

PUBLIC AUDIT (WALES) ACT 2004
GOVERNMENT OF WALES ACT 2006
NATIONAL HEALTH SERVICE (WALES) ACT 2006

Summarised accounts of Local Health Boards, NHS trusts and Special Health Authority in Wales
for the year ended 31 March 2020.

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para 1 & Para 5(2)

NHS (Wales) Summarised Accounts
Local Health Boards, NHS Trusts and
Special Health Authority in Wales
2019-20

NHS Wales Summarised Accounts 2019-20

FOREWORD

Introduction

1. The Welsh Ministers are required to prepare Summarised Accounts from the individual accounts of NHS Wales organisations. The foreword is prepared on the audited accounts.
2. In 2018-19, the Local Health Boards (LHBs) and NHS Trusts were summarised into single summarised accounts for the first time. In 2019-20, the annual accounts of Health Education and Improvement Wales (HEIW), are also being included as part of the Summarised Accounts. These Summarised Accounts of the LHBs and NHS trusts and Special Health Authority have been prepared to comply with the Accounts Direction given by HM Treasury in accordance with Section 178, Schedule 9, Para 5(4) of the National Health Service (NHS) Wales Act 2006 (the Act).
3. The Auditor General for Wales (AGW) is required to examine, certify and report on the Summarised Account (Section 178, Schedule 9 para 5(6) of the Act).
4. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2019-20 which include the results of the LHBs, NHS Trusts and HEIW.
5. The chief executives of the individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.
6. In my capacity as Additional Accounting Officer, I have financial responsibility for health service expenditure. Accordingly, I have signed the combined Summarised Accounts of the LHBs and NHS trusts and Special Health Authorities.

Summarised Accounts

7. The Summarised Accounts of the LHBs, NHS trusts and Special Health Authorities have been prepared in compliance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FRoM) issued by HM Treasury as applied to the NHS in Wales, as applicable to the Summarised Accounts and specifically excluding a Statement of Parliamentary Supply. The 2019-20 Summarised Accounts for NHS Wales, have been prepared, to include seven LHBs, three NHS trusts and one Special Health Authority (HEIW).

8. The 2018-19 Summarised Accounts comparators from LHBs and the NHS trusts have been restated to include the financial accounts of HEIW and any interparty activity between LHBs, NHS trusts and HEIW have been eliminated.

Local Health Boards

9. LHBs were established under section 11 and Schedule 2 of the National Health Service (Wales) Act 2006.
10. In 2019-20 the seven LHBs in Wales planned, secured and delivered healthcare services in their areas :
- Aneurin Bevan University Health Board
 - Betsi Cadwaladr University Health Board
 - Cardiff & Vale University Health Board
 - Cwm Taf Morgannwg University Health Board
 - Hywel Dda University Health Board
 - Powys Teaching Health Board
 - Swansea Bay University Health Board
11. On 1st April 2019, following the transfer of the responsibility for healthcare for the residents of the Bridgend Borough from Abertawe Bro Morgannwg University Health Board to Cwm Taf University Health Board, the LHBs (Area Change) (Wales) (Miscellaneous Amendments) Order 2019 (2019 No 349 (W.83)) changed their names to Swansea Bay University Health Board and Cwm Taf Morgannwg University Health Board, respectively.

NHS Trusts

12. NHS trusts were established under section 18 of the National Health Service (Wales) Act 2006. They receive most of their income from the Welsh Government, the LHBs and the Welsh Health Specialised Services Committee (WHSSC) which is hosted by Cwm Taf Morgannwg University Health Board.
13. There are currently three NHS Trusts in Wales, each with an All-Wales focus. These are the Welsh Ambulance Services Trust for emergency services, Velindre University NHS Trust offering specialist services in cancer care and a range of national support services and Public Health Wales, the unified Public Health organisation in Wales.

Special Health Authorities

14. Health Education and Improvement Wales (HEIW) was established as a Special Health Authority under the Act on the 5th October 2017. HEIW prepared statutory account for
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its first period of account from 5th October 2017 to 31st March 2019, but the organisational became operational on 1st October 2018. They are being included as part of the NHS Wales Summarised Accounts for the first time in 2019-20 in accordance with the Treasury's accounts Direction. The HEIW comparator figures for 2018-19 date from the legal establishment of the organisation.

Performance against statutory and administrative financial duties

15. Welsh Health Circular (2016) 054 clarifies the statutory financial duties of LHBs and NHS trusts in Wales further to the NHS Finance (Wales) Act 2014, and is effective from 2016-17 financial year, replacing Welsh Health Circular 2015 (014). [WHC \(2016\) 054](#)
16. Section 175 6A of the NHS (Wales) Act 2006 requires the Welsh Ministers to report in relation to each three year accounting period, to the National Assembly for Wales before the end of the financial year following that period on whether each LHB has complied with the first financial duty. The LHB Statutory Financial Duties commentary below, contained within these NHS Summarised Accounts, is laid before the National Assembly for Wales and accordingly discharges this duty.

Local Health Board Performance - Statutory Financial Duties

17. For LHBs, the first financial duty is to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved resource limit, including any other sums received. The first assessment of the rolling 3 year duty took place at the end of 2016-17, and is undertaken annually.
 18. The second financial duty – to prepare an Integrated Medium Term Plan to secure compliance with the first financial duty, and for the plan to be approved by the Welsh Ministers - was effective from the 2014-15 financial year and is assessed annually. Failure to comply with the planning duty, including not submitting a plan and not having the plan approved by the Minister, is a breach of this second statutory financial duty. The plan is required to be approved prior to the Accountable Officer signing of the financial statements for the first year of each three-year plan. In practice the Minister seeks to confirm approval of plans by the 30th June in the first year of the plan. Performance against this second financial duty, including any breach of this duty, is reported in the Annual Accounts of the LHBs each year, including the Annual Governance Statement.
 19. In 2019-20, three LHBs (Aneurin Bevan, Cwm Taf Morgannwg and Powys) incurred expenditure within revenue resource allocations over the rolling 3 year assessment and therefore met their first financial duty.
 20. Four LHBs failed to achieve financial balance; that is to manage aggregate expenditure within aggregate revenue resource allocations over the rolling 3 year assessment and therefore failed to meet the first financial duty (Betsi Cadwaladr, Cardiff & Vale, Hywel Dda and Swansea Bay).
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21. All LHBs kept expenditure within capital resource allocations.
22. The Welsh Government has provided cash support to all boards in deficit to enable them to meet their normal cash commitments including payroll expenditure. At 31 March 2020 the cumulative amounts of cash support provided to LHBs were;
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|-------------------|-----------|
| - Betsi Cadwaladr | £149.694m |
| - Cardiff & Vale | £54.849m |
| - Hywel Dda | £185.964m |
| - Swansea Bay | £78.571m |

In his Written Statement on 6 July 2020, the Minister for Health and Social Services announced that this support will not be repayable in future financial years.

23. Four LHBs (Aneurin Bevan, Cardiff and Vale, Cwm Taf Morgannwg and Powys) met their statutory duty to submit an integrated three year plan for the period 2019-20 to 2021-22 which was approved by the Minister for Health & Social Services.
24. Three LHBs (Betsi Cadwaladr, Hywel Dda and Swansea Bay) were unable to develop approvable three year plans for the period 2019-20 to 2021-22 for approval by the Minister and therefore did not meet their second financial duty. All three bodies operated in 2019-20 with an annual operating plan submitted to Welsh Government.
25. Four LHBs (Betsi Cadwaladr, Cardiff & Vale, Hywel Dda and Swansea Bay) received qualified regularity audit opinions and a substantive narrative report placed upon their accounts, as a consequence of their failure to achieve their first financial duty. The substantive narrative reports also cover the failure of the three LHBs to achieve their second financial duty in relation to approved Integrated Medium Term Plans with the exception of Cardiff and Vale.
26. All LHBs and NHS Trusts were subject to an Emphasis of Matter statement in their audit opinion from the AGW in respect of contingent liabilities arising from the Ministerial Direction issued in December 2019 for the pension scheme for clinicians who incur tax charges for undertaking work in 2019/20.
27. Cardiff and Vale and Powys were also subject to a second Emphasis of Matter, in respect of Property, Plant and Equipment valuation uncertainties caused by the Covid-19 pandemic.
28. Cardiff and Vale's financial statements were subject to a qualified audit opinion. The AGW gave a true and fair view of their state of affairs, except for a limitation of scope modification where he was unable to determine whether the inventory valuation balance of £16.784 million was materially true and fair. This was because the AGW was unable to observe and reperform parts of the Health's Board's count of its inventories on 31 March 2020.
29. At the end of March 2020 one LHB (Betsi Cadwaladr) remained in special measures,
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three LHBs (Cwm Taf Morgannwg, Hywel Dda and Swansea Bay) remained in targeted intervention and Cwm Taf remained in special measures for maternity services, in accordance with the Welsh Government escalation arrangements. Further comment on the monitoring, escalation and intervention arrangements for LHBs is set out in the NHS Summarised Accounts Annual Governance Statement.

30. The details of the LHBs' performance against the first and second financial duties, and their surpluses and deficits are set out in Annexes 1 and 4 to this Foreword.

NHS Trust Performance - Statutory Financial Duties

31. For NHS trusts, the first financial duty is to ensure over a rolling three year period that expenditure is covered by income. No NHS trust breached their first financial duty for the rolling three year period to 2019-20. During 2019-20, all three trusts achieved operating surpluses.
32. All three NHS trusts also met the second financial duty for 2019-20 to submit an integrated three year plan for the period 2019-20 to 2021-22 which was approved by the Minister for Health & Social Services.
33. All three trusts received unqualified true and fair and regularity audit opinions from the Auditor General for Wales for 2019-20.
34. The details of the NHS trusts' first and second financial duty compliance, surpluses and deficits are set out in Annexes 2 and 4 to this Foreword.

External financing limit

35. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to LHBs or the SHA.
36. Due to the circumstances that arose as a result of COVID 19, the suspension of the National Loan Fund temporary deposit facility and the requirement to issue year-end capital adjustments, the requirement to achieve the administrative External Financing Target has been suspended for 2019-20.

Health Education and Improvement Wales Performance - Statutory Financial Duties

37. Unlike LHBs and NHS Trusts, HEIW does not have a three year financial duty or planning duty. HEIW met its financial duty by not exceeding its in-year Resource Limit and also produced a one year operational plan. The annual accounts received an unqualified audit report. See Annex 3.
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Prompt Payment Performance

38. All NHS Wales bodies are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay 95% of non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
39. The performance of each NHS Wales body, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 5 to this Foreword.
40. The number of non NHS invoices paid within 30 days ranged from 94.3% to 97.4% for NHS bodies, with an average for the year of 95.8% (2018-19 95.4%). Only Swansea Bay University did not meet the target. Full details are contained within the statutory accounts of the NHS organisations.

Statement of Financial Position Issues

Clinical Negligence Provisions

41. At 31st March 2020, known actual and anticipated liabilities for clinical negligence totalled £684.279 million (2018-19 £653.571million) in LHBs and NHS Trusts. These provisions are calculated on the basis of claims against the organisations, where it is assessed that there is a probable chance of the claim being settled.
42. Excluded from the provisions calculations included within the Summarised Accounts is a further estimated £1,103.571 million (2018-19 £951.918 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities, as the likelihood of settlement is assessed as possible, rather than probable.
43. The figures at paragraph 41 and 42 reflect the gross liability for claims against the NHS trusts and LHBs before considering amounts recoverable from the Welsh Risk Pool (WRP). LHBs and NHS trusts in Wales are able (subject to managing claims in accordance with Putting Things Right guidance) to recover the costs of clinical negligence claims above £25,000 from the WRP.

Welsh Risk Pool (WRP)

44. The Welsh Risk Pool (WRP) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The WRP is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.

45. The Pool is managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre University NHS Trust. The reimbursement of claims by the Pool is managed by the Welsh Risk Pool Committee comprising representatives from NHS trusts, LHBs and the Welsh Government.
46. Velindre University NHS Trust's liability is limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the Pool for claims less than £25,000 and with the members of the pool for claims settlements exceeding the funding to the Pool by NHS Wales.
47. The Welsh Risk Pool provision is disclosed separately for clarity at note 20.2 of the NHS Wales summarised accounts. This amounted to £1,134m at 31st March 2020 (2018-19 £1,081m). The provision includes Structured Settlement liabilities – where claim settlements are to be paid over a future period in regular payments, usually annually, rather than by a lump sum of £441.063m (2018-19 £422.515m).
48. As the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist, the summarised account note 14 includes current and non-current receivables with the Welsh Government in respect of Welsh Risk Pool liabilities. The Welsh Government's Core Resource Accounts will reflect the Welsh Risk Pool liabilities at 31 March 2020 as a provision.
49. The provision increased in 2019-20 by £52.381 million (2018-19 £18.226 million). It should be noted that despite fewer case numbers, provision values have remained high. The number of new matters opened in year, assessed as probable or certain, was 527 compared to 423 in 2018-19.
50. Putting Things Right (PTR) is the NHS Wales process for raising concerns about care and treatment so that the NHS body can look into what may have gone wrong and try to make it better. Research shows that high reporting is a positive indicator of an open and supportive patient safety culture where the reporting of serious incidents enables full investigations of every case for continuous learning and improvement in the quality of services provided. NHS organisations in Wales are supported by 1000 Lives Improvement, which is part of Public Health Wales. The team leads national work on a range of quality improvement initiatives including healthcare associated infections, sepsis and surgical complications.
51. During the year, the WRP made payments of £69.705 million (2018-19: £104.727 million) in relation to claims. Of this £66.827 million related to clinical negligence claims and £1.162 million related to personal injury claims (2018-19 £96.489 million and £6.481 million respectively).

Sustainability Reporting

52. Subsequent to the HMT Simplifying and Streamlining Accounts Project, there is no
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requirement in the Government Financial Reporting Manual (FRoM) for public sector bodies to produce a standalone Sustainability Report, although entities may choose to include one should they so wish. Mandatory reporting requirements are retained against the high level indicators under the Greening Government Commitments, in addition to performance against financial and non-financial reporting areas.

53. Guidance issued by HMT on Sustainability Reporting is not applicable to the devolved government of Wales, however Wales is unique in the UK in having sustainable development as its central organising principle, established in the Wellbeing of Future Generations (Wales) Act. Sustainability reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting.
54. The LHBs and NHS trusts in Wales are required therefore to include the mandatory sustainability reporting requirements within the Performance Report section of the Annual Report and Accounts, (due for publication no later than 31st August 2020) and provide a summary of performance in accordance with guidance issued in the NHS Manual for Accounts. The option to produce a standalone report within the Performance Report is retained in Wales.

Annual Quality Statement

55. In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS organisations to publish an Annual Quality Statement as part of the NHS organisations' annual reports.
56. The Annual Quality Statement will bring together each year, a summary highlighting how the organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.
57. For 2019-20, due to the COVID 19 pandemic, the Annual Quality Statement for individual health boards and NHS trusts should be published no later than 30th September 2020.

GP Indemnity – Future Liabilities Scheme and Existing Liabilities Scheme

58. In May 2018 the Minister agreed to introduce a state backed scheme to provide clinical negligence covering claims arising from 1 April 2019 for providers of GP services in Wales from 1 April 2019 Future Liability Scheme (FLS). Subsequently, Shared Services Partnership Legal and Risk Services (LARS) launched the General Medical Practice Indemnity (GMPI) on 1 April.
59. In July 2018, the Minister further agreed to introduce from 1 April 2019 an Existing
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Liability Scheme (ELS), covering claims made before 1 April 2019, subject to legal and financial due diligence and satisfactory discussions with the three Medical Defence Organisations (MDOs), who have provided indemnity cover.

60. The GMPI is underpinned by new secondary legislation, The NHS (Clinical Negligence Scheme) (Wales) Regulations 2019 which came into force on 1 April 2019. In March 2019, the Minister also issued a Direction to Velindre NHS Trust to enable LARS to operate the Scheme.
61. An Existing Liability Scheme, was set up to administer the clinical liability claims of GPs up to 31 March 2019. Arrangements were finalised with Medical Protection Society on 18 November to administer the scheme on behalf of Welsh Government until 31 March 2021. A second arrangement was concluded with the Medical and Dental Defence Union Scotland on 19 November to manage the existing liabilities until 30 June 2020. Welsh Government is liable for all claims under the ELS pre 31 March 2019, whilst all claims after 1 April 2019 are the liabilities of the respective Health Board where the incident occurred.
62. Negotiations with the Medical Defence Union were not concluded in 2019-20 and remain ongoing.
63. On 23 April 2020, the Honourable Mrs Justice Foster granted permission to the Medical Defence Union to apply for Judicial Review as against the Welsh Ministers in respect of their decision to introduce an FLS without introducing any, or any fair or proportionate, Existing Liabilities Scheme for MDU's General Practitioner members in Wales. The case is likely to be heard in the autumn of 2020.
64. The administration of the ELS will be undertaken by Shared Services Partnership Legal and Risk Services (LARS), but the liabilities will be accounted for in the Welsh Government Annual Accounts. LARS will commence administering the schemes when the respective arrangements with MPS and MDDUS expire.

