr University Local Health Board are included in Note 3.3 Expenditure on Hospital and Community Health Services within the Statement of Comprehensive Net Expenditure.

Income and expenditure for these pooled budget arrangements for the year ending 31<sup>st</sup> March 2021 is shown below. Payments in respect of the contributions for Quarter 4 2020-21 will be made in arrears during 2021-22 in accordance with the Partnership Agreement:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Contributions</b>		
Denbighshire County Council	8,626	9,041
Conwy County Borough Council	13,106	13,417
Flintshire County Council	9,397	8,916
Wrexham County Borough Council	12,203	11,059
Gwynedd Council	8,641	7,839
Isle of Anglesey County Council	5,049	5,075
Betsi Cadwaladr University Local Health Board	36,013	38,556
<b>Total Pooled Budget Contributions</b>	<b>93,035</b>	<b>93,903</b>
<b>Expenditure</b>		
Care Home Costs	93,035	93,903
<b>Total Expenditure for the year</b>	<b>93,035</b>	<b>93,903</b>
<b>Net Surplus/(Deficit) on the Pooled Budget for the Year</b>	<b>0</b>	<b>0</b>

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

**LOCAL HEALTH BOARDS**

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

**BASIS OF PREPARATION**

2. The account of the LHB shall comply with:

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

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

**FORM AND CONTENT**

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

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

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

**MISCELLANEOUS**

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

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

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated :

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

## Audit of Accounts Report – Betsi Cadwaladr University Health Board

Audit year: 2020-21

Date issued: June 2021

Document reference: 2441A2021-22

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention

is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

We intend to issue an unqualified ‘true and fair’ audit opinion on your financial statements, together with a qualified opinion on regularity and a substantive Report providing further detail about the financial position and planning arrangements of the Health Board and the impact of a Ministerial Direction made in December 2019.

There are some issues to report to you prior to their approval.

## Audit of Accounts Report

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2020-21 financial statements in this report.
- 2 We have already discussed these issues with the Executive Director of Finance and her team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £19.612 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Remuneration report / senior pay disclosure and exit packages
  - Related parties (to executive and non-executive directors)
  - The Ministerial direction covering the clinicians' pension tax
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by statute to prepare accounts and it is of considerable testament to the commitment and professionalism of your accounts team that you have succeeded in doing so this year in the face of the continued challenges posed by this pandemic. We are extremely grateful for the cooperation and assistance of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

<b>Timetable</b>	<ul style="list-style-type: none"> <li>• We received good quality draft accounts in line with the deadline of 29 April 2021 as planned.</li> <li>• Our deadline for completing the audit is 11 June 2021.</li> <li>• We expect your audit report to be signed on 15 June 2021.</li> </ul>
<b>Electronic signatures</b>	<p>Given the ongoing remote working arrangements in line with Government guidance, we will accept electronic signatures and electronic transfer of files.</p>
<b>Audit evidence</b>	<p>As in previous years we received most of the audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• BCU officers provided electronic working papers in accordance with our agreed Audit Deliverables Report</li> <li>• BCU officers provided audit evidence to the audit team via a Secure File Sharing Portal</li> <li>• BCU officers were available by Microsoft Teams for discussions and also for the sharing of on-screen information/evidence</li> <li>• Audit Wales secured remote read only access to the BCU Oracle ledger.</li> <li>• For testing of existence and ownership of assets we have used a combination of visual identification (where this was practical), access to our land registry tool and photographic evidence.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Microsoft Teams has enabled the audit team to correspond effectively with BCU officers throughout the audit.</li> <li>• Microsoft Teams based BCU Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.</li> </ul>

- 10 We will continue to review what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 11 We intend to issue an unqualified 'true and fair' audit opinion on your accounts, together with a qualified opinion on regularity once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The audit report also includes as Emphasis of Matter which draws attention to Note 21 of the accounts, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS Clinicians' pension tax liabilities in respect of the 2019-20 financial year. My opinion is not modified in respect of this matter.
- 14 Our proposed audit report is set out in **Appendix 2**. The proposed audit report is followed by a substantive report which explains the reasons for the qualified regularity opinion, and provides further commentary about the financial position and planning arrangements of the Health Board and the impact of the Ministerial Direction referred to in paragraph 13.
- 15 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.

## Significant issues arising from the audit

### Uncorrected misstatements

- 16 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 17 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

- 18 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There are some issues arising in these areas this year as shown in **Exhibit 2**:

## Exhibit 2 – significant issues arising from the audit

Significant issues arising from the audit	
Emphasis of matter – Clinicians’ Pension Tax Liabilities	Within the Audit Report we draw attention to Note 21.1 of the financial statements, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government. The opinion is not modified in respect of this matter.
Substantive report – Clinicians’ Pension Tax Liabilities	All NHS bodies will be held harmless for the impact of the Ministerial Direction, however the Auditor General’s opinion is that any transactions included in the Authority’s financial statements to recognise this liability would be irregular and material by their nature. This is because the payments are contrary to paragraph 5.6.1 of Managing Public Money and constitute a form of tax planning which will leave the Exchequer as a whole worse off. The Minister’s direction alone does not regularise the scheme. Furthermore, the arrangements are novel and contentious and potentially precedent setting.
Board Members Declarations of Interest	During the audit it became apparent that there were a number of declarations of interest relevant to the financial statements that had not been made. Board members should be reminded of the importance of this process and the requirement that declarations are made in full every year.
Remuneration Report	The Health Board needs to ensure that the officer responsible for the preparation of the Remuneration Report is appropriately positioned to understand the disclosure requirements and have complete access to the information pertinent to its preparation, and to be able to provide the necessary audit evidence and respond directly to audit queries raised.

