

Gwent Healthcare NHS Trust

Foreword

These accounts for the year ended 31 March 2009 have been prepared by the Gwent Healthcare NHS Trust under schedule 9 section 178 Para 3 (1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers, with the approval of the Treasury, directed.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2009

	Note	£000	2007-08 £000
Income from activities	3	515,008	477,342
Other operating income	4	30,527	30,122
Total income		545,535	507,464
Operating expenses	5	(535,055)	(499,387)
Operating surplus/(deficit)		10,480	8,077
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(51)	125
Surplus/(deficit) before interest		10,429	8,202
Interest receivable	9	945	1,882
Interest payable	9	(181)	(202)
Other finance costs	16	(153)	(133)
Surplus/(deficit) for the financial year		11,040	9,749
Public Dividend Capital dividends payable		(10,966)	(9,674)
Retained surplus/(deficit) for the year	17	74	75

The Trust has met its breakeven target for 2008/09. Further details of the Trust's performance against the target is shown in Note 24.1 to the accounts.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31 MARCH 2009**

		2007-08
	£000	£000
	Note	
Surplus/(deficit) for the financial year before dividend payments		9,749
Fixed asset impairment losses	17	(676)
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	18,769
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	179
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(319)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		27,702
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>4,217</u>
		<u>27,702</u>

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£000	£000	31-Mar 2008 £000
Fixed assets				
Intangible assets	10	22		0
Tangible assets	11	357,891		315,611
Investment assets	11.4	0		0
			357,913	315,611
Current assets				
Stocks and work-in-progress	12	4,206		3,891
Debtors	13	72,300		73,808
Investments	14	0		11,500
Cash at bank and in hand	18.3	1,524		1,524
Total current assets			78,030	90,723
Creditors: amounts falling due within 1 year	15		(44,205)	(43,532)
Net current assets/(liabilities)			33,825	47,191
Total assets less current liabilities			391,738	362,802
Creditors: amounts falling due after more than one year	15		(2,514)	(1,914)
Provisions for liabilities and charges	16		(59,415)	(59,256)
Total assets employed			329,809	301,632
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		230,218	195,292
Revaluation reserve	17		112,628	119,283
Donated asset reserve	17		2,332	2,500
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		(15,369)	(15,443)
Total taxpayer's equity			329,809	301,632

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2009

	Note	£000	£000	2007-08 £000
Operating activities				
Net cash inflow from operating activities	18.1		34,556	45,689
Returns on investments and servicing of finance				
Interest received		1,135		1,842
Interest paid		0		0
Interest element of finance leases		(181)		(202)
Net cash inflow/(outflow) from returns on investments and servicing of finance			954	1,640
Capital expenditure				
Payments to acquire tangible fixed assets		(72,005)		(35,788)
Receipts from sale of tangible fixed assets		168		1,769
Payments to acquire/ receipts from sale of intangible assets		(31)		0
Payments to acquire/ receipts from sale of fixed asset investments		0		0
Net cash inflow/(outflow) from capital expenditure			(71,868)	(34,019)
Public dividend capital dividends paid			(10,604)	(10,314)
Management of liquid resources				
Purchase of current asset investments		11,500		(11,500)
Sale of investments		0		0
Net cash inflow/(outflow) from management of liquid resources			11,500	(11,500)
Net cash inflow/(outflow) before financing			(35,462)	(8,504)
Financing				
Public dividend capital received		50,104		23,082
Public dividend capital repaid (not previously accrued)		(15,178)		(9,118)
Public dividend capital repaid (accrued in previous period)		0		0
Government loans received: short term		0		0
Government loans repaid: short term		0		0
Loan advances/brokerage received		0		0
Loan advances/brokerage repaid		0		(5,216)
Other capital receipts		0		0
Capital element of finance leases		536		(244)
Net cash inflow/(outflow) from financing			35,462	8,504
Increase/(decrease) in cash	18.2		0	0

Notes to the accounts

1. Accounting policies and other information

The Welsh Assembly Ministers have directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS trust manual for accounts which shall be agreed with HM Treasury. The accounting policies contained in the manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual to the extent that they are meaningful and appropriate to the NHS, as determined by the National Assembly for Wales as approved by HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. Standard accounting policies are laid down in the manual for accounts and the Capital Accounting Manual. If a change in accounting policy is made it will be disclosed and accounted for in accordance with FRS18 and FRS3.

1.1 Accounting convention

This account has been prepared under the historical costs convention, modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost. NHS Trusts are not required to provide a reconciliation between current costs surpluses and deficits and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired 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 outside the public sector.

1.3 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the trust is from commissioners in respect of healthcare services provided under Service and Financial Framework agreements. Income for patient care provided for other NHS bodies is recognised in accordance with the terms and conditions of the NHS contracts. Where non NHS income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is carried at historic cost. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.5 Tangible fixed assets

i. Capitalisation

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of an IT network which collectively has a cost more than £5000 and individually have a cost of more than £250; or
- form part of the initial equipping and setting up cost of a new building, ward or unit irrespective of their individual or collective cost.

ii. Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices provided from the District Valuer via the Assembly.

Professional valuations are carried out by the District Valuers of the Inland Revenue at 5 yearly intervals. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury. The last asset valuations were carried out as at 1 April 2007 and were reflected in the 2007-08 balance sheet values.

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties, including surplus land, the valuations are carried out at open market value.

Adjustments arising from the five-yearly and indexed revaluations are in the first instance taken to the relevant Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses where there is a credit balance for that impaired asset in the revaluation reserve, otherwise ordinarily they will be charged to the income and expenditure statement, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in value when newly constructed assets are brought into use are charged in full to the Income & Expenditure account.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure, subsequent disposal and taken out of operational use.

Assets in the course of construction are valued at current cost as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or a nil value, at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trusts estate.

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount.

iii. Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives. No depreciation is provided on freehold land, assets in the course of construction and assets surplus to requirements.

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term. Equipment is depreciated on current cost evenly over the estimated life of the asset.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale. Where there have been any significant changes to the useful economic life or residual values of assets, the reason and effect should be disclosed in the year of change.

1.6 Fixed Asset Investments

Fixed asset investments should be disclosed where the Trust has a participating interest held for the long-term, with a view to exercising control. Each category of investment should be separately disclosed

1.7 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the donated asset reserve. Donated assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluation are also taken to the donated asset reserve and each year, an amount equal to the depreciation charge is released from this reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure account is matched by a transfer from the donated asset reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.8 Government grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed.

1.9 Cash Bank and Overdrafts

Cash, Bank and Overdrafts are recorded at current values and are only set-off where a formal agreement exists with the bank. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate."