Events after the Reporting Period

65. On 6 July, the Minister for Health and Social Services confirmed in a Written Statement that when an organisation that has previously been in deficit achieves its three year break even duty, it will not be required to repay any historic deficits incurred before it achieves the statutory duty.
 66. He also confirmed that the strategic cash support provided to organisations in deficit will no longer be repayable. The Welsh Government has provided strategic cash support totalling nearly £470 million to these organisations to enable them to meet their financial obligations to staff and suppliers whilst in deficit. The amounts which are no longer repayable are detailed above in para 22.
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67. Work is continuing with NHS Wales Information Service (NWIS) colleagues to define the functions of the new digital services Special Health Authority, which is due to commence on 1 April 2021.

COVID 19 and the impact on NHS Escalation and Intervention Framework

68. Following the declaration of COVID 19 as a pandemic by the World Health Organisation on 11 March 2020, the Welsh Government scaled back the Special Measures and Targeted intervention status to allow NHS Wales organisations the means to focus their resources on planning and preparation for managing the pandemic.

69. Additional funding allocated to NHS Wales bodies in the financial year 2019-20 was £15.491million.

Dr Andrew Goodall
Director General and Additional Accounting Officer, Welsh Government
Health and Social Services Group, and
Chief Executive of NHS Wales

19 August 2020

Annex 1 Local Health Board Financial Duties

First Financial Duty

- Revenue Resource Limit

Under/(Over) spend against revenue resource allocation limit

	2017-18	2018-19	2019-20	Three year duty
	£000	£000	£000	£000
Aneurin Bevan University LHB	246	235	32	513
Betsi Cadwaladr University LHB	(38,838)	(41,279)	(38,696)	(118,813)
Cardiff and Vale University LHB	(26,853)	(9,872)	58	(36,667)
Cwm Taf Morgannwg University LHB	23	16	883	922
Hywel Dda University LHB	(69,430)	(35,438)	(34,943)	(139,811)
Powys Teaching LHB	96	65	55	216
Swansea Bay University LHB	(32,417)	(9,879)	(16,284)	(58,580)
All local health boards	(167,173)	(96,152)	(88,895)	(352,220)

Health Boards operating within resource allocation

Number	3	3	4	3
Percentage %	43	43	57	43

- Capital Resource Limit

Under/(Over) spend against capital resource allocation limit

	2017-18	2018-19	2019-20	Three year duty
	£000	£000	£000	£000
Aneurin Bevan University LHB	78	41	28	147
Betsi Cadwaladr University LHB	2	15	24	41
Cardiff and Vale University LHB	88	74	89	251
Cwm Taf Morgannwg University LHB	8	10	24	42
Hywel Dda University LHB	38	25	31	94
Powys Teaching LHB	5	12	3	20
Swansea Bay University LHB	42	40	28	110
All local health boards	261	217	227	705

Health Boards operating within resource allocation

Number	7	7	7	7
Percentage %	100.0	100.0	100.0	100.0

Annex 2 NHS Trust Financial Duties

First Financial Duty

- Break Even Duty

	2017-18 £000	2018-19 £000	2019-20 £000	Three year duty £000
Retained Surplus				
Public Health Wales NHS Trust	28	26	42	96
Velindre University NHS Trust	54	55	41	150
Welsh Ambulances Services NHS Trust	70	57	45	172
Adjusted Surplus				
Public Health Wales NHS Trust	28	26	42	96
Velindre University NHS Trust	49	31	24	104
Welsh Ambulances Services NHS Trust	70	57	45	172
All NHS Trusts Adjusted Surplus	<u>147</u>	<u>114</u>	<u>111</u>	<u>372</u>
All NHS Trusts operating within Break Even (Adjusted Surplus)				
No	3	3	3	3
Percentage %	100	100	100	100

The adjusted surplus takes into consideration FReM accounting treatment, that the funding element for assets donated by third parties either by gift of the asset or by way of funds to acquire assets, should be recognised as income as required by IAS 20.

The treatment of such income in public sector budgets follows Consolidated Budgeting Guidance, the impact of such income on the revenue position is accordingly adjusted for in the consideration of NHS trusts break-even position.

Annex 3 Special Health Authority (SHA)- Financial Duties

First Financial Duty

Health Education and Improvement Wales (HEIW) was established as a Special Health Authority (SHA). The Statutory financial duties are set out in Section 172 of the SHA section of the National Health Services (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 allotted to it for a financial year.

WHC/2019/004 clarified that the annual financial duty is set separately for revenue and capital resource allocations.

HEIW became operational on 1 October 2018, all references to 2018-19 in the Summarised Accounts covers the period 1 October 2018 to 31 March 2019.

- Revenue Resource Limit

Under/(Over) spend against revenue resource allocation limit

2019-20
£000

Health Education and Improvement Wales

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- Capital Resource Limit

Under/(Over) spend against capital resource allocation limit

2019-20
£000

Health Education and Improvement Wales

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Annex 4 NHS Trust & Local Health Board Financial Duties.

Second Financial Duty

- Approved Integrated Medium Term Plan

	Integrated medium term plan status
Aneurin Bevan University LHB	✓
Betsi Cadwaladr University LHB	×
Cardiff and Vale University LHB	✓
Cwm Taf Morgannwg University LHB	✓
Hywel Dda University LHB	×
Powys Teaching LHB	✓
Swansea Bay University LHB	×
Public Health Wales NHS Trust	✓
Velindre University NHS Trust	✓
Welsh Ambulances Services NHS Trust	✓

LHBs and NHS Trusts operating within approved IMTP

Number	7
%	70.0

Approved	✓
Not approved	×

The second financial duty is an annual duty. The test of duty for 2019-20 relates to IMTPs for 2019-20 to 2021-22.

As a result of the Covid 19 pandemic and the cessation of certain work to release resources, the IMTP process was paused on 11th March 2020. At that point those with approved 3 year IMTPs remained extant and those in escalation (and in annual plan territory) also remained the same.

The SHA with the agreement of the Welsh Government, has operated under an annual operating plan, which has been approved by Welsh Government.

Annex 5 Administrative Duties

NHS Trusts

- External Finance Limit Performance (EFL)

As a consequence of Covid 19, access to HMT temporary deposit facility was suspended at year end . This impacted on the NHS Trusts' ability to invest their cash, this resulted in the administrative EFL duty being suspended for 2019-20.

Local Health Boards and NHS Trusts

- Public Sector Payment Policy performance (PSPP)

	% of Non NHS bills paid within 30 days (by value and number)			
	2019-20		2018-19	
	Value of bills	No. of bills	Value of bills	No. of bills
Aneurin Bevan University LHB	97.0	97.2	96.8	95.1
Betsi Cadwaladr University LHB	97.4	95.3	97.9	95.0
Cardiff and Vale University LHB	96.1	95.8	95.7	95.0
Cwm Taf Morgannwg University LHB	94.5	95.5	95.9	96.1
Hywel Dda University LHB	97.1	96.2	97.5	96.1
Powys Teaching LHB	93.2	96.4	91.9	95.8
Swansea Bay University LHB	92.9	94.3	94.5	94.8
Public Health Wales NHS Trust	94.6	96.3	95.5	96.0
Velindre University NHS Trust	90.6	97.4	98.1	97.4
Welsh Ambulances Services NHS Trust	98.0	97.2	98.1	97.0
Health Education and Improvement Wales	99.6	95.2	99.8	95.8
All (LHBs NHS trusts and Special Health Authorities)	95.8	95.8	96.6	95.4
Organisations operating within PSPP target \geq 95%				
Number		10		10
Percentage %		90.9		90.9

NHS Wales Summarised Accounts 2019-20 of the Local Health Boards, NHS Trusts and Health Education and Improvement Wales

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

1. As Additional Accounting Officer for the Health and Social Services Group (HSSG), I am responsible for maintaining a governance framework to support the efficient and effective production and audit of the NHS Wales Summarised Accounts (the Summarised Accounts), comprising of the Local Health Boards (LHBs) and NHS Trusts in Wales and Special Health Authority (SHA).
2. This Statement is prepared in accordance with the Accounts Directions issued by HM Treasury for the Summarised Accounts, which require an Annual Governance Statement to be prepared, including information about the arrangements in place to assure the quality of the financial and other information included in the Summarised Accounts.
3. The governance framework for the Summarised Accounts are exercised in practice as a single process, and the Summarised Accounts were published for users as a single document for the first time in 2018-19. In 2019-20 for the first time, the accounts of HEIW, a Special Health Authority, are also being included as part of the Summarised Accounts and the prior year figures have been restated to include the financial accounts of HEIW in 2018-19.
4. The Summarised Accounts governance framework is designed to minimise the risks to the process of preparing and publishing the accounts. The accounts of individual NHS entities included in the summarisation are each subject to their own governance frameworks, details of which can be found in the Annual Governance Statements of the three NHS Trusts and the seven LHBs and HEIW.
5. The framework is intended to manage risk to a reasonable level, rather than to eliminate all risk of failure to the summarisation preparation process. It provides a high level, but not absolute, assurance of effectiveness. The framework is based on an ongoing process designed to identify and prioritise risks, to evaluate the likelihood of risks being realised and their potential impact and to manage them effectively.
6. In producing the Summarised Accounts, I rely on each Accountable Officer of the LHBs, NHS Trusts and HEIW to manage their own risks. The Accountable Officers are required to ensure the accounts of their respective organisations are properly prepared and presented in accordance with the Accounts Directions issued to them by the Welsh Ministers.

The Summarised Accounts governance framework

7. Matters relating to the governance of the preparation and audit of the Summarised Accounts are considered by the Health and Social Services Audit and Risk Assurance Committee. The Committee met on three occasions in the 2019-20 financial year.
8. During 2019-20, the Committee considered the following matters relating to the Summarised Account
 - HSSG Risk Register.
 - 2019-20 Audit Plan – National Health Service (NHS) Summarised Accounts
 - Ministerial Direction in relation to NHS Pension arrangements
9. The work of the Committee provides me with support and assurance on the adequacy of governance arrangements for the Summarised Accounts. I am satisfied that the Committee operates in an effective manner and provides good support in the monitoring of risk, control and governance processes as these affect the Summarised Accounts.
10. The Summarised Accounts governance framework has been in place for the year ended 31 March 2020 and up to the date of approval of the accounts and accords with Treasury guidance, including the relevant aspects of the *Corporate Governance in Central Government Departments; Code of Good Practice* to the extent that this is deemed relevant and practical.

Risk Management

11. Risks arise to the preparation of the Summarised Accounts from the underlying LHB, NHS Trust and HEIW statutory accounts processes, and the Summarised Accounts preparation process.
 12. Preparation and publication of the Summarised Accounts is managed within the HSSG risk management framework, which in turn is part of the Welsh Government risk and control framework. Further details are set out in the Annual Governance Statement for the Welsh Government Consolidated Resource Account, which is laid separately before the Senedd. The Director of Finance, HSSG, is responsible on a day-to-day basis for managing risk, ensuring that the activities necessary for the production of the Summarised Accounts are properly planned, resourced and performed.
 13. In 2019-20 no risks in relation to the preparation of the Summarised Accounts met the risk score threshold for escalation and reporting in the HSSG Risk Register. Risks relating to the preparation of the Summarised Accounts process as a result of COVID 19 are outlined in para 19 below.
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14. The Summarised Accounts are prepared in accordance with the 2019-20 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or after 1 January 2018, and with the LHB / NHS Trust Manual For Accounts 2019-20. The Manual is also applicable to HEIW.
 15. The LHB and NHS trust Manual for Accounts issued by the HSSG Finance Directorate complements the FReM by providing additional advice and guidance on interpretations specific to the NHS in Wales. The Manual for Accounts is key to the management of risk as it provides sector specific guidance on how to complete the annual accounts proformas, supporting Financial Returns, and Memorandum Statements of debtor and creditor balances and income and expenditure transactions. Compliance with the Manual for Accounts is critical to ensuring the accurate and appropriate completion of the LHB, HEIW and NHS Trust accounts returns for the preparation of the Summarised Accounts.
 16. The key risks managed in relation to the underlying accounts submitted by the LHBs, NHS Trusts and HEIW are:
 - Inaccuracies in individual NHS entity accounts, which cumulatively result in materially mis-stated balances in the Summarised Accounts;
 - Failures to provide data;
 - Delays in submission of NHS entity accounts; and
 - Mis-matching and / or non-elimination of intra-NHS entity transaction streams and balances, resulting in materially mis-stated figures.
 17. HSSG Finance Directorate mitigate these risks through actions including:
 - Preparation and issue annually of the Manual for Accounts, templates and supporting papers;
 - Participation in the NHS Wales Technical Accounting Group;
 - Preparation of the Summarised Accounts from audited statutory accounts;
 - Planning and engagement with NHS Wales entities to ensure clear understanding of requirements and delivery expectations;
 - Provision of support in the accounts preparation period to advise NHS entities on issues arising; and
 - Provision of templates, guidance, training and active management of intra-NHS agreement of balances process and matrices.
 18. The main risks specific to the Summarised Accounts preparation process identified and managed in year were:
 - Insufficient availability of appropriately skilled HSSG Finance staff to prepare the accounts;
 - Inability to align timetables for NHS Wales bodies accounts with the WG Summarised Accounts process as NHS audit planning commences earlier in the financial year than WG central planning. This is managed through HSSG liaison and co-ordination with Audit Wales, WG Financial Control and NHS
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- bodies;
 - Late submission of quality assured LHB and NHS Trust and HEIW accounts properly presented and the lack of appropriate working papers;
 - Technical queries relating to the underlying accounts and the Summarised Accounts not being resolved in a timely manner between HSSG Finance, NHS organisations and Audit Wales;
 - Delayed issue of both draft and final NHS Manual for Accounts and accounts templates; and
 - Insufficient level of management review and scrutiny of the draft Summarised Accounts, including the relevant accounting and disclosure requirements, consolidation journals and supporting evidence, before submission to audit.
 - The format changes in creating a model to present a merged LHB, NHST and HEIW Summarised Accounts and intra- party eliminations.
19. The logistical and other practical challenges posed to NHS bodies and Welsh Government of producing annual accounts by the COVID 19, were addressed by finance colleagues when the full implications of preparing the annual accounts in this unprecedented time became apparent. For most organisations, after the lockdown was announced this meant that many accounts staff were instructed to stay home and were not allowed to work from NHS premises during the accounts preparation period. This required adaption to working remotely from home in order to prepare the annual accounts of NHS Wales bodies as well as these Summarised Accounts.
20. On 26 March, plans to mitigate against the logistical challenges of preparing the annual accounts included issuing a revised accounts timetable to NHS Wales bodies. This amended the submission date of the draft accounts from 28 April to 22 May and receipt of the final accounts from 29 May to 30 June. The extension of the accounts preparation and audit time was agreed with Audit Wales, NHS Directors of Finance and Welsh Government central Finance colleagues.
21. The financial year 2019-20, is the fourth year of assessment of the ‘first financial duty’ for LHBs and NHS Trusts in Wales. As set out in Welsh Health Circular (2016) 054¹ the ‘first financial duty’ relates to the balancing of expenditure and income or resources allocated over a three-year period of assessment.
22. The HSSG risk assessment process identified forecast deficits arising in several LHBs during 2019-20, and that consequent potential breaches of the first financial duty would lead to regularity qualifications in those LHB accounts, potentially impacting upon the regularity opinions of associated statutory accounts, including the NHS Summarised Accounts.

1. [WHC \(2016\) 054](#)

Role of Internal Audit

23. The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector Internal Audit Standards. They undertake a full programme of work based on an analysis of the major risks facing each Group but they switched to an “agile” planning approach in 2019-20 to meet challenges in responding to the UK’s exit from the EU. The process of the preparation of the Summarised Accounts was not included in the Internal Audit programme for HSSG in 2019-20.

