

## Bundle Audit Assurance Committee - Open 13 May 2019

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**AUDIT AND ASSURANCE COMMITTEE**  
**Monday, 13 May 2019**  
**10.00am – 11.45am**

**HEIW, Room 11**

**AGENDA**

<b>PART 1</b>	<b>PRELIMINARY MATTERS</b>	<b>10.00-10.15</b>
1.1	Welcome and Introductions	Chair/Oral
1.2	Apologies for Absence	Chair/Oral
1.3	Declarations of Interest	Chair/Oral
1.4	Minutes of the Audit Committee meeting held on the 29 March 2019	Chair Attachment
1.5	Action Log following the meeting held on the 29 March 2019	Chair Attachment
1.6	Matters arising	Chair/Oral
<b>PART 2</b>	<b>MATTERS FOR CONSIDERATION</b>	<b>10.15-11.40</b>
2.1	Draft Annual Accounts 2018-19	Interim CFO Head of Financial Accounting Attachment
2.2	Annual Report. Draft Accountability Report 2018-2019	Board Secretary Attachment
<b>PART 3</b>	<b>Close</b>	<b>11.40-11.45</b>
3.1	Any Other Business	Chair/Oral

The next meeting of the Audit Committee will be held at 1.30 pm on Wednesday, 29 May, 2019.

**UNCONFIRMED Minutes of the Audit and Assurance Committee Meeting  
held on the 29 March 2019  
in Room 9, HEIW, Ty Dysgu, Nantgarw CF15 7QQ**

**Present:**

Gill Lewis	Independent Member and Chair, Audit Committee
John Hill Tout	Independent Member (Vice Chair HEIW)

**In Attendance:**

Julie Rogers	Deputy Chief Executive/Director of Workforce & OD
Dafydd Bebb	Board Secretary
Martyn Pennell	Head of Financial Accounting
Paul Dalton	Head of Internal Audit
Simon Cookson	Director, Audit & Assurance
Dave Thomas	Director, Performance Audit, Wales Audit Office (WAO)
Helen Goddard	External Audit Manager, Wales Audit Office (WAO)
Emma Samways	Deputy Head of Internal Audit
Mike Usher	Engagement Director (WAO)
Clare James	Performance Lead (WAO)
Susan Marszalek	Secretariat

<b>PART 1</b>	<b>PRELIMINARY MATTERS</b>	<b>Action</b>
<b>AC: 29/03/1.1</b>	<b>WELCOME AND INTRODUCTIONS</b>	
	The Chair welcomed everyone to the meeting. It was confirmed that Julie Rogers will attend the Committee as required to provide Executive input on an interim basis following the departure of the Director of Finance and Corporate Services.	
<b>AC: 29/03/1.2</b>	<b>APOLOGIES FOR ABSENCE</b>	
	Apologies were received from Ruth Hall, Independent Member and Craig Greenstock, Counter Fraud Manager.	
<b>AC: 29/03/1.3</b>	<b>DECLARATIONS OF INTEREST</b>	
	Mrs Julie Rogers declared that she is currently on secondment from Welsh Government.	
<b>AC: 29/03/1.4</b>	<b>MINUTES OF THE MEETING HELD ON 12 FEBRUARY 2019</b>	
<b>Resolved</b>	The Committee <b>received</b> and <b>approved</b> the minutes of the meeting held on the 12 February 2019, subject to the following changes being made: <ul style="list-style-type: none"> <li>• Page 5, Item 2.3 – last paragraph. Paragraph to change to note that this relates to equipment from previous</li> </ul>	DB

	<p>bodies that could incur a cost to HEIW if the equipment was to breakdown, items to be identified.</p> <ul style="list-style-type: none"> <li>• Page 6, item 2.5 – 4<sup>th</sup> paragraph. Financial statement to read <u>Financial Statements</u>.</li> <li>• Clare James job title to be amended to Performance Audit Lead.</li> <li>• Apologies from Julie Rogers and Alex Howells to be deleted as they attend the Committee by invitation only.</li> </ul>	
<b>AC: 29/03/1.5</b>	<b>ACTION LOG FROM THE MEETING OF 12 FEBRUARY 2018</b>	
<b>Resolved</b>	- That the action log be <b>noted</b> .	
<b>AC: 29/03/1.6</b>	<b>MATTERS ARISING</b>	
	There were no matters arising.	
<b>PART 2</b>	<b>MATTERS FOR CONSIDERATION</b>	
<b>AC: 29/03/2.1.1</b>	<b>Internal Audit Progress Report</b>	
	<p>Paul Dalton provided the Committee with an update on the Internal Audit Progress Report.</p> <p>The Committee discussed the process for closing and tracking recommendations. It was noted that a tracking procedure will provide the Committee with a line of sight in respect of implementing recommendations.</p> <p>JR agreed to provide Paul Dalton with details of the interim lead arrangements for Internal Audit activity.</p>	
<b>Resolved</b>	- That Dafydd Bebb liaise with Paul Dalton in respect of introducing a tracker for audit recommendations.	DB and PD
<b>AC: 29/03/2.1.2</b>	<b>Budgetary Control</b>	
	<p>Emma Samways presented the above report and confirmed that the overall assessment for Budgetary Control provides reasonable assurance. It was noted that the internal audit report acknowledged that HEIW was a new organisation.</p> <p>There was one medium recommendation in the report that L1 (Finance Limit Form) budget forms should be in place for all key delegated budgets and should be appropriately completed and authorised. Martyn Pennell commented that this had been reviewed in finance and all approval forms are now in place.</p> <p>The Committee noted a low risk recommendation relating to budget holders formally accepting their budgets at the start of the financial year, which is considered good practice. It was</p>	

	recognised that HEIW had been in transition during 2018-19 and agreed that this should be put in place for 2019-20.	
<b>Resolved</b>	- That the update and report be <b>noted</b> .	
<b>AC: 9/03/2.1.3</b>	<b>Governance Arrangements</b>	
	Emma Samways presented the above report and commented that Internal Audit are comfortable with the governance arrangements. It was noted that the report they presented on governance arrangements provided substantial assurance. There was one minor recommendation regarding mapping of the Committee structure.	
<b>Resolved</b>	- That the update and report be <b>noted</b> .	
<b>AC: 29/03/2.2</b>	<b>TO RECEIVE THE 2019/20 INTERNAL AUDIT PLAN</b>	
	Paul Dalton introduced the 2019/20 Internal Audit Plan. He emphasised the need to maintain a degree of flexibility and to be mindful that things may change due to the organisation being new.	
<b>Resolved</b>	<ul style="list-style-type: none"> <li>- That</li> <li>• the Committee <b>note</b> the Internal Audit Plan for 2019/20 and Internal Audit Charter;</li> <li>• Julie Rogers would liaise with Internal Audit as interim lead Executive.</li> </ul>	JR
<b>AC: 29/03/2.3</b>	<b>SELF-ASSESSMENT</b>	
	<p>Mike Usher emphasised the benefits of Self Assessment, and the tools available to support organisations/Boards in undertaking the process annually. He advised there are a number of approaches to Self Assessment and offered to assist HEIW in determining an approach based on best practice.</p> <p>Mike Usher confirmed that Self Assessment would usually take place around this time of year, but acknowledged that it was early for HEIW taking into account it was only established in October.</p> <p>The Committee discussed Self Assessment and that it would prefer to complete a process that would feed into the Annual Report if possible.</p>	
<b>Resolved</b>	<ul style="list-style-type: none"> <li>- That:</li> <li>- Dafydd Bebb meet with Mike Usher to discuss how best to undertake Self Assessment and to bring a short paper on the matter to the next meeting of the Committee in order to complete the assessment to feed into the annual report;</li> <li>- That Self Assessment be included on the Committee's Forward Work Programme as an annual activity going forward.</li> </ul>	DB  DB

<b>AC: 29/03/2.4</b>	<b>STRUCTURED ASSESSMENT – OUTLINE SPECIFICATION</b>	
	<p>The Committee received a report from Clare James on the HEIW Structured Assessment 2019.</p> <p>It was confirmed an initial baseline review will be undertaken by May 2019 followed by a full Structural Assessment before the calendar year end.</p> <p>The report was discussed by the Committee. It was noted that the scope of the review will cover six key areas and will take into account work undertaken by internal audit.</p> <p>The Chair asked how the baseline review will fit with the formal Structured Assessments. It was clarified that the findings of the baseline review will be taken into account when the formal Structured Assessment is undertaken at the end of 2019.</p> <p>The Chair thanked the WAO for the report and commented that it was helpful to get early sight of the approach to be taken in respect of the Structural Assessment.</p>	
<b>Resolved</b>	<ul style="list-style-type: none"> <li>- That:</li> <li>- the report be <b>noted</b>.</li> <li>- Presentation on HEIW’s initial baseline review of the Structural Assessment to be made at May Board by Clare James.</li> </ul>	DB/CJ
<b>29/03/2.5</b>	<b>COUNTER FRAUD UPDATE, TO INCLUDE THE COUNTER FRAUD SERVICES IN WALES</b>	
	<p>Apologies were noted from the Counter Fraud Team.</p> <p>The Chair presented the papers on Counter Fraud Services in NHS Wales and the circular for Local Counter Fraud Specialists.</p> <p>John Hill-Tout said that he would usually expect to receive national reports on fraud detailing lesson learnt. This would usually identify an issues and provide assistance on monitoring of fraud.</p> <p>The Committee determined that it should receive lessons learnt from national reports and have access to national fraud</p>	

	reports to ensure that more in depth analysis was available on where potential fraud may lie.	
<b>Resolved</b>	<ul style="list-style-type: none"> <li>- That</li> <li>- the Committee ask to be provided with broad lessons learnt from Counter Fraud across NHS Wales.</li> <li>- DB to establish whether the Committee may consider high level reports from Counter Fraud on a quarterly basis.</li> </ul>	DB DB
<b>29/03/2.6</b>	<b>FINANCIAL UPDATE</b>	
	<p>Martyn Pennell presented the above report and commented that the register for risk regarding the transitional arrangements had been based on the project plan prepared by John Baker.</p> <p>Martyn Pennell took the meeting through the paper. It was noted that the financial returns risk has changed to Amber due to the deadline for month 11 being missed due to a number of system issues. Martyn Pennell confirmed that the issues have now been resolved and the month 12 deadline will be met.</p> <p>Martyn Pennell informed the Committee that the financial position has been agreed with Velindre Trust and Welsh Government in respect of monies paid by Velindre on behalf of HEIW. Given this HEIW is to pay £3.1m to Velindre later on the 29 March 2019 and the revised S1 (non current asset form) will go to Audit for review. Vacancies are still a concern but the level of risk is reducing.</p> <p>John Hill-Tout commented that it is encouraging that Finance is moving forward with regards to recruitment.</p> <p>WAO commented on the outstanding work arising from the audit of the S1 and S2 (<u>current</u> assets and liabilities) with Cardiff University regarding the staff annual leave accrual. It was noted that there should be no reason why the University are not able to provide the information. A suggestion was made for External Audit to go to Cardiff University to access the outstanding information.</p>	
<b>Resolution</b>	- That the report be <b>noted</b> .	
<b>AC: 29/03/2.7</b>	<b>TO RECEIVE THE OUTLINE PLAN AND TIMETABLE FOR ANNUAL REPORT.</b>	
	The Committee received the outline plan and timetable for the Annual Report.	
<b>Resolution</b>	- That the report be <b>noted</b> .	

<b>AC: 29/03/2.8</b>	<b>TO RECEIVE A REVIEW OF THE FINANCIAL AUTHORISATION LIMITS</b>	
	<p>Martyn Pennell presented the Review of the Financial Authorisation Limits. It was noted the review contained two amendments with regards to the Director of Nursing and Medical Director.</p> <p>WAO queried the need for invoices to go to Board for approval, in that if a contract had already been authorised the payment of the invoice itself would not need further Board-level approval. The Committee agreed that this was not necessary.</p>	
<b>Resolution</b>	<ul style="list-style-type: none"> <li>- That the following <b>recommendations</b> be made to the Board:</li> <li>- the delegated financial limit in respect of invoice approval for the Nursing Director and Medical Director be increased from £50k to £500k;</li> <li>- there be no limit in respect of approval of invoices for the CEO, Deputy CEO and Director of Finance and Corporate Services.</li> </ul>	DB
<b>PART 3</b>	<b>OTHER MATTERS</b>	
<b>AC/29/03/3.1</b>	<b>Any Other Urgent Business</b>	
	<p>There was no further business.</p> <p>The next meeting was confirmed for: 10.00am on Monday 13 May 2019, in HEIW Meeting room 1.</p>	
<b>PART 4</b>	<b>MOTION TO EXCLUDE PRESS AND PUBLIC</b>	
	<p>Press and public be excluded in accordance with S 1 (2) and 3 of Public Bodies (Admission to Meetings) 1960</p>	

.....  
Gill Lewis (Chair)

.....  
Date:



**Action Log – 29 March Audit and Assurance Committee (Open)**

<b>Ref:</b>	<b>Matter</b>	<b>Owner</b>	<b>Status</b>
<b>29/03/1.4</b>	<p>Minutes approved subject to the following changes being made:</p> <ul style="list-style-type: none"> <li>• Page 5, Item 2.3 – last paragraph. Paragraph to change to note that this relates to equipment from previous bodies that could incur a cost to HEIW if the equipment was to breakdown, items to be identified.</li> <li>• Page 6, item 2.5 – 4<sup>th</sup> paragraph. Financial statement to read <u>Financial Statements</u>.</li> <li>• Clare James job title to be amended to Performance Audit Lead.</li> <li>• Apologies from Julie Rogers and Alex Howells to be deleted as they attend the Committee by invitation only.</li> </ul>	DB	Completed
<b>29/03/2.1.1</b>	That Dafydd Bebb liaise with Paul Dalton in respect of introducing a tracker for audit recommendations.	DB and PD	Confirmed. Tracker to be introduced at the next meeting of the Committee.
<b>29/03/2.2</b>	Julie Rogers would liaise with Internal Audit as interim lead Executive.	JR	Confirmed. Eifion Williams, interim CFO, to act as lead Executive going forward.
<b>29/03/2.3</b>	Dafydd Bebb meet with Mike Usher to discuss how best to undertake Self Assessment and to bring a short paper on the matter to the next meeting of the Committee in order to complete the assessment to feed into the annual report;	DB and MU	Meeting on Self Assessment has taken place. Paper on self assessment to be considered at the next meeting of the Committee.

## Agenda item 1.5

	That Self Assessment be included on the Committee's Forward Work Programme as an annual activity going forward.	DB	Confirmed. Included within the draft Forward Work Programme.
<b>29/03/2.4</b>	Presentation on HEIW's initial baseline review of the Structural Assessment to be made at May Board by Clare James.	DB/CJ	Confirmed. Included within May Agenda.
<b>29/03/2.5</b>	<p>It was agreed that the Committee ask to be provided with broad lessons learnt from Counter Fraud across NHS Wales.</p> <p>DB to establish whether the Committee may consider such a report on a quarterly basis from WG.</p>	<p>DB</p> <p>DB</p>	<p>Confirmed. Counter Fraud (Craig Greenstock) have confirmed they will provide this information where relevant to HEIW.</p> <p>Confirmed. As above.</p>
<b>29/03/2.8</b>	<p>Recommended to Board that :</p> <ul style="list-style-type: none"> <li>- the delegated financial limit in respect of invoice approval for the Nursing Director and Medical Director be increased from £50k to £500k;</li> <li>- there be no limit in respect of approval of invoices for the CEO, Deputy CEO and Director of Finance and Corporate Services.</li> </ul>	MP	Confirmed. Included within the May Agenda.