1.10 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.11 Private Finance Initiative

The NHS follows HM Treasury's 'Technical Note 1 (Revised) How to account for PFI transactions' which provides practical guidance for the application of the FRS5 amendment and the guidance Land and Buildings in PFI schemes version 2. PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator in operating a property and for access to the property itself .

Where the balance of risks and rewards of ownership is borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by a charge to the Income and Expenditure account. Where, at the end of the PFI contract, a property reverts to the trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.12 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to the current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.13 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- * there is a clearly defined project;
- * the related expenditure is separately identifiable;
- * the outcome of the project has been assessed with reasonable certainty as to:
 - * its technical feasibility;
 - * its resulting in a product or service which will eventually be brought into use;
- * adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. The trust is unable to disclose the total amount of research and development expenditure charged in the income and expenditure account (a requirement of SSAP 13) because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.14 Provisions

The trust provides for legal or constructive obligations 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. In accordance with FRS 12 provisions are only recognised where the transfer of economic benefit is probable, and the amount can be reasonably estimated. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

1.15 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

- A possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the Trust's control;

- A present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- A present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the NHS Trust's control". Contingent assets are disclosed only where the future inflow of economic benefit is considered to be probable".

1.16 Losses and special payments

Losses and special payments are items that the National Assembly for Wales 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 income and expenditure account on an accruals basis. However, note 22 is compiled directly from the losses and compensations register which is prepared on a cash basis.

The Trust accounts for all losses and special payments gross (including assistance from the Welsh Risk Pool). The Trust accrues or provides for the best estimate of its future payouts for certain or probable 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 Welsh Risk Pool are included in debtors. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.17 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. 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 Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay.

On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation. Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

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 the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.18 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. [The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.](#)

1.19 Value added tax

Most of the activities of the Trust 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 Exchange

Transactions that are 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 Income and Expenditure Account.

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 Trust has no beneficial interest in them. Details of third party assets are given in note 27 to the accounts.

1.22 Public Dividend Capital Dividends

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General.

1.23 EU Emission Trading Scheme

EU emission trading scheme allowances are accounted for as Government granted current asset investments, valued at open market value. As the NHS body makes emissions a provision is recognised with an offsetting transfer from the Government Grant Reserve. The provision is settled on surrender of the allowances. The current asset investment, provision and Government Grant Reserve are valued at current market value at the balance sheet date.

1.24 Financial Instruments

Financial assets

Financial assets are recognised on the balance sheet when the Trust 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.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; '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.

o Financial assets at fair value through profit and loss

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 profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

o 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.

o 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 income statement on de-recognition.

o 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.

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 balance sheet date, the Trust 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 income statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement 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.

• Financial liabilities

Financial liabilities are recognised on the balance sheet when the Trust 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.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

o Financial liabilities at fair value through profit and loss

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 income statement. The net gain or loss incorporates any interest earned on the financial asset.

o 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.

2. Segmental reporting

The Trust has no business segments as defined in SSAP25 - Segmental Reporting.

The following information segments the results of the trust by:

	Segment 1		Segment 2		Total	
	Specify		Specify			
	2007-08	2007-08	2007-08	2007-08	2007-08	2007-08
	£000	£000	£000	£000	£000	£000
Segment income	0	0	0	0	0	0
Costs directly attributable to the segment	0	0	0	0	0	0
Surplus/deficit	0	0	0	0	0	0
Common costs	0	0	0	0	0	0
Surplus before interest	0	0	0	0	0	0
Segment net assets	0	0	0	0	0	0

3. Income from activities

	2007-08	
	£000	£000
Local health boards	479,977	455,845
Health Commission Wales	2,758	2,475
NHS trusts	4,385	4,482
Strategic health authorities and primary care trusts	2,030	2,230
Foundation Trusts	0	0
Local authorities	4,436	2,835
Welsh Assembly Government	16,786	5,332
Non NHS:		
Private patient income	900	1,050
Overseas patients (non-reciprocal)	25	30
Injury Costs Recovery (ICR) Scheme	2,680	2,039
Other income from activities	1,031	1,024
Total	515,008	477,342

ICR income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection.

Welsh Assembly Government income includes £15,178,250 to fund accelerated depreciation and impairment.

4. Other operating income

	2007-08	
	£000	£000
Patient transport services	0	0
Education, training and research	11,752	11,491
Charitable and other contributions to expenditure	939	867
Transfer from the donated asset reserve	358	319
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	5,060	5,830
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	166	265
Accommodation and catering charges	3,454	3,437
Mortuary fees	124	134
Staff payments for use of cars	584	620
Laundry Services	2,280	2,256
Other	5,810	4,903
Total	30,527	30,122

The 'other' income is not material with material defined as exceeding either 20% of £30,527,000 or £10 million - whichever is smaller.

5. Operating expenses

5.1 Operating expenses comprise

	£000	2007-08 £000
Goods and services from other NHS bodies	5,752	6,106
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	1,507	1,085
Directors' costs	914	1,001
Staff costs	394,583	367,677
Supplies and services - clinical	62,951	62,103
Supplies and services - general	12,174	11,429
Consultancy Services	254	255
Establishment	7,806	8,053
Transport	3,228	3,065
Premises	16,317	16,761
Depreciation	17,765	15,365
Amortisation	9	0
Fixed asset impairments and reversals (Property, plant and equipment)	6,054	488
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets (by class)	0	0
Audit fees	235	216
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	2,036	1,586
Other operating expenses	3,470	4,197
Total	535,055	499,387

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

	£000	2007-08 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence	5,771	1,531
Personal injury	990	1,006
All other losses and special payments	15	55
Defence legal fees and other administrative costs	524	396
Gross increase/(decrease) in provision for future payments	7,300	2,988
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	209	159
Less: income received/ due from Welsh Risk Pool	(5,473)	(1,561)
Total charge	2,036	1,586

Personal injury includes £500,772 (2007-08 £311,334) in respect of permanent injury benefits

5.3 Operating Leases**5.3.1 Commitments under non-cancellable operating leases**

	Land and buildings		Other leases	
		2007-08		2007-08
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	0	993	852
Between 1 and 5 years	252	180	3,208	2,986
After 5 years	0	61	80	400
Total	252	241	4,281	4,238

5.3.2 Operating expenses include:

		2007-08
	£000	£000
Other operating lease rentals	3,663	3,657
Hire of plant and machinery	1,575	1,445
Total	5,238	5,102

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2007-08 £000
Non-executive directors' remuneration	143	0	143	136
Executive directors' remuneration:				
basic salaries	610	0	610	688
benefits	13	0	13	11
performance related bonuses	0	0	0	0
pension contributions paid	71	0	71	88
Sub-total	837	0	837	923
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
Total	837	0	837	923

No performance related bonuses were paid to any Director of the Trust during the period to 31 March 2009.