Role of External Audit

24. The accounts of the individual NHS organisations are transmitted to HSSG Finance by auditors on behalf of the Auditor General for Wales (AGW), together with his audit opinion on the accounts of each body. This provides an independent assurance to Welsh Government that the data to be used to prepare the Summarised Accounts is authentic and agrees with the underlying source data from the audited LHB, NHS Trust and HEIW statutory accounts.
 25. The AGW opinion on the financial statements discloses whether they give a true and fair view of the state of affairs of LHBs, NHS Trusts and HEIW for the financial year ending 31 March 2020 and whether they have been prepared in accordance with paragraph 3 (1) of Schedule 9 Section 178 to the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury. The opinion on regularity states whether the expenditure and income have been applied to the purposes intended by the Welsh Parliament and the financial transactions conform to the authorities which govern them.
 26. At the end of each financial year, the Accountable Officer in each LHB, NHS Trust and HEIW is required to present a Governance Statement alongside the audited Financial Statements. The Governance Statement is reviewed by the auditor to identify any material inconsistencies with the audited financial statements.
 27. The Summarised Account is subject to audit by the Auditor General for Wales, who issues an audit certificate and report to the Senedd on the Summarised Accounts under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. On completion of the audit annually an ‘Audit of Financial Statements Report’ is prepared by Audit Wales and issued to the Director General HSSG as Additional Accounting Officer for his consideration, prior to the approval of the Summarised Accounts.
 28. Additionally, the Auditor General for Wales prepares a ‘NHS Financial Statements Audits’ summary report for the HSSG Finance Division on the preparation and audit of the LHBs, NHS Trusts and HEIW’s financial statements, which makes recommendations to improve the quality and efficiency of future years’ accounts preparation. HSSG receive, respond to and implement the agreed recommendations contained in these reports annually, which serve to enhance the overall quality of preparation of the underlying NHS accounts. All issues noted in the 2018-19
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Report have been completed and actions taken reported to Audit Wales.

Information Governance

29. In preparing the Summarised Accounts, HSSG Finance does not collect any personal data from NHS organisations other than that placed in the public domain in the underlying accounts. Summarised accounts information collected from NHS organisations is held within the Welsh Government records management systems.
30. All LHBs and NHS Trusts have programmes of action in place to achieve compliance with the requirements of the General Data Protection Regulations (GDPR) which came into force on 25 May 2018. HEIW is strengthening its information governance and cyber security arrangements by appointing a full-time information governance and data protection manager to complete their GDPR action plan and work towards full compliance.
31. All LHBs and one NHS Trust, have reported significant data security lapses including those reported to the Information Commissioner during 2019-2020. In all cases, appropriate subsequent action has been taken to ensure that the risks to data security are mitigated. Details of the data lapses and actions taken can be found in the Annual Governance Statements of the LHBs and Public Health Wales NHS Trust.

Significant governance issues in the underlying accounts

32. The Governance Statements of the LHBs, NHS Trusts and HEIW set out how successfully the organisation has coped with the challenges it faced. These Governance Statements provide evidence on the governance, risk management and control in order to provide a coherent and consistent reporting mechanism, including identification of significant control and governance issues. The full details can be found in the annual accounts of each LHB, NHS Trust in Wales and HEIW, which are laid separately before the Welsh Parliament.

COVID-19 - Financial Guidance to NHS Wales' organisations

33. On 11 March, the World Health Organisation formally declared the outbreak of the coronavirus COVID 19 as a pandemic. Subsequently, on 23 March, in response to the most serious threat to healthcare services since the establishment of the NHS in 1948, the Prime Minister took the unprecedented decision to impose a lockdown in the United Kingdom. The onset of the crisis developed late in the 2019-20 financial year and the scale of the challenge of protecting the NHS and economy has dominated the objectives of the UK and Welsh Governments from March 2020 onwards.

1. <http://www.assembly.wales/en/bus-home/Pages/Plenary.aspx?assembly=5&category=Laid%20Document>

34. Guidance was revised to support organisations and provide clarity on expectations in the disrupted period and until organisations return to business as usual arrangements with the following guiding principles:-
- Finance will not be a barrier to delivering the operational needs of the service in response to the COVID-19 pandemic but needs to be managed and monitored in a structured manner;
 - Funds will flow to and from NHS Wales' organisations in a timely manner;
 - Organisations are expected to work together to ensure that services are not disrupted during this period as a result of cross-border flows and commissioning;
 - Requests for COVID-19 funding will be facilitated through a simplified process that balances financial governance and operational need; and
 - Organisations will track both the additional costs arising from COVID-19, and reductions in expenditure due to COVID-19 (i.e. reduced elective activity) in a structured and transparent manner.
35. To reflect the dramatic effect on how organisations would be expected to operate in this unprecedented environment, the guidance was issued to NHS Wales bodies on 30 March which offered following principles to be applied in decision-making:
- Given the immediate challenges presented by the pandemic, it was recognised that routine financial arrangements and disciplines would face disruption and the need to adapt on an interim basis. Due consideration is given to regularity in relying on legal powers, propriety and meeting the standards of 'Managing Welsh Public Money', and value for money supported by an assessment of the realistic options available to you at the time
 - Decisions taken must be rational and justifiable with due consideration of all options and risk. If approval is required then it should be sought, and justification for decisions should be recorded, if not at the time then subsequently.
 - Individuals and organisations should ensure that decision making conduct is in line with Nolan Principles, with integrity at the heart of decisions and with no conflict of interest affecting or appearing to affect decisions.
 - A continued focus on good governance and potential fraud is essential.
 - Organisation should seek advice of Welsh Government officials and ensure the continual involvement of Audit Wales in their activities to refocus decision making processes.
36. The immediate challenges presented by COVID-19, inevitably meant that routine financial arrangements and disciplines would be disrupted and would need to adapt on an interim basis. In this environment there was a necessity to provide clear minimal expectations and a supportive framework for organisations to consider what functions NHS bodies should maintain or not in the situation. There was a need to ensure that:
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- Clear and pragmatic financial arrangements are in place which minimise disruptions to the system
- Business continuity arrangements are effective
- Frameworks to support effective decision making are clear
- Core financial assumptions and positions are clear and monitored, but with a light touch approach whilst maintaining sufficient clarity on minimum key measures

Financial Governance

37. The maintenance of financial control and stewardship of public funds remained a critical duty at the end of 2019-20 during the NHS Wales initial response to COVID-19. Chief Executives, Accountable Officers and Boards were expected to comply with their legal responsibilities and have regard to their duties as set out in Managing Welsh Public Money and other related guidance. Any financial mismanagement during this period should be managed in exactly the same way as under normal operating conditions.
38. Organisations were expected to ensure that systems were in place to support decision-making at pace whilst maintaining appropriate controls and governance. This related to:
- Ensuring appropriate schemes of delegation were in place and compliance with SFIs. This included ensuring effective authorisation and signatory systems to minimise any disruption
 - Financial information should be collected in support of COVID-19 which is auditable and evidenced and supported by good documentation of key decisions
 - Delegation limits and approvals should be documented and followed, having been approved by the Board. The arrangements should also be sufficiently robust and flexible to ensure that authorisation and decisions can take place in the absence of key staff.
39. No new revenue or capital business investments would be progressed unless related to the response to COVID-19 or otherwise expressly approved by Welsh Government. From a governance perspective, organisations were expected to ensure that any proposed service delivery solution in response to COVID-19 have appropriate NHS Indemnity arrangements and advice from Welsh Risk Pool as required. Additional funding in 2019-20 for treatment of COVID 19 was allocated to NHS Wales bodies amounting to £7.949 million, and early pharmacy funding of £7.541 million.

Core Financial Systems & Processes

40. NHS Wales Shared Services Partnership outlined the business continuity arrangements in respect of key financial processes including payroll, procurement and accounts payable. These systems were able to operate via remote working with limited disruption.

41. Organisations were required to ensure that robust business continuity arrangements were put in place covering core financial systems, monitoring and reporting. This involved maintaining control over inventory and stocks to ensure that supply chains operated effectively under pressure at times of high demand.
42. At the same time, NHS Wales' organisations were required to continue to pay suppliers and other NHS bodies (including NHS England providers) on a timely basis.

Significant governance issues in the underlying accounts

43. The Governance Statements of the bodies under review set out how successfully each organisation has coped with the challenges they faced. These provide evidence on the governance, risk management and control in order to provide a coherent and consistent reporting mechanism, including identification of significant control and governance issues. The full details can be found in the annual accounts of the underlying bodies, which are laid separately before the Welsh Parliament.
44. I have considered the Governance Statements, the associated audit reports on the statutory accounts of the NHS organisations in Wales and other information available to me from internal and external sources. This includes the detail from the formal scrutiny undertaken of all NHS organisations as part of the Welsh Government's governance framework via the:
 - Bi-annual JET process (Welsh Government/NHS body Joint Executive Team meetings), however, the end of year meeting did not take place;
 - Regular cycle of quality and delivery meetings (Welsh Government/NHS organisations), typically bi-monthly however regularity will be increased with organisations where a need is identified;
 - Monthly NHS Wales Executive Board meetings, with more regular meetings from January 2020 to focus on COVID 19;
 - Bi-annual tripartite (Audit Wales/HIW/Welsh Government) escalation framework meetings;
 - Monthly Welsh Government intervention meetings with organisations in escalation;
 - Regular Welsh Government intervention meetings with organisations in escalation;
 - Regular meetings with Betsi Cadwaladr University Health Board and Cwm Taf Morgannwg Community Health Board at both official and Ministerial level.
45. Information from the formal accountability mechanisms are considered alongside routine information from monthly monitoring returns and other ad hoc meetings. Through this process I have identified the following as significant governance issues in the underlying accounts.

Significant internal control or governance issues

46. All LHBs, NHS Trusts and HEIW have declared their assessment within their
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respective Annual Governance Statements that generally sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2019-20. However in the Accountable Officers' assessments of effectiveness, areas of weakness or improvements required are noted and full details are contained in each individual body's own statements.

47. The three NHS Trusts have concluded that there are no significant internal control or governance issues. All LHBs acknowledge there are areas of internal control or governance where improvements are required.
48. Control issues were raised in connection with maternity services at Cwm Taf University Health Board in 2018-19. In 2019, HIW and Audit Wales undertook a Joint Review into Quality Governance of the Health Board. The report makes several strong criticisms of the culture of the organisation which the Health Board has accepted. In addition, the Audit Wales Structured Assessment of the Health Board identified significant weaknesses in governance and risk management arrangements. It also highlighted on-going workforce challenges and aspects of its organisational culture which needed to be tackled. It did acknowledge that new leadership in key executive roles, coupled with an acknowledgement and understanding of current challenges, and a good track record of financial management and strategic planning provide optimism that these improvements can be achieved.
49. Significant issues at Betsi Cadwaladr were also raised in last year's statement. Whilst there is evidence of progress being made in some areas, there remain several key areas which contribute to the Health Board remaining in special measures. Taking into account the feedback from Welsh Government including Special Measures, from Audit Wales via their Structured Assessment and from Internal Audit's assurance assessment, their Chief Executive has concluded that some significant internal control/governance issues have been identified and need resolving. These include notable aspects of governance and internal control including "developing board assurance arrangements, risk management and clinical audit programme and processes".

NHS Escalation and Intervention arrangements

50. In accordance with the Welsh Government NHS Escalation and Intervention Arrangements, seven out of eleven NHS Wales organisations remain in routine monitoring, while four LHBs have been subject to escalation status in the 2019-20 financial year, details of which are set out below. Cardiff and Vale were de-escalated during the year.
 51. **Betsi Cadwaladr University** remains in Special Measures despite progress and a series of improvements across several areas that had led initially to escalation. The health board was placed in Special Measures in June 2015 following concerns and critical reports on mental health services including the Tawel Fan ward, maternity services in Ysbyty Glan Clwyd, governance and GP out-of-hours services. Maternity services
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were stepped down as a special measures concern in 2018, GP out-of-hours services in 2019 and improvements evidenced in quality management and processes. There remains, however, outstanding concerns in respect of progress on leadership and governance, planning and finance and specific performance areas including referral to treatment times and mental health.

52. **Swansea Bay University** and **Hywel Dda University** remain in targeted intervention. In the case of Hywel Dda the outstanding intervention concern relates to finance and in Swansea Bay concerns remain on finance and in some performance areas.
 53. **Cwm Taf Morgannwg University's** predecessor organisation (Cwm Taf University) was escalated to 'enhanced monitoring' in January 2019 after concerns were raised in relation to an ionising radiation inspection, a review of mortuary services and serious untoward incidents within its maternity services. Then in April 2019, following the publication of a joint review conducted by the Royal College of Obstetricians and Gynaecologists and the Royal College of Midwives, the Welsh Government's Minister for Health and Social Services announced that the maternity services of Cwm Taf Morgannwg University Health Board would be placed into 'special measures'.
 54. As part of a package of measures designed to support the Minister's intervention in Cwm Taf Morgannwg University Health Board, an independent panel was appointed to provide the oversight of the work to address the findings which reports progress to the Minister on a quarterly basis. The health board offered a formal public apology for the maternity failings, accepted all the recommendations and gave a commitment to take the necessary action to address the various issues. The concerns around maternity services resulted in escalation to 'special measures' with Quality & Governance issues being further escalated from 'enhanced monitoring' into 'targeted intervention' (TI) across the whole organisation.
 55. Special Measures and targeted Intervention scrutiny was scaled back in Quarter 4 of the 2019-20 financial year, to allow NHS Wales organisations to focus their resources on planning and preparation for the COVID-19 pandemic. However, contact has remained in place on the specific maternity and quality concerns in Cwm Taf Morgannwg University to maintain progress even in these exceptional times. In Betsi Cadwaladr University contact is now re-focussing on the outstanding concerns and the support needs moving forward in the context of planning for re-start and recovery.
 56. From mid-March 2020, the work programmes of the Planning, Performance and Delivery Division were paused and all staff moved over to supporting the COVID-19 response and a Planning and Response Cell, was established. The IMTPs and annual plans were submitted and acknowledged but neither approval, nor agreement was given. A legacy position was agreed with Audit Wales in May 2020 to provide a high level baseline for future integrated planning and performance arrangements.
 57. Details on how each organisation in targeted intervention or special measures has taken action in 2019-20 to address the concerns identified are set out in the Governance Statements of Betsi Cadwaladr, Cwm Taf Morgannwg, Hywel Dda and Swansea Bay University Health Boards.
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Assurances and compliance

58. All NHS Wales bodies have stated that they are compliant with the Corporate Governance Code to the extent it relates to NHS public sector organisations in Wales, and that they are satisfied they are complying with the main principles of the Code with no material exceptions.
59. The NHS Head of Internal Audit provides an annual overall opinion to the Board of each NHS organisation on governance, risk management and control. The role of NHS Internal Audit is to provide an independent and objective opinion on the system of control. The work of NHS Internal Audit is undertaken in accordance with public sector internal audit standards, the scope of the work is agreed with the Audit Committee of each organisation and is focussed on significant risk areas and local improvement priorities.
60. The annual assurance opinions for the Head of Internal Audit assessment on the overall adequacy of each organisation’s governance, risk management and control processes are provided within a range from ‘No Assurance’ to ‘Substantial Assurance’. All LHBs, NHS trusts and HEIW received a ‘Reasonable Assurance’ opinion. The Head of Internal Audit’s opinion, details of the basis of that opinion, audit assignments with ‘Limited’ or ‘No Assurance’ opinions, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS organisations.
61. Welsh Government requests quarterly notification from all LHBs, NHS Trusts and HEIW of all No Assurance and Limited Assurance internal audit reports received in that period. Only Powys Health Board received a ‘No Assurance’ report for Records Management. Limited Assurance reports and organisational responses to them are discussed as part of the tripartite escalation and intervention arrangements between Welsh Government, HIW and Audit Wales. They are viewed as one of the indicators of the effectiveness of governance mechanisms in place in organisations.
62. Four LHBs received qualified audit opinions for 2019-20 in respect of the regularity opinion of the Auditor General for Wales. The qualified opinion is on the basis that the health boards did not achieve their statutory financial duty set out in the National Health Service (Wales) Act 2006 section 175 (1) *to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years*. The LHBs affected and their accumulated revenue deficits over the 3 year period of assessment are as follows:

Betsi Cadwaladr	(£118.813m)
Cardiff & Vale	(£36.667m)
Hywel Dda	(£139.811m)
Swansea Bay	(£58.580m)

63. It is anticipated that due to the qualification of these underlying LHB accounts the
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Summarised Accounts of the LHBs will also receive a qualified regularity opinion. This anticipated qualification does not reflect the preparation and the summarisation process of the Summarised Account, or the ‘true and fair’ opinion, it arises as a consequence of four LHBs generating financial deficits over the statutory duty assessment period 2017-18 to 2019-20. Those overall deficits constitute irregular expenditure.