## Recommendations

- 19 As well as the recommendations above, we intend to make a small number of further recommendations in a separate report to the Health Board. The recommendations do not have any impact on our opinion over the financial statements.

# Appendix 1

## Final letter of representation

### Betsi Cadwaladr University Health Board letterhead

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

10 June 2021

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Betsi Cadwaladr University Health Board (the Board) for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation and the regularity of income and expenditure.

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

As Chief Executive and Accountable Officer I have fulfilled 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 the 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 the 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.
- 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.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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.

## **Representations by Betsi Cadwaladr University Health Board**

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

We acknowledge our responsibility for ensuring that the company maintains adequate accounting records.

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 the Board on 10 June 2021.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Chief Executive

Board Chair

Date: 10 June 2021

Date: 10 June 2021

# Appendix 2

## Proposed Audit Report

### The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd

#### Opinion on financial statements

I certify that I have audited the financial statements of Betsi Cadwaladr University Health Board for the year ended 31 March 2021 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 Taxpayers' 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 international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Betsi Cadwaladr University Health Board as at 31 March 2021 and of its net operating costs for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

#### Qualified opinion on regularity

In my opinion, except for the irregular expenditure of £79.485 million explained in the paragraph below, in all material respects, the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

#### Basis for qualified opinion on regularity

The Health Board has breached its resource limit by spending £79.485 million over the £4,922 million that it was authorised to spend in the three-year period 2018-19 to 2020-21. This spend constitutes irregular expenditure. Further detail is set out in the attached Report.

#### Basis of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 opinions.

### **Emphasis of Matter – Clinicians' pension tax liabilities**

I draw attention to Note 21 of the financial statements, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government. My opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Chief Executive is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **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 Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 or the Governance Statement.

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

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records and returns;
- information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed; or
- I have not received all the information and explanations I require for my audit.

## **Responsibilities**

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

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Betsi Cadwaladr University Health Board's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and accounting estimates; and
- Obtaining an understanding of Betsi Cadwaladr University Local Health Board's framework of authority as well as other legal and regulatory frameworks that the Board operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Board.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to the audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Betsi Cadwaladr University Health Board's controls, and the nature, timing and extent of the audit procedures performed.

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

#### **Responsibilities for regularity**

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

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

#### **Report**

Please see my Report.

Adrian Crompton  
Auditor General for Wales  
15 June 2021

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Report of the Auditor General to the Senedd

## Introduction

Under the Public Audit Wales Act 2004, I am responsible for auditing, certifying and reporting on Betsi Cadwaladr University Health Board's (the Board's) financial statements. I am reporting on these financial statements for the year ended 31 March 2021 to draw attention to three key matters for my audit. These are the failure against the first financial duty and consequential qualification of my 'regularity' opinion, the failure of the second financial duty, and the implications of the ministerial direction on senior clinicians' pensions. I have not qualified my 'true and fair' opinion in respect of any of these matters.

## Financial duties

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

For 2020-21 Betsi Cadwaladr University Health Board failed to meet both the first and the second financial duty.

### 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 three-year period being measured under this duty this year is 2018-19 to 2020-21.

As shown in Note 2.1 to the Financial Statements, the LHB did not manage its revenue expenditure within its resource allocation over this three-year period, exceeding its cumulative revenue resource limit of £4,922 million by £79.485 million.

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

### Failure of the second financial duty

The **second financial duty** requires LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2020-21 if it submitted a 2019-20 to 2021-22 plan approved by its Board to the Welsh Ministers who then approved it by the 30 June 2019. This duty is unchanged from last year because due to the pandemic, the duty to prepare a new three-year plan for the period 2020-21 to 2022-23 was paused, leaving the previous year's duty in place.

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 2019-20 to 2021-22.

### **Ministerial direction on senior clinicians' pensions**

NHS Pension scheme and pension tax legislation is not devolved to Wales. HM Treasury's changes to the tax arrangements on pension contributions in recent years included the reduction in the Annual Allowance limit from over £200,000 in 2011-12 to £40,000 in 2018-19. As a result, in cases where an individual's pension contributions exceed certain annual and / or lifetime pension contribution allowance limits, then they are taxed at a higher rate on all their contributions, creating a sharp increase in tax liability.