£nil was waived by directors and £nil allowances were paid in lieu.

5.5 Directors' remuneration (continued):

The remuneration of the Chairman, Chief Executive and (where the Chief Executive is not the highest paid director) the highest paid director is as follows:

	Remuneration as director £000	Other remuneration £000	Total £000	2007-08 £000
Chairman				
Basic remuneration	57	0	57	52
Benefits	1	0	1	1
	<u>58</u>	<u>0</u>	<u>58</u>	<u>53</u>
Chief Executive				
Basic salaries	163	0	163	163
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>163</u>	<u>0</u>	<u>163</u>	<u>163</u>
Pension contributions	23	0	23	23
	<u>186</u>	<u>0</u>	<u>186</u>	<u>186</u>
Highest paid director*				
Basic salaries	146	22	168	215
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>146</u>	<u>22</u>	<u>168</u>	<u>215</u>
Pension contributions	17	3	20	22
Total	<u>163</u>	<u>25</u>	<u>188</u>	<u>237</u>

[The Medical Director was the highest paid director in 2007/08 and 2008/09.](#)

The current Medical Director replaced the previous Medical Director on 15th May 2008. The costs reflect this.

During 2008/09 the Trust's Chairman retired and an existing non executive director was appointed as his successor. The costs above reflect this.

The Trust's Chief Executive was seconded out of the Trust on the 14th April 2008 and the existing Director of Finance was seconded into the Chief Executive role. The costs above reflect both [Chief Executive costs](#).

6. Employee costs and numbers

6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2007-08
	£000	£000	£000	£000	£000
Salaries and wages	319,407	121	13,706	333,234	309,433
Social security costs	23,731	0	0	23,731	22,461
Employer pension contributions to NHSBA	37,606	0	0	37,606	35,668
Other pension costs	771	0	0	771	969
Total	381,515	121	13,706	395,342	368,531

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2007-08
	Number	Number	Number	Number	Number
Medical and dental	868	0	16	884	879
Ambulance staff	0	0	0	0	0
Administrative and estates	1,832	2	11	1,845	1,829
Healthcare assistants and other support staff	1,045	0	57	1,102	2,609
Nursing, midwifery and health visiting staff	4,807	0	149	4,956	3,399
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	1,502	0	7	1,509	1,424
Social care staff	0	0	0	0	0
Other	0	0	3	3	0
Total	10,054	2	243	10,299	10,140

6.3 Employee benefits

The trust does not have an employee benefit scheme.

6.4 Trust management costs

	£000	Percentage of total income	2007-08	
			£000	Percentage of total income
Trust management costs	19,948	3.7%	18,565	3.7%
Income	545,535		502,746	

This cost information is collected using the definition for Trust management costs from WHC(2000)113.

6.5 Retirement costs due to ill-health

During 2008-09 (prior year 2007-08) there were 10 (15) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Business Services Authority - Pensions Division) will be £742,806 (£843,081).

7. Public Sector Payment Policy - Measure of Compliance**7.1 Prompt payment code - measure of compliance**

The Assembly requires that Trusts pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Assembly has set as part of the Trust financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery or receipt of a valid invoice, whichever is the later.

	Number	£000	2007-08 £000
NHS			
Total bills paid	2,684	11,827	11,957
Total bills paid within target	2,495	11,710	11,868
Percentage of bills paid within target	93.0%	99.0%	99.3%
Non-NHS			
Total bills paid	189,095	184,230	139,303
Total bills paid within target	179,878	176,832	133,368
Percentage of bills paid within target	95.1%	96.0%	95.7%
Total			
Total bills paid	191,779	196,057	151,260
Total bills paid within target	182,373	188,542	145,236
Percentage of bills paid within target	95.1%	96.2%	96.0%

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

	£	2007-08 £
Amounts included within Interest Payable (note 9) arising from claims made under this legislation and compensation paid to cover debt recovery costs.	475	150

8. Other Gains and Losses

		2007-08
	£000	£000
Profit on disposal of land and buildings	44	160
Loss on disposal of land and buildings	0	(2)
Profit on disposal of plant and equipment	0	1
Loss on disposal of plant and equipment	(95)	(34)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
Profit on disposal of fixed assets investments	0	0
Loss on disposal of fixed asset investments	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at FV through profit & loss	0	0
Change in fair value of financial liabilities carried at FV through profit & loss	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
	(51)	125

9. Finance Costs

		2007-08
	£000	£000
Interest payable:		
Government borrowing	0	0
Bank loans and overdrafts	0	0
Late payment of commercial debt	0	0
Finance leases and PFI schemes	181	202
Other	0	0
Interest payable total	181	202
Interest revenue:		
Bank accounts	945	1,882
Impaired financial assets	0	0
Other financial assets	0	0
Interest revenue total	945	1,882

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions purchased	31	0	0	0	31
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2009	31	0	0	0	31
Accumulated amortisation at 1 April 2008	0	0	0	0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	9	0	0	0	9
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2009	9	0	0	0	9
Net book values at 1 April 2008:					
Purchased	0	0	0	0	0
Donated	0	0	0	0	0
Government granted	0	0	0	0	0
Total	0	0	0	0	0
Net book values at 31 March 2009:					
Purchased	22	0	0	0	22
Donated	0	0	0	0	0
Government granted	0	0	0	0	0
Total	22	0	0	0	22

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	dwellings	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	88,979	233,643	3,585	29,899	50,676	503	9,944	1,197	418,426
Indexation	(13,347)	6,992	107	897	1,540	14	0	37	(3,760)
Additions									
- purchased	2,000	8,364	37	54,953	5,548	15	1,662	204	72,783
- donated	0	31	0	0	178	0	0	0	209
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	11,525	0	(11,525)	0	0	0	0	0
Impairments	543	(6,597)	0	0	0	0	0	0	(6,054)
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	(53)	(69)	0	0	(4,574)	(99)	(353)	(17)	(5,165)
At 31 March 2009	78,122	253,889	3,729	74,224	53,368	433	11,253	1,421	476,439
Depreciation									
At 1 April 2008		61,878	815	0	32,890	468	6,134	630	102,815
Indexation		1,856	24	0	1,001	12	0	21	2,914
Reclassifications		0	0	0	0	0	0	0	0
Impairments		0	0	0	0	0	0	0	0
Reversal of impairments		0	0	0	0	0	0	0	0
Other in-year revaluations		0	0	0	0	0	0	0	0
Disposals		0	0	0	(4,483)	(99)	(347)	(17)	(4,946)
Provided during the year		13,384	270	0	3,065	38	904	104	17,765
At 31 March 2009		77,118	1,109	0	32,473	419	6,691	738	118,548
Net book value at 1 April 2008	88,979	171,765	2,770	29,899	17,786	35	3,810	567	315,611
Net book value at 31 March 2009	78,122	176,771	2,620	74,224	20,895	14	4,562	683	357,891
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0

Of the totals at 31 March 2009, £nil related to land valued at open market value and £nil related to buildings, installations and fittings valued at open market value.