64. All three NHS Trusts in Wales met their financial duty under Schedule 4 Paragraph 2 of the National Health Service (Wales) Act 2006 to ‘ensure that its revenue is not less than sufficient, taking one financial year with another’ measured over a rolling three year period.
65. HEIW met its annual duty to not exceed its revenue resource limit
66. Under the NHS Finance (Wales) Act 2014, Schedule 4 Paragraph 2(2) of the National Health Service (Wales) Act 2006 and the NHS Wales Planning Framework health boards and NHS Trusts are required to prepare and submit an Integrated Medium Term Plan to the Welsh Government for approval by the Minister for Health & Social Services by the 30th June annually.
67. For the 2019-20 financial year Betsi Cadwaladr, Hywel Dda and Swansea Bay University Health Boards did not meet their statutory duty to have an approved integrated medium term plan in place and operated an annual plan for the financial year. Aneurin Bevan, Cardiff and Vale and Cwm Taf Morgannwg University Health Boards and Powys Health Board met their statutory duty to have an approved integrated medium term plan in place.
68. All three NHS Trusts met their statutory duty to have an approved integrated medium term plan in place for the 2019-20 financial year.
69. HEIW with the agreement of Welsh Government operate on an annual planning cycle and this was approved in March 2019.

Future Planning 2020-21 to 2022-23

70. In line with the NHS Planning Framework 2020-23, NHS organisations are required to provide financially balanced IMTPs. The IMTP assessment process was ‘paused’ on 11 March 2020 to allow organisations to focus on COVID -19 planning and to direct resources to operational challenges. No formal recommendations were put to the Minister for Health and Social Services. At that point a baseline was established for all organisations to inform future discussions and post COVID-19 planning.

71. Following rigorous scrutiny, engagement and assessment by officials, plans from the following statutory organisations were considered to be ‘approvable’: Cardiff & Vale University Health Board and Powys Teaching Health Board; Public Health Wales, Velindre, and the Welsh Ambulance Services NHS Trusts. This does not equate to Ministerial approval or pre-empt the potential decision of the Minister. It reflects the Official view when the planning process was paused.
72. The assessments of IMTPs from Aneurin Bevan and Cwm Taf Morgannwg University Health Boards were not concluded at the point the process was paused and therefore no recommendations were reached.
73. Both Aneurin Bevan and Cwm Taf Morgannwg UHBs currently have approved plans for 2019-22. These will remain extant until further consideration can be given to future planning arrangements.
74. Following the pausing of the IMTP process in March 2020, an NHS Wales Operating Framework for Quarter 1 for 2020/21 was issued on 6th May. The Framework reflected the continued need to respond to COVID 19 and the potential for future peaks in demand, as well as deliver essential health services for the population and where possible recommence more routine care. This has to be done progressively and with caution.
75. Quarter 1 plans were submitted on 18th May. Short planning cycles that maintain the flexibility and proportionality demonstrated over recent months will be continued, with Operating Frameworks and Plans being developed iteratively for the four quarters of the year, building on gaps and new issues that emerge.
76. The Operating Framework for quarter 2 was issued on June 18th with plans to be submitted by the 3 July.
77. An Operating Framework for quarter 3 will be developed for issue in September.

**Ministerial Direction Pensions tax annual allowance – Scheme Pays arrangements
2019/20**

78. On 22 November the Secretary of State for Health and Social Care issued a Direction to the Accounting Officer for NHS England to proceed with the NHS Pension Tax Proposal 2019/20. A subsequent Welsh Government review of the mechanism for introducing this solution, identified that advice should have drawn attention to the fact that this recommendation raises an issue of regularity due to its contravention of Managing Welsh Public Money (MWPM). MWPM specifically states (para 5.6.1) that
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“Public Sector organisations should not engage in or conspire at, tax evasion, tax avoidance or tax planning.”

79. This proposal sought to bring NHS Wales in line with NHS England’s solution to the tax implications of the pension scheme for clinicians who incur tax charges for undertaking work in 2019/20. The issue of regularity was encountered in England (Managing Public Money and Managing Welsh Public Money are aligned on this issue).
80. On 18 December 2019, Shan Morgan, the Permanent Secretary and Principal Accounting Officer wrote to the First Minister formally requesting that a Ministerial Direction be given regarding a proposal in respect of NHS Pension Tax.
81. This recommendation had been endorsed by the Minister for Health and Social Services.
82. The Permanent Secretary in her capacity as Principal Accounting Officer has a duty to ensure the regularity of expenditure within the Welsh Government but the need for a Direction arose because tax planning is considered an issue of irregularity. The First Minister directed the Permanent Secretary as the Permanent Accounting Officer of the Welsh Government to proceed with the NHS Pension Tax Proposals. This Ministerial Direction was made on 18 December and this was confirmed in my letter to Chairs and Chief Executives on 19 December 2019.
83. The Auditor General for Wales included an emphasis of matter reference in his audit opinion for all LHBs and NHS Trusts, with respect to the Ministerial Direction.

Other matters reported by the Auditor General for Wales

Emphasis of Matter —Professional valuation reports

84. The Cardiff and Vale University LHB and Powys LHB were also subject to an emphasis of matter with respect to Note 11.1 to the financial statements, which describes the impact of the COVID-19 pandemic on the valuation of land and buildings as at 31 March 2020. This is due to the valuers including a material valuation uncertainty in their professional valuation reports which both bodies have used to inform measurement of some of their property asset values.

Basis for qualified opinion –Cardiff and Vale University LHB – Inventory valuation

85. Cardiff and Vale University Health Board disclosed an inventory balance of £16.784

million as at 31 March 2020, in Note 14.1 to the financial statements. Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, the AGW was unable to observe and reperform parts of the Health's Board's count of its inventories on 31 March 2020.

86. As the AGW was unable to obtain the required audit assurance by alternative means, he was unable to determine whether the Health Board's reported year-end inventory balance of £16.784 million is materially true and fair. The AGW therefore limited the scope of his audit opinion on the health board's accounts accordingly.

Disclosure of information to auditors

87. As the Additional Accounting Officer, I confirm that there is no relevant audit information of which the Auditor General for Wales is unaware. I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the external auditor is aware of that information.

Review of effectiveness

88. As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the HSSG Audit and Risk Assurance Committee and comments made by the external auditors in their management letter and other reports.
89. I am satisfied that the risks in relation to the preparation of the Summarised Account are generally well managed and that the internal controls provide an appropriate framework to assure the process of consolidation.
90. The Welsh Government health and social services budget reported a small revenue deficit in 2019-20 due to exceptional costs relating to Covid-19. This was after including managing the deficits incurred by the three LHBs in 2019-20. The Welsh Government monitors and challenges health boards financial forecasts on a regular basis throughout the year. In 2019-20 three health boards indicated they would be unable to operate within allocations and planned for a deficit outturn. To seek to maintain financial discipline with these organisation, Welsh Government set maximum deficit financial control totals for the year as follows;

- Betsi Cadwaladr - £ 25.0 million
- Hywel Dda - £15.0 million
- Swansea Bay - £0

The three bodies failed to operate within their control totals.

91. As independent bodies that have a statutory duty to manage their finances Welsh Government expects the health boards to take the action needed to meet their financial targets. The legislation introduced in 2014 provided organisations more flexibility to manage their finances over a three year period. Six organisations met this requirement in 2019-20.
92. Through the targeted intervention process, and special measures in the case of Betsi Cadwaladr, Welsh Government continues to provide challenge and support to those organisations that do not have approved medium term plans. The Escalation Framework will continue to be used to intervene in organisations whose plans or performance falls short of required standards.
93. As Chief Executive NHS Wales, I continue to work closely with the LHBs and NHS Trusts and HEIW to address the significant governance issues identified, in particular to ensure that learning is shared across NHS Wales organisations.
94. A Finance Delivery Unit was established in February 2018 to monitor and manage more closely financial risk in NHS Wales and to enable the Welsh Government to respond at pace where organisations are in financial failure. From 2018-19, it has provided assurance to me, the HSSG Finance Director and the Minister, on the robust development and delivery of in-year and medium term financial and resource plans by NHS organisations.
95. Through the NHS Escalation and Intervention arrangements I will continue to work with the Auditor General for Wales and Healthcare Inspectorate Wales to share information and respond when issues of concern become apparent in NHS bodies in Wales.
96. The most significant event of the year has been the need to plan and respond to the unprecedented COVID -19 pandemic facing the United Kingdom and NHS Wales' and to meet this challenge for the people of Wales. At the time of signing this Governance Statement the NHS in Wales is facing unprecedented and increasing pressure in planning and providing services to meet the needs of those who are affected by COVID-19, whilst also planning to resume other activity where this has been impacted. It has required a dynamic response which has presented both opportunities and risks.
97. The need to respond and recover from the pandemic will be with the Welsh Government and wider society throughout the next year and beyond. It is too soon to make an assessment of how effective the response has been but the initial requirement to set up appropriate governance arrangements have ensured that all NHS Wales bodies

were able to meet their duty to continued service delivery and ensure that NHS Wales was not overwhelmed in meeting its duties.

Dr Andrew Goodall

Director General, Health and Social Services Group,

Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

19 August 2020

Summarised Financial Statement
Local Health Boards, NHS Trusts
and Special Health Authorities in Wales



Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales.

Section 126 (6) of the Government of Wales Act 2006 requires that the Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Government. Section 133 (2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Government staff as Additional Accounting Officers.

Under these arrangements, the Director General, Health and Social Services Group, Chief Executive NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities for the Summarised Account of Local Health Boards, NHS Trusts and Special Health Authorities in Wales includes his responsibilities for the propriety and regularity of public finances for which he is answerable, for the keeping of proper records and the preparation of accounts, have been assigned to him through the Memorandum for Additional Accounting Officers.

Section 178, Schedule 9, Para 5(2) of the National Health Service (Wales) Act 2006 requires the Welsh Government to prepare a statement of accounts for each financial year in the form and on the basis directed by HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Local Health Boards, NHS Trusts and Special Health Authorities in Wales at the year end and their net operating costs and cash flows for the financial year.

I confirm that the Foreword, Annual Governance Statement and Accounts as a whole are fair, balanced and understandable and I take personal responsibility for these and the judgement required for doing so.

In preparing the accounts Welsh Ministers are required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

Dr Andrew Goodall, Director General, Health and Social Services Group,
Chief Executive NHS Wales
19 August 2020

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

Report on the audit of the financial statements

Opinion

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards, NHS Trusts and the Special Health Authority in Wales for the year ended 31 March 2020 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes, including a summary of significant accounting policies, and the financial duties notes in Annexes 1, 2, 3 and 4. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRS) as adopted by the European Union.

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards, NHS Trusts and the Special Health Authority in Wales collectively as at 31 March 2020 and of their net expenditure for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Basis for opinion

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

Emphasis of matter

I draw attention to Note 21 of the financial statements, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government, instructing her to fund NHS Clinicians' pension tax liabilities incurred by NHS Wales bodies in respect of the 2019-20 financial year. All Local Health Boards and NHS Trusts have disclosed the existence of an unquantified contingent liability at 31 March 2020, and my opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Additional Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Local Health Boards, NHS Trusts

and the Special Health Authority in Wales' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Additional Accounting Officer is responsible for the other information in the Summarised Accounts. The other information comprises the Foreword and the Annual Governance Statement. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

Basis for Qualified Opinion on Regularity

Betsi Cadwaladr, Cardiff and Vale, Hywel Dda and Swansea Bay University Local Health Boards have breached their revenue resource limits by collectively spending £353.871 million over the £13,033 million that they were authorised to spend in the three-year period 2017-18 to 2019-20. This spend constitutes irregular expenditure. Further detail is set out in my Report on page 6.

Opinion on regularity

In my opinion, except for the irregular expenditure of £353.871 million explained in the paragraph above, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Report on other requirements

Opinion on other matters

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

- the information contained in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and the Foreword has been prepared in accordance with directions issued by HM Treasury; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with directions issued by HM Treasury.

Matters on which I report by exception

In the light of the knowledge and understanding of the Local Health Boards, NHS Trusts and the Special Health Authority in Wales and their environment obtained in the course of the audit, I have not identified material misstatements in the Foreword or the Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Report

Please see my Report on page 6.

Responsibilities

Responsibilities of the Additional Accounting Officer for the financial statements

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out on page 2, the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006, and directions made by HM Treasury there under, for being satisfied that they give a true and fair view, and for such internal control as the Additional Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Additional Accounting Officer is responsible for assessing the Local Health Boards, NHS Trusts and the Special Health Authority in Wales' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

Responsibilities for regularity

The Additional Accounting Officer is responsible for ensuring the regularity of financial transactions.

I am responsible for expressing an opinion on whether the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Adrian Crompton
Auditor General for Wales
24 August 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the Senedd

Introduction

I have issued this report to explain why I have qualified the regularity opinion on these financial statements.

NHS Trusts and Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties. Health Education and Improvement Wales Special Health Authority (HEIW) was required to meet one statutory financial duty for the year ending 31 March 2020.

For 2019-20 all three NHS Trusts and three of the seven LHBs met both of these duties. HEIW also met its one financial duty.

For 2019-20 three of the seven LHBs failed to meet both financial duties, and a fourth failed to meet the first financial duty. As a result, I qualified my regularity opinions on each of the four LHBs that failed the first financial duty and issued narrative reports alongside my audit certificates for each of them.

Failure of the first financial duty

The **first financial duty** gives additional flexibility to NHS Trusts and LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The fourth three-year period under this duty is 2017-18 to 2019-20, and so it is measured this year for the fourth time.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Cardiff and Vale, Hywel Dda and Swansea Bay University Local Health Boards did not manage their revenue expenditure within their resource allocation over this three-year period. Their combined cumulative revenue resource limits of £13,033 million over the three years were exceeded by £353.871 million.

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

Failure of the second financial duty

The **second financial duty** requires NHS Trusts and LHBs to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An NHS Trust or LHB will be deemed to have met this duty for 2019-20 if it submitted a 2019-20 to 2021-22 plan approved by its Board to the Welsh Ministers who then approved it by the 30 June 2019.

As shown in Annex 4 to the Foreword, Betsi Cadwaladr, Hywel Dda and Swansea Bay University Health Boards did not meet their second financial duty to have an approved three-year integrated medium-term plan in place for the period 2019-20 to 2021-22.

Adrian Crompton

Auditor General for Wales

24 August 2020

Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000 Restated
Expenditure on Primary Healthcare Services	2.1	1,505,483	1,440,381
Expenditure on healthcare from other providers	2.2	920,921	879,801
Expenditure on Hospital, Community Health Services and by Special Health Authorities	2.3	5,872,210	5,325,839
		8,298,614	7,646,021
Less: Income	3	(813,231)	(828,237)
Net operating costs before interest and other gains and losses		7,485,383	6,817,784
Investment Income	4	(319)	(267)
Other (Gains)	5	(2,722)	(765)
Finance costs	6	6,981	4,509
Net operating costs for the financial year		7,489,323	6,821,261
		2019-20 £000	2018-19 £000 Restated
Other Comprehensive Net Expenditure			
Net loss/(gain) on revaluation of property, plant and equipment		(19,168)	(15,985)
Loss/(gain) on other reserve movements		(3)	(7)
Net loss/(gain) on revaluation of PPE & Intangible assets held for sale		103	-
Impairment and reversals		161	510
Other comprehensive net expenditure for the year		(18,907)	(15,482)
Total comprehensive net expenditure for the year		7,470,416	6,805,779

The notes on pages 12 to 61 form part of these accounts

Statement of Financial Position as at 31 March 2020

	Notes	31 March 2020 £000	31 March 2019 £000 Restated
Non-current assets			
Property, plant and equipment	10.1	3,601,608	3,495,070
Intangible assets	11	41,853	33,195
Trade and other receivables	14	872,166	806,178
Other financial assets	15	586	661
Total non-current assets		4,516,213	4,335,104
Current assets			
Inventories	13.1	84,683	74,282
Trade and other receivables	14	553,803	520,563
Other financial assets	15	31	32
Cash and cash equivalents	16	82,425	65,700
Sub total		720,942	660,577
Non-current assets classified as "Held for Sale"	10.2	2,642	2,607
Total current assets		723,584	663,184
Total assets		5,239,797	4,998,288
Current liabilities			
Trade and other payables	17	(958,742)	(898,157)
Borrowings	18	(1,991)	(965)
Provisions	20	(312,956)	(334,702)
Total current liabilities		(1,273,689)	(1,233,824)
Net current assets/ (liabilities)		(550,105)	(570,640)
Non-current liabilities			
Trade and other payables	17	(54,668)	(58,342)
Borrowings	18	(2,675)	(29)
Provisions	20	(909,407)	(843,910)
Total non-current liabilities		(966,750)	(902,281)
Total assets employed		2,999,358	2,862,183
Financed by :			
Taxpayers' equity			
PDC		202,871	189,316
General Fund		2,250,057	2,131,154
Revaluation reserve		546,430	541,713
Total taxpayers' equity		2,999,358	2,862,183