Total number of errors found in accounts: 0

These validations, together with the links in the accounts worksheets, aim to check the internal consistency of the account. They are NOT an exhaustive check of the account and should NOT replace HEIW's own internal review of the account. If the checks are "Not passed", HEIW must supply its auditors and the Welsh Government with a written explanation for the difference (supported by a working paper, if appropriate).

## Main Accounts:

No.	Statement	Account Line	Value	Condition	Result	
1	SOCNE	Expenditure	105,872	should equal		
	Note 3.1	3.1 Expenditure on Commissioning Contracts	56,766	plus	Passed	
	Note 3.2	3.2 Expenditure on health care training	35,191			
	Note 3.3	3.3 Other Operating Expenditure	13,915			0
2	SOFPI	Cash and cash equivalents as at 31.3.19	6,240	should equal		
	Note 17	Cash and cash equivalents as at 31.3.19	6,240	plus	Passed	0
3	SOFPI	Total assets employed as at 31.3.19	3,772	should equal		
	SOFPI	Total taxpayers equity as at 31.3.19	3,772		Passed	0
4	SOFPI	Provisions as at 31.3.19	-30	should equal		
	Note 20	Provisions as at 31.3.19	-30		Passed	0
5	Note 3.3	Capital - depreciation and amortisation as at 31.3.18	112	should equal		
	Note 12	Intangible fixed assets	0			
	Note 11.1	Property, Plant and Equipment	112		Passed	0
6	Note 3.4	Inc/dec clinical negligence	0	should equal		
	Note 20	Clinical negligence - arising during year	0	plus		
	Note 20	Clinical negligence - reversed unused	0		Passed	0
7	Note 3.4	Inc/dec personal injury	0	should equal		
	Note 20	personal injury - arising during year	0	plus		
	Note 20	personal injury - reversed unused	0		Passed	0
8	Note 3.4	Inc/dec AOL&SP	0	should equal		
	Note 20	AOL&SP - arising during year	0	plus		
	Note 20	AOL&SP - reversed unused	0		Passed	0
9	Note 3.4	Inc/dec Def leg fees	30	should equal		
	Note 20	Def leg fees - arising during year	30	plus		
	Note 20	Def leg fees - reversed unused	0		Passed	0
10	Note 20	Provisions 31.3.19	30	should equal		
	Note 20	Expected timing of cash flows 31.3.19	30		Passed	0
11	Note 23	Total amounts paid out in year 31.3.19	0	should equal		
	Note 23	Total cases: amounts paid out in year	0		Passed	0
12	SOCIE	Net Assembly Funding 31.3.19	109,335	should equal		
	SOCF	Net Assembly Funding 31.3.19	109,335		Passed	0
13	OCS	Net operating costs 31.3.19	105,563	should equal		
	SOCIE	Net operating costs 31.3.19	-105,563		Passed	0
14	Note 9	Employee costs	6,246	should equal		
	Note 9	Employee costs -charged to Capital and Revenue	6,246	plus	Passed	0
15	Note 4	Receipt of donated assets	0	should equal		
	Note 28	Donated assets received credited to revenue but non-cash	0	plus	Passed	0
16	Note 4	Receipt of government grants	0	should equal		
	Note 28	Government grants received credited to revenue but non-cash	0	plus	Passed	0
17	SOCF	Purchase of property, plant and equipment	3,101	should equal		
	Note 11.1	PPE additions, purchased, donated, govt granted	3,101	plus		

	Note 18	Movement on capital creditors	0		
	Note 15	Movement on capital debtors	0	Passed	0
18	Note 3.3	Depreciation	112	should equal	
	Note 28	Depreciation	112	plus Passed	0
19	Note 3.3	Amortisation	0	should equal	
	Note 28	Amortisation	0	plus Passed	0
20	Note 3.3	Impairments	0	should equal	
	Note 28	Impairments	0	plus Passed	0
21	Note 11.1	Reclassified as held for sale 18-19	0		
	Note 11.1	Reclassified as held for sale 18-19	0		
	Note 11.2	Plus assets classified as held for sale 18-19	0	Passed	0
22	Note 11.1	Net book value at 31 March 2019	2,989		
	Note 11.1	Net book value at 31 March 2019 comprises	2,989	Passed	0
23	Note 11.1	Net book value at 31 March 2019	2,989		
	Note 11.1	Asset financing	2,989	Passed	0
24	Note 3.3	Losses, special payments and irrecoverable debts	33		
	Note 3.4	Losses, special payments and irrecoverable debts	33	Passed	0
25	Note 11.1	Impairments 18-19	0		
	Note 11.1	Reversal of Impairments 18-19	0		
	Note 28	Impairments 18-19	0	Passed	0
26	Note 11.1	Revaluations 18-19	0		
	SOCIE	Revaluations 18-19	0	Passed	0
27	Note 18	Imputed finance lease element of on SoFP PFI contracts 18-19	0		
	Note 25	On SoFP PFI - Capital element 31 March 2019	0	Passed	0





# Health Education and Improvement Wales (HEIW)

## FOREWORD

These accounts have been prepared by Health Education and Improvement Wales, a Welsh Special Health Authority, under Para 3(1) of Schedule 9 to 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

HEIW was established by establishment order 2017 No. 913 (W. 224) made 11th September 2017 and came into force on the 5th October 2017. These accounts cover the period 5th October 2017 to 31st March 2019.

HEIW operated in a shadow form until 1st October 2018 with all establishment and set up costs being borne by the Welsh Government, and with the predecessor bodies of NHS Wales Shared Services Partnership (NWSSP) hosted by Velindre University NHS Trust and Cardiff University delivering operational activity to 30th September 2018.

On 1st October 2018 staff were transferred into HEIW and the organisation became fully operational.

These accounts, whilst covering the period 5th October 2017 to 31st March 2019, present the accounting transactions only for the period of operation from 1st October 2018 to 31st March 2019.

### Performance Management and Financial Results

HEIW 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 HEIW, which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

HEIW has an annual requirement to achieve a balanced year-end position against the Resource Limits set for the year.

**Statement of Comprehensive Net Expenditure  
for the period ended 31 March 2019**

	Note	£000
		##### to #####
Expenditure on Commissioning Contracts	3.1	56,766
Expenditure on health care training	3.2	35,191
Other Operating Expenditure	3.3	<u>13,915</u>
		<b>105,872</b>
Less: Miscellaneous Income	4	<u>(309)</u>
<b>Net operating costs before interest and other gains and losses</b>		<b>105,563</b>
Investment Revenue	5	0
Other (Gains) / Losses	6	0
Finance costs	7	<u>0</u>
<b>Net operating costs for the financial period</b>		<b><u>105,563</u></b>

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

The notes on pages 7 to 52 form part of these accounts

**Other Comprehensive Net Expenditure**

#####

to

**Sunday, March 31, 2019**

**£000**

Net gain / (loss) on revaluation of property, plant and equipment	0
Net gain / (loss) on revaluation of intangibles	0
Net gain / (loss) on revaluation of available for sale financial assets	0
(Gain) / loss on other reserves	0
Impairment and reversals	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0
Other comprehensive net expenditure for the period	<u>0</u>
<b>Total comprehensive net expenditure for the period</b>	<u><u>105,563</u></u>

**Statement of Financial Position as at 31 March 2019**

	Notes	As at 31 March 2019 £'000
<b>Non-current assets</b>		
Property, plant and equipment	11	2,989
Intangible assets	12	0
Trade and other receivables	15	0
Other financial assets	16	0
<b>Total non-current assets</b>		<u>2,989</u>
<b>Current assets</b>		
Inventories	14	0
Trade and other receivables	15	801
Other financial assets	16	0
Cash and cash equivalents	17	6,240
		<u>7,041</u>
Non-current assets classified as "Held for Sale"	11	0
<b>Total current assets</b>		<u>7,041</u>
<b>Total assets</b>		<u>10,030</u>
<b>Current liabilities</b>		
Trade and other payables	18	(6,034)
Other financial liabilities	19	0
Provisions	20	(30)
<b>Total current liabilities</b>		<u>(6,064)</u>
<b>Net current assets/ (liabilities)</b>		<u>977</u>
<b>Non-current liabilities</b>		
Trade and other payables	18	(194)
Other financial liabilities	19	0
Provisions	20	0
<b>Total non-current liabilities</b>		<u>(194)</u>
<b>Total assets employed</b>		<u>3,772</u>
<b>Financed by :</b>		
<b>Taxpayers' equity</b>		
General Fund		3,772
Revaluation reserve		0
<b>Total taxpayers' equity</b>		<u>3,772</u>

The financial statements on pages 2 to 6 were approved by the Board on 30th May 2019 and signed on its behalf by:

Chief Executive and Accountable Officer .....

30th May 2019

The notes on pages 7 to 52 form part of these accounts

**Statement of Changes in Taxpayers' Equity  
For the period ended 31 March 2019**

	General Fund £000s	Revaluation Reserve £000s	Total Reserves £000s
<b>Changes in taxpayers' equity</b>			
<b>Balance at 5 October 2017</b>	0	0	0
Net operating cost for the period	(105,563)	0	(105,563)
Net gain/(loss) on revaluation of property, plant and equipment	0	0	0
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
Movements in other reserves	0	0	0
Transfers between reserves	0	0	0
Release of reserves to SoCNE	0	0	0
Transfers to/from (please specify)	0	0	0
<b>Total recognised income and expense for period</b>	(105,563)	0	(105,563)
Net Welsh Government funding	109,335	0	109,335
<b>Balance at 31 March 2019</b>	<b>3,772</b>	<b>0</b>	<b>3,772</b>

The notes on pages 7 to 52 form part of these accounts

**Statement of Cash Flows for period ended 31 March 2019**

#####

to

Sunday, March 31, 2019

£'000

<b>Cash Flows from operating activities</b>	notes	
Net operating cost for the financial period		(105,563)
Movements in Working Capital	27	5,427
Other cash flow adjustments	28	142
Provisions utilised	20	0
<b>Net cash outflow from operating activities</b>		<b>(99,994)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment		(3,101)
Proceeds from disposal of property, plant and equipment		0
Purchase of intangible assets		0
Proceeds from disposal of intangible assets		0
Payment for other financial assets		0
Proceeds from disposal of other financial assets		0
Payment for other assets		0
Proceeds from disposal of other assets		0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(3,101)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(103,095)</b>
<b>Cash Flows from financing activities</b>		
Welsh Government funding (including capital)		109,335
Capital receipts surrendered		0
Capital grants received		0
Capital element of payments in respect of finance leases and on-SoFP		0
Cash transferred (to)/ from other NHS bodies		0
<b>Net financing</b>		<b>109,335</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,240</b>
<b>Cash and cash equivalents (and bank overdrafts) at 5 October 2017</b>		<b>0</b>
<b>Cash and cash equivalents (and bank overdrafts) at 31 March 2019</b>		<b>6,240</b>

The notes on pages 7 to 52 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 Health Education and Improvement Wales (HEIW) shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2018-19 Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HEIW for the purpose of giving a true and fair view has been selected. The particular policies adopted by HEIW 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 HEIW are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of HEIW. 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 HEIW and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the HEIW for the Welsh Government such as funding provided to agencies and non-activity costs incurred by HEIW in its provider role. Income received from HEIW transacting with other NHS bodies is always treated as miscellaneous income.

From 2018-19, IFRS 15 Revenue from Contracts with Customers is applied, as interpreted and adapted for the public sector, in the Financial Reporting Manual (FReM). It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. Upon transition the accounting policy to retrospectively restate in accordance with IAS 8 has been withdrawn. All entities applying the FReM shall recognise the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening general fund within Taxpayer's equity. A review consistent with the portfolio approach was undertaken by the NHS Technical Accounting Group members, which

- identified that the only material income that would potentially require adjustment under IFRS 15 was that for patient care provided under Long term Agreements (LTAs) for episodes of care which had started but not concluded as at the end of the financial period;
- demonstrated that the potential amendments to NHS Wales NHS Trust and Local Health Board Accounts as a result of the adoption of IFRS 15 are significantly below materiality levels.

Under the Conceptual IFRS Framework due consideration must be given to the users of the accounts and the cost restraint of compliance and reporting and production of financial reporting. Given the income for LTA activity is recognised in accordance with established NHS Terms and Conditions affecting multiple parties across NHS Wales it was considered reasonable to continue recognising in accordance with those established terms on the basis that this provides information that is relevant to the user and to do so does not result in a material misstatement of the figures reported.

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

#### **1.4 Employee benefits**

##### **Short-term employee benefits**

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

##### **Retirement benefit costs**

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time HEIW 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 HEIW accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

##### **NEST Pension Scheme**

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

#### **1.5 Other expenses**

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

## 1.6 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised if:

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

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

### Valuation

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

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

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

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

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

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.

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

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

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

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

#### **Subsequent expenditure**

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

### **1.7 Intangible assets**

#### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of HEIW 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, HEIW; 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 HEIW expects to obtain economic benefits or service potential from the asset. This is specific to HEIW 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, HEIW checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

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

### **1.9 Research and Development**

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

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

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

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

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

### **1.11 Leases**

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

#### **1.11.1 HEIW as lessee**

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

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

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

#### **1.11.2 HEIW as lessor**

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

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

### **1.12 Inventories**

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

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

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

### **1.14 Provisions**

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

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

The Welsh Risk Pool (WRP) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2018-19. The WRP is hosted by Velindre NHS Trust.

### **1.15 Financial Instruments**

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

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

### **1.16 Financial assets**

Financial assets are recognised on the Statement of Financial Position when HEIW 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.

NHS Wales Technical Accounting Group members reviewed the IFRS 9 requirements and determined a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS9 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 Statement of Financial Position date, HEIW assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of

Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision 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 Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **1.17 Financial liabilities**

Financial liabilities are recognised on the Statement of Financial Position when HEIW 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 Statement of Comprehensive Net Expenditure or other financial liabilities.

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

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

#### **1.17.3 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**

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 Statement of Comprehensive Net Expenditure. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

### **1.20 Third party assets**

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

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

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

#### **1.22 Pooled budget**

HEIW has not entered into pooled budgets with Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in Note 33.

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

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

In the application of the HEIW 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 Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

A) The Authority has provided £30k within note 20 in respect of potential legal defence claims. These provisions have been arrived at on the advice of Legal and Risk Services.

B) In line with IAS19 the Authority has reviewed the level of annual leave taken by its staff to 31st March 2019. Based on the sample HEIW has accrued £155k re untaken leave. This is based on a sample of the leave records of 28% of the WTE staff in the organisation.