Figures for freehold land and buildings are given gross with separate accumulated depreciation.

11.2 Fixed asset investments as a result of PFI contracts at the balance sheet included in Note 11.1 comprise:

The Trust had no fixed asset investments as a result of PFI contracts at the balance sheet date.

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	0	942	0	0	0	0	0	0	942
Indexation	0	28	0	0	0	0	0	0	28
Revaluation	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	(61)	0	0	0	0	0	0	(61)
At 31 March 2009	0	909	0	0	0	0	0	0	909

11.3 The net book value of land and buildings at the balance sheet date comprise:

	£000	31 March 2008 £000
Freehold	255,936	261,833
Long leasehold	1,577	1,681
Short leasehold	0	0
Total	257,513	263,514

11.4 Fixed asset investments at the balance sheet date excluded from Note 11.1**comprise:**

The Trust has no fixed asset investments.

	£000	31 March 2008 £000
Opening investment	0	0
Additions	0	0
Disposals	0	0
Revaluation	0	0
Total	0	0

12. Stocks and work-in-progress

	£000	31 March 2008 £000
Raw materials and consumables	4,206	3,891
Work-in-progress	0	0
Finished processed goods	0	0
Total	4,206	3,891

13. Debtors

31 March

2008

Amounts falling due within one year:	£000	£000
Welsh Risk Pool	32,668	29,148
NHS debtors	11,071	14,258
Non-NHS trade debtors	4,073	3,475
PDC dividend debtors	321	683
Other debtors	2,943	2,791
Provision for irrecoverable debts	(1,119)	(1,038)
Other prepayments and accrued income	3,393	4,070
Sub-total	53,350	53,387
Amounts falling due after more than one year:		
Welsh Risk Pool	13,097	14,863
NHS debtors	0	0
Non-NHS trade debtors	0	0
Other prepayments and accrued income	3,660	3,879
Other debtors	2,193	1,679
Sub-total	18,950	20,421
Total	72,300	73,808

Provision for irrecoverable debts (impairment of receivables):

Balance at 1 April	-1038	-1045
Provided in year	-206	-131
Written-off in year	125	138
Recovered during year	0	0
Balance at 31 March	-1119	-1038

Debtors past due date but not impaired:

Up to 3 months	1438	2710
3 to 6 months	321	699
More than 6 months	967	958
Total	2726	4367

14. Current Asset Investments

		31 March 2008 £000
	£000	
Government securities	0	11,500
Local authorities	0	0
EU Emission Trading Scheme	0	0
Other	0	0
Total	0	11,500

Other financial asset investments**Current**

	£000	£000
Financial assets carried at fair value through profit and loss	0	0
Held to maturity investments at amortised cost	0	0
Available for sale financial assets carried at fair value	0	0
Loans carried at amortised costs	0	0
Total	0	0

Non current

	£000	£000
Financial assets carried at fair value through profit and loss	0	0
Held to maturity investments at amortised cost	0	0
Available for sale financial assets carried at fair value	3,486	132
Loans carried at amortised costs	0	0
Total	3,486	132

The non current financial asset investment available for sale in 2008/09 is Abertillery and District Hospital. In 2007/08 the Trust had two assets available for sale - Fitzroy Group Home and part of the land relating to the Abertillery bridge centre.

15. Creditors

15.1 Creditors at the balance sheet date are made up of:

31 March
2008

Amounts falling due within one year:	£000	£000
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	259	211
NHS creditors	5,326	5,613
Non-NHS trade creditors - revenue	8,966	9,328
Non-NHS trade creditors - capital	1,777	999
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	8,290	8,050
VAT	0	0
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	201	265
Other creditors - superannuation	5,051	4,436
Other creditors - all other creditors	6,910	8,649
Accruals	7,425	5,981
Deferred income	0	0
Sub-total	<u>44,205</u>	<u>43,532</u>
Amounts falling due after more than one year:		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	2,514	1,914
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	<u>2,514</u>	<u>1,914</u>
Total	<u>46,719</u>	<u>45,446</u>

15.2 Loan advance(strategic assistance funding)31 March
2008

Amounts falling due:	£000	£000
In one year or less	0	0
Between one and two years	0	0
Between two and five years	0	0
In five years or more	0	0
Sub-total	<u>0</u>	<u>0</u>
Wholly repayable within five years	0	0
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Sub-total	<u>0</u>	<u>0</u>
Total repayable after five years by instalments	0	0

Other financial liabilities

Current	£000	£000
Financial liabilities carried at fair value through profit and loss	0	0
Non Current		
Financial liabilities carried at fair value through profit and loss	0	0

15.3 Finance lease obligations

31 March

Total	2008
£000	£000

Payable:

In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
In more than 2 years but no longer than 5	0	0
After five years	0	0
Sub-total	0	0
Less finance charges allocated to future periods	0	0
Total Net Obligations	0	0

15.4 Finance lease commitments

Gwent Healthcare NHS Trust has not entered into any new contracts to lease (building assets) under finance leases during the period 1 April to 31 March 2009.

16. Provisions for liabilities and charges

	At 1 April 2008 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 30 March 2009 £000
Clinical negligence	41,022	0	0	24,582	(18,811)	(3,208)	0	43,585
Personal injury	2,499	0	0	1,330	(340)	(803)	32	2,718
All other losses and special payments	0	0	0	15	0	(15)	0	0
Defence legal fees and other administration	1,351	0	0	1,209	(685)	(259)		1,616
Sub-total	44,872	0	0	27,136	(19,836)	(4,285)	32	47,919
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	5,536			823	(52)	(518)	121	5,910
Restructurings	0			0	0	0		0
Other	8,848			3,936	(6,160)	(1,038)		5,586
Total	59,256	0	0	31,895	(26,048)	(5,841)	153	59,415

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	30,655	12,930	0	43,585
Personal injury	1,010	517	1,191	2,718
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,183	433	0	1,616
Pensions - former directors	0	0	0	0
Pensions - other staff	545	2,181	3,184	5,910
Restructuring	0	0	0	0
Other	5,586	0	0	5,586
Total	38,979	16,061	4,375	59,415

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

The Trust estimates that in 2009/10 it will receive £30,665,864 and in 2010/11 and beyond £13,033,144 from the Welsh Risk Pool in respect of clinical negligence and personal injury payments.