The notes on pages 12 to 61 form part of these accounts

Dr Andrew Goodall, Director General, Health and Social Services Group, Chief Executive NHS Wales
19 August 2020

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

	Public Dividend Capital £000	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2019-20				
Balance at 1 April 2019	189,316	2,131,154	541,713	2,862,183
Net operating cost for the year		(7,489,323)	-	(7,489,323)
Net gain/(loss) on revaluation of property, plant and equipment		-	19,168	19,168
Net gain/(loss) on revaluation of PPE and Intangible assets held for sale		-	(103)	(103)
Impairments and reversals		-	(161)	(161)
Movements in other reserves		3	-	3
Transfers between reserves		14,187	(14,187)	-
Total recognised income and expense for 2019-20		(7,475,133)	4,717	(7,470,416)
New Public Dividend Capital received	14,411			14,411
Public Dividend Capital repaid in year	(123)			(123)
Other movements in PDC in year	(733)			(733)
Net Welsh Government funding (LHB and SHA only)		7,445,513		7,445,513
Notional Welsh Government Funding (LHB and SHA only)		148,523		148,523
Balance at 31 March 2020	202,871	2,250,057	546,430	2,999,358

The notes on pages 12 to 61 form part of these accounts

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

	Public Dividend Capital £000	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2018-19		Restated		Restated
Balance at 31 March 2018	172,746	1,956,576	541,537	2,670,859
Adjustment for Implementation of IFRS 9	-	(6,016)	-	(6,016)
Balance at 1 April 2018	172,746	1,950,560	541,537	2,664,843
Net operating cost for the year		(6,821,261)	-	(6,821,261)
Net gain/(loss) on revaluation of property, plant and equipment		-	15,985	15,985
Impairments and reversals		-	(510)	(510)
Transfers between reserves		15,299	(15,299)	-
Transfers (to) / from other bodies NHS Wales bodies		7	-	7
Total recognised income and expense for 2018-19		(6,805,955)	176	(6,805,779)
New Public Dividend Capital received	17,118			17,118
Public Dividend Capital repaid in year	(548)			(548)
Net Welsh Government funding (LHB and SHA only)		6,986,549		6,986,549
Balance at 31 March 2019	189,316	2,131,154	541,713	2,862,183

The notes on pages 12 to 61 form part of these accounts

Statement of Cash Flows for year ended 31 March 2020

	2019-20	2018-19
	£000	£000
Cash flows from operating activities		Restated
Net operating costs for the financial year	(7,489,323)	(6,821,261)
Movements in Working Capital	27 (46,868)	(28,825)
Other cash flow adjustments	28 604,650	393,424
Provisions utilised	20 (133,086)	(146,251)
Net cash outflow from operating activities	(7,064,627)	(6,602,913)
Cash flows from investing activities		
Purchase of property, plant and equipment	(368,474)	(384,471)
Proceeds from disposal of property, plant and equipment	5,950	1,731
Purchase of intangible assets	(16,291)	(8,464)
Proceeds from disposal of intangible assets	1	170
Proceeds from disposal of other financial assets	-	22
Net cash outflow from investing activities	(378,814)	(391,012)
Net cash outflow before financing	(7,443,441)	(6,993,925)
Cash flows from financing activities		
Welsh Government LHB funding (including LHB and SHA capital)	7,445,513	6,986,549
Public Dividend Capital received	14,411	17,118
Public Dividend Capital repaid	(123)	(548)
Other capital receipts	365	-
Net financing	7,460,166	7,003,119
Net increase in cash and cash equivalents	16,725	9,194
Cash and cash equivalents at 1 April	65,700	56,506
Cash and cash equivalents at 31 March	82,425	65,700

The notes on pages 12 to 61 form part of these accounts

Notes to the Accounts

1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Local Health Boards, NHS Trusts and Special Health Authorities in Wales (subsequently, collectively referred to as NHS Wales' organisations), shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2019-20 Manual for Accounts. The accounting policies contained in that manual follow the 2019-20 Financial Reporting Manual (FRoM), which applies European Union adopted IFRS and Interpretations in effect for accounting periods commencing on or after 1 January 2019, except for IFRS 16 Leases, which is deferred until 1 April 2021; to the extent that they are meaningful and appropriate to the NHS in Wales.

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 the NHS Wales organisation for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS Wales' organisations 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. Accounts Format

In 2018-19 the NHS (Wales) Summarised Account combined the accounts of LHBs and NHSTs. This is the first year that the combined account includes LHBs, NHSTs and the Special Health Authority. Given that the Special Health Authority was in operation in 2018-19, comparator figures have been compiled on the same basis and headed up as restated to reflect this.

1.3. 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.

1.4. Income and funding

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

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

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

Miscellaneous income is income which relates directly to the operating activities of the LHB/SHA and is not funded directly by the Welsh Government.. The income of the NHS Wales Trusts is recorded in the income note.

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.

Where income is received from Non NHS bodies for a specific activity that is to be delivered in the following year that income is deferred. Only non-NHS income may be deferred.

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

1.5. Employee benefits

1.5.1. 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.

1.5.2. Retirement benefit costs

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

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

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

However, NHS Wales' organisations are required to account for **their staff** employer contributions of 20.68% in full and on a gross basis, in the 2019-20 annual accounts. Payments made on their behalf by Welsh Government are accounted for on a notional basis. For detailed information see Other Note (Note 32) within these accounts.

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

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be

identified and are recognised in the NHS Wales organisation's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

1.5.3. NEST Pension Scheme

An alternative pensions scheme for employees not eligible to join the NHS Pensions scheme has to be offered. 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.

1.6. 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.

1.7. Property, plant and equipment

1.7.1. Recognition

Property, plant and equipment is capitalised if:

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

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

1.7.2. Valuation

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

Land and buildings used for services or for administrative purposes are stated in the Statement of Financial Position (SoFP) at their revalued amounts, being the fair value at the date of revaluation less any subsequent

accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

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

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

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

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

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

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

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

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the NHS organisation or the asset which would prevent access to the market at the reporting date. If the NHS organisation could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus,

an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

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

1.7.3. Subsequent expenditure

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

1.8. Intangible assets

1.8.1. Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the NHS Wales organisation; 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.

1.8.2 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.

1.9. Depreciation, amortisation and impairments

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

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

At each reporting period end, the NHS Wales organisation 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.

1.10. Research and Development

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

1.11 Non-current assets held for sale

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

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

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

1.12. 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.

1.12.1. The NHS Wales organisation as lessee

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

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

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

1.12.2. The NHS Wales organisation as lessor

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

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

1.13. 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.

1.14. 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 (SoCF), cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.15. Provisions

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

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

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

A restructuring provision is recognised when the NHS Wales organisation 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.

1.15.1. Clinical negligence and personal injury costs

The Welsh Risk Pool Services (WRPS) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was implemented in 2019-20. The WRP is hosted by Velindre NHS Trust.

1.15.2. Future Liability Scheme (FLS) - General Medical Practice Indemnity (GMPI)

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

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

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

1.16. Financial Instruments

From 2018-19 IFRS 9 Financial Instruments has applied, as interpreted and adapted for the public sector, in

the FReM. The principal impact of IFRS 9 adoption by NHS Wales' organisations, was 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 recognised the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that included the date of initial application in the opening general fund within Taxpayer's equity.

1.17. Financial assets

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

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

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

1.17.1. 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.

1.17.2. 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.

1.17.3 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.

1.17.4. 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.

1.17.5. Loans and receivables

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

interest method, less any impairment. Interest is recognised using the effective interest method.

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

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

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

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

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

1.18. Financial liabilities

Financial liabilities are recognised on the SOFP when the NHS Wales organisation 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.

1.18.1. Financial liabilities are initially recognised at fair value

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

1.18.2. Financial liabilities at fair value through the SoCNE

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

1.18.3. 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.

1.19. Value Added Tax (VAT)

Most of the activities of the NHS Wales organisation 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.

1.20. Foreign currencies

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

1.21. Third party assets

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

1.22. Losses and Special Payments

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

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

The NHS Wales organisation accounts for all losses and special payments gross (including assistance from the WRP).

The NHS Wales organisation accrues or provides for the best estimate of future pay-outs for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the WRP are included in debtors. For those claims where the probability of settlement is between 5- 50%, the liability is disclosed as a contingent liability.

1.23. Critical Accounting Judgements and key sources of estimation uncertainty

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

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying

assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.24. Key sources of estimation uncertainty

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

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

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

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

1.24.1. Provisions

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

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

1.24.2. Probable & Certain Cases – Accounting Treatment

A provision for these cases is calculated in accordance with IAS 37.

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

The solicitors estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of minus 0.75%.

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

Further details re the calculation of provisions and the periodical payment orders are contained within the accounts of Velindre NHS Trust.

1.25 Private Finance Initiative (PFI) transactions

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

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

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

1.25.1. Services received

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

1.25.2. PFI asset

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

1.25.3. PFI liability

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

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

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

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

1.25.4. Lifecycle replacement

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

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

respectively.

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

1.25.5. Assets contributed by the NHS Wales organisation 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 NHS Wales organisation's SoFP.

1.25.6. Other assets contributed by the NHS Wales organisation to the operator

Assets contributed (e.g. cash payments, surplus property) by the NHS Wales organisation 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 NHS Wales organisation, 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 NHS Wales organisation 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 NHS Wales organisation, 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 NHS Wales organisation. 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.

1.27. Absorption accounting

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

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

1.28. Accounting standards that have been issued but not yet been adopted

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

IFRS14 Regulatory Deferral Accounts Not EU-endorsed.*
Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable.

IFRS 16 Leases is to be effective from 1st April 2021.

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

1.29. Accounting standards issued that have been adopted early

During 2019-20 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

1.30. Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.31. Public Dividend Capital (PDC) and PDC dividend

PDC represents taxpayers' equity in the NHS Wales Trusts. At any time the Minister for Health and Social Services with the approval of HM Treasury can issue new PDC to, and require repayments of, PDC from the NHS Wales organisation. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

From 1 April 2010 the requirement to pay a public dividend over to the Welsh Government ceased.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £000	Non-cash limited £000	2019-20 Total £000	2018-19 £000
General Medical Services	559,482	-	559,482	536,617
Pharmaceutical Services	152,343	(19,751)	132,592	134,916
General Dental Services	188,897	-	188,897	185,052
General Ophthalmic Services	9,819	33,528	43,347	42,027
Other Primary Health Care expenditure	44,876	-	44,876	35,892
Prescribed drugs and appliances	536,289	-	536,289	505,877
Total	1,491,706	13,777	1,505,483	1,440,381

2.2 Expenditure on healthcare from other providers

	2019-20 £000	2018-19 £000
		Reclassified
Goods and services from other non Welsh NHS bodies	289,252	270,818
Local Authorities	102,210	99,868
Voluntary organisations	53,764	37,949
NHS Funded Nursing Care	44,054	43,957
Continuing Care	370,607	370,703
Private providers	61,034	57,095
Other	-	(589)
Total	920,921	879,801

2019-20

2.3 Expenditure on Hospital, Community Health Services and by Special Health Authorities

	2019-20 £000	2018-19 £000 Restated
Directors' costs	20,269	17,921
Staff costs	4,046,408	3,686,439
Supplies and services - clinical	710,814	671,735
Supplies and services - general	131,160	112,997
Consultancy Services	13,068	9,661
Establishment	89,087	85,704
Transport	31,685	29,502
Premises	222,826	200,092
HEIW - Non Medical Education and Training	88,111	47,236
HEIW - Post Graduate Medical Dental & Pharmacy Education	4,007	1,536
External Contractors	4,578	4,300
Depreciation	188,631	178,821
Amortisation	12,626	12,282
Fixed asset impairments and reversals (Property, plant & equipment)	87,004	41,430
Fixed asset impairments and reversals (Intangible assets)	-	11
Impairments and reversals of non-current assets held for sale	350	35
Audit fees	3,194	3,355
Losses, special payments and irrecoverable debts	195,023	151,932
Research and Development	4,371	6,536
Other operating expenses	18,998	64,314
Total	5,872,210	5,325,839

2.4 Losses, special payments and irrecoverable debts: charges to expenses

	2019-20 £000	2018-19 £000 Restated
Increase/(decrease) in provision for future payments:		
Clinical negligence		
- Secondary care	136,262	122,588
- Redress Secondary Care	3,326	3,706
Personal injury	13,023	6,161
All other losses and special payments	2,841	2,613
Defence legal fees and other administrative costs	6,586	5,082
WRPS Structured Settlements	32,423	379
Gross increase/(decrease) in provision for future payments	194,461	140,529
Irrecoverable debts	(828)	582
Less: income received/ due for reimbursement	1,390	10,821
Total	195,023	151,932

	£	£
Permanent injury included within personal injury:	7,919,794	3,362,411

2019-20

3. Income

	2019-20	2018-19
	£000	£000
		Restated
Foundation Trusts	1,634	1,251
Other NHS England bodies	34,077	32,802
Other NHS bodies	582	58
Local authorities	58,800	81,294
Welsh Government	164,922	146,212
Welsh Government Funding - Welsh Risk Pool Reimbursements		
NHS Wales Secondary Health Sector	170,523	128,124
NHS Wales Redress	2,056	2,514
Welsh Government Income for Hosted bodies	128,426	166,082
Non NHS:		
Prescription charge income	47	55
Dental fee income	35,790	36,862
Private patient income	7,356	8,230
Overseas patients (non-reciprocal)	1,201	971
Injury Costs Recovery (ICR) Scheme	9,478	11,072
Other income from activities	14,628	18,403
Income Generation	1,499	1,492
Patient transport services	-	(1)
Education, training and research	58,954	83,713
Charitable and other contributions to expenditure	11,880	10,928
Receipt of donated assets	6,242	6,951
Receipt of Government granted assets	339	429
Non-patient care income generation schemes	5,204	4,141
Deferred income released to revenue	3,025	1,665
Contingent rental income from finance leases	113	-
Rental income from operating leases	1,102	1,426
Other income:		
Provision of laundry, pathology, payroll services	5,028	5,016
Accommodation and catering charges	17,895	17,666
Mortuary fees	1,998	1,749
Staff payments for use of cars	4,407	4,559
Business units	9	1,815
Other	66,016	52,758
Total	813,231	828,237

ICR income is subject to a provision for impairment to reflect expected rates of collection. The exact provision varies between NHS bodies. Details may be found in the underlying accounts

2019-20

4. Investment Income

	2019-20	2018-19
	£000	£000
Interest revenue :		
Bank accounts	299	246
Other loans and receivables	2	1
Other financial assets	18	20
Total	<u>319</u>	<u>267</u>

5. Other gains and losses

	2019-20	2018-19
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	357	400
Gain/(loss) on disposal of assets held for sale	2,365	365
Total	<u>2,722</u>	<u>765</u>

6. Finance costs

	2019-20	2018-19
	£000	£000
Interest on obligations under finance leases	86	121
Interest on obligations under PFI contracts		
main finance cost	4,147	4,347
contingent finance cost	2,881	2,936
Interest on late payment of commercial debt	2	1
Total interest expense	<u>7,116</u>	<u>7,405</u>
Provisions unwinding of discount	(233)	(2,501)
Periodical Payment Order unwinding of discount	98	(395)
Total	<u>6,981</u>	<u>4,509</u>

7. Operating leases

LHB, NHS Trust and SHA as lessee

Detailed disclosures are made in the individual LHB, Trust and SHA accounts.