#### **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. HEIW therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

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

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

#### **Services received**

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

#### **PFI asset**

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

#### **PFI liability**

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

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

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

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

#### **Lifecycle replacement**

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

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

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

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

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

### **Other assets contributed by the SHA 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 Carbon Reduction Commitment Scheme**

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

### **1.28 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 and HEIW the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

**1.29 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 (The European Financial Reporting Advisory Group recommended in October 2015 that the Standard should not be endorsed as it is unlikely to be adopted by many EU countries.), IFRS 16 Leases, HMT have confirmed that IFRS 16 Leases, as interpreted and adapted by the FReM is to be effective from 1st April 2020.

IFRS 17 Insurance Contracts,  
IFRIC 23 Uncertainty over Income Tax Treatment.

**1.30 Accounting standards issued that have been adopted early**

During 2018-19 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

**1.31 Charities**

HEIW is not a corporate trustee of any charities.

## 2. Financial Duties Performance

HEIW was established as a Special Health Authority. The statutory financial duties of Special Health Authorities are set out in section 172 of the National Health Service (Wales) Act 2006.

Section 172(1) sets out what is referred to as the 'First Financial Duty' - a duty to secure that HEIW expenditure does not exceed the aggregate of the funding allotted to it for a financial year.

Under the powers of direction in the National Health Service (Wales) Act section 172(6) WHC/2019/004 clarified that the annual statutory financial duty is set separately for revenue and capital resource allocations.

HEIW was issued with a Remit Letter on 25 October 2018, confirming that 2018/19 would remain a transitional period as HEIW commenced full operations. Accordingly the Remit Letter set out objectives for delivery by HEIW for the period to 31 March 2019 and beyond, and set the requirement that HEIW prepare an annual plan for 2019/20 in accordance with the NHS Wales Planning Framework.

HEIW is therefore not subject to a Second Financial Duty for the period of account to 31 March 2019. HEIW is expected to report in the Annual Report and Accounts for the period of account to 31 March 2019 performance against its objectives set out in the Remit Letter. There will be no performance note to the Accounts for the Second Financial Duty for the period of account to 31 March 2019.

### 2.1 Revenue Resource Performance

	Financial performance
	05-Oct 17 to
	31-Mar-19
	£'000
<b>Net operating costs for the period</b>	<b>105,563</b>
Revenue Resource Allocation	<b>105,718</b>
<b>Under /(over) spend against Allocation</b>	<b>155</b>

HEIW has met its financial duty to break-even against its Revenue Resource Limit over the period.

### 2.2 Capital Resource Performance

	05-Oct 17 to
	31-Mar-19
	£'000
<b>Gross capital expenditure</b>	<b>3,101</b>
Add: Losses on disposal of donated assets	<b>0</b>
Less: NBV of property, plant and equipment and intangible assets disposed	<b>0</b>
Less: capital grants received	<b>0</b>
Less: donations received	<b>0</b>
Charge against Capital Resource Allocation	<b>3,101</b>
Capital Resource Allocation	<b>3,101</b>
<b>(Over) / Underspend against Capital Resource Allocation</b>	<b>0</b>

HEIW has met its financial duty to break-even against its Capital Resource Limit over the period.

### 3. Analysis of gross operating costs

<b>3.1 Expenditure on Commissioning Contracts</b>	5-Oct-17 to 31-Mar-19 Total £'000
Universities Contracts	34,979
Bursaries (Universities)	12,542
Student Salary Reimbursement	7,321
Training, Travel and Subsistence	1,924
<b>Total</b>	<b>56,766</b>

<b>3.2 Expenditure on health care training</b>	5-Oct-17 to 31-Mar-19 £'000
Training Grade Salaries	24,321
Postgraduate Centre and Study Leave	2,384
GP Registrars	7,759
Induction & Refresher	39
Welsh Clinical Academic Training	688
Other	0
<b>Total</b>	<b>35,191</b>

	5-Oct-17 to 31-Mar-19 £'000
<b>3.3 Other Operating Expenditure</b>	
Directors' costs	536
Staff costs	5,763
Supplies and services - clinical	24
Supplies and services - general	581
Consultancy Services	53
Establishment	2,893
Transport	0
Premises	2,776
External Contractors	129
Depreciation	112
Amortisation	0
Fixed asset impairments and reversals (Property, plant & equipment)	0
Fixed asset impairments and reversals (Intangible assets)	0
Impairments & reversals of financial assets	0
Impairments & reversals of non-current assets held for sale	0
Audit fees	48
Other auditors' remuneration	40
Losses, special payments and irrecoverable debts	33
Research and Development	0
Other operating costs	927
<b>Total</b>	<b>13,915</b>
<b>3.4 Losses, special payments and irrecoverable debts: charges to operating expenses</b>	<b>5-Oct-17 to 31-Mar-19 £'000</b>
<b>Increase/(decrease) in provision for future payments:</b>	
Clinical negligence	0
Personal injury	0
All other losses and special payments	0
Defence legal fees and other administrative costs	30
Gross increase/(decrease) in provision for future payments	30
Contribution to Welsh Risk Pool	0
Premium for other insurance arrangements	0
Irrecoverable debts	3
<b>Less: income received/due from Welsh Risk Pool</b>	<b>0</b>
<b>Total</b>	<b>33</b>

**4. Miscellaneous Income**

	5-Oct-17 to 31-Mar-19 £'000
Local Health Boards	10
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
NHS trusts	44
Other NHS England bodies	0
Foundation Trusts	0
Local authorities	0
Welsh Government	3
Non NHS:	
Prescription charge income	0
Dental fee income	0
Private patient income	0
Overseas patients (non-reciprocal)	0
Injury Costs Recovery (ICR) Scheme	0
Other income from activities	0
Patient transport services	0
Education, training and research	252
Charitable and other contributions to expenditure	0
Receipt of donated assets	0
Receipt of Government granted assets	0
Non-patient care income generation schemes	0
NWSSP	0
Deferred income released to revenue	0
Contingent rental income from finance leases	0
Rental income from operating leases	0
Other income	0
<b>Total</b>	<b>309</b>

Other Income includes:

xxxx	0
	0
	0
	0
	0
	0
<b>Total</b>	<b>0</b>

	5-Oct-17
	to
	31-Mar-19
	£000
<b>5. Investment Revenue</b>	
<b>Rental revenue :</b>	
PFI Finance lease income	
planned	0
contingent	0
Other finance lease revenue	0
<b>Interest revenue :</b>	
Bank accounts	0
Other loans and receivables	0
Impaired financial assets	0
Other financial assets	0
<b>Total</b>	<u>0</u>
	5-Oct-17
	to
	31-Mar-19
	£000
<b>6. Other gains and losses</b>	
Gain/(loss) on disposal of property, plant and equipment	0
Gain/(loss) on disposal of intangible assets	0
Gain/(loss) on disposal of assets held for sale	0
Gain/(loss) on disposal of financial assets	0
Change on foreign exchange	0
Change in fair value of financial assets at fair value through SoCNE	0
Change in fair value of financial liabilities at fair value through SoCNE	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0
<b>Total</b>	<u>0</u>
	5-Oct-17
	to
	31-Mar-19
	£000
<b>7. Finance costs</b>	
Interest on loans and overdrafts	0
Interest on obligations under finance leases	0
Interest on obligations under PFI contracts	
main finance cost	0
contingent finance cost	0
Interest on late payment of commercial debt	0
Other interest expense	0
<b>Total interest expense</b>	<u>0</u>
Provisions unwinding of discount	0
Other finance costs	0
<b>Total</b>	<u>0</u>

## 8. Operating leases

### HEIW as lessee

	5-Oct-17 to 31-Mar-19
	£000
<b>Payments recognised as an expense</b>	
Minimum lease payments	181
Contingent rents	0
Sub-lease payments	0
<b>Total</b>	<b>181</b>

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

<b>Payable</b>	£000
Not later than one year	363
Between one and five years	1,453
After 5 years	1,500
<b>Total</b>	<b>3,316</b>

	Land & Buildings	Vehicles	Equipment	Total
<b>Number of operating leases expiring</b>				
Not later than one year	0	0	0	0
Between one and five years	0	0	0	0
After 5 years	1	0	0	1
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Charged to the income statement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

There are no future sublease payments expected to be received

### HEIW as lessor

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

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

<b>Receivable</b>	£000
Not later than one year	0
Between one and five years	0
After 5 years	0
<b>Total</b>	<b>0</b>

## 9. Employee benefits and staff numbers

9.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total 5-Oct-17 to 31-Mar-19
	£000	£000	£000	£000	£000
Salaries and wages	4,695	320	274	0	5,289
Social security costs	434	0	0	0	434
Employer contributions to NHS Pension Scheme	513	0	0	0	513
Other pension costs	10	0	0	0	10
Other employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
<b>Total Employee costs from 1st October 2018</b>	<b>5,652</b>	<b>320</b>	<b>274</b>	<b>0</b>	<b>6,246</b>

There were no employee costs prior to the 1 October 2018.

Charged to capital	0
Charged to revenue	6,246
	<b>6,246</b>
Net movement in accrued employee benefits (untaken staff leave accrual included above)	79

### 9.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other Staff	Total 5-Oct-17 to 31-Mar-19
	Number	Number	Number	Number	Number
Administrative, clerical and board members	139	5	10	0	154
Medical and dental	39	0	0	0	39
Nursing, midwifery registered	1	0	0	0	1
Professional, Scientific, and technical staff	11	0	0	0	11
Additional Clinical Services	3	0	0	0	3
Allied Health Professions	0	0	0	0	0
Healthcare Scientists	0	0	0	0	0
Estates and Ancillary	0	0	0	0	0
Students	0	0	0	0	0
<b>Total</b>	<b>193</b>	<b>5</b>	<b>10</b>	<b>0</b>	<b>208</b>

#### Administrative clerical and board members includes:

Lay members (undertake medical appraisal and training plans)	0	0	0	0	0
Lecturers	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The average number of employees are calculated for the period 1st October 2018 to 31st March 2019, reflecting the period that the organisation was operational.

### 9.3. Retirements due to ill-health

During the period there were 0 early retirements from HEIW agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £0.

### 9.4 Employee benefits

HEIW offers a salary sacrifice scheme for childcare vouchers.

## 9.5 Reporting of other compensation schemes - exit packages

05 Oct 2017 to 31 March 2019

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

Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages
	£'s	£'s	£'s	£'s
less than £10,000	0	0	0	0
£10,000 to £25,000	0	0	0	0
£25,000 to £50,000	0	0	0	0
£50,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £200,000	0	0	0	0
more than £200,000	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Redundancy costs have been paid in accordance with the NHS Redundancy provisions, other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Where HEIW has agreed early retirements, the additional costs are met by HEIW and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

### 9.6 Remuneration Relationship

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

The banded remuneration of the highest-paid director in HEIW in the financial period to 31 March 2019 was £150k to £155k. This was 3.05 times the median remuneration of the workforce, which was £49,969.

During the period, 0 employees received remuneration in excess of the highest-paid director. Remuneration for staff ranged from £15,842 to £154,595.

The banded remuneration of the Chief Executive is £145k to £150k. This is 2.95 times the median remuneration of the workforce.

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

## 9.7 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health 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 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 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. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

**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 5% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 2% of this. The legal minimum level of contribution level is due to increase to 8% in April 2019.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,032 and £46,350 for the 2018-19 tax year (2017-18 £5,876 and £45,000 ).

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 HEIW 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 HEIW financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

Payments made prior to HEIW becoming operational on 1st October 2018 were made by the predecessor organisations and are not included in the totals below.

	5-Oct-17 to 31-Mar-19 Number	5-Oct-17 to 31-Mar-19 £000
<b>NHS</b>		
Total bills paid	615	18,237
Total bills paid within target	507	17,563
Percentage of bills paid within target	82.4%	96.3%
<b>Non-NHS</b>		
Total bills paid	1,755	46,875
Total bills paid within target	1,681	46,781
Percentage of bills paid within target	95.8%	99.8%
<b>Total</b>		
Total bills paid	2,370	65,112
Total bills paid within target	2,188	64,344
Percentage of bills paid within target	92.3%	98.8%

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

	5-Oct-17 to 31-Mar-19 £
Amounts included within finance costs (note 7) from claims made under this legislation	0
Compensation paid to cover debt recovery costs under this legislation	0
<b>Total</b>	<u>0</u>

## 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 5 October 2017</b>	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions									
- purchased	0	1,413	0	0	0	0	1,318	370	3,101
- donated	0	0	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other organisations	0	0	0	0	573	0	40	71	684
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>1,413</b>	<b>0</b>	<b>0</b>	<b>573</b>	<b>0</b>	<b>1,358</b>	<b>441</b>	<b>3,785</b>
<b>Depreciation at 5 October 2017</b>	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Transfer from/into other organisations	0	0	0	0	573	0	40	71	684
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the period	0	37	0	0	0	0	56	19	112
<b>At 31 March 2019</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>573</b>	<b>0</b>	<b>96</b>	<b>90</b>	<b>796</b>
<b>Net book value at 5 Oct 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2019</b>	<b>0</b>	<b>1,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,262</b>	<b>351</b>	<b>2,989</b>
<b>Net book value at 31 March 2019</b> <b>comprises :</b>									
Purchased	0	1,376	0	0	0	0	1,262	351	2,989
Donated	0	0	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>1,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,262</b>	<b>351</b>	<b>2,989</b>
<b>Asset financing :</b>									
Owned	0	1,376	0	0	0	0	1,262	351	2,989
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>1,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,262</b>	<b>351</b>	<b>2,989</b>

The net book value of land, buildings and dwellings at 31 March 2019 comprises :

	£000
Freehold	0
Long Leasehold	1,376
Short Leasehold	0
	<b>1,376</b>

The land and buildings were not part of the revaluation exercise /revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. HEIW are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which 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 occupation.

Of the totals at 31st March 2019, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value. Figures for freehold land and buildings are given gross with separate accumulated depreciation.

HEIW had to charge accelerated depreciation on the following:

**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 at 5 October 2017</b>	0	0	0	0	0	0
Plus assets classified as held for sale in the period	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the period	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 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Assets sold in the period**

*There were no assets sold in the period*

**Assets classified as held for sale during the period**

No assets were classified as held for sale during 2018/19.