Other provisions include £2,614,000 for Agenda for Change for the period 1 October 2004 to 31 March 2009, £553,795 for Early Release, £1,932,479 for Pharmacy VAT and £172,942 for Ancillary Staff Bank Annual Leave payments and £313,000 for potential clawback relating to underperformance on activity.

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2008 as previously stated	119,283	2,500	0	0	(15,443)	106,340
Prior period adjustment	0				0	0
At 1 April 2008 as restated	119,283	2,500	0	0	(15,443)	106,340
Transfer from income and expenditure account					74	74
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	(6,655)	(19)	0			(6,674)
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		209	0			209
Depreciation, impairment and disposal of donated/government granted assets		(358)	0			(358)
Reserves eliminated on dissolution	0			0	0	0
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2009	112,628	2,332	0	0	(15,369)	99,591

Revaluation reserve for intangible assets (included above):

At 1 April	0
Detailed changes	0
Detailed changes	0
Detailed changes	0
At 31 March	0

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2007-08 £000
Total operating surplus/(deficit)	10,480	8,077
Depreciation and amortisation charge	17,774	15,365
Fixed asset impairment and reversals	6,054	488
Transfer from the donated asset reserve	(358)	(319)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(315)	(469)
(Increase)/decrease in debtors	956	9,893
Increase/(decrease) in creditors	(194)	18,613
Increase/(decrease) in provisions	159	(5,959)
	<hr/>	<hr/>
Net cash inflow from operating activities before restructuring costs	34,556	45,689
Payments in respect of fundamental reorganisation/restructuring	0	0
	<hr/>	<hr/>
Net cash inflow from operating activities	34,556	45,689

18.2 Reconciliation of net cash flow to movement in net debt	£000	2007-08 £000
Increase/(decrease) in cash in the period	0	0
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	0
Cash outflow from debt repaid and finance lease capital payments	(536)	5,460
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(11,500)	11,500
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(12,036)	16,960
Non-cash changes in debt	0	0
Net debt at 1 April	10,845	(6,115)
	<hr/>	<hr/>
Net debt at 31 March	(1,191)	10,845

18.3 Analysis of changes in net debt

	At 1 April 2008 £000	Cash flows £000	Non-cash changes £000	At 31 March 2009 £000
Cash at OPG	2,141	(706)		1,435
Cash at commercial bank and in hand	(617)	706		89
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	0	0	0
Finance leases	(2,179)	(536)	0	(2,715)
Current asset investments	11,500	(11,500)	0	0
	10,845	(12,036)	0	(1,191)

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £92,308,000 (and in 2007-08 were £ 5,019,000).

20. Post balance sheet events**Reconfiguration of the NHS in Wales**

In 2008 the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of NHS Trusts and LHBs to create 7 new LHBs at 1st October 2009. The Trust will continue in its present form until that date. These financial statements are the final full year financial statements. 6 month financial statements from 1st April 2009 to 30th September 2009 will be produced and on 1st October 2009 the Trust will merge with the existing 5 LHBs to form Aneurin Bevan LHB. All of the assets and liabilities of the Trust will transfer to the new LHB at that date and all operations are continuing.

Other than the above, the Trust had no post balance sheet events having a material effect on the accounts

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2008-09 accounts for the following amounts:		31 March 2008 £000
Legal claims for alleged medical or employer negligence	65,232	38,535
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	65,232	38,535
Amount recovered under insurance arrangements in the event of these claims being successful	(62,250)	(35,906)
Net contingent liability	2,982	2,629

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them.

Contingent assets

The Trust has no contingent assets.

22. Losses and special payments

Losses and special payments are charged to the income and expenditure account in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore this note is compiled on a cash basis.

Gross loss to the Exchequer

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

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	64	3,208,184	48	8,623,668
Personal injury	69	802,619	35	656,653
All other losses and special payments	804	123,364	797	127,073
Total	937	4,134,167	880	9,407,394

Analysis of cases which exceed £250,000 and all other cases

	<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
	£	£	£
Cases exceeding £250,000			
Include case reference	0	0	0
02RVFMN0041	(1,079)	293,921	293,921
03RVFMN0004	155,000	425,000	425,000
03RVFMN0016	16,000	526,000	0
04RVFMN0024	85,000	600,775	0
04RVFMN0066	310,000	330,000	330,000
05RVFMN0023	379,988	379,988	379,988
06RVFMN0049	0	300,875	300,875
06RVFMN0080	980,000	1,133,806	1,133,806
94RKMMN0001	55,000	4,178,536	4,178,536
Sub-total	1,979,909	8,168,901	7,042,126
All other cases	2,154,258	5,487,465	2,365,268
Total cases	4,134,167	13,656,366	9,407,394

23.1 Movements in Government funds

2007-08

	£000	£000
Surplus/(deficit) for the financial year	11,040	9,749
Public dividend capital dividends	(10,966)	(9,674)
Subtotal	74	75
Gains/(losses) from revaluation/indexation of purchased fixed assets	(6,655)	18,769
Impairment of fixed assets	0	(676)
New public dividend capital	50,104	22,352
Public dividend capital repaid	(15,178)	(9,118)
Public dividend capital repayable	0	0
Public dividend capital extinguished	0	0
New loans from Government	0	0
Government loans repaid	0	(5,216)
Government loans extinguished	0	0
Transfers from the donated asset reserve	0	(881)
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	0	0
Net addition/(reduction) to Government funds	28,345	25,305
Opening Government funds at 1 April	299,132	273,827
Before deducting prior period adjustment of	0	0
Closing Government funds	327,477	299,132

23.2 Movements in public dividend capital

2007-08

	£000	£000
At 1 April 2008	195,292	182,058
New PDC issued in year	50,104	22,352
PDC due but not issued	0	0
PDC repaid in year	(15,178)	(9,118)
PDC repayable	0	0
Public dividend capital extinguished	0	0
At 31 March 2009	230,218	195,292

24. Financial performance targets

The Trust has met 3 out of its 3 of its financial targets. Details are given below:

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	74
Variance	<u>(74)</u>

As outlined in WHC(2007)049, the Trust is required to achieve a breakeven position in each and every financial year. In 2007/08, as a result of the agreement and management of the Gwent Health Community's year end financial position, enabling the whole health community to report a balanced position in 2007/08, the Welsh Assembly Government agreed to amend the Strategic Change and Efficiency Plan. This amendment reduced the 2008/09 financial target for the Trust from £2.5M surplus to breakeven.

The Trust has achieved financial balance this year, within the materiality threshold set out in WHC(2007)049 and has an approved Strategic Change and Efficiency Plan in place for 2008/09. The Trust has, therefore, met both Part 1 and Part 2 of its statutory duty.