Payments recognised as an expense	2019-20	2018-19
	£000	£000
		Restated
Minimum lease payments	34,958	33,407
Total	34,958	33,407

Total future minimum lease payments

Payable	£000	£000
Not later than one year	29,168	28,736
Between one and five years	60,345	57,984
After 5 years	74,822	67,648
Total	164,335	154,368

LHB and NHS Trust as lessor

Rental revenue	£000	£000
Rent	1,339	1,614
Other	113	115
Total revenue rental	1,452	1,729

Total future minimum lease payments

Receivable	£000	£000
Not later than one year	1,259	1,526
Between one and five years	2,671	3,135
After 5 years	4,057	5,686
Total	7,987	10,347

8. Employee benefits and staff numbers

8.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	
	£000	£000	£000	£000	£000	2018-19 Restated £000
Salaries and wages	3,119,264	22,896	138,104	58,357	3,338,621	3,146,228
Social security costs	308,131	100	-	1,037	309,268	291,897
Employer contributions to NHS Pension Scheme	542,679	104	-	55	542,838	364,895
Other pension costs	1,722	-	-	-	1,722	967
Termination benefits	533	-	-	-	533	605
Total	3,972,329	23,100	138,104	59,449	4,192,982	3,804,592
Charged to capital					11,644	7,471
Charged to revenue					4,181,338	3,797,121
					4,192,982	3,804,592
Net movement in accrued employee benefits (untaken staff leave accrual included in above)					(328)	1,220

The full employee costs reported above are included in note 2.1 Expenditure on Primary Healthcare Services and note 2.3 Expenditure on Hospital, Community Health Services and by Special Health Authorities

8.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	
	Number	Number	Number	Number	Number	2018-19 Restated Number
Administrative, clerical and board members	17,713	198	261	29	18,201	17,392
Medical and dental	7,097	76	143	411	7,727	7,513
Nursing, midwifery registered	22,469	18	1,208	2	23,697	23,286
Professional, Scientific, and technical staff	3,310	26	19	7	3,362	3,218
Additional Clinical Services	16,089	-	76	4	16,169	15,658
Allied Health Professions	5,704	20	120	22	5,866	5,659
Healthcare Scientists	1,747	1	31	3	1,782	1,759
Estates and Ancillary	6,730	-	118	7	6,855	6,783
Students	58	-	-	-	58	52
Total	80,917	339	1,976	485	83,717	81,320

8.3. Retirements due to ill-health	2019-20	2018-19
Number	65	88
Estimated additional pension costs £	3,195,404	4,274,468

The estimated additional pension costs of these ill-health retirements have been calculated on an average basis and are borne by the NHS Pension Scheme. The above early retirement information relates to the LHBs and NHS Trusts, there were no early retirements in the SHA.

8.4 Employee benefits

LHBs do not disclose any employee benefit schemes. Two of the NHS Trusts and the Special Health Authority disclose employee benefit schemes. Please refer to their underlying accounts for further details.

8.5 Pension costs

PENSION COSTS

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

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

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,136 and £50,000 for the 2019-20 tax year (2018-19 £6,032 and £46,350).

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

9. The Late Payment of Commercial Debts (Interest) Act 1998

	2019-20	2018-19
	£	£
Amounts included within finance costs from claims made under this legislation	2,984	811
Compensation paid to cover debt recovery costs under this legislation	1,348	1,564
Total	<u>4,332</u>	<u>2,375</u>

10.1 Property, plant and equipment

2019-20	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2019	380,599	2,542,239	49,272	403,033	661,134	86,388	220,807	33,754	4,377,226
Indexation	(3,030)	26,840	865	-	-	-	-	-	24,675
Additions - purchased	146	25,233	24	251,585	47,626	2,977	35,303	3,501	366,395
Additions - donated	-	2,659	-	1,243	1,587	-	462	213	6,164
Additions - government granted	-	93	-	197	-	-	19	-	309
Transfer from/into other NHS bodies	-	-	-	(1)	66	(66)	-	-	(1)
Reclassifications	396	173,498	13	(203,596)	14,599	3,532	4,347	682	(6,529)
Revaluations	(124)	(22,466)	(204)	-	22	-	-	-	(22,772)
Reversal of impairments	(10)	24,567	109	-	-	-	-	-	24,666
Impairments	(529)	(118,055)	-	(30)	-	-	(125)	-	(118,739)
Reclassified as held for sale	(1,821)	(1,044)	-	-	(729)	(8,427)	-	(33)	(12,054)
Disposals	-	(8)	-	-	(34,194)	(2,123)	(13,021)	(1,736)	(51,082)
At 31 March 2020	375,627	2,653,556	50,079	452,431	690,111	82,281	247,792	36,381	4,588,258
Depreciation at 1 April 2019	-	213,244	3,409	1,792	451,149	53,143	138,380	21,039	882,156
Indexation	-	4,859	67	-	-	-	-	-	4,926
Transfers from/into other NHS bodies	-	-	-	-	67	(66)	-	-	1
Reclassifications	-	38	-	-	(52)	52	(417)	-	(379)
Revaluations	-	(21,573)	(369)	-	-	-	-	-	(21,942)
Reversal of impairments	-	(472)	1	-	-	-	-	-	(471)
Impairments	-	(6,598)	-	-	-	-	-	-	(6,598)
Reclassified as held for sale	-	(54)	-	-	(729)	(8,427)	-	(33)	(9,243)
Disposals	-	(8)	-	-	(33,574)	(2,115)	(12,998)	(1,736)	(50,431)
Provided during the year	-	90,786	1,654	-	52,437	9,121	31,616	3,017	188,631
At 31 March 2020	-	280,222	4,762	1,792	469,298	51,708	156,581	22,287	986,650
Net book value at 1 April 2019	380,599	2,328,995	45,863	401,241	209,985	33,245	82,427	12,715	3,495,070
Net book value at 31 March 2020	375,627	2,373,334	45,317	450,639	220,813	30,573	91,211	14,094	3,601,608
Net book value at 31 March 2020 comprises :									
Purchased	371,393	2,326,475	45,317	450,292	210,626	30,369	90,194	13,541	3,538,207
Donated	4,234	44,974	-	347	10,150	189	986	536	61,416
Government Granted	-	1,885	-	-	37	15	31	17	1,985
	375,627	2,373,334	45,317	450,639	220,813	30,573	91,211	14,094	3,601,608
Asset financing :									
Owned	372,785	2,290,378	43,097	450,639	219,792	30,573	86,768	14,094	3,508,126
Held on finance lease	-	1,466	-	-	304	-	4,443	-	6,213
On-SoFP PFI contracts	2,842	81,490	2,220	-	717	-	-	-	87,269
Total	375,627	2,373,334	45,317	450,639	220,813	30,573	91,211	14,094	3,601,608

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

	£000
Freehold	2,681,786
Long Leasehold	105,841
Short Leasehold	6,651
	2,794,278

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

Five of the eleven NHS Wales bodies had asset valuations over which their valuers included a 'material uncertainty' clause. In three of the organisations this was not material to their underlying accounts, so no disclosure or emphasis of matter was included in their audit report. However, the value of the material uncertainty for all five of the NHS Wales organisations totalled £78,409k.

10.1 Property, plant and equipment

	Assets								Total £000
	Land £000	Buildings, excluding dwellings £000	Dwellings £000	construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	
2018-19									
		Restated			Restated		Restated	Restated	Restated
Cost or valuation at 1 April 2018	370,764	2,425,864	48,755	269,872	643,659	82,332	213,274	34,793	4,089,313
Indexation	6,626	12,587	470	-	-	-	-	-	19,683
Additions - purchased	596	36,644	11	273,090	43,611	4,710	24,299	1,808	384,769
Additions - donated	-	1,210	-	3,411	1,967	-	234	108	6,930
Additions - government granted	-	17	-	383	28	-	1	-	429
Transfer from/into other NHS bodies	-	-	-	-	573	-	40	71	684
Reclassifications	3,147	119,644	23	(143,723)	5,579	8,848	1,348	1,051	(4,083)
Revaluations	(412)	(5,123)	(4)	-	-	-	-	-	(5,539)
Reversal of impairments	1,195	12,084	17	-	-	-	-	-	13,296
Impairments	50	(57,421)	-	-	-	(147)	(1)	-	(57,519)
Reclassified as held for sale	(1,314)	(2,968)	-	-	(2,330)	(8,563)	-	-	(15,175)
Disposals	(53)	(299)	-	-	(31,953)	(792)	(18,388)	(4,077)	(55,562)
At 31 March 2019	380,599	2,542,239	49,272	403,033	661,134	86,388	220,807	33,754	4,377,226
Depreciation at 1 April 2018	-	130,194	1,774	1,792	434,676	53,345	131,165	22,282	775,228
Indexation	-	1,518	19	-	-	-	-	-	1,537
Transfers from/into other NHS bodies	-	-	-	-	573	-	40	71	684
Reclassifications	-	1	-	-	(28)	-	(312)	(29)	(368)
Revaluations	-	(2,866)	(4)	-	-	-	-	-	(2,870)
Reversal of impairments	-	199	-	-	-	-	-	-	199
Impairments	-	(2,973)	-	-	-	(19)	-	-	(2,992)
Reclassified as held for sale	-	(1,773)	-	-	(2,309)	(8,563)	-	-	(12,645)
Disposals	-	(262)	-	-	(31,919)	(792)	(18,388)	(4,077)	(55,438)
Provided during the year	-	89,206	1,620	-	50,156	9,172	25,875	2,792	178,821
At 31 March 2019	-	213,244	3,409	1,792	451,149	53,143	138,380	21,039	882,156
Net book value at 1 April 2018	370,764	2,295,670	46,981	268,080	208,983	28,987	82,109	12,511	3,314,085
Net book value at 31 March 2019	380,599	2,328,995	45,863	401,241	209,985	33,245	82,427	12,715	3,495,070
Net book value at 31 March 2019									
comprises :									
Purchased	376,324	2,286,807	45,863	397,386	198,000	33,240	81,606	11,944	3,431,170
Donated	4,275	41,170	-	3,546	11,931	-	707	739	62,368
Government Granted	-	1,018	-	309	54	5	114	32	1,532
	380,599	2,328,995	45,863	401,241	209,985	33,245	82,427	12,715	3,495,070
Asset financing :									
Owned	377,727	2,245,462	43,619	401,241	209,284	33,245	81,307	12,715	3,404,600
Held on finance lease	-	2,031	-	-	608	-	1,120	-	3,759
On-SoFP PFI contracts	2,872	81,502	2,244	-	93	-	-	-	86,711
Total	380,599	2,328,995	45,863	401,241	209,985	33,245	82,427	12,715	3,495,070

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

Freehold	£000
Long Leasehold	2,641,304
Short Leasehold	109,130
	5,023
	2,755,457

10. Property, plant and equipment (continued)

10.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Total
	£000	£000	£000	£000
Balance brought forward 1 April 2019	1,494	1,113	-	2,607
Plus assets classified as held for sale in the year	1,821	990	-	2,811
Revaluation	(15)	-	-	(15)
Less assets sold in the year	(1,648)	(763)	-	(2,411)
Less impairment of assets held for sale	-	(350)	-	(350)
Balance carried forward 31 March 2020	1,652	990	-	2,642
Balance brought forward 1 April 2018	881	74	-	955
Plus assets classified as held for sale in the year	1,534	1,195	21	2,750
Less assets sold in the year	(666)	(156)	(21)	(843)
Less impairment of assets held for sale	(35)	-	-	(35)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(220)	-	-	(220)
Balance carried forward 31 March 2019	1,494	1,113	-	2,607

11. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	Carbon Reduction Commitment	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2019	80,962	6,381	14,872	500	196	102,911
Revaluation	(365)	-	-	-	-	(365)
Reclassifications	5,461	-	1,069	-	-	6,530
Additions- purchased	9,635	2,229	3,464	229	-	15,557
Additions- donated	73	-	6	-	-	79
Additions- government granted	29	-	-	-	-	29
Disposals	(6,687)	(475)	-	-	(166)	(7,328)
Gross cost at 31 March 2020	89,108	8,135	19,411	729	30	117,413
Amortisation at 1 April 2019	59,126	2,863	7,727	-	-	69,716
Reclassifications	18	-	361	-	-	379
Provided during the year	9,031	702	2,800	93	-	12,626
Disposals	(6,686)	(475)	-	-	-	(7,161)
Amortisation at 31 March 2020	61,489	3,090	10,888	93	-	75,560
Net book value at 1 April 2019	21,836	3,518	7,145	500	196	33,195
Net book value at 31 March 2020	27,619	5,045	8,523	636	30	41,853
At 31 March 2020						
Purchased	27,433	5,045	8,510	229	30	41,247
Donated	159	-	6	-	-	165
Government Granted	27	-	7	-	-	34
Internally generated	-	-	-	407	-	407
Total at 31 March 2020	27,619	5,045	8,523	636	30	41,853

11. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	Carbon Reduction Commitment	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2018	75,762	3,512	12,254	74	365	91,967
Reclassifications	2,049	241	1,793	-	-	4,083
Impairments	(23)	-	-	-	-	(23)
Additions- purchased	4,217	2,718	1,134	-	-	8,069
Additions- internally generated	-	-	-	426	-	426
Additions- donated	21	-	-	-	-	21
Disposals	(1,064)	(90)	(309)	-	(169)	(1,632)
Gross cost at 31 March 2019	80,962	6,381	14,872	500	196	102,911
Amortisation at 1 April 2018	50,703	2,508	5,327	-	-	58,538
Reclassifications	297	12	62	-	-	371
Impairment	(12)	-	-	-	-	(12)
Provided during the year	9,202	433	2,647	-	-	12,282
Disposals	(1,064)	(90)	(309)	-	-	(1,463)
Amortisation at 31 March 2019	59,126	2,863	7,727	-	-	69,716
Net book value at 1 April 2018	25,059	1,004	6,927	74	365	33,429
Net book value at 31 March 2019	21,836	3,518	7,145	500	196	33,195
At 31 March 2019						
Purchased	21,595	368	7,145	-	196	29,304
Donated	241	-	-	-	-	241
Internally generated	-	3,150	-	500	-	3,650
Total at 31 March 2019	21,836	3,518	7,145	500	196	33,195

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12. Impairments

	2019-20	2018-19	
	Property, plant & equipment £000	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :			
Abandonment in the course of construction	-	24	-
Changes in market price	51,353	24,972	-
Others	62,203	29,989	11
Reversal of impairments	(24,965)	(13,009)	-
Total of all impairments	<u>88,591</u>	<u>41,976</u>	<u>11</u>

Analysis of impairments charged to reserves in year :

Charged to the Statement of Comprehensive Net Expenditure	87,301	41,466	11
Charged to Revaluation Reserve	1,290	510	-
Total	<u>88,591</u>	<u>41,976</u>	<u>11</u>

13.1 Inventories

	31 March	31 March
	2020	2019
	£000	£000
Drugs	29,753	25,468
Consumables	50,975	45,189
Energy	1,058	1,219
Other	2,897	2,406
Total	<u>84,683</u>	<u>74,282</u>

13.2 Inventories recognised in expenses

Inventories recognised as an expense in the period	57,130	51,584
Write-down of inventories (including losses)	72	307
Total	<u>57,202</u>	<u>51,891</u>

Only stock which has been resold to other parties is included in this note.

14. Trade and other receivables

Current	31 March 2020 £000	31 March 2019 £000 Restated
Welsh Government	410,931	386,141
Non - Welsh Trusts	6,794	3,837
Other NHS	5,785	7,787
Local Authorities	30,281	29,496
Capital debtors - tangibles	427	644
Other debtors	70,743	71,887
Provision for irrecoverable debts	(22,214)	(25,279)
Other prepayments	43,079	39,634
Other accrued income	7,977	6,416
Sub total	553,803	520,563
Non-current		
Welsh Government	861,947	798,646
Other debtors	6,179	5,292
Provision for irrecoverable debts	(1,543)	(1,270)
Other prepayments	2,908	1,167
Other accrued income	2,675	2,343
Sub total	872,166	806,178
Total	1,425,969	1,326,741
Receivables past their due date but not impaired		
By up to three months	51,426	28,820
By three to six months	4,121	3,341
By more than six months	7,890	7,764
	63,437	39,925
Expected Credit Losses (ECL)/ Provision for Impairment of Receivables		Restated
Balance at 31 March	-	(16,147)
Adjustment for Implementation of IFRS 9	-	(6,016)
Balance at 1 April	(26,543)	(22,163)
Amount written off during the year	1,194	802
Amount recovered during the year	144	447
(Increase) / decrease in receivables impaired	1,423	(5,618)
Bad debts recovered during year	25	(11)
Balance at 31 March	(23,757)	(26,543)
Receivables VAT		
Trade receivables	7,136	7,133
Other	2,355	3,187
Total	9,491	10,320

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15. Other Financial Assets

	Current		Non-current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Financial assets				
Loans at amortised cost	31	32	586	661
Total	31	32	586	661

16. Cash and cash equivalents

	2019-20 £000	2018-19 £000 Restated
Balance at 1 April	65,700	56,506
Net change in cash and cash equivalent balances	16,725	9,194
Balance at 31 March	82,425	65,700
Made up of:		
Cash held at Government Banking Service (GBS)	81,474	51,545
Commercial banks	515	194
Cash in hand	436	661
Total Cash	82,425	52,400
Current Investments	-	13,300
Cash and cash equivalents as in Statement of Financial Position	82,425	65,700
Cash and cash equivalents as in Statement of Cash Flows	82,425	65,700

17. Trade and other payables

Current	31 March 2020 £000	31 March 2019 £000 Restated
Welsh Government	7,874	288
Other NHS	71,327	75,649
Taxation and social security payable / refunds	17,352	22,952
VAT payable to HMRC	229	241
Other taxes payable to HMRC	6,047	12,576
NI contributions payable to HMRC	30,062	29,486
Non-NHS payables revenue	183,406	153,280
Local Authorities	91,493	80,077
Capital Creditors - Tangibles	65,897	68,193
Capital Creditors - Intangibles	2,126	2,860
Rentals due under operating leases	23	24
Obligations under finance leases, HP contracts	513	574
Imputed finance lease element of on SoFP PFI contracts	4,158	3,625
Pensions: staff	24,445	29,958
Non NHS Accruals	428,634	384,429
Deferred Income:		
Deferred Income brought forward	10,460	10,852
Deferred Income Additions	3,244	3,573
Released to SoCNE	(5,153)	(3,965)
Other creditors	35,845	42,600
PFI assets – deferred credits	22	18
Payments on account	(19,262)	(19,133)
Total	958,742	898,157
Non-current		
Rentals due under operating leases	1,552	1,198
Obligations under finance leases, HP contracts	-	514
Imputed finance lease element of on SoFP PFI contracts	53,052	56,544
PFI assets – deferred credits	64	86
Sub-total	54,668	58,342
Total	1,013,410	956,499

18. Borrowings

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	£000	£000	£000	£000
Finance lease liabilities	1,991	965	2,675	29
Total	1,991	965	2,675	29

19. Other financial liabilities

No other financial liabilities were reported by the summarised organisations.