## 12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Carbon Reduction Commitments	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 5 Oct 2017</b>	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0
Additions- internally generated	0	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation at 5 Oct 2017</b>	0	0	0	0	0	0	0
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 period	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
<b>Amortisation at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 5 Oct 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2019</b>							
Purchased	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0	0
<b>Total at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>13 . Impairments</b>	<b>5-Oct-17 to 31-Mar-19 Property, plant &amp; equipment £000</b>	<b>5-Oct-17 to 31-Mar-19 Intangible assets £000</b>
Impairments arising from :		
Loss or damage from normal operations	0	0
Abandonment in the course of construction	0	0
Over specification of assets (Gold Plating)	0	0
Loss as a result of a catastrophe	0	0
Unforeseen obsolescence	0	0
Changes in market price	0	0
Others (specify)	0	0
Reversal of impairments	0	0
<b>Total of all impairments</b>	<u>0</u>	<u>0</u>
 <b>Analysis of impairments charged to reserves in period :</b>		
Charged to the Statement of Comprehensive Net Expenditure	0	0
Charged to Revaluation Reserve	0	0
	<u>0</u>	<u>0</u>

**14.1 Inventories**

	As at 31-Mar-19 £000
Drugs	0
Consumables	0
Energy	0
Work in progress	0
Other	0
<b>Total</b>	<b>0</b>
Of which held at realisable value	0

**14.2 Inventories recognised in expenses**

	5-Oct-17 to 31-Mar-19 £000
Inventories recognised as an expense in the period	0
Write-down of inventories (including losses)	0
Reversal of write-downs that reduced the expense	0
<b>Total</b>	<b>0</b>

**15. Trade and other Receivables**

<b>Current</b>	<b>As at 31-Mar-19 £000</b>
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	0
Welsh NHS Trusts	0
Non - Welsh Trusts	0
Other NHS	13
Welsh Risk Pool	0
Local Authorities	0
Capital debtors	0
Other debtors	297
Provision for irrecoverable debts	(3)
Pension Prepayments	0
Other prepayments	494
Other accrued income	0
<b>Sub total</b>	<b>801</b>
<b>Non-current</b>	
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	0
Welsh NHS Trusts	0
Non - Welsh Trusts	0
Other NHS	0
Welsh Risk Pool	0
Local Authorities	0
Capital debtors	0
Other debtors	0
Provision for irrecoverable debts	0
Pension Prepayments	0
Other prepayments	0
Other accrued income	0
<b>Sub total</b>	<b>0</b>
<b>Total</b>	<b>801</b>
<b>Receivables past their due date but not impaired</b>	
By up to three months	0
By three to six months	0
By more than six months	0
	<b>0</b>

Of the debtors past due (but not impaired) which are greater than six months old, £XXm relates to ....

**Expected Credit Losses (ECL) previously Allowance for bad and doubtful debts**

Balance at 5 Oct 2017	0
Transfer to other NHS Wales body	0
Amount written off during the period	0
Amount recovered during the period	0
(Increase) / decrease in receivables impaired	3
ECL/Bad debts recovered during period	0
Balance at 31 March 2019	<b>3</b>

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

**Receivables VAT**

Trade receivables	37
Other	0
<b>Total</b>	<b>37</b>

**16. Other Financial Assets**

	Current	Non-current
	As at 31-Mar-19 £000	As at 31-Mar-19 £000
<b>Financial assets</b>		
Shares and equity type investments		
Held to maturity investments at amortised costs	0	0
At fair value through SOCNE	0	0
Available for sale at FV	0	0
Deposits	0	0
Loans	0	0
Derivatives	0	0
Other (Specify)		
Held to maturity investments at amortised costs	0	0
At fair value through SOCNE	0	0
Available for sale at FV	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**17. Cash and cash equivalents**

	As at 31-Mar-19 £000
Balance at 5 Oct 2017	0
Net change in cash and cash equivalent balances	6,240
Balance at 31 March 2019	<b>6,240</b>
Made up of:	
Cash held at Government Banking Service (GBS)	6,240
Commercial banks	0
Cash in hand	0
Current Investments	0
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>6,240</b>
Bank overdraft - GBS	0
Bank overdraft - Commercial banks	0
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>6,240</b>

In response to the IAS 7 requirement for additional disclosure, the changes in liabilities arising for financing activities are;

Lease Liabilities £0k  
PFI liabilities £0k

The movement relates to cash, no comparative information is required by IAS 7 in 2018-19.

**18. Trade and other payables**

<b>Current</b>	<b>As at 31-Mar-19</b>
	<b>£000</b>
Welsh Government	86
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	2,061
Welsh NHS Trusts	529
Other NHS	157
Taxation and social security payable / refunds	12
Refunds of taxation by HMRC	0
VAT payable to HMRC	0
Other taxes payable to HMRC	0
NI contributions payable to HMRC	0
Non-NHS creditors	2,984
Local Authorities	0
Capital Creditors	0
Overdraft	0
Rentals due under operating leases	24
Obligations under finance leases, HP contracts	0
Imputed finance lease element of on SoFP PFI contracts	0
Pensions: staff	0
Accruals	170
Deferred Income:	
Deferred Income brought forward	0
Deferred Income Additions	11
Transfer to / from current/non current deferred income	0
Released to SoCNE	0
Other creditors	0
PFI assets –deferred credits	0
Payments on account	0
<b>Total</b>	<b>6,034</b>
<b>Non-current</b>	
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	0
Welsh NHS Trusts	0
Other NHS	0
Taxation and social security payable / refunds	0
Refunds of taxation by HMRC	0
VAT payable to HMRC	0
Other taxes payable to HMRC	0
NI contributions payable to HMRC	0
Non-NHS creditors	0
Local Authorities	0
Capital Creditors	0
Overdraft	0
Rentals due under operating leases	194
Obligations under finance leases, HP contracts	0
Imputed finance lease element of on SoFP PFI contracts	0
Pensions: staff	0
Accruals	0
Deferred Income :	
Deferred Income brought forward	0
Deferred Income Additions	0
Transfer to / from current/non current deferred income	0
Released to SoCNE	0
Other creditors	0
PFI assets –deferred credits	0
Payments on account	0
<b>Total</b>	<b>194</b>

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

**Amounts falling due more than one year are expected to be settled as follows:**

	<b>£000</b>
Between one and two years	0
Between two and five years	0
In five years or more	0
Sub-total	0

**19. Other financial liabilities**

	<b>Current</b>	<b>Non-current</b>
<b>Financial liabilities</b>	<b>As at 31-Mar-19 £000</b>	<b>As at 31-Mar-19 £000</b>
Financial Guarantees:		
At amortised cost	0	0
At fair value through SoCNE	0	0
Derivatives at fair value through SoCNE	0	0
Other:		
At amortised cost	0	0
At fair value through SoCNE	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>

## 20. Provisions

	At 5 October 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the period	Utilised during the period	Reversed unused	Unwinding of discount	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	30	0	0		30
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>
<b>Non Current</b>									
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	0	0	0		0
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>									
Clinical negligence	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	30	0	0		30
Pensions relating to former directors	0			0	0	0	0	0	0
Pensions relating to other staff	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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>

## Expected timing of cash flows:

	in year to 31 March 2020	Between 1 April 2020 31 March 2024	Thereafter	Total
				£000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	30	0	0	30
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	0	0	0	0
Restructuring	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>30</b>

## 21. Contingencies

### 21.1 Contingent liabilities

	As at 31-Mar-19 £'000
Provisions have not been made in these accounts for the following amounts :	
Legal claims for alleged medical or employer negligence	0
Doubtful debts	0
Equal Pay costs	0
Defence costs	0
Continuing Health Care costs	0
Other	0
Total value of disputed claims	<u>0</u>
Amounts recovered in the event of claims being successful	0
<b>Net contingent liability</b>	<u><u>0</u></u>

	As at 31-Mar-19 £'000
<b>21.2 Remote Contingent liabilities</b>	
Please disclose the values of the following categories of remote contingent liabilities :	
Guarantees	0
Indemnities	0
Letters of Comfort	0
<b>Total</b>	<b>0</b>

	As at 31-Mar-19 £'000
<b>21.3 Contingent assets</b>	
	0
	0
	0
<b>Total</b>	<b>0</b>

## 22. Capital commitments

	As at 31-Mar-19 £'000
<b>Contracted capital commitments</b>	
Property, plant and equipment	0
Intangible assets	0
<b>Total</b>	<b>0</b>

### 23. Losses and special payments

HEIW has no losses and special payments during the period. 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 period

	Amounts paid out during period to 31 March 2019		Approved to write-off to 31 March 2019	
	Number	£	Number	£
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

Cases exceeding £300,000	Case type	Amounts paid out in period	Cumulative amount	Approved to write-off in period
		£	£	£
<b>Sub-total</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total cases</b>		<b>0</b>	<b>0</b>	<b>0</b>

## 24. Finance leases

### 24.1 Finance leases obligations (as lessee)

HEIW has no finance lease obligations as lessee.

#### Amounts payable under finance leases:

Land	As at 31-Mar-19 £000
<b>Minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	<u>0</u>
	<u>0</u>
<b>Present value of minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	<u>0</u>
	<u>0</u>

## 24.1 Finance leases obligations (as lessee) continue

**Amounts payable under finance leases:**

<b>Buildings</b>	<b>As at 31-Mar-19</b>
	<b>£000</b>
<b>Minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>
<b>Present value of minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>
<b>Other</b>	<b>As at 31-Mar-19</b>
	<b>£000</b>
<b>Minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>
<b>Present value of minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>

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

HEIW has no finance leases receivable as a lessor.

**Amounts receivable under finance leases:**

	<b>As at 31-Mar-19 £000</b>
<b>Gross Investment in leases</b>	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>
<b>Present value of minimum lease payments</b>	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	0
	<u>0</u>

**25. Private Finance Initiative contracts****25.1 PFI schemes off-Statement of Financial Position**

HEIW has no PFI schemes which are deemed to be on or off the statement of financial position.

## **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. HEIW 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. HEIW 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 HEIW in undertaking its activities.

### **Currency risk**

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

### **Interest rate risk**

HEIW is not permitted to borrow. HEIW therefore has low exposure to interest rate fluctuations

### **Credit risk**

Because the majority of HEIW funding derives from funds voted by the Welsh Government HEIW has low exposure to credit risk.

### **Liquidity risk**

HEIW 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. HEIW is not, therefore, exposed to significant liquidity risks.

	5-Oct-17
	to
	31-Mar-19
	£000
(Increase)/decrease in inventories	0
(Increase)/decrease in trade and other receivables - non-current	0
(Increase)/decrease in trade and other receivables - current	(801)
Increase/(decrease) in trade and other payables - non-current	194
Increase/(decrease) in trade and other payables - current	6,034
<b>Total</b>	<b>5,427</b>
Adjustment for accrual movements in fixed assets - creditors	0
Adjustment for accrual movements in fixed assets - debtors	0
Other adjustments	0
	<b>5,427</b>

	5-Oct-17
	to
	31-Mar-19
	£000
<b>28. Other cash flow adjustments</b>	
Depreciation	112
Amortisation	0
(Gains)/Loss on Disposal	0
Impairments and reversals	0
Release of PFI deferred credits	0
Donated assets received credited to revenue but non-cash	0
Government Grant assets received credited to revenue but non-cash	0
Non-cash movements in provisions	30
<b>Total</b>	<b>142</b>

## 29. Third Party assets

HEIW does not hold cash on behalf of third parties.

## 30. Events after the Reporting Period

HEIW has not experienced any events having a material effect on the accounts, between the date of the statement of financial position and the date on which these accounts were approved by its Board.

## 31. Related Party Transactions

The Welsh Government is regarded as a related party. During the accounting period HEIW has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body:

	Debtor @ 31-Mar-19 £'000s	Creditor @ 31-Mar-19 £'000s	Income @ 31-Mar-19 £'000s	Expenditure @ 31-Mar- 19 £'000s
Welsh Government	0	86	109,338	87
Abertawe Bro Morgannwg University LHB	0	329	0	7,311
Aneurin Bevan Health Board	0	424	1	4,557
Betsi Cadwaladr LHB	0	152	6	7,132
Cardiff & Vale LHB	0	653	3	9,978
Cwm Taf LHB	0	250	0	3,510
Hywel Dda LHB	0	96	0	3,187
Powys LHB	0	157	0	325
Velindre University NHS Trust	0	435	44	11,098
Public Health Wales NHS Trust	0	45	0	597
Welsh Ambulance Trust	0	49	0	362
Welsh Health Specialised Services Committee	0	0	0	0
Total £'000s	0	2,676	109,392	48,144

During the year, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.

Tina Donnelly is a Fellow of the **University of South Wales**.

Ruth Hall is a visiting Chair of the **University of West of England** and an advisory Board Member, Centre for Public Policy Wales at **Cardiff University**.

Ceri Phillips is Head of College of Human and Health Sciences, **Swansea University**.

	Debtor @ 31-Mar-19 £'000s	Creditor @ 31-Mar-19 £'000s	Income @ 31-Mar-19 £'000s	Expenditure @ 31-Mar- 19 £'000s
University of South Wales	0	1	0	8,022
University of West of England	0	10	0	31
Cardiff University	44	166	92	13,720
Swansea University	0	32	0	10,918
	44	209	92	32,691

## 32. Operating segments

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

HEIW is deemed to operate as one segment.

## 33. Pooled budgets

HEIW does not operate any pooled budgets.

## 34. Other Information

### IFRS15

Work was undertaken by the TAG IFRS sub group, consistent with the 'portfolio' approach allowed by the standard. Each income line in the notes from a previous year's annual accounts (either 2016/17 or 2017/18) was considered to determine how it would be affected by the implementation of IFRS 15. It was determined that the following types of consideration received from customers for goods and services (hereon referred to as income) fell outside the scope of the standard, as the body providing the income does not have a contract with the body to receive any direct goods or services in return for the income:

- Charitable Income and other contributions to Expenditure.
- Receipt of Donated Assets.
- WG Funding without direct performance obligation (e.g. SIFT/SIFT®/Junior Doctors PDGME Funding).

Income that fell wholly or partially within the scope of the standard included:

- Welsh LHB & WHSCC LTA Income;
- Non Welsh Commissioner Income;
- NHS Trust Income;
- Foundation Trust Income;
- Other WG Income;
- Local Authority Income;
- ICR Income ;
- Training & Education income ;
- Accommodation & Catering income

It was identified that the only material income flows likely to require adjustment for compliance with IFRS15 was that for patient care provided under Long Term Agreements (LTA's). The adjustment being, for episodes of patient care which had started but not concluded (FCE's), as at period end, e.g. 31 March.

These income flows are not relevant to HEIW and therefore there is no impact in the accounts.

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### 34. Other Information (continued)

#### IFRS 9

For consistency across Wales, the practical expedient provision matrix is used to estimate expected credit losses (ECLs) based on the 'age' of receivables.

However, as HEIW has been operational for only 6 months it does not have sufficient data which to analyse historical loss rate. Due to the relatively low number of outstanding contracts as at 31st March 2019 ECLs were estimated individually for all period-end receivables. In future years the practical expedient matrix will be used for calculation purposes.

#### ESTABLISHMENT OF HEALTH EDUCATION & IMPROVEMENT WALES

The formation of HEIW from its predecessor organisations has been recognised as a transfer by absorption. This means that the assets and liabilities are removed from the former organisations during 2018/19 and included within the financial statements of HEIW for the period ended 31st March 2019. No restatement of performance is required under the new method.

For the agreement of assets and liabilities that transferred, HEIW completed and agreed 'S1' and 'S2' forms with Velindre University NHS Trust and Cardiff University. The forms respectively record:

- S1 - The value of Property, Plant & Equipment transferred.
- S2 - The value of other non-current assets and current assets and liabilities transferred.

HEIW paid Velindre University NHS Trust for the value of non-current assets transferred during the year, and are shown as non-current asset additions in note 11.1. This cost purchase was funded by Welsh Government and £3.101m was credited to the General Fund, which will offset depreciation on the assets as charges are incurred.

Included within the S1 form with Cardiff University was £684k of fully depreciated non-current assets, which transferred to HEIW at nil cost. These assets have been shown within note 11.1.