The re-organisation of NHS Wales will see the establishment of Aneurin Bevan LHB. As a result of the re-organisation, the Annual Operating Framework for 2009/10 is being progressed on a Gwent Health Community wide basis and the financial position will be consolidated ahead of the mid year reconfiguration.

The Trust has broken even in 2008-09.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2008		
	£000	£000	£000
External financing limit set by the Assembly		34,926	8,748
Cash flow financing	35,462		8,504
Finance leases taken out in the year	(536)		244
Other capital receipts	0		0
External financing requirement		<u>34,926</u>	<u>8,748</u>
Undershoot (overshoot)		<u>0</u>	<u>0</u>

The Trust has achieved its external financing limit.

24.3 Creditor payment

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

Total number of non-NHS bills paid	2008-09 189,095
Total number of non-NHS bills paid within target	179,878
Percentage of non-NHS bills paid within target	95.1%

The Trust has met the target.

25. Related Party transactions

The Trust is a body corporate established by order of the Secretary of State.

During the year, other than the individuals listed below, none of the board members or key senior management staff or parties related to them has undertaken any material transaction with Gwent Healthcare NHS Trust.

Professor Donna Mead is a Non Executive Director of the Trust and is Chair of the Teaching Local Health Board function, a partnership between Rhondda Cynon Taff Local Health Board and Caerphilly Local Health Board

Patricia Smail is a Non Executive Director of the Trust and her spouse Professor Ian Butler is Cabinet Advisor on Children's Policy, Department of the First Minister (Ministerial Services Division), Welsh Assembly Government.

Stephen Hunter, Associate Medical Director of the Trust, is a member of the Board of Health Commission Wales.

The corporate body is a registered charity and as a corporate Trustee the Trust Board were responsible for the management of the charity's Income and Expenditure in the year applied for any charitable purposes relating to the NHS in Gwent. The audited accounts of the Funds Held on Trust are included in the annual report and accounts submitted to the Charity Commission.

The Trust has also received revenue and capital payments from a number of Charities, certain of the Trustees for which are also members of the Trust Board or key senior management staff.

The Assembly is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is responsible namely,

	INCOME RECEIVED/DUE £000 2008-09	INCOME RECEIVED/DUE £000 2007-08
Welsh Assembly Government	45,344	34,093
Health Commission Wales	2,798	2,475
ABMU NHS Trust	2,511	0
Cardiff & Vale NHS Trust	3,726	3,481
Cwm Taf NHS Trust	0	0
Hywel Dda NHS Trust	0	0
Gwent Healthcare NHS Trust	0	0
North Wales NHS Trust	0	0
North West Wales NHS Trust	0	0
Velindre NHS Trust	5,863	5,863
Welsh Ambulance NHS Trust	3,778	3,434
University of Wales College of Medicine	9,791	9,480
LHB's/BSC		
Newport LHB	123,926	118,824
Caerphilly LHB	116,206	110,745
Torfaen LHB	96,117	91,111
Blaenau Gwent LHB	74,910	72,079
Monmouthshire LHB	69,350	65,025
Rhondda Cynon Taff LHB		538
Powys LHB	11,817	11,244
Cardiff LHB	1,089	1,038
Newport City Council	2,218	2,049
Torfaen County Borough Council	1,282	1,330
Caerphilly County Borough Council	2,574	1,432
Monmouthshire County Borough Council	1,713	1,550
Compensation Recovery Unit	2,680	2,039
Welsh Risk Pool	7,539	9,062

26. Other/ Private finance transactions

26.1 The Trust has 4 PFI operational schemes deemed to be off-balance sheet

Newport Hospitals Energy Scheme

The provision of replacement heating and lighting systems within Newport Hospitals

Chepstow Community Hospitals

A new community hospital including the provision of ancillary support services

Nevill Hall Hospital Energy Scheme

The provision of replacement heating and lighting systems within Nevill Hall Hospital.

Monnow Vale

A new health and social care facility - see note 30 Pooled Budgets for additional information.

None of the above four schemes has resulted in guarantees, commitments, or other rights and obligations upon the Trust

Details of the Schemes are:

	Newport Hospitals Energy Scheme £000	Chepstow Community Hospital £000	Nevill Hall Hospital Energy Scheme £000	Monnow Vale £000	Total
Gross Operating Expenses	728	1,984	581	574	3,867
Amortisation deferred assets		(240)		(21)	(261)
Net Operating Expenses	<u>728</u>	<u>1,744</u>	<u>581</u>	<u>553</u>	<u>3,606</u>

The Trust is committed to make the following payments during the next year.

PFI scheme which expires:

Within one year	}			
Years 2-5 (inclusive)		728		
Years 6-10 (inclusive)				
Years 11-15 (inclusive)				
Years 16-20 (inclusive)			1,744	581
Years 21-25 (inclusive)				
Years 26-30 (inclusive)				553

Estimated capital value of the PFI sc	4,000	10,000	3,300	4,000	21,300
---------------------------------------	-------	--------	-------	-------	--------

Contract start date:	01/11/1999	13/02/1998	18/12/2001	06/04/2006
Contract end date:	01/11/2014	26/02/2025	18/12/2026	05/04/2036

6. Other/ Private finance transactions continued

6.2 The Trust has 1 PFI operational schemes deemed to be on-balance sheet

Levill Hall Hospital Day Surgery

The financing of a purpose built day unit and including the provision of medical equipment for the unit.
The PFI partner has responsibility for maintaining the building and replacing equipment used with the unit

	2007-08	
	£000	£000
Amounts included within operating expenses in respect of the service element of <u>PFI transactions deemed to be on-balance</u> sheet	354	588
Amortisation of PFI deferred asset	(61)	(307)
Operating expenses	293	281

Imputed finance lease obligations comprise:

Within one year	428	446
Between one and two years	428	224
Between two and five years	1,284	674
After five years	2,295	2,520
Sub-total	4,435	3,864
Less interest element	(1,720)	(1,685)
Total	2,715	2,179

The Trust is committed to make the following **service** payments during the next year:

PFI scheme which expires:

Within one year	0	0
Years 2-5 (inclusive)	0	0
Years 6-10 (inclusive)	0	0
Years 11-15 (inclusive)	0	0
Years 16-20 (inclusive)	718	727
Years 21-25 (inclusive)	0	0

Capital value of scheme included in Fixed Assets Note 11.1	909	942
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Contract start date:	20/05/1998
Contract end date:	20/05/2023

26. Other/ Private finance transactions continued

26.3 The Trust has no Public Private Partnerships

27. Third party assets

The Trust held £621,328 cash at bank and in hand at 31 March 2009 (31 March 2008: £538,004) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

28. Financial instruments

28.1 Financial Risk Management

FRS 29, Financial Instruments: disclosures, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationships that the NHS Trust has previously had with Health Authorities and now with Health Commission Wales and Local Health Boards, and the way those Health bodies are financed, NHS Trusts are not exposed to the degree of financial risk faced by business entities.

Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which this standard mainly applies. NHS Trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing NHS Trusts in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March are in receivables from customers, as disclosed in the Debtors note.

Liquidity Risk

NHS trusts' net operating costs are incurred under annual service agreements with various Health bodies, which are financed from resources voted annually by parliament. NHS Trusts also largely finance their capital expenditure from funds made available from Government under agreed borrowing limits. NHS Trusts are not, therefore, exposed to significant liquidity risks.

Interest-rate risks

The great majority of NHS Trusts' financial assets and financial liabilities carry nil or fixed rates of interest. NHS Trusts are not, therefore, exposed to significant interest-rate risk.

Foreign currency risk

NHS Trusts have no or negligible foreign currency income or expenditure and therefore are not exposed to significant foreign currency risk.

28.2 Financial Assets

	At fair value through Profit & Loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	1524	0	0	1524
Other financial assets	0	0	0	0
At 31 March 2009	1524	0	0	1524
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	1524	0	0	1524
Other financial assets	0	0	0	0
At 31 March 2008 (Prior year)	1524	0	0	1524

28.3 Financial liabilities

	At fair value through Profit & Loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	2514	0	2514
Other financial liabilities	0	0	0
At 31 March 2009	2514	0	2514
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	1914	0	1914
Other financial liabilities	0	0	0
At 31 March 2008 (Prior year)	1914	0	1914

29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
2008-09				
Welsh Assembly Government	1,392	0	700	0
Welsh Local Health Boards	8,009	0	4,155	0
Welsh NHS Trusts	36,090	13,097	363	0
Health Commission Wales	62	0	0	0
All English Health Bodies	404	0	5,159	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	1	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	(153)	0		
Sub total	45,805	13,097	10,377	0
Other Central Government Bodies				
Other Government Departments*	0	0	0	0
Revenue & Customs	1,358	0	8,291	0
Local Authorities	2,267	0	309	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	3,920	5,853	25,228	2,514
TOTAL	53,350	18,950	44,205	2,514
2007-08				
Welsh Assembly Government	738	0	1,072	0
Welsh Local Health Boards	12,521	0	3,952	0
Welsh NHS Trusts	33,390	14,863	438	0
Health Commission Wales	15	0	0	0
All English Health Bodies	657	0	4,587	0
All N. Ireland Health Bodies	4	0	0	0
All Scottish Health Bodies	26	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	(1,206)	0	0	0
Sub total	46,145	14,863	10,049	0
Other Central Government Bodies				
Other Government Departments*	0	0	0	0
Revenue & Customs	1,570	0	8,071	0
Local Authorities	1,326	0	112	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	4,346	5,558	25,300	1,914
TOTAL	53,387	20,421	43,532	1,914

30. Pooled budgets

The Trust has entered into a pooled budget arrangement with Monmouthshire Local Health Board and Monmouthshire County Council. Under the arrangement funds are pooled under Section 31 of the Health Act 1999 to provide health and social care inpatient, outpatient, clinic and day care facilities to individuals who have medical, social, community or rehabilitation needs.

The pool is hosted by Gwent Healthcare NHS Trust. The income from Monmouthshire Local Health Board is recorded as Local Health Board income and the income from Monmouthshire County Council is recorded Local Authority Income in Note 3 to these accounts. Expenditure for services provided under the arrangement are recorded under the appropriate expense headings in Note 5.1 to these accounts.

The property has been provided by a Private Finance Partner; the contract with the PFI partner is for 30 years and is categorised as an off balance sheet PFI scheme - see Note 26.1 of these accounts for further details. The Trust will hold a residual interest in the property at the end of the 30 year contract, estimated value £1,000,000. The residual interest is built up during the life of the contract by capitalising part of the unitary charge and recording the value as a deferred asset under the heading other prepayments and accrued income falling due after more than 1 year in Note 13 to these accounts.

This memorandum note to the accounts provides details of the joint income and expenditure incurred under the arrangement which is known as the Monnow Vale Health and Social Care Facility.

	Cash £	Own Contribution £	Grants £	Total £
Funding				
Gwent Healthcare NHST	0	1,720,228	0	1,720,228
Monmouthshire LHB	160,674	263,827	0	424,501
Monmouthshire County Council	247,283	556,611	0	803,894
Total Funding	407,957	2,540,666	0	2,948,623
Expenditure				
Staff	0	1,980,663	0	1,980,663
Non staff	103,824	262,352	0	366,176
Unitary charge	304,133	269,704	0	573,837
Total Expenditure	407,957	2,512,719	0	2,920,676
Net under/over spend	0	-27,947	0	-27,947

Certificate of Director of Finance

I certify that the above pooled fund memorandum account accurately discloses the income received and the expenditure incurred in accordance with the partnership agreement, as amended by any subsequent agreed variations, entered into under Section 31 of the Health Act 1999.

Director of Finance

Date:

31 Other

**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES
AS ACCOUNTABLE OFFICER OF THE TRUST**

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

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

Date: 2009 Chief Executive

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE ACCOUNTS**

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

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

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

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

By Order of the Board

Signed:

Date:2009

Chairman:

Date:2009

Chief Executive:

Date:2009

Finance Director:

Gwent Healthcare NHS Trust

Statement of Internal Control 2008-9

1. Scope of Responsibilities

The Board is accountable for internal control. As Accountable Officer and Chief Executive for this Board, I have responsibility for maintaining a sound system of internal control that supports achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and the organisation's assets for which I am personally responsible, in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

The accountability arrangements for effective management of risk are discharged through the management arrangements described below.

- For the period 2008-09 the Medical Director was responsible for ensuring that the Trust's overall duty for risk management is discharged appropriately and for ensuring that effective operational arrangements are in place. The management of the Health and Safety and the Risk Management Support Teams are in his remit.
- Executive Directors, General Managers, Chief's of Staff and Divisional Lead Nurses are responsible for ensuring that risk is managed within their area of responsibility in accordance with Trust policies and procedures. They have a responsibility to identify, evaluate and manage risk in their areas and identify early warning indicators to feed Divisional Risk Profiles. Additionally each Division employs a Clinical Governance facilitator to co-ordinate, promote and share governance activity locally.
- Corporate departments including Personnel (which for the period 2008-2009 encompassed Education and Training), Finance, Corporate Services and others assist managers by providing advice and support in their specialist areas.
- Internal Audit provides annual assurance and evaluates the effectiveness of existing controls and risk management processes.