20. Provisions

20.1 Consolidated

	At 1 April 2019	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Transfers (to) from other NHS Wales bodies	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current										
Clinical negligence										
Secondary Care	264,510	(30,043)	(13,302)	27,046	-	165,543	(76,296)	(86,127)	(279)	251,052
Redress Secondary care	2,063	-	-	-	-	5,389	(1,931)	(2,103)	-	3,418
Personal injury	9,168	-	-	427	-	9,167	(5,498)	(1,545)	16	11,735
All other losses and special payments	246	-	-	-	-	2,054	(2,038)	(160)	-	102
Defence legal fees and other administration	9,036	-	-	811	-	8,516	(4,911)	(4,546)	-	8,906
Structured Settlements - WRPS	13,819	627	-	-	-	14,693	(13,972)	(710)	98	14,555
Pensions relating to former directors	4	-	-	-	-	-	(4)	-	-	-
Pensions relating to other staff	1,771	-	(6)	1,328	223	769	(2,018)	(364)	(2)	1,701
Other	34,085	-	(290)	(13)	(223)	8,806	(11,706)	(9,172)	-	21,487
Total	334,702	(29,416)	(13,598)	29,599	-	214,937	(118,374)	(104,727)	(167)	312,956
Non Current										
Clinical negligence										
Secondary Care	386,988	(1,968)	(4,950)	(27,046)	-	137,009	(12,113)	(48,152)	-	429,768
Redress Secondary care	-	-	-	-	-	76	1	(36)	-	41
Personal injury	30,340	-	-	(427)	-	5,558	(758)	(107)	28	34,634
Defence legal fees and other administration	4,986	-	-	(811)	-	3,234	(849)	(619)	-	5,941
Structured Settlements - WRPS	408,696	31,384	-	-	-	4,326	-	(17,898)	-	426,508
Pensions relating to former directors	12	-	-	-	-	-	(12)	-	-	-
Pensions relating to other staff	10,595	-	-	(1,328)	-	1,040	(30)	(2)	3	10,278
Other	2,293	-	-	13	-	1,635	(951)	(753)	-	2,237
Total	843,910	29,416	(4,950)	(29,599)	-	152,878	(14,712)	(67,567)	31	909,407
TOTAL										
Clinical negligence										
Secondary Care	651,498	(32,011)	(18,252)	-	-	302,552	(88,409)	(134,279)	(279)	680,820
Redress Secondary care	2,063	-	-	-	-	5,465	(1,930)	(2,139)	-	3,459
Personal injury	39,508	-	-	-	-	14,725	(6,256)	(1,652)	44	46,369
All other losses and special payments	246	-	-	-	-	2,054	(2,038)	(160)	-	102
Defence legal fees and other administration	14,022	-	-	-	-	11,750	(5,760)	(5,165)	-	14,847
Structured Settlements - WRPS	422,515	32,011	-	-	-	19,019	(13,972)	(18,608)	98	441,063
Pensions relating to former directors	16	-	-	-	-	-	(16)	-	-	-
Pensions relating to other staff	12,366	-	(6)	-	223	1,809	(2,048)	(366)	1	11,979
Other	36,378	-	(290)	-	(223)	10,441	(12,657)	(9,925)	-	23,724
Total	1,178,612	-	(18,548)	-	-	367,815	(133,086)	(172,294)	(136)	1,222,363

Expected timing of cash flows:

	In year to 31 March 2021	Between 1 April 2021 - 31 March 2025	Thereafter	Total
	£'000	£'000	£'000	£'000
Clinical negligence				
Secondary Care	251,052	302,061	127,707	680,820
Redress Secondary care	3,418	41	-	3,459
Personal injury	11,735	13,583	21,051	46,369
All other losses and special payments	102	-	-	102
Defence legal fees and other administration	8,906	5,941	-	14,847
Structured Settlements - WRPS	14,555	60,910	365,598	441,063
Pensions relating to other staff	1,701	7,456	2,822	11,979
Other	21,487	2,011	226	23,724
Total	312,956	392,003	517,404	1,222,363

Transfers (to) from other NHS Wales bodies

The services transferred from Swansea Bay ULHB to Cwm Taf Morgannwg ULHB on 1 April 2019 included a provision transfer of

£984k relating to Personal Injury, and
£223k relating to Other staff pensions.

20. Provisions (continued)

20.2 Welsh Risk Pool

	At 1 April 2019	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Reclassified	Reclassified	Reclassified	Reclassified	Reclassified	Reclassified	Reclassified	Reclassified	Reclassified
Current									
Clinical negligence									
Secondary Care	260,173	(32,011)	(18,252)	(41,351)	233,199	(74,157)	(82,810)	(279)	244,512
Redress Secondary care	1,940	-	-	(7)	4,099	(1,894)	(803)	-	3,335
Personal injury	2,239	-	-	(31)	5,400	(2,041)	(764)	-	4,803
Defence legal fees and other administration	4,620	-	-	(430)	3,726	(1,657)	(1,591)	-	4,668
Structured Settlements - WRPS	13,819	627	-	-	14,693	(13,972)	(710)	98	14,555
Total	282,791	(31,384)	(18,252)	(41,819)	261,117	(93,721)	(86,678)	(181)	271,873
Non Current									
Clinical negligence									
Secondary Care	386,660	-	-	41,163	63,700	(7,693)	(52,792)	-	431,038
Redress Secondary care	-	-	-	-	1,138	(29)	(1,069)	-	40
Personal injury	300	-	-	31	24	-	(14)	-	341
Defence legal fees and other administration	2,992	-	-	625	1,209	(262)	(544)	-	4,020
Structured Settlements - WRPS	408,696	31,384	-	-	4,326	-	(17,898)	-	426,508
Total	798,648	31,384	-	41,819	70,397	(7,984)	(72,317)	-	861,947
TOTAL									
Clinical negligence									
Secondary Care	646,833	(32,011)	(18,252)	(188)	296,899	(81,850)	(135,602)	(279)	675,550
Redress Secondary care	1,940	-	-	(7)	5,237	(1,923)	(1,872)	-	3,375
Personal injury	2,539	-	-	-	5,424	(2,041)	(778)	-	5,144
Defence legal fees and other administration	7,612	-	-	195	4,935	(1,919)	(2,135)	-	8,688
Structured Settlements - WRPS	422,515	32,011	-	-	19,019	(13,972)	(18,608)	98	441,063
Total	1,081,439	-	(18,252)	-	331,514	(101,705)	(158,995)	(181)	1,133,820

Expected timing of cash flows:

	In year to 31 March 2021	Between 1 April 2021 - 31 March 2025	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence				
Secondary Care	244,512	303,331	127,707	675,550
Redress Secondary care	3,335	40	-	3,375
Personal injury	4,803	341	-	5,144
Defence legal fees and other administration	4,668	4,020	-	8,688
Structured Settlements - WRPS	14,555	60,909	365,599	441,063
Total	271,873	368,641	493,306	1,133,820

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20. Provisions (continued)**20.3 Prior Year Consolidated**

	At 1 April 2018	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Reclassified	Reclassified	Reclassified	Reclassified	Restated	Reclassified	Reclassified	Reclassified	Restated
Current									
Clinical negligence									
Secondary Care	263,829	(65,119)	(8,581)	110,044	146,927	(96,845)	(83,141)	(2,604)	264,510
Redress Secondary care	425	-	-	-	3,961	(2,042)	(281)	-	2,063
Personal injury	13,479	-	(243)	(786)	10,012	(9,053)	(4,319)	78	9,168
All other losses and special payments	49	-	-	-	2,735	(2,416)	(122)	-	246
Defence legal fees and other administration	9,212	-	-	1,211	8,359	(4,979)	(4,767)	-	9,036
Structured Settlements - WRPS	11,187	2,148	-	-	13,372	(12,054)	(439)	(395)	13,819
Pensions relating to former directors	4	-	-	4	-	(4)	-	-	4
Pensions relating to other staff	1,839	-	(7)	1,233	637	(1,831)	(121)	21	1,771
Other	24,608	-	(513)	2,257	26,286	(11,323)	(7,230)	-	34,085
Total	324,632	(62,971)	(9,344)	113,963	212,289	(140,547)	(100,420)	(2,900)	334,702
Non Current									
Clinical negligence									
Secondary Care	420,877	-	-	(110,044)	96,969	(3,727)	(17,087)	-	386,988
Personal injury	29,361	-	-	786	588	(277)	(121)	3	30,340
Defence legal fees and other administration	5,070	-	-	(1,211)	1,652	(363)	(162)	-	4,986
Structured Settlements - WRPS	358,279	62,971	-	-	4,024	-	(16,578)	-	408,696
Pensions relating to former directors	16	-	-	(4)	-	-	-	-	12
Pensions relating to other staff	11,683	-	-	(1,233)	476	-	(332)	1	10,595
Other	5,707	-	-	(2,257)	1,102	(1,337)	(922)	-	2,293
Total	830,993	62,971	-	(113,963)	104,811	(5,704)	(35,202)	4	843,910
TOTAL									
Clinical negligence									
Secondary Care	684,706	(65,119)	(8,581)	-	243,896	(100,572)	(100,228)	(2,604)	651,498
Redress Secondary care	425	-	-	-	3,961	(2,042)	(281)	-	2,063
Personal injury	42,840	-	(243)	-	10,600	(9,330)	(4,440)	81	39,508
All other losses and special payments	49	-	-	-	2,735	(2,416)	(122)	-	246
Defence legal fees and other administration	14,282	-	-	-	10,011	(5,342)	(4,929)	-	14,022
Structured Settlements - WRPS	369,466	65,119	-	-	17,396	(12,054)	(17,017)	(395)	422,515
Pensions relating to former directors	20	-	-	-	-	(4)	-	-	16
Pensions relating to other staff	13,522	-	(7)	-	1,113	(1,831)	(453)	22	12,366
Other	30,315	-	(513)	-	27,388	(12,660)	(8,152)	-	36,378
Total	1,155,625	-	(9,344)	-	317,100	(146,251)	(135,622)	(2,896)	1,178,612

21. Contingencies

21.1 Contingent liabilities

Provisions have not been made in the accounts for the following amounts :

	2019-20 £000	2018-19 £000
Legal claims for alleged medical or employer negligence		
Clinical negligence- Secondary care	1,102,305	951,918
Clinical negligence- Primary care	76	-
Clinical negligence- Redress Secondary care	1,190	-
Defence costs	17,602	15,653
Continuing Care health costs	6,875	26,960
Other	1,948	117
Total value of disputed claims	<u>1,129,996</u>	<u>994,648</u>
Less amounts recovered in the event of claims being successful	<u>(1,098,955)</u>	<u>(936,192)</u>
Net contingent liability	<u>31,041</u>	<u>58,456</u>

Scheme Pays

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

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

The relevant bodies will then pay them a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction. This scheme will be fully funded by the Welsh Government with no net cost to the relevant body.

Clinical staff have until 31 July 2021 to opt for this scheme and the ability to make changes up to 31 July 2024. Using information provided by the Government Actuaries Department and the NHS Business Services Authority, a national 'average discounted value per nomination' (calculated at £3,345) could be used by NHS bodies to estimate a local provision by multiplying it by the number of staff expected to take up the offer. However, at the date of approval of these accounts, there was no evidence of take-up of the scheme by our clinical staff in 2019-20 and no information was available to enable a reasonable assessment of future take up to be made. As no reliable estimate can therefore be made to support the creation of a provision at 31 March 2020, the existence of an unquantified contingent liability is instead disclosed in the accounts of the underlying relevant bodies.

At the date of approval of these accounts, there was no evidence of take-up of the scheme by NHS clinical staff in 2019-20 and no information was available to enable a reasonable assessment of future take up to be made therefore the existence of an unquantified contingent liability is disclosed in the Welsh Government Accounts.

21.2 Contingent assets

Only one NHS body has disclosed a contingent asset. Details may be found in the underlying Velindre NHS Trust account.

22. Capital commitments

Contracted capital commitments at 31 March for	2019-20 £000	2018-19 £000
Property, plant and equipment	109,546	209,095
Intangible assets	3,032	2,698
Total	<u>112,578</u>	<u>211,793</u>

2019-20

23. Losses and special payments LHB, NHS Trusts and SHA

Losses and special payments are charged to the SoCNE 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 during the financial year

	Amounts paid out during period to 31 March 2020	
	Number	£
Clinical negligence	902	106,182,940
Personal injury	393	5,812,693
All other losses & special payments	1,572	5,890,418
Total	2,867	117,886,051

Analysis of cases which exceed £300,000

	Cumulative interim payments	
	Number	£
Clinical Negligence	149	212,277,198
Personal Injury	9	7,907,404
General Litigation	1	416,016
Fruitless Payment	1	315,446
Damage to Property	1	1,931,056
	161	222,847,120
All other cases		82,741,846
Total		305,588,966

Analysis of cases exceeding £300,000, including cases where there has been no payment during the year. More detail is included within the individual body accounts, from which this note is compiled.

24. Finance leases obligations (as lessee)

Amounts payable under finance leases:

Included in:

Buildings	31 March	31 March
	2020	2019
	£000	£000
Minimum lease payments	210	214
Within one year	210	214
Between one and five years	-	210
Less finance charges allocated to future periods	(2)	(5)
Minimum lease payments	208	419
Present value of minimum lease payments		
Within one year	206	204
Between one and five years	-	194
Present value of minimum lease payments	206	398

2019-20

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

Other	31 March	31 March
	2020	2019
	£000	£000
Minimum lease payments		
Within one year	2,367	1,377
Between one and five years	2,718	339
Less finance charges allocated to future periods	(113)	(50)
Minimum lease payments	4,972	1,666
Present value of minimum lease payments		
Within one year	2,296	1,325
Between one and five years	2,676	329
After five years	(1)	-
Present value of minimum lease payments	4,971	1,654

24.2 Finance lease receivables (as lessor)**Amounts receivable under finance leases:**

The LHBs, NHSTs and SHA have no amounts receivable under finance leases as lessor.

25. Private Finance Initiative contracts

The NHSTs and SHA have no PFI Contracts, the information below relates to LHBs only.

25.1 Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2020	31 March 2019
	£000	£000
Total payments due within one year	1,103	1,336
Total payments due between 1 and 5 years	3,359	3,536
Total payments due thereafter	603	3,046
Total future payments in relation to PFI contracts	<u>5,065</u>	<u>7,918</u>
Total estimated capital value of off-SoFP PFI contracts	4,482	4,482

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

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2020	31 March 2020	31 March 2020
	£000	£000	£000
Total payments due within one year	4,158	6,682	10,335
Total payments due between 1 and 5 years	19,348	25,545	43,256
Total payments due thereafter	33,705	37,834	45,727
Total future payments in relation to PFI contracts	<u>57,211</u>	<u>70,061</u>	<u>99,318</u>

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2019	31 March 2019	31 March 2019
	£000	£000	£000
Total payments due within one year	3,625	6,608	10,367
Total payments due between 1 and 5 years	17,874	25,880	41,558
Total payments due thereafter	38,670	44,034	55,250
Total future payments in relation to PFI contracts	<u>60,169</u>	<u>76,522</u>	<u>107,175</u>

	£000
Total present value of obligations for on-SoFP PFI contracts	198,940

25. Private Finance Initiative contracts

25.3 Charges to expenditure	2019-20	2018-19
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	7,685	7,478
Total expense for Off Balance sheet PFI contracts	1,313	1,265
The total charged in the year to expenditure in respect of PFI contracts	<u>8,998</u>	<u>8,743</u>

LHB are committed to the following annual charges

	31 March 2020	31 March 2019
	£000	£000
PFI scheme expiry date:		
Not later than one year	2,611	2,207
Later than one year, not later than five years	10,731	9,266
Later than five years	27,960	30,520
Total	<u>41,302</u>	<u>41,993</u>

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

25.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	8	2

26. Financial risk management

Financial Reporting Standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHBs, NHSTs and SHA are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply.