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**THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH PARAGRAPH 3(1) OF SCHEDULE 9 TO THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURER'S HEALTH EDUCATION AND IMPROVEMENT WALES**

1. Health Education and Improvement Wales (HEIW), a special health authority, shall prepare accounts for the financial period 5<sup>th</sup> October 2017 to 31 March 2019 and subsequent financial in the form specified in paragraphs 2 to 4 below.

**BASIS OF PREPARATION**

2. The accounts of HEIW shall comply with:

(a) the accounting principles and disclosure requirements of the Government Financial Report Manual ('the FReM') issued by HM Treasury which is in force for that financial year, as detailed in the NHS Wales Manual for Accounts; and

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

3. The accounts shall be prepared so as to:

(a) give a true and fair view of the state of affairs as at the year-end and of the net expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year then ended;

(b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM as detailed in the NHS Wales Manual for Accounts will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. In these exceptional circumstances, compliance with the requirements of the FReM as detailed in the NHS Wales Manual for Accounts is inconsistent with the requirement to give a true and fair view, the requirements of the FReM as detailed in the NHS Wales Manual for Accounts should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and sound judgment should be used to devise an appropriate alternative treatment which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Welsh Government.

Signed by the authority of the Welsh Ministers

Signed:                      Dated:  
Alan Brace, Director of Finance HSSG

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Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>13 May 2019</b>	<b>Agenda Item</b>	<b>2.1</b>
<b>Report Title</b>	<b>Draft Annual Accounts 2018-19</b>		
<b>Report Author</b>	Martyn Pennell, Head of Financial Accounting		
<b>Report Sponsor</b>	Eifion Williams, Interim Director of Finance		
<b>Presented by</b>	Eifion Williams		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	This purpose of this report is to provide the Audit Committee with an overview of the draft Annual Accounts for Health Education & Improvement Wales for 2018/19.		
<b>Key Issues</b>	<p>The draft Annual Accounts (appendix 1) shows that Health Education &amp; Improvement Wales has, subject to audit, met its financial duty to:</p> <ul style="list-style-type: none"> <li>• break-even against its Revenue Resource Limit over the accounting period; and</li> <li>• break-even against its Capital Resource Limit over the accounting period.</li> </ul>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	✓		
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• Note the draft accounts for Health Education &amp; Improvement Wales for 2018/19 and the next steps timetable.</li> </ul>		

## **1. INTRODUCTION**

This purpose of this report is to provide the Audit Committee with an overview of the draft Annual Accounts for Health Education & Improvement Wales (HEIW) for the 18 month period from October 2017 to 31<sup>st</sup> of March 2019.

## **2. BACKGROUND**

HEIW was required to submit a draft set of financial statements to the Welsh Government and the Wales Audit Office (WAO) by the deadline of Friday 26<sup>th</sup> April 2019. The Financial statements covered the period from the 5<sup>th</sup> October 2017 to 31<sup>st</sup> March 2019. It should be noted that whilst the statement period is for the 18 months noted above, the financial statements only include income and expenditure for the 6 month operational period of October 2018 to March 2019. All prior income and expenditure to October 2018 is accounted for by the accounts of predecessor organisations.

WAO commenced their audit of the financial statements on Monday 29<sup>th</sup> April 2019 and this work is currently ongoing.

The final audited accounts are scheduled to be presented to the next Audit Committee meeting on Wednesday 29<sup>th</sup> May 2019, with a recommendation to the Board to approve the accounts on the following day.

The final audited financial statements are required to be submitted to **Welsh** Government by 12:00 on Friday 31<sup>st</sup> May 2019.

## **3. GOVERNANCE AND RISK ISSUES**

No Governance or risk issues have been identified.

## **4. FINANCIAL IMPLICATIONS AND KEY ISSUES**

The draft Annual Accounts (appendix 1) shows that Health Education & Improvement Wales has, subject to audit, met its financial duty to:

- break-even against its Revenue Resource Limit over the accounting period. Note 2.1 on page 20 of the financial statements shows a revenue underspend for the accounting period of £155k.
- break-even against its Capital Resource Limit over the accounting period. Note 2.2. on page 20 of the financial statements shows a balanced capital position for the accounting period.

## 5. NEXT STEPS

The next steps in the approval and submission process for the Financial Accounts are as follows:-

1. Receipt of final version of the Financial Accounts and Auditors ISA 260 Report by Audit Committee on the 29<sup>th</sup> of May 2019.
2. Receipt and Approval of the Financial Accounts, ISA 260 Report and Audit Committee recommendation for HEIW Board on the 30<sup>th</sup> of May 2019.
3. Submission of the Financial Accounts to Welsh Government on 31<sup>st</sup> of May 2019.
4. Accounts signed by Auditor General for Wales in June 2019.

## Conclusion

The Audit Committee is asked to receive the draft HEIW October 2017/March 2019 Financial Accounts and note their contents. The Audit Committee meeting on the 29<sup>th</sup> of May, 2019 will receive the final version of the Financial Accounts, following Audit and the External Auditor's ISA 260 report. The HEIW Board will require a recommendation from the Audit Committee on a decision to accept the accounts and submit to Welsh Government before the end of May 2019.

<b>Governance and Assurance</b>				
<b>Link to corporate objectives</b> <i>(please ✓)</i>	As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand	Building a sustainable and flexible health and care workforce for the future.	With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.	Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.
	√	Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales	Demonstrating value from investment in the workforce and the organisation.	
	Improving opportunities for use of technology and digitalisation in the delivery of education and care.			
<b>Quality, Safety and Patient Experience</b>				
There is no impact on quality, safety and patient experience.				

<b>Financial Implications</b>	
The report sets out the financial position for the accounting period. There are no further financial implications.	
<b>Legal Implications (including equality and diversity assessment)</b>	
There are no legal implications.	
<b>Staffing Implications</b>	
There are no staffing implications	
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>	
There are no long-term implications.	
<b>Appendices</b>	1 - Draft Unaudited Financial Statements for the period 5 <sup>th</sup> October 2017 to 31 March 2019.



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Health Education and  
Improvement Wales (HEIW)

<b>Meeting Date</b>	<b>13 May 2019</b>	<b>Agenda Item</b>	<b>2.2</b>
<b>Report Title</b>	<b>Annual Report 2018/19</b>		
<b>Report Author</b>	Dafydd Bebb, Board Secretary		
<b>Report Sponsor</b>	Dafydd Bebb, Board Secretary		
<b>Presented by</b>	Dafydd Bebb, Board Secretary		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	To update the Board on the Annual Report and to request that the draft Accountability Report be discussed by the Committee and feedback provided.		
<b>Key Issues</b>	<p>The timescales for the approval of the Annual Report are set out in the Manual of Accounts and covered later in this report.</p> <p>The draft Accountability Report, attached at Appendix 1, has been developed in line with Welsh Government requirements.</p> <p>The draft Accountability Report was filed with Welsh Government and the Wales Audit Office on 3<sup>rd</sup> May.</p>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
		✓	
<b>Recommendations</b>	<p>Members are asked to:</p> <p>discuss and support the content of the Accountability Report, provide feedback in order to provide assurance to the Board that a robust governance process was enacted for the period to 31 March 2019.</p>		

# **ANNUAL REPORT 2018/2019**

## **1. INTRODUCTION**

NHS bodies are required to produce an Annual Report for each financial reporting period.

## **2. BACKGROUND**

NHS bodies are required to publish, as a single document, a three part Annual Report and Accounts which includes:

1. the Performance Report;
2. the Accountability Report; and
3. the Financial Statements

Sections 2 and 3 are received in draft form at this meeting (section 3 is the focus of a separate committee paper) and will be approved at the Audit and Assurance Committee on 29 May and will be received and approved at Board on 30<sup>th</sup> May.

## **3. GOVERNANCE AND RISK ISSUES**

According to the Manual of Accounts, the annual report and accounts “as a whole must be fair, balanced and understandable and the accountable officer takes personal responsibility for it and the judgments required for determining that it is fair, balanced and understandable”. The accountable officer must also sign and date all of the relevant sections of the report.

## **4. FINANCIAL IMPLICATIONS**

There are no financial implications. Production of the Annual Report is deemed a core matter for HEIW.

## **5. RECOMMENDATION**

Members are asked to:

discuss and support the content of the Accountability Report and provide feedback in order to provide assurance to the Board that a robust governance process was enacted for the period to 31 March 2019.

<b>Governance and Assurance</b>				
<b>Link to corporate objectives</b> <i>(please ✓)</i>	As a new organisation establishing HEIW as a valued and trusted partner, an excellent employer and a reputable and expert brand	Building a sustainable and flexible health and care workforce for the future.	With Social Care Wales shaping the workforce to deliver care closer to home and to better align service delivery.	Improving quality and safety by supporting NHS organisations find faster and more sustainable workforce solutions for priority service delivery challenges.
	✓			
	Improving opportunities for use of technology and digitalisation in the delivery of education and care.	Reinvigorating leadership development and succession planning across health and social care in partnership with Social Care Wales and Academi Wales	Demonstrating value from investment in the workforce and the organisation.	
<b>Quality, Safety and Patient Experience</b>				
NA.				
<b>Financial Implications</b>				
There are no financial implications.				
<b>Legal Implications (including equality and diversity assessment)</b>				
Completing the Annual Report is a statutory duty for HEIW.				
<b>Staffing Implications</b>				
There are no staffing implications.				
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>				
Na				
<b>Report History</b>	A timetable was presented at the meetings of the Audit and Assurance Committee on 12 February and 29 March.			
<b>Appendices</b>	<ul style="list-style-type: none"> <li>Draft Accountability Report 2018-19 (Appendix 1)</li> </ul>			



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# **Accountability Report**

**For the Period  
Ended 31 March  
2019**

Signed : Alex Howells .....  
(Chief Executive)

Date : .....

## **1 INTRODUCTION**

The Government Financial Reporting Manual (FReM) is the technical accounting guide to the preparation of the financial statements. HM Treasury published a revised version of the Government Financial Reporting Manual (FReM) in December 2017 and states that NHS bodies are required to publish, as a single document, a three-part annual report and accounts document which includes:

### **1.1 The Performance Report**

The purpose of the performance section of the annual report is to provide information on the organisation, its main objectives and strategies and the principal risks that it faces. The report must include:

- An overview;
- A Performance analysis.

### **1.2 The Accountability Report**

The purpose of the accountability section of the annual report is to meet key accountability requirements to the National Assembly for Wales, which must include the following 3 sections:

- A Corporate Governance Report;
- A Remuneration and Staff Report;
- A National Assembly for Wales Accountability and Audit Report.

### **1.3 The Financial Statements**

- The Audited Annual Accounts for the period ended 31 March 2019.

## **2 THE ACCOUNTABILITY REPORT**

### **a. The Corporate Governance Report**

This explains the composition and organisation of Health Education Improvement Wales (HEIW's) governance structures and how they support the achievement of the organisation's objectives. This section includes the Directors report, the statement of Accounting Officers responsibilities and a governance statement. The Board Secretary has compiled the report, the main document being the Annual Governance Statement (AGS). The compilation of this section of the report has been informed by a review of the business undertaken by the Board and its Committees over the 6 months since its establishment and has had input from the Chief Executive, as Accountable Officer, the Executive Team and Members of the Audit and Assurance Committee.

### **b. Remuneration and Staff Report**

The remuneration and staff report sets out HEIW's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors and where relevant the link between performance and remuneration. This section contains information about the remuneration of senior management, fair pay ratios, sickness absence rates etc. and has been compiled by the Finance department and the Workforce & Organisational Development department.

### **c. National Assembly for Wales Accountability and Audit Report**

This contains a range of disclosures on the regularity of expenditure, fees and charges, compliance with the cost allocation and charging requirements set out in HM Treasury guidance, material remote contingent liabilities, long-term expenditure trends, and the audit certificate and report.

The Annual Report must be produced in a bilingual format in time for presentation at the Annual General Meeting (AGM) in July 2019, having been reviewed by the Auditor General for Wales.



# **Corporate Governance Report**

**For the period  
ended 31 March  
2019**

# Annual Governance Statement for the period ended 31 March 2019

## 1. Scope of responsibility

The Board of Health Education Improvement Wales (HEIW) is accountable for Governance, Risk Management and Internal Control. As Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures, as well as a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst also safeguarding public funds and this organisation's assets, for which I am personally responsible. These are carried out in accordance with the responsibilities assigned to me as Accountable Officer by the Chief Executive of NHS Wales.

The background to the establishment of HEIW and the organisation becoming operational on 1 October, 2018, its function and Remit Letter objectives are set out in the Performance Report.

This Annual Governance Statement explains the composition and organisation of the HEIW's governance structures and how they support the achievement of its objectives.

During 2018/2019, HEIW has started to develop a system of governance and assurance. The Board sits at the top of the organisation's governance and assurance system and sets strategic objectives, monitors progress, agrees actions to achieve these objectives and ensures appropriate controls are in place and are working properly. The Board also takes assurance from its Committees and assessments and against professional standards and regulatory frameworks.

### 1.1 Our System of Governance and Assurance

HEIW has agreed its vision, which is “**Transforming the workforce for a healthier Wales**” which has been developed through engagement with staff,

stakeholders and partners. We will deliver this vision using our PEOPLE principles as outlined below:

<b>P</b>	<b>Planning</b> ahead to predict and embrace changes and build a sustainable health and social care system
<b>E</b>	<b>Educating</b> , training and developing staff to meet the needs of patients and citizens in line with prudent healthcare principles
<b>O</b>	<b>Offering opportunities</b> for development to new and existing staff from all professional and occupational groups throughout career pathways
<b>P</b>	<b>Partnership working</b> to increase value for our citizens, patients, learners and staff
<b>L</b>	<b>Leading</b> the way, through continuous learning, improvement and innovation
<b>E</b>	<b>Exciting, Enthusing, Engaging, Enabling and Empowering</b> staff across all professional and occupational groups

HEIW has also developed a Values and Behaviour Framework. These values and behaviours have been developed by the 400 staff who have come together as a team to form HEIW and are:

**Respect for all**  
**Together as a Team**  
**Ideas that Improve**

The Vision and Behaviours Framework, was approved by the Board in October 2018 and activity has started to embed this throughout the organisation. Further work has also been undertaken on the development of a People and Organisational Development Strategy and this will be completed in 2019/20.

HEIW, in line with all Health Boards and Trusts in Wales has agreed Standing Orders for the regulation of proceedings and business of the organisation. They are designed to translate the statutory requirements set out in the HEIW (Establishment and Constitution) Order 2017 into day to day operating practice, and together with the adoption of a scheme of matters reserved to the Board; a scheme of delegation to officers and others; and Standing Financial Instructions, they provide the regulatory framework for the business conduct of HEIW and define its 'ways of working'. These documents, together

with the range of corporate policies set by the Board make up the Governance and Assurance Framework.