In a Written Statement on 13 November 2019, the Minister for Health and Social Services had noted that NHS Wales bodies were: 'regularly reporting that senior clinical staff are unwilling to take on additional work and sessions due to the potentially punitive tax liability'. In certain circumstances this could lead to additional tax charges in excess of any additional income earned.

On 18 December 2019, the First Minister (mirroring earlier action by the Secretary of State for Health and Social Care for England) issued a Ministerial Direction to the Permanent Secretary to proceed with plans to commit to making payments to clinical staff to restore the value of their pension benefits packages. If NHS clinicians opted to use the 'Scheme Pays' facility to settle annual allowance tax charges arising from their 2019-20 NHS pension savings (i.e. settling the charge by way of reduced annual pension, rather than by making an immediate one-off payment), then their NHS employers would meet the impact of those tax charges on their pension when they retire.

The Ministerial Direction was required because this solution could be viewed by HMRC to constitute tax planning and potentially tax avoidance, hence making the expenditure irregular. Managing Welsh Public Money (which mirrors its English equivalent) specifically states that 'public sector organisations should not engage in...tax evasion, tax avoidance or tax planning'.

A Ministerial Direction does not make regular what would otherwise be irregular, but it does move the accountability for such decisions from the Accounting Officer to the Minister issuing the direction.

The solution applies only to annual allowance tax charges arising from an increase in the benefits accrued in the NHS Pension Scheme during the tax year ended 5 April 2020. For the tax year ended 5 April 2021, the Chancellor increased the thresholds for the tapered annual allowance and, as a result, it is anticipated that the risk to the supply of clinical staff has been mitigated.

The LHB currently has insufficient information to calculate and recognise an estimate of the potential costs of compensating senior clinical staff for pension benefits that they would otherwise have lost, by using the 'Scheme Pays' arrangement. As a result no expenditure is recognised in the financial statements but as required the LHB has disclosed a contingent liability in note 21 of its financial statements.

All NHS bodies will be held harmless for the impact of the Ministerial Direction, however in my opinion any transactions included in the LHB's financial statements to recognise this liability would be irregular and material by their nature. This is because the payments are contrary to paragraph 5.6.1 of Managing Public Money and constitute a form of tax planning which will leave the Exchequer as a whole worse off. The Minister's direction alone does not regularise the scheme. Furthermore, the arrangements are novel and contentious and potentially precedent setting.

I have not modified my regularity opinion in this respect this year because as set out above, no expenditure has been recognised in the year ended 31 March 2021. I have however placed an Emphasis of Matter paragraph in my audit report to highlight this issue and, have prepared this report to bring the arrangement to the attention of the Senedd.

**Adrian Crompton**

**Auditor General for Wales**

**15 June 2021**

# Appendix 3

## Summary of corrections made

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.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£2,575,000 - Nil impact on overall position	<b>Note 4 Miscellaneous Income</b> Local Authority income reduced by £2,575,000 with a corresponding increase to Education, training and research.	To correctly reflect the classification of income within the note.
£37,306 – Nil impact on overall position	<b>Note 9.5 Exit Packages</b> Disclosures within the '£25,000 to £50,000' row have been decreased by 1 in number and £37,306 in value.	To correctly reflect those transactions that adhere to the properties of being an exit package.
Additional narrative disclosure	<b>Note 21 Contingencies</b> Additional disclosure to describe the potential impact of a Ministerial Direction to fund NHS Clinicians' pension tax liabilities.	To disclose a contingent liability which could be material by nature.
£16,670,000 – Nil impact on overall position	<b>Note 27 &amp; Note 28 Cash Flow notes</b> Note 27 reduced by £16,670,000 with a corresponding increase to	To correctly account for the non-cash effect of free issues of revenue equipment and

	Note 28 to reflect the revenue effect of the receipt of free equipment and consumables to assist with the COVID-19 pandemic.	consumables for COVID-19 purposes.
Narrative Disclosure	<b>Note 29 Events after the Reporting Period</b> Narrative disclosures have been amended to correctly reflect those items that have impacted the Health Board after the balance sheet date.	To correctly disclose issues occurring after the date of the balance sheet.
Narrative disclosure	<b>Note 30 Related Party Transactions</b> Narrative disclosures amended to ensure to completeness and accuracy of declarations of interest disclosures.	To fully and correctly disclose relevant declarations of interest for members of the Board.
Narrative Disclosure	<b>Remuneration Report</b> Narrative added to the remuneration table footnotes regarding the NHS bonus payment announced by Welsh Government in March 2021.	To correctly reflect the award of the bonus to those senior management within the remuneration report, which is not included within the disclosed salary amounts.
Narrative Disclosure	<b>Remuneration report</b> Correction of the pay banding for an Independent Member from £10-£15 to £15-£20 (£000).	To correct the disclosures for an Independent Member who had actually been paid at the incorrect rate for the role.

Narrative Disclosure

**Remuneration Report**

There have been various amendments to figures, additional footnotes and other narrative amendments to ensure that the remuneration report correctly reflects the relevant details.

To ensure that disclosures are correct and in accordance with the Manual for Accounts.



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We welcome correspondence and telephone calls in Welsh and English.  
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