The LHBs, NHSTs and SHA have limited powers to invest and NHSTs have limited powers to borrow, their financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs, NHSTs and SHA in undertaking their activities.

Currency risk

The LHBs, NHSTs and SHA are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHBs, NHSTs and SHA therefore have low exposure to currency rate fluctuations.

Interest rate risk

LHBs and SHA are not permitted to borrow and the great majority of NHSTs' financial assets and financial liabilities carry nil or fixed rates of interest. LHBs, NHSTs and SHA are not, therefore, exposed to significant interest-rate fluctuation risk.

Credit risk

The majority of the LHBs' and SHA funding derives from funds voted by the Welsh Government and the majority of the NHSTs' income comes from contracts with other public sector bodies. Therefore the LHBs, NHSTs and SHA have low exposure to credit risk. The maximum exposures are in receivables from customers as disclosed in the trade and other receivables note.

Liquidity risk

The LHBs and SHA are required to operate within cash limits set by the Welsh Government for the financial year and draw down funds from the Welsh Government as the requirement arises.

The Trusts' net operating costs are incurred under annual service agreements with various Health bodies, which are financed from resources voted annually by Parliament. NHSTs also largely finance their capital expenditure from funds made available from the Welsh Government under agreed borrowing limits.

The LHBs, NHSTs and SHA are not, therefore, exposed to significant liquidity risks.

2019-20

27. Movements in working capital

	2019-20	2018-19
	£000	£000
		Restated
Decrease / (increase) in inventories	(10,401)	(6,200)
(Increase) in trade and other receivables - non-current	(65,913)	(16,082)
(Increase) / decrease in trade and other receivables -current	(33,239)	(36,689)
(Decrease) in trade and other payables- non-current	(1,028)	(4,603)
Increase / (decrease) in trade and other payables- current	61,611	40,859
Total	(48,970)	(22,715)
Adjustment for accrual movements in fixed assets -creditors	3,030	(413)
Adjustment for accrual movements in fixed assets -debtors	(217)	231
Other adjustments	(711)	(5,928)
Total	(46,868)	(28,825)

28. Other cash flow adjustments

	2019-20	2018-19
	£000	£000
		Restated
Depreciation	188,631	178,821
Amortisation	12,626	12,282
(Gains)/Loss on Disposal	(2,722)	(765)
Impairments and reversals	87,354	41,476
Release of PFI deferred credits	(18)	(101)
Donated assets received credited to revenue but non-cash	(6,242)	(6,951)
Government Grant assets received credited to revenue but non-cash	(339)	(429)
Non-cash movements in provisions	176,837	169,091
Other movements	148,523	-
Total	604,650	393,424

Other movements relate to the LHB notional 6.3% Staff Employer Pension Contributions funded directly to the NHSBA Pensions Division by Welsh Government. (see Note 32 Other for further details.)

29. Events after the end of the Reporting Period

Impact of Covid 19

As a result of Covid 19 the Accounts submission timetable was amended to allow the NHS bodies more time for preparation. Many organisations' Finance Teams have been working from home and have had the additional responsibility of monitoring Covid 19 specific expenditure.

All bodies met the revised submission and audit deadlines.

Following the pausing of the IMTP process in March 2020, the NHS Wales Operating Framework is to be issued quarterly. The Framework reflected the continued need to respond to COVID 19 and the potential for future peaks in demand, as well as deliver essential health services for the population and where possible recommence more routine care.

Short planning cycles that maintain the flexibility and proportionality demonstrated over recent months will be continued, with Operating Frameworks and Plans being developed iteratively for the four quarters of the year, building on gaps and new issues that emerge.

Strategic Cash Support

On the 6th July the Minister for Health and Social services announced that the strategic cash support totalling £470m, provided to organisations in deficit, is no longer repayable, but will continue to be disclosed annually as part of their annual accounts.

The four organisations that have been unable to operate within their budgets since the implementation of the NHS Finance Act 2014 have accumulated deficits totalling over £600 million since 2014. In addition, Welsh Government has had to provide strategic cash support totalling nearly £470 million to these organisations to enable them to meet their financial obligations to staff and suppliers whilst in deficit. The amount of Strategic Cash outstanding at 31 March 2020 was

- Betsi Cadwaladr UHB £149.694m;
- Cardiff and Vale UHB £54.849m;
- Hywel Dda UHB £185.964m; and
- Swansea Bay UHB £78.571m.

This level of historic deficit was considered to be a barrier to these four health boards as they started to plan for the immediate and medium term recovery from the Covid-19 pandemic. The expectation until now has been that their future plans should make provision at an appropriate time to repay this deficit and the associated cash support. This would require the organisations to underspend significantly against future allocations to generate the necessary level of surpluses to discharge this expectation.

It was also announced, that when an organisation, that has previously been in deficit, achieves its three year break even duty, it will not be required to repay any historic deficits incurred before it achieved the statutory duty.

This is intended to clarify the policy on historic deficits and to give some certainty to these organisations for future planning.

30. Related Party Transactions

The Welsh Government was regarded as a related party. During the year the LHBs, NHSTs and SHA had a significant number of material transactions with the Welsh Government and with other NHS bodies. All NHS Wales Bodies undertook related party transactions. The details of these can be found in the underlying accounts.

31. Third Party Assets

The details of the third party assets held by LHBs, NHSTs and SHA can be found in the underlying accounts .

32. Other

Impact of Covid 19

The COVID-19 pandemic presented a number of challenges to the organisations during March 2020 including unplanned additional expenditure in response to the crisis. These were mitigated by

- actions announced by the Minister for Health and Social Services on 13th March 2020 including the suspension of non-urgent outpatient appointments, surgical admissions and procedures; and
- additional funding from Welsh Government.

The pandemic also restricted the ability of some organisations to undertake year end stock counts. Where this was the case, estimates have been made as to the value held based on previous counts.

A physical verification of Equipment was not possible in some areas due to resource capacity at operational level to verify asset existence at the end of the financial year. Where physical verification has not been able to be undertaken a cross reference to disposed items documentation has been undertaken by the finance department.

The full value of 'material uncertainty' over tangible assets held by the underlying bodies in the PPE note totalled £78,409m based on the underlying accounts.

The cessation of certain work to release resources, has impacted on the IMTP process which was paused on 11th March 2020. No formal recommendations for plan approval were put to the Minister for Health and Social Services. At that point a baseline was established for all organisations to inform future discussions and post COVID-19 planning.

Following rigorous scrutiny, engagement and assessment by officials, plans from the following statutory organisations were considered to be 'approvable': Cardiff & Vale University Health Board and Powys Teaching Health Board; Public Health Wales, Velindre, and the Welsh Ambulance Services NHS Trusts. This does not equate to Ministerial approval or pre-empt the potential decision of the Minister. It reflects the Official view when the planning process was paused. These organisations currently have approved IMTPs for 2019-22 and those approvals remain extant.

The assessments of IMTPs from Aneurin Bevan and Cwm Taf Morgannwg University Health Boards were not concluded at the point the process was paused and therefore no recommendations were reached. Both Aneurin Bevan and Cwm Taf Morgannwg UHBs currently have approved plans for 2019-22. These will remain extant until further consideration can be given to future planning arrangements.

Betsi Cadwaladr, Hywel Dda and Swansea Bay University Health Boards are in Targeted Intervention and or Special Measures and do not have approved IMTPs. This position remains the same for 2020. Hywel Dda and Swansea Bay both submitted annual plans after the process was paused, but the assessment was not completed and no final conclusions were reached.

The four non-statutory, supporting organisations (NWSSP, WHSSC, EASC and NWIS) have submitted three year integrated plans. Whilst there is no requirement to formally approve these

32. Other (continued)

plans, they are subject to the same level of scrutiny and have been accepted as satisfactory with ongoing expectations of improvements.

The HEIW IMTP, whilst not covered by the statutory duty under the NHS Finance (Wales) Act 2014 was subject to the same robust assessment and was considered approvable. This places the organisation in a good position going forward.

Other items suspended include the:

- introduction of IFRS 16 from 1 April 2020 postponed by HMT; and
- ability to utilise the HMT temporary deposit facility at year end which led to the suspension of the EFL Target for NHS Trusts.

IFRS16

HM Treasury agreed with the Financial Reporting Advisory Board (FRAB), to defer the implementation of IFRS 16 *Leases* until 1 April 2021, because of the circumstances caused by Covid-19. To ease the pressure on NHS Wales Finance Departments the requirement to complete the IFRS 16 detailed impact statement has been removed by the Welsh Government Health and Social Services Group, Finance Department.

Across NHS Wales there is an expectation that the introduction of IFRS16 will have a significant impact and this will be worked through for disclosure in the 2020-21 financial statements.

Bridgend Boundary Change

The Cabinet Secretary for Health and Social Services announced on 14 June 2018 that from 1 April 2019, the responsibility for providing healthcare services for the people in the Bridgend County Borough Council (BCBC) area would move from Abertawe Bro Morgannwg ULHB to Cwm Taf ULHB.

The Local Health Boards (Area Change) (Wales) (Miscellaneous Amendments) Order 2019 transferred the principal local government area of Bridgend from Abertawe Bro Morgannwg ULHB to Cwm Taf ULHB and also changed the health board names to Cwm Taf Morgannwg University Local Health Board and Swansea Bay University Local Health Board. In accordance with the Local Health Boards (Area Change) (Transfer of Staff, Property and Liabilities) (Wales) Order 2019 made on 19th March 2019 and effective on 1 April 2019.

Assets and liabilities relating to Bridgend services transferred from Swansea Bay ULHB to Cwm Taf Morgannwg ULHB on 1 April 2019.

The transfer was accounted for as a 'Transfer by Absorption' in accordance with the Government Financial Reporting Manual. The recorded amounts of net assets were brought into the financial statements of Cwm Taf Morgannwg ULHB from the 1 April 2019. Prior year restatement of the closing balances at 31st March 2019 is not required .

32. Other (continued)

6.3% Staff Employer Pension Contributions - Notional Element

The notional transactions are based on estimated costs for the twelve month period, calculated from actual Welsh Government expenditure for the 6.3% staff employer pension contributions as at month eleven and the actual LHB employer staff payments for month 12.

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

6.3% Notional NHS Pension Primary Statement Transactions

All these transactions are reflected in the current year figures only.	LHBs and HEIW £000	NHSTs £000	Total £000
Statement of Comprehensive Net Expenditure for the year ended 31 March 2020			
Expenditure on Primary Healthcare Services	2,896	-	2,896
Expenditure on healthcare from other providers	15	-	15
Expenditure on Hospital, Community Health Services and by Special Health Authorities	145,612	17,718	163,330
	<u>148,523</u>	<u>17,718</u>	<u>166,241</u>
Less: Income	-	(17,718)	(17,718)
Net operating costs before interest and other gains and losses	<u>148,523</u>	<u>-</u>	<u>148,523</u>
Statement of Changes in Taxpayers' Equity			
For the year ended 31 March 2020	(148,523)	-	(148,523)
Net operating cost for the year	(148,523)	-	(148,523)
Notional Welsh Government Funding (LHB and SHA only)	148,523	-	148,523
Balance at 31 March 2020	<u>-</u>	<u>-</u>	<u>-</u>
Statement of Cash Flows for year ended 31 March 2020			
Net operating cost for the financial year	(148,523)	-	(148,523)
Other cash flow adjustments	148,523	-	148,523
Net cash outflow from operating activities	<u>-</u>	<u>-</u>	<u>-</u>

32. Other (continued)	LHBs and HEIW £000	NHSTs £000	Total £000
6.3% Notional NHS Pension Transactions in Notes			
2.1 Revenue Resource Performance			
Revenue Resource Allocations Third Year (Current Year)			
Revenue Resource Allocations 3 Year Total			
Net operating costs for the year/period	148,523	-	148,523
Net operating costs less general opthalmic services and revenue consequences of PFI	148,523	-	148,523
Revenue Resource Allocation	148,523	-	148,523
Under /(over) spend against Allocation	-	-	-
3. Revenue from patient care activities			
Welsh Government	-	12,660	12,660
Welsh Government - Hosted Bodies	-	5,058	5,058
Total	-	17,718	17,718
3. Analysis of gross operating costs			
3.1 Expenditure on Primary Healthcare Services			
General Medical Services	2,235	-	2,235
General Dental Services	98	-	98
General Dental Services	553	-	553
Other Primary Health Care expenditure	10	-	10
Total	2,896	-	2,896
3.2 Expenditure on healthcare from other providers			
Continuing Care	15	-	15
Total	15	-	15
3.3 Expenditure on Hospital and Community Health Services			
Directors' costs	568	192	760
Staff costs	145,044	17,526	162,570
Total	145,612	17,718	163,330
9.1 Employee costs			
Permanent Staff			
Employer contributions to NHS Pension Scheme	148,523	17,718	166,241
Total	148,523	17,718	166,241
Charged to capital	67	-	67
Charged to revenue	148,456	17,718	166,174
Total	148,523	17,718	166,241
28. Other cash flow adjustments			
Other movements	148,523	-	148,523
Total	148,523	-	148,523

THE NATIONAL HEALTH SERVICE IN WALES

ACCOUNTS DIRECTION GIVEN BY HM TREASURY UNDER PARAGRAPH 5(4) OF SCHEDULE 9 TO THE NATIONAL HEALTH SERVICE (WALES) ACT 2006

SUMMARISED ACCOUNTS OF NHS BODIES

1. HM Treasury directs that summarised accounts prepared by the Welsh Ministers under paragraph 5(2) of Schedule 9 to the National Health Service (Wales) Act 2006 (“the Summarised Accounts”) be prepared in respect of the financial year ended 31 March 2020 and subsequent financial years in the form specified in paragraphs 3 to 6 below.
2. In this direction, “NHS bodies” means-
 - a. those bodies to which paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 applies, or
 - b. if the Welsh Ministers elect to include Special Health Authorities in the Summarised Accounts prepared for a financial year, those bodies specified in paragraph 1 of that Schedule.

BASIS OF PREPARATION

3. The Summarised Accounts must be prepared from the audited accounts prepared by the NHS bodies for the relevant financial year to which the Summarised Accounts relate, and such supplementary material as is, in the Welsh Ministers’ view, reasonably necessary to produce the Summarised Accounts.

FORM AND CONTENT

4. The Summarised Accounts must be prepared in compliance with the relevant accounting principles and disclosure requirements of the version in force for the relevant financial year of:
 - a. The edition of the Government Financial Reporting Manual (FReM) issued by HM Treasury, to the extent that this direction specifies the content of the Summarised Accounts.
 - b. The NHS Manual for Accounts issued by the Welsh Government.
5. The Summarised Accounts must be prepared so as to:
 - a. give a true and fair view of the state of affairs of the NHS bodies collectively as at the end of the relevant financial year, and of the net

expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year then ended; and

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

6. The Summarised Accounts must be accompanied by:

a. A Foreword

The foreword shall include a statement that the Summarised Accounts have been prepared to comply with a direction given by HM Treasury in accordance with paragraph 5(4) of Schedule 9 to the National Health Service (Wales) Act 2006.

The foreword shall also contain a description of the statutory background and main functions of NHS bodies, together with a fair review of their operational and financial activities, and a summary of their performance against targets.

b. An Annual Governance Statement

The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the Summarised Accounts. The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the Summarised Accounts, including the role of Internal Audit.

The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and the official appointed by the Health and Social Services Group to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).

The Governance Statement shall include a statement by the Additional Accounting Officer confirming that there is no relevant audit information of which the Auditor General for Wales is unaware and that all the necessary steps have been taken to make the Additional Accounting Officer aware of any relevant audit information and to establish that the external auditor is aware of that information.

- c. A Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales.
- d. A Statement of Financial Position.

All of the material listed in a-d above must be signed and dated by the person serving as the Additional Accounting Officer for the NHS in Wales.

- 7. This direction supersedes all previous directions issued under paragraph 5(4) of Schedule 9 to the National Health Service (Wales) Act 2006.



Vicky Rock
Director, Public Spending Group
HM Treasury
July 2020