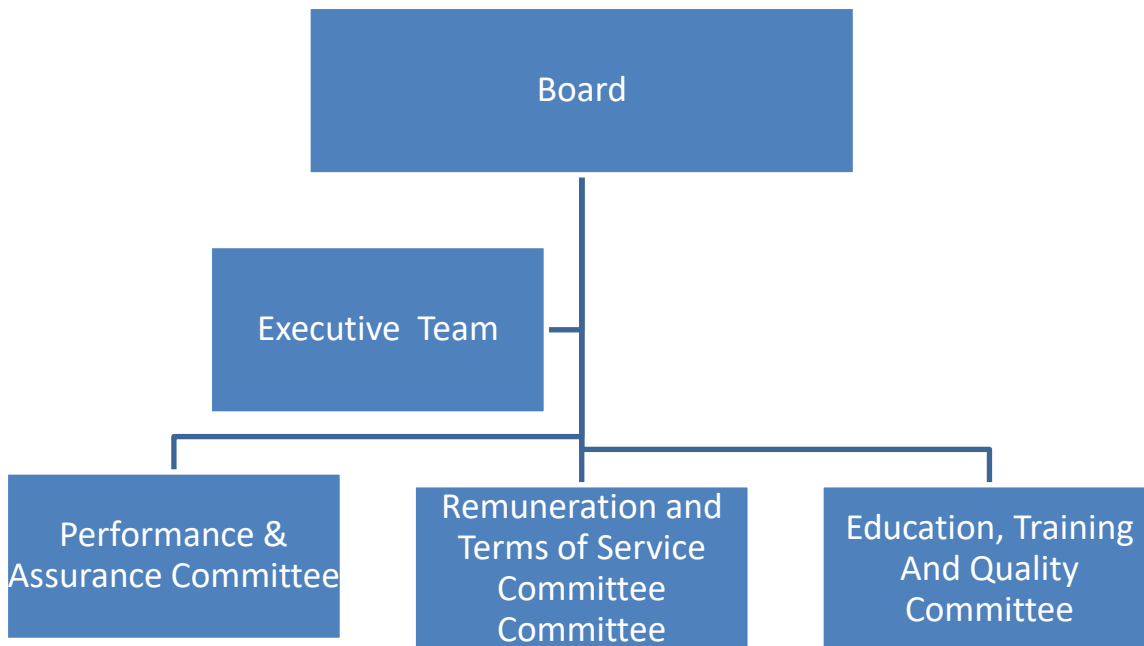
The Board is in the process of developing a written Board Assurance Framework, which will outline the sources of assurance used by the Board to assist the organisation in making judgements about the progress it is making against its stated objectives.

During the year HEIW's Declarations of Interest and Standards of Behaviour Policy has been developed and work continues to further embed this to better manage any conflicts of interest that might arise for our Board Members and staff. This continues to be rolled out across the organisation and communication and engagement undertaken on the requirements of the policy.

## **1.2 The Role of the Board**

As a newly established body HEIW has a new Board. The organisation's Chair, Chris Jones CBE was formally appointed as Chair on 1 October 2018. All of the seven Independent Members have been appointed for a period of between two and three years. The Chief Executive, other Executive Members and the Board Secretary were also appointed in 2018. These appointments are outlined in Table One. The programme of induction at a national level facilitated by Academi Wales is currently under review and new members will be required to attend the new programme in 2019/20. HEIW's experienced members will have already undertaken equivalent training through their previous roles on Boards. During the shadow period for HEIW, which pre-dated the organisation becoming operational, a number of Board Development Sessions were undertaken which included an extensive day on governance in spring 2018.

The full membership of the Board and their lead roles and committee responsibilities are outlined in Table One and summarised in the table below



The Board provides leadership and direction to the organisation and has a key role in ensuring that the organisation has sound governance arrangements in place. The Board also seeks to ensure that it has an open culture and high standards in the ways in which its work is conducted. Together, Board Members share corporate responsibility for all decisions and play a key role in monitoring the performance of the organisation. All the meetings of the Board for the period ending 31 March 2019 were appropriately constituted with a quorum. The key business and risk matters considered by the Board during 2018/2019 are outlined in this Statement and further information can be obtained from the published Health Board meeting papers on the Health Board's web pages via the following link.

**<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>**.

### **1.3 Committees of the Board**

The Board has established three committees, the Audit and Assurance Committee, Remuneration and Terms of Service Committee and the Education, Commissioning and Quality Committee. The latter committee was established by the Board in March 2019 and will not come into being until 2019/20. These committees are chaired by the Chair or Independent Members of the Board and have key roles in relation to the system of governance and assurance, decision making, scrutiny and in assessing current risks. The committees provide assurance and key issue reports to each Board meeting to contribute to the

Board's assessment of assurance and to provide scrutiny on the delivery of objectives.

The Chair of the Board and the Board are keeping the committee structure under review and will consider whether to further revise the structure during 2019/2020 in line with the Board's governance framework and priorities of the Annual Plan 2019/20.

HEIW is committed to openness and transparency with regard to the way in which it conducts its committee business. The majority of the work undertaken by the Board and the Audit and Assurance Committee is undertaken in public. Open session papers are published on HEIW's website.

The link to the HEIWs web page where the papers are published is provided below:

**<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>**

The Remuneration and Terms of Service (RATS) Committee undertakes its work in closed session only. The closed session elements of Board and Committee meetings are undertaken because of the confidential nature of the business. Such confidential issues may include commercially sensitive issues, matters relating to personal issues or discussing plans in their formative stages.

The HEIW Board and its committees have also sought to undertake the minimum of its business in closed sessions and ensure business wherever possible is considered in public. In 2019/20 the Board will approve guidance clarifying the basis upon which matters are ordinarily to be considered in open or closed session.

An important committee of the Board in relation to this Annual Governance Statement is the Audit and Assurance Committee, which keeps under review the design and adequacy of HEIW's governance and assurance arrangements and its system of internal control. During the period ending 31 March 2019, key issues considered by the Audit and Assurance Committee relating to the overall governance of the organisation have been:

- Reviewing the transitional arrangements enabling HEIW to become operational.
- Reviewing the terms of reference on its establishment, these will be kept under regular review.

- Approving the Internal Audit Plan for 2018/2019 and has kept under review the resulting Internal Audit Reports. Noted key areas of risk and will track the management responses made to improve systems and organisational policies.
- Ensuring effective financial systems and controls procedures are established through the Finance Transition Plan.
- Developing the Board's risk management systems and processes.
- Developing arrangements to work with the Wales Audit Office (WAO), and has considered the WAO's 2019 Audit Plan.

#### 1.4 Membership of the Board and its committees

In Table One the membership of the Board is outlined for the period ended 31 March 2019 and the attendance at Board meetings for this period. It also highlights the membership of Board's committees.

A report of any proposed changes to the structure and membership of Board committees is approved by the Board. Each committee has considered its own terms reference and recommended changes to the Board. The Board will ensure that terms of reference for each committee are reviewed annually to ensure the work of committees clearly reflects any required governance requirements or changes to delegation arrangements or areas of responsibility from the Board. Committees will also be required develop Annual Reports of their business and activities.

Board and committee membership and attendance since 1 October 2018 to 31 March 2019:

**Table One**

<i>NAME</i>	<i>POSITION</i>	<i>AREA OF EXPERTISE REPRESENTATION ROLE</i>	<i>BOARD COMMITTEE MEMBERSHIP</i>	<i>Meeting Attendance 18/19</i>	<i>[CHAMPION ROLES – check with Steve Combes]</i>
<i>Chris Jones</i>	<i>Chair</i>	<i>Primary Care Widening Access Prevention</i>	<i>Board (chairs) RATS Committee (Chair)</i>	<i>4/4 4/4</i>	<i>Welsh Language Champion</i>
	<i>Vice Chair</i>	• <i>Performance</i>	<i>Board</i>	<i>3/4</i>	

<i>John Hill-Tout</i>		<ul style="list-style-type: none"> <li>• Governance</li> <li>• Finance</li> </ul>	<i>Audit and Assurance Committee;</i>  <i>RATS Committee</i>	3/3  4/4	Primary care and mental health champion
<i>Tina Donnelly</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Leadership</li> <li>• Students</li> <li>• Workforce</li> <li>• Education/Training</li> </ul>	<i>Board</i>  <i>RATS Committee</i>  <i>Education, Commissioning and Quality Committee</i>	3/4  4/4  <i>Established at March Board and yet to meet.</i>	<i>Student/Trainee Champion</i> <i>Equality and Diversity Champion</i>
<i>Ruth Hall</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Rural Education Quality and Improvement</li> </ul>	<i>Board</i> <i>Audit and Assurance Committee;</i> <i>RATS Committee</i> <i>Education, Commissioning and Quality Committee (Chair)</i>	4/4  3/3  2/4  <i>Established at March Board and yet to meet.</i>	<i>Rural Champion</i>
<i>Gill Lewis</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Health &amp; Social Care Workforce</li> <li>• Digitalisation</li> </ul>	<i>Board</i> <i>Audit and Assurance Committee (Chair)</i> <i>RATS Committee</i>	3/4 3/3  4/4	<i>Health &amp; Social Care Integration Champion</i>
<i>Ceri Phillips</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Workforce Design</li> <li>• Value Agenda</li> <li>• Digitalisation</li> </ul>	<i>Board</i> <i>RATS Committee</i>	3/4  2/4	<i>Digital Champion</i>
<i>Heidi Phillips</i>	<i>Independent Member</i>	<ul style="list-style-type: none"> <li>• Integrated Care</li> <li>• Improvement</li> <li>• Widening Access</li> <li>• Education</li> <li>• Training</li> </ul>	<i>Board</i> <i>RATS Committee</i>	3/4 4/4	<i>Quality Improvement Champion</i>  <i>Widening Access Champion</i>
<i>Alex Howells</i>	<i>Chief Executive</i>		<i>Board</i>	4/4	
<i>Julie Rogers</i>	<i>Deputy Chief Executive; Director of Workforce and OD</i>		<i>Board</i>	4/4	

<i>Stephen Griffiths</i>	<i>Executive Director of Nursing</i>		<i>Board</i>	<i>4/4</i>	
<i>Pushpinder Mangat</i>	<i>Executive Medical Director</i>		<i>Board</i>	<i>4/4</i>	
<i>Danielle Neale Until 14<sup>th</sup> March 2019</i>	<i>Executive Director of Finance and Corporate Services</i>		<i>Board</i>	<i>2/3</i>	

Please note that the Director of Finance and Corporate Services is the lead officer for the Audit and Assurance Committee. The Director of Workforce & OD is the lead officer for the Remuneration and Terms of Service Committee.

The following table outlines dates of Board and committee meetings held during the period from 1 October 2018 to 31 March 2019. All of the meetings of the committees of the Board during the period ended 31 March 2019 were appropriately constituted and were quorate.

<b><i>Board/Committee</i></b>				
<b><i>Board</i></b>	<b><i>2/10/18</i></b>	<b><i>29/11/18</i></b>	<b><i>31/1/19</i></b>	<b><i>28/3/19</i></b>
<b><i>Audit and Assurance</i></b>	<b><i>13/11/18</i></b>	<b><i>12/2/19</i></b>	<b><i>29/3/19</i></b>	
<b><i>Remuneration and Terms of Service</i></b>	<b><i>29/11/18</i></b>	<b><i>20/12/18</i></b>	<b><i>11/03/19</i></b>	<b><i>14/03/19</i></b>

The attendance of Board Members at the public Board meetings during the last year is shown in Table One. However, Members are involved in a range of other activities on behalf of the Board, such as Board Development/Briefing Meetings (at least six a year), meetings of committees of the Board and a range of other internal and external meetings.

HEIW has not established any Advisory Groups to date.

## **2. The purpose of the system of internal control**

HEIW Board's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been developing since HEIW became operational in October, 2018. HEIW approved its Standing Orders (SOs), which contain the scheme of delegation, and Standing Financial Instructions (SFIs) at its first Board Meeting in October 2018. Both the Standing Orders and SFIs were reviewed at HEIW March Board. HEIW adopted a number of all-Wales and key policies at its first Board meeting in October 2018. Since October, work has been ongoing to identify, draft and adopt local policies in a range of other key areas, as well as adopting new national policies. It is anticipated that work on the key policies will be completed in time for the May Board. HEIW is currently finalising its plans for a Performance Management Framework and Board Assurance Framework.

A diagram setting out the assurance and control framework is set out below.

# Health Education Improvement Wales Board Control Framework

Leadership

Staff

Systems  
and  
Process

Finance

Technology

## Controls and Assurance Mechanisms

### High Quality Education

**Controls: evidenced within**

- Annual Plan
- Commissioning
- Equality Impact Assessment

**Assurance:** gained via

- Proposed Education Commissioning and Quality Committee
- Senior Leadership Team
- Annual Report and Annual Governance Statement
- Chairs Reports
- Visits and Inspections

### Performance Management

**Controls:**

- Objectives and Appraisals
- Performance targets
- Performance Dashboards and monthly reporting
- Regular Performance and Quality reports

**Assurance:** gained via

- Escalation arrangements
- Audits, visits
- Executive Director and Senior Leadership Team meetings
- Audit and Assurance Committee
- Proposed Education Commissioning and Quality Committee
- Internal/External Audits

### Risk Management

**Controls:**

- Risk management strategy and Policy
- Board Assurance Framework
- Corporate Risk Register
- Divisional Risk Register
- Reports to the Board, Senior Leadership Team and sub committees
- Policies and Procedures
- Scheme of Delegation

**Assurance:** gained via

- Escalation arrangements
- Internal/External Audits, visits
- Executive Director and Senior Leadership Team meetings
- Audit and Assurance Committee
- Proposed Education Commissioning and Quality Committee

## Levels of Assurance

### **First Line Operational**

- Organisational structures – evidence of delegation of responsibility through line Management arrangements
- Compliance with appraisal process
- Compliance with Policies and Procedures
- Incident reporting and thematic reviews
- Compliance with Risk Management processes and systems
- Performance Reports, Complaints and [Trainee Experience Reports], Finance Reports



### **Second Line Risk and Compliance**

Reports to Assurance and Oversight Committees

- Audit and Assurance Committee
- Proposed Education Commissioning and Quality Committee
- Remuneration Committee
- Health and Safety Groups etc

Findings and/or reports from inspections, Annual Reporting through to Committees



### **Third Line Independent**

- Internal Audit Plan
- Wales Audit Office (Structured Assessment)
- External Audits (eg. Annual Accounts and Annual Report)
- HIW Inspections
- Regulators
- Reviews and Reports by Royal Colleges
- External visits and accreditations
- Independent Reviews

### **3. Capacity to handle risk**

HEIW is continuing to develop and embed its approaches to risk management and emergency preparedness. Since its establishment, it has developed a corporate risk register. The risk register captures risks inherited from the three organisations when services transferred on 1 October 2018 to HEIW and is aligned with the transition plan. The risk register is updated to capture HEIW's risks as they are identified. The register has been developed to score risks in line with risk appetite and mitigating actions and controls recorded against each risk.

The risk register will be further developed in 2019/20, aligned to the first HEIW Annual Plan and incorporated in the development of an Assurance Framework.

Work continues to develop the corporate risk approaches, to respond to the risks to HEIW's delivery of the agreed Annual Plan, and the assurances the Board will require to know that it is on track to deliver its stated objectives in the ways it intended and to the level of quality it expected.

The Board sees active and integrated risk management as key elements of all aspects of our functions and responsibilities especially in order to support the successful delivery of our business.

The Board also recognises that risks can arise from not taking opportunities to develop and deliver improved services. The Board recognises it might need to take controlled risks over time or at certain times to enable the delivery of new forms of services or different ways of delivering services in changing economic, political and social contexts and the Board's appetite for risk is assessed on an issue by issue basis bearing in mind the issues outlined above.

As Chief Executive and Accountable Officer, I have overall responsibility for the management of risk for HEIW. The Board and its committees identify and monitor risks within the organisation. Specifically, the Executive Team meetings present an opportunity for the executive function to consider and address risk and actively engage with and report to the Board and its committees on the organisation's risk profile. The risk register is also reviewed at each monthly meeting of the Senior Leadership Team, regularly by the Audit and Assurance Committee and at March Board. The Board undertook specific risk management training provided by an external consultant on risk at a Board Development Session in February 2019.

The Board is also committed to ensuring staff throughout the organisation are trained and equipped to appropriately assess, manage, escalate and report risk.

This work undertaken by HEIW Board is being informed by best practice examples through advice from its Internal Auditors and the Wales Audit Office and also the engagement of external advice.

The risk profile of the HEIW is continually changing, but the key risks that emerge and can impact upon the HEIW's achievement of its objectives are considered by the Board. The Corporate Risk Register is continually reviewed by the executive team members. This register is also reviewed at the formal monthly meetings of the executive team. These were last reviewed by the Board in March 2019 and are available at:

**<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>**

These risks are categorised into the following sections:

- Programme legacy risks
- Business continuity risks
- Core business risks

As a new organisation many of the current risks link to the establishment of HEIW and the bringing together of different disciplines into one organisation. In the Board's view, robust mitigation arrangements are in place and so no current key risk is scored above 12, out of a possible maximum risk score of 25.

Internal Audit has undertaken a report assessing HEIW's systems and controls in place in relation to the organisations risk management arrangements. The overall rating given by the draft report was one of Reasonable Assurance for this area. HEIW is currently drafting its management response to the report. The final Internal Audit Report, together with the management response will be considered by the Audit and Assurance Committee in May 2019.

HEIW is in the process of finalising its policies in respect of emergency preparedness. The HEIW Crisis Management and Business Continuity Policy and Plan are currently going through an internal consultation process. It is anticipated that both the Policy and Plan will be finalised in Q1 of 2019.

The Deputy CEO has been attending NHS Wales SRO Brexit meetings where emergency preparedness issues have been explored and discussed.

#### **4. The control framework**

NHS Wales organisations are not required to comply with all elements of the Corporate Governance Code for Central Government Departments. However, the main principles of the Code stand as they are relevant to all public sector bodies.

In accordance with current guidelines appertaining to the Corporate Governance Code and its application to public bodies in Wales, HEIW has undertaken an initial assessment of its compliance with the Code. We are satisfied that we are complying with the main principles of, and are conducting our business in an open and transparent manner in line with the Code. Whilst there may be areas for improvement, the informal internal assessment against the Corporate Governance Code undertaken by HEIW was clear in that the organisation has complied with and has not identified any departures from the Code during the year.

The Corporate governance code for central government departments can be found at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220645/corporate\\_governance\\_good\\_practice\\_july2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf)

In 2017-18 a revised set of Health and Care Standards were issued to organisations in NHS Wales. As a newly established body HEIW has not assessed itself against these Standards in 2018/19, and some of the standards are of limited direct relevance to HEIW's remit and activities. This position will be reviewed in 2019/20.

##### **4.1 Other control framework elements**

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

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

member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

**Welsh Risk Pool** - The Welsh Risk Pool Services (WRPS) is a risk sharing mechanism, akin to an insurance arrangement which provides indemnity to NHS Wales's organisations against negligence claims and losses. Individual NHS organisations must meet the first £25,000 of a claim or loss which is similar to an insurance policy excess charge.

**Structured Assessment** - As HEIW was established in October 2018 and 2018/19 is a transition part year it has not undergone a full Wales Audit Office Structured Assessment review. Wales Audit Office will be presenting to the Board on a baseline Structured Assessment process at the May 2019 Board. A more formal assessment in line with other NHS organisations will be undertaken later in 19/20.

The HEIW Board along with its internal sources of assurance, which includes its internal audit function provided by NHS Shared Services, also uses sources of external assurance and reviews from auditors, regulators and inspectors to inform and guide our development. The outcomes of these assessments are being used by the Board to further inform our planning and the embedding of good governance across a range of the organisation's responsibilities.

**Annual Quality Statement** - As HEIW does not provide direct clinical services it has not completed an Annual Quality Statement in 2018/19. Further advice will be sought as to whether HEIW needs to produce such a Statement in 2019/20.

**Welsh Language** - As HEIW is a new body it has not been named as a body that comes under the Welsh Language Measure. However, HEIW has decided to voluntarily adopt an approach to the Welsh language, which is in line with as far as is possible at this stage the Standards that apply to other health bodies. A clear plan for achieving our ambition to be a progressively bilingual organisation will be presented to May Board and will then be subject to public consultation.

**Partnership working** - As an All Wales organisation the importance of partnership working and collaboration cannot be over emphasised. This includes the need for effective working relationships with each of the other NHS organisations and Welsh Government policy and professional leads, but extends to professional bodies, regulators, education providers at all levels, and our counterparts in similar organisations across the UK. The relationships with Social

Care Wales is particularly important given the emphasis on integration and system improvement in A Healthier Wales.

From early 2018, before HEIW was fully established, partnership working with staff, and stakeholders was a key part of our work recognising the particular challenges associated with the organisational change process and creating a new body. The Chairman, Chief Executive and Deputy Chief Executive began by meeting with staff, peer groups and stakeholders across Wales and the UK to help raise awareness of HEIW, build on already existing partnerships, develop new ones and build the foundations for joint working.

Staff and stakeholder bulletins were also regularly issued from the Chief Executive highlighting progress, providing information, and inviting contributions to the HEIW work programme. In the same way, regular engagement events were held with stakeholders and staff, including the successful HEIW launch event which was attended by over 450 people.

This focus on partnership working has continued since the establishment of HEIW on 1<sup>st</sup> October 2018, with regular communications, meetings and events. Each Executive Director has a clear responsibility for continuing to raise awareness about the new organisation and to establish positive relationships with external organisations as a key part of our values. Members of the Executive team and senior leadership team sit on a wide variety of national groups alongside their peers. Independent Members are increasingly using opportunities available to them to promote and raise awareness of the new organisation and its functions. The Board has also started to hold its bi-monthly meetings across Wales provide opportunities for partners and stakeholders from all areas of the country to take part.

Staff representatives and trade unions have been included in the engagement process and a HEIW Partnership Forum will be fully functional by 1 May 2019.

The relationship with Social Care Wales has been strengthened by the establishment of a Joint Steering Group to develop the Workforce Strategy for Health and Social Care, and the national Leadership Strategy. Both of these pieces of work in themselves are supported by a strong engagement model across a diverse range of partners and stakeholders. Joint Executive Team meetings and Board to Board meetings with Social Care Wales have also commenced.

A strong partnership is being developed with NHS organisations on a range of service and workforce delivery issues including urgent primary care out of hours services, single cancer pathway, diagnostics and the new primary care model. In addition, HEIW is refocusing its approach to the commissioning and quality

management of post graduate medical education to ensure that it is based on a partnership model, recognising the need for shared ownership of trainees. This is also now based on the first “trainer recognition agreement” which has been developed in partnership with Cardiff and Swansea Universities.

The education and training commissioning process needs to be underpinned by effective partnership working with a range of professional bodies and NHS organisations. This will change as a result of the establishment of HEIW and a new process has been designed for 19/20.

Our partnerships and joint working are all underpinned by effective communications and engagement. In HEIW, communications and engagement is seen as the responsibility of all staff, who are supported by our corporate communications and engagement team.

In March 2019, the HEIW Board agreed our communications and engagement strategy outlining our commitment to communications and engagement during our first full year of operation commencing 1<sup>st</sup> April 2019.

The strategy has our purpose, objectives and values at its heart and has been shaped by feedback from staff and stakeholders at meetings and events during 2018/9. It’s an active document which we will review regularly and adapt to reflect new challenges as well as feedback from staff, partners and stakeholders. A copy of the strategy can be found on our website.

**Carbon Reduction** - The organisation has not undertaken risk assessments on Carbon Reduction Delivery Plans as it is newly established. This position will be reviewed in 2019/20.

**Ministerial directions** given can be found at the following website:

<https://gweddill.gov.wales/legislation/subordinate/nonsi/nhswales/2019/?lang=en>

All ministerial directions received as at year end 31 March 2019 have been actioned.

During the period there were no material lapses in data security.

## 4.2 Planning

HEIW submitted a Consolidated Plan for the period ending 31 March 2019 to Welsh Government, following Board approval on 29<sup>th</sup> November 2018.

In line with its planning duty, the Board approved for submission to Welsh Government a draft Annual Plan for 2019/20 at its meeting on the 31 January 2019, it approved an updated version of the plan at its meeting on 28<sup>th</sup> March 2019. The final version of the Annual Plan was submitted to Welsh Government for approval by Welsh Ministers in March 2019.

In terms of progress against the Consolidated Plan and the actions set out in the Remit Letter, HEIW has assessed that it has progressed well. It has achieved what it set out to do in 2018/19 and maintained business continuity. Further information regarding this progress is provided in the Performance Section of HEIW's Annual Report.

Approval for the Annual Plan 2019/20 is awaited from Welsh Ministers. HEIW will be aiming to develop a three year Integrated Medium Term Plan in place for 20/21- 22/23 in line with other NHS organisations.

## **5. Review of effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control is informed by the work of the internal auditors, and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.

### **5.1 Internal Audit**

Internal audit provide me, as Accountable Officer and the Board through the Audit Committee, with a flow of assurance on the system of internal control. I have commissioned a programme of audit work which has been delivered in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit and Assurance Committee.

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

### **5.2 The Head of Internal Audit has concluded:**

[insert overall assurance rating and opinion definition]

In reaching this opinion the Head of Internal Audit has identified that ... [draw from the HIA annual report to highlight any particular assurance domains; also highlight any limitations in scope which may have impacted the opinion]

During the year internal audit issued the following audit reports with a conclusion of limited assurance:

- **[Name of audit, issues leading to conclusion, action plans agreed/ action taken, follow-up audit findings, etc.]**

As stated previously there has been no formal annual Wales Audit Office Structured Assessment during 2018/19.

## **6. Conclusion**

During the period October 2018 – end of March 2019 there have been no significant internal control or governance issues identified. This is due to the establishment of sound systems of internal control in place to ensure HEIW met its objectives. There is always room for improvement and these mechanisms will be further strengthened in 2019/20.

Signed by  
Chief Executive:  
Date.



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

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

# Directors Report

For the period ended 31  
March 2019



## The Directors' Report

The following tables contain:

- Table 1** Board and Board Level committee meeting dates for the period ending 31 March 2019
- Table 2** Detailed information in relation to the composition of the Board and including Executive Directors and Independent Members, who have authority or responsibility for directing or controlling the major activities of HEIW during the financial year 2018-2019.
- Table 3** Details of company directorships and other significant interests held by members of the Board which may conflict with the responsibilities as Board members.
- Table 4** Details relating to membership of the Board level Audit and Assurance Committee.

HEIW confirms it has complied with cost allocation and the charging requirements set out in HM Treasury guidance during the year.

## TABLE 1 - BOARD LEVEL COMMITTEES

The Board and its committees are fully established and operating in line with the Board's Standing Orders. The following table outlines dates of Board (and development Board) and committee meetings held during period ending 31 March 2019.

<b>Board/Committee / Group</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Board	2	29	* 20	31	* 28	28
Remuneration and Terms of Service		29	20		11,14	
Audit and Assurance Committee		13			12	29

**Note \*** Development Board Meetings  
**All meetings of the Board were quorate.**

**Table 2 Note – This is set out in Table 1 of the Annual Governance Statement**

## **Table 3 – DIRECTORS' INTERESTS**

Directors of the Board have declared the following interests which may be relevant to the business of the Board.

Declaration of Interest Register

HEIW's current Declaration of Interest Register is available at:

**<https://heiw.nhs.wales/corporate/board-meetings-agendas-and-papers/>**

**Table 4 - Membership of the Board’s Audit and Assurance Committee**

Name Gill Lewis	Chair (Audit and Assurance Committee) Since October 2018
John Hill-Tout	Member from October 2018
Ruth Hall	Member from October 2018

**Information Governance**

There are no Information governance issues to report in 2018/19.

**Environmental, Social and Community Issues**

HEIW is not a major local employer or public service provider but is cognisant of the impact it has on the environment and takes steps to minimise this, where possible.

In particular we shall:

- Ensure that all employees, including contractors, are responsible for working in a manner that protects the environment;

- Ensure we remain committed to continual improvement and the prevention of pollution in all areas of potential environmental impact; and
- Ensure compliance with all relevant environmental legislation, Health and Care Standards for Wales and Welsh Government Directives.

As the Board is newly established this area will be further reviewed in 2019/20.

### **Corporate Social Responsibility**

The Well-Being of Future Generations (Wales) Act 2015 seeks to ensure that sustainable development is at the centre of the strategic decision making process for the Welsh Government and public bodies in Wales. The general purpose is to ensure that the governance arrangements of public bodies take the needs of future generations into account and the aim is for public bodies to improve the economic, social and environmental well-being of Wales in accordance with the sustainable development principles. HEIW is not listed in the 2015 legislation but we are committed to developing our policies and procedures to comply with the requirement of the Act in 2019-20.

As an employer providing public services and spending public money, our activities need to take place in the most sustainable way, and we will be considering how best to achieve this in 2019/20.





# **Statement of Accountability 2018-2019**

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

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

As Accountable Officer I can confirm that as far as I am aware there is no relevant audit information of which HEIW's auditors are unaware, and as Accountable Officer, I have taken all the steps that ought to have been taken to ensure that I am aware of any relevant audit information and can confirm that when required I have ensured Wales Audit Office are aware of this information.

I can confirm that the annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for these and the judgement required for doing so.

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

Date: .....2019

Alex Howells  
Chief Executive

## **Statement of Directors' Responsibilities To be reviewed on completion of Accounts**

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

In preparing those accounts, the directors are required to:

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

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

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

### **By Order of the Board**

#### **Signed:**

Chair:.....

Dated:.....2019

Chief Executive: ..... Dated:.....2019

Director of Finance: ..... Dated: .....2019



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

Addysg a Gwella Iechyd  
Cymru (AaGIC)  
Health Education and  
Improvement Wales (HEIW)

# **Remuneration and Staff Report 2018-2019**

## **Remuneration and Staff Report**

### **REMUNERATION AND STAFF REPORT**

The information contained in this report relates to the remuneration of the senior managers employed by Health Education & Improvement Wales.

The Pay Policy Statement set out in Annex 3 relates to Health Education & Improvement Wales' strategic stance on senior manager remuneration and to provide a clear statement of the principles underpinning decisions on the use of public funds.

The definition of "Senior Manager" is: 'those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments.' For Health Education & Improvement Wales, the senior managers are considered to be the regular attendees of Board meetings, i.e. the Executive Directors, Independent Members and the Board Secretary.

### **Remuneration & Terms of Service Committee**

The terms of reference and operating arrangements for the Remuneration and Terms of Service Committee are set out in HEIW's standing orders approved in October 2018 and updated in March 2019. The purpose of the Committee is to provide advice to the Board on the remuneration and terms of service and performance for the Chief Executive, Executive Directors and other senior staff. It also provides assurance to the Board in relation to HEIW's arrangements for the remuneration and terms of service, including contractual arrangements, for all staff.

## Salary and Pension Disclosures

Details of salaries and pension benefits for Senior Managers captured within this report are given in Annexes 1 and 2. The single figure of remuneration (Annex 1) is intended to be a comprehensive figure that includes all types of reward received by senior managers in the period ending 31 March 2019, including fixed and variable elements as well as pension provision.

The single figure includes the following:

- Salary and fees both pensionable and non pensionable elements.
- benefits in kind (taxable, total to the nearest £100)
- pension related benefits - those benefits accruing to senior managers from membership of a participating defined benefit pension scheme.

HEIW has paid no annual or long-term performance related bonuses.

Annual salary figures are shown prior to any reduction as a result of any salary sacrifice scheme.

The value of pension related benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

The pension benefit figure is calculated on the basis of an increase in the value over the financial year. Prior-year comparative information is not available for staff who were not previously Executive level directors in other NHS Wales organisations. Where this is the case this figure cannot be calculated and therefore is not reported in Annex 1a (Single Figure of Remuneration) nor Annex 2 (Pension Benefits).

Annex 2 gives the total pension benefits for all senior managers. The inflationary rate applied to the 2017/18 figure is 3% as set out by the 2018/19 Greenbury guidance.

## Remuneration Relationship

NHS Bodies in Wales are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. This information is provided in note 9.6 to the Financial Statements.

### **2017/18 Staff Report**

#### **Number of senior staff**

As of 31 March 2019 there were five senior staff that made up the Executive Team; they were also Board members or regular attendees. Their pay bands are broken down as follows:

#### **Numbers of Senior Staff @ 31 Mar 2019**

Consultant (Medical & Dental)	1
Executive and Senior Pay Payscale	4

## Staff Numbers

The following table shows the average number of staff employed by Health Education & Improvement Wales, by group from 1 October 2018 to 31 March 2019 :

<b>Staff Group</b>	<b>Permanently Employed (Inc. Fixed Term)</b>	<b>Agency Staff</b>	<b>Staff on Inward Secondment</b>	<b>2018/19 Total</b>

	(Ave Headcount)	(Ave Headcount)	(Ave Headcount)	(Ave Headcount)
Administrative and Clerical and Board Members	144	8	7	159
Medical & Dental	167	0	0	167
Professional Scientific and Technical Staff	44	0	0	44
Additional Clinical Services	5	0	0	5
Nursing & Midwifery	2	0	0	2
<b>Totals</b>	<b>362</b>	<b>8</b>	<b>7</b>	<b>377</b>

### Staff Composition

The gender breakdown of the Executive Team and other employees as of 31 March 2019 was as follows:

<b>Staff Composition @ 31 Mar 2019</b>	<b>Male</b>	<b>Female</b>
Senior Staff (Exec Team)	3	2
Other Employees	128	243
All Staff	131	245
% Other Employees	34.0%	64.7%

### **Sickness Absence data**

The following table provides information on the number of days lost due to sickness during 2018/19:

	<b>From 1 October 2018 to 31 March 19</b>
	<b>Number</b>
Days lost (long term)	472.10
Days lost (short term)	330.31
<b>Total days lost</b>	<b>802.41</b>
<b>Total staff years</b>	<b>96</b>
Average working days lost	<b>13.4</b>
Total staff employed in period (headcount)	<b>363</b>
Total staff employed in period with no absence (headcount)	<b>302</b>
<b>Percentage staff with no sick leave</b>	<b>83.4%</b>

## **Staff Policies Applied During the Financial Year**

The Health Education and Improvement Wales workforce of approximately 400 staff was created through the TUPE transfer of staff from three organisations on 1 October 2018, as well as through the recruitment of a number of new staff. The TUPE transfer, and open recruitment processes have brought individuals from a range of backgrounds and experiences into our organisation.

The vast majority of our staff worked previously for Cardiff University in either the Wales Deanery or the Wales Centre for Professional Pharmacy Education and were education sector employees. The remainder of the transferred staff worked within the Workforce Education Development Service, which was a Unit hosted within NHS Wales Shared Services Partnership – which was hosted by Velindre NHS Trust.

Prior to the transfer, an extensive exercise was commissioned by the Chief Executive, to set a new culture for the transferring staff. Staff and stakeholder consultation sessions were held and surveys were undertaken, whose feedback led to the creation of HEIW's new values and behaviours framework. These values and behaviours of 'Together as a Team; Respect for All; Ideas that Improve' are guiding principles that influence our workforce policies, procedures, recruitment, performance appraisal, learning and development, health, wellbeing, equality and diversity and expectations of our staff.

Some of these policies were developed by NHS Wales in partnership with the Welsh NHS Partnership Forum, and are to be adopted on an 'All Wales' basis. Other policies, for example our values based performance appraisal policy are bespoke to HEIW and have been co-produced locally with our staff. HEIW also have a range of policies which enable people with a protected characteristic (including disability) to gain employment with HEIW. We have flexible working arrangements for staff to enable them to accommodate their domestic situations and personal requirements, as well as Occupational Health who can advise on reasonable adjustments for those who require them.

The All-Wales NHS Sickness Absence Policy provides guidance on the support available and provided to employees if they become disabled during their employment. This policy is designed to support employees through periods of illness which could lead to a disability. It offers employees the option of a phased return or period of rehabilitation with no reduction of pay, and includes the duty to make reasonable adjustments that will enable a disabled employee to remain in work. Where an employee is unable to continue in their role due to ill health, HEIW will seek, wherever possible, to redeploy to an alternative role which would be considered to be suitable, with a period of re-training. TUPE measures set out the application of policies and processes to staff who transferred into HEIW from Cardiff University.

There are also a number of policies, procedures, guidelines and toolkits that support staff health and wellbeing, such as for the menopause, purchase of annual leave, special leave and support for carers. HEIW is committed to supporting the learning and development of its staff. The Access to Learning and Development policy provides a framework of support for staff who wish to study.

All staff have equal access to HEIW's values based performance appraisal, learning development and career development. They are all expected to undertake statutory and mandatory training applicable to their post. Health Education and Improvement Wales is committed to providing a working environment free from harassment and bullying and ensuring all staff are treated with dignity and treat others with dignity and respect. Our Dignity at Work policy promotes dignity and respect at work and supports employees who may be experiencing bullying, harassment and/or victimisation.

In relation to organisational change, the staff transferring to HEIW received a wide range of support from one to one consultation sessions to bespoke policies for the transfer, such as Relocation Policy.

## **Other Employee Matters**

We have an Equality and Inclusion Staff Group who advise the executive team and the organisation on activity related to Equality and Inclusion across HEIW. The recently appointed Equality Champions disseminate messages and promote the Equality and Inclusion agenda for HEIW.

A Culture and Wellbeing group has been established comprising a cross section of staff to continue with the embedding of our values and behaviours. Their aim is to support and maintain the necessary focus and energy required to drive the successful integration of workplace cultures, without compromising staff satisfaction, well-being and service provision. Their role is to enhance the internal staff communications, engagement and change management strategies on the cultural perspective.

In support of the Equality, Inclusion, Culture and Wellbeing initiatives, several 'Lunch and Learn' sessions have taken place for example, Stonewall to raise staff awareness.

### **Expenditure on Consultancy**

For the purpose of the statutory accounts, consultancy is defined as time limited/ad-hoc assignments that are not related to the day-to-day activities of HEIW.

During the period ending 31 March 2019, HEIW's expenditure on consultancy was £53k.

### **Tax Assurance for Off-Payroll Engagements**

HEIW is required to disclose any arrangements it has whereby individuals are paid through their own companies or off payroll. Where off payroll payments have been made, HEIW has sought assurance from all relevant parties that the appropriate tax arrangements are in place.

### **Exit Packages**

No exit packages have been awarded in this accounting period.

Table 1  Exit packages cost band (including any special payment element)	5th October 2017 to 31st March 2019			
	Number of compulsory redundancies	Number of other Departures	Total number of exit packages	Number of departures where special payments have been made
less than £10,000	0	0	0	0
£10,000 to £25,000	0	0	0	0
£25,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £250,000	0	0	0	0
more than £250,000	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 1  Exit packages cost band (including any special payment element)	5th October 2017 to 31st March 2019			
	Number of compulsory redundancies	Number of other Departures	Total number of exit packages	Number of departures where special payments

	<b>have been made</b>			
less than £10,000	0	0	0	0
£10,000 to £25,000	0	0	0	0
£25,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £250,000	0	0	0	0
more than £250,000	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Statement of Assurance

I confirm that there is no relevant audit information in the Annual Report of which the Wales Audit Office is unaware. As Chief Executive, I have taken all the steps in order to make myself aware of any relevant information and ensure the Wales Audit Office is aware of that information.

Alex Howells

Chief Executive and Accountable Officer, Health Education & Improvement Wales

30 May 2019

### Annex 1: Single Figure of Remuneration

Single Figure of Remuneration						
Name	Title	Salary 5/10/17 to 30/09/2018 (Bands of £5k)	Salary 01/10/2018 to 31/03/2018 (Bands of £5k)	Benefits in Kind (taxable) to nearest £100	Pension Benefit to nearest £1,000	Total to nearest (Bands of £5k)
Alex Howells <sup>1</sup>	Chief Executive	65 - 70	70 - 75	-	(47)	25 - 30
Julie Rogers <sup>2</sup>	Director of WOD / Deputy CEO	50 - 55	50 - 55	-	TBC	50 - 55
Dafydd Bebb <sup>3</sup>	Board Secretary	5 - 10	40 - 45	-	TBC	40 - 45
Stephen Griffiths <sup>4</sup>	Director of Nursing	15 - 20	45 - 50	-	TBC	45 - 50
Push Mangat <sup>5</sup>	Medical Director	-	75 - 80	-	TBC	75 - 80
Danielle Neale <sup>6</sup>	Director of Finance & Corporate Services	15 - 20	65 - 70	-	TBC	65 - 70
<b>Non Executive Directors</b>						
Chris Jones <sup>7</sup>	Chair	25 - 30	20 - 25	-	-	20 - 25
Tina Donnelly <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
Ruth Hall <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
John Hill-Tout <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
Gill Lewis <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
Ceri Phillips <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5
Heidi Phillips <sup>7</sup>	Non-Executive Director	0 - 5	0 - 5	-	-	0 - 5

<sup>1</sup> Alex Howells took up post on 01/02/2018. Pension benefits relate to the period 1/10/18 to 31/3/2019

<sup>2</sup> Julie Rogers was seconded to HEIW from Welsh Government from 12/04/2018.

<sup>3</sup> Dafydd Bebb took up post on 28/08/2018.

<sup>4</sup> Stephen Griffiths took up post on 29/07/2018

<sup>5</sup> Push Mangat took up post on 1/10/2018

<sup>6</sup> Danielle Neale took up post on 28/8/2018 and left HEIW on 14/03/2019. The salary total from 01/10/2018 to 31/03/2019 includes payment in lieu of notice.

<sup>7</sup> Chris Jones was appointed as interim Chair on 5 October, 2017 and as formal Chair on 1 October, 2018. Board Members took up post on 01/02/2018

*For items marked 'TBC', additional information has been requested from the NHS Business Services Authority to enable the relevant figures to be calculated.*

## Annex 2: Pension Benefits

Pension Benefits - For the period 1/10/2018 to 31/03/2018									
Name	Title	Real increase in pension at pension age (bands of £2,500) £'000	Real increase in pension lump sum at pension age (bands of £2,500) £'000	Total accrued pension at age at 31 March 2019 (bands of £5,000) £'000	Lump sum at pension age related to accrued pension at 31 March 2019 (bands of £5,000) £'000	Cash Equivalent Transfer Value at 1 April 2019 £'000	Cash Equivalent Transfer Value at 31 March 2018 £'000	Real increase in Cash Equivalent Transfer Value £'000	Employer's contribution to stakeholder pension £'000
Alex Howells	Chief Executive	TBC	TBC	55 - 60	135 - 140	1,074	993	14	0

Julie Rogers	Director of WOD / Deputy CEO	TBC	TBC	TBC	TBC	TBC	TBC	0	0
Dafydd Bebb	Board Secretary	TBC	TBC	0 – 5	0	22	TBC	TBC	0
Stephen Griffiths	Director of Nursing	TBC	TBC	40 - 45	125 - 130	956	TBC	TBC	0
Push Mangat	Medical Director	TBC	TBC	65 - 70	200 - 205	1,652	TBC	TBC	0
Danielle Neale <sup>1</sup>	Director of Finance & Corporate Services	TBC	TBC	10 - 15	35 - 40	262	TBC	TBC	0

<sup>1</sup> Danielle Neale left HEIW on 14/03/2019

*For items marked 'TBC', additional information has been requested from the NHS Business Services Authority to enable the relevant figures to be calculated.*

### **Annex 3: Pay Policy Statement**

#### Salary and Pension Entitlements of Senior Managers 2017-18

The pay and Terms and Conditions of Employment for the executive team and senior managers have been, and will be determined by the HEIW Board, based on the recommendations of the Remuneration and Terms of Service Committee, within the framework set by Welsh Government. The Remuneration and Terms of Service Committee also considers applications relating to the Voluntary Release Scheme. The Remuneration and Terms of Service Committee members are all Independent Members of the Board and the committee is chaired by HEIW's chairperson. The Terms of Reference for the Committee are regularly being reviewed.

#### **Auditors**

Auditors have reviewed this report for consistency with other information in the financial statements and will provide an opinion on the following disclosures:

- Single total figure of remuneration for each director;
- CETV disclosures for each director;
- Payments to past directors, if relevant;
- Payments for loss of office, if relevant;
- Fair pay disclosures (included in Annual Accounts);
- Exit packages (included in Annual Accounts) if relevant, and;

- Analysis of staff numbers.



# **National Assembly for Wales Accountability and Audit Report**

**2018-2019**



## **Regularity of Expenditure**

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

The Health Education & Improvement Wales Board ensures that the funding provided by Welsh Ministers has been expended for the purposes intended by Welsh Ministers and that the resources authorised by Welsh Ministers to be used have been used for the purposes for which the use was authorised.

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

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

## **Fees and Charges**

Where HEIW undertakes an activity that is not funded directly by the Welsh Government, HEIW receives income to cover its costs. Further detail of income received is published in the annual accounts.

HEIW confirms it has complied with cost allocation and the charging requirements set out in HM Treasury guidance during the year.

<b>Key documents / areas of interest</b>	<b>Web link</b>
Consolidated Plan 2018/19	
Annual Plan 2019/20	
HEIW members	
Board Papers	
Organisational Risk Register	
<b>Board Committee papers</b>	
Audit and Assurance Committee	

### **Remote Contingent Liabilities**

Remote contingent liabilities are those liabilities which due to the unlikelihood of a resultant charge against HEIW are therefore not recognised as an expense nor as a contingent liability. Detailed below are the remote contingent liabilities as at 31st March 2019:

	<b>2018-2019</b>
Guarantees	nil
Indemnities	nil