The Trust works with Welsh Assembly Government on managing risk through South East Wales Region (SEWRO). All serious incidents are reported to SEWRO, which reports to Welsh Assembly Government. SEWRO also monitors the implementation of the Healthcare Standards Improvement Plan through a quarterly report. This report also identifies any new risk issues that have become apparent during the quarter.

2. Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2009 and up to date approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

Leadership is given to risk management through the key roles in the organisation that are involved in risk, and through the key committees.

The key roles include the Chief Executive and Medical Director (as described above) supported by the other Executive Directors, but also other corporate staff including the Associate Director – Clinical Governance, and the Head of Health and Safety. Within the Divisions, leadership is given by the General Managers, Chiefs of Staff and Chief Nurses to ensure that the Policy and Strategy for Risk Management are widely known and understood. The complexity and diversity of the Trust means that Risk Management must have a comprehensive policy framework and be embedded into the organisation at all levels. This framework is in place and directed by the Risk Management Strategy.

Leadership on the Risk Management process, monitoring and review are provided by the Risk Management Committee (RMC) which reports to the Quality and Clinical Governance Committee. In 2007-8, this role was strengthened by the appointment of a non-executive director. This role has continued through 2008-9.

Staff training is regularly reviewed in order to ensure that all staff have access to training appropriate to their role within the Trust. This starts at induction, and also includes general awareness and Competent Person Training for Risk Management. Guidance is available to all staff via the Trust Intranet, which includes a Risk Management site.

The risk management team are part of a risk manager's network in Wales identifying and sharing good practice with other Trusts as well as risks impacting across organisations

4. The risk control framework

The Trust has a Risk Management Strategy which defines both the responsibilities for Risk Management in the Trust and the Strategic Context for Risk Management in the Trust. It has been approved by the Trust's Risk Management Committee.

The risk management strategy identifies the following as the core elements of managing risk:

- Identification and reporting of risk
- Learning lessons from incidents and risk management processes to ensure continuous improvement
- Communication with staff, patients and public
- Education and training for risk management and related issues for staff, patients and public and risk management processes
- Partnership working with staff, patients and public to ensure continuous improvement
- Evaluation, monitoring and audit of policies, procedures and systems

Risk management is fully embedded throughout the organisation with risk assessments being undertaken at all levels and feeding into departmental, divisional and then organisational risk registers. Divisional and organisational risk registers are approved by the Risk Management Committee.

During 2008-9, the Trust Board made it clear that the risk register should be continuously updated, and the systems and processes to support this are currently being put in place. These include regular review of the risk register at the Executive Management Group, which includes the Executive Team, the General Managers, the Chiefs of Staff and the Chief Nurses. The review will ensure that where controls have been put in place and the risk has decreased, the risk can be removed from the register, and that newly emerging risks are added to the register.

The Board has encouraged the reporting of incidents because of the importance of learning from these incidents in order to improve patient safety. The Trust has been identified as a "high reporter" of incidents by the National Patients Safety Agency, which goes on to say that as an organisation's

reporting culture matures, staff become more likely to report incidents. These are analysed and profiled over time so that trends can be seen. This also allows the Trust to measure any impact of changes made to reduce the risk. During 2008-9 the Trust has been reviewing the current paper based system and process for incident reporting, investigation and change, with a view to improving the system and process by introducing a web based incident reporting system.

The self-assessment of performance against the standards for 2007-8 was completed, and validated by HIW. Following the validation, a Healthcare Standards Improvement Plan (HCSIP) was developed for 2008-9, to improve performance against the standards, particularly in the small number of areas (Standard 11, User Experience and Standard 16 Corporate) that had a validated maturity level of responding.

The HIW validation of the 2007-08 Trust self assessment against the Healthcare Standards for Wales stated that:

“We consider the Trust to have taken steps to embed the Healthcare Standards and make them part of its governance arrangements. There is evidence of Board engagement with the Healthcare Standards agenda and assessment process and the progress it has made against the actions set out in its 2007-08 Healthcare Standards Improvement Plan demonstrates a commitment to further improving its maturity at all levels.”

In 2007-08 HIW revisited those standards where individual organisations were assessed last during 2006-07 at maturity levels of aware or responding (Standards where Gwent Trust fell into this category marked * in the table below), and for all NHS Trusts also looked at 10 standards which were identified as being areas where a number of NHS Trusts were under-performing. Standards 4, 7, 25 and 26 fell into both categories.

For Gwent this totalled 18 of the 32 standards:

Patient Experience	Clinical Outcomes	Healthcare Governance	Public Health
Standard 2*	Standard 11*	Standard 15	Standard 29*
Standard 3*	Standard 12*	Standard 16*	Standard 30*
Standard 4*		Standard 17	
Standard 5		Standard 25*	
Standard 6		Standard 26*	
Standard 7*		Standard 27*	
Standard 8			
Standard 9			

The graphs below show the improvement in the scores in the validated standards between 2006-7 and 2007-8.

Figure 1

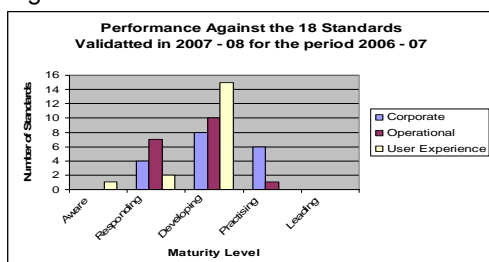
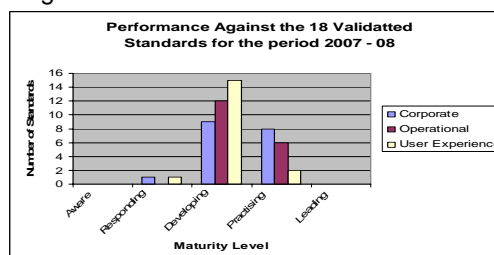


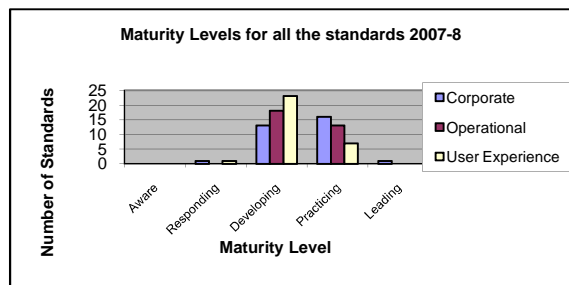
Figure 2



The maturity levels for all standards, at the Corporate, Operational and User levels, are summarised in the following table and graph.

Table 1 Maturity Levels for all the standards 2007-08

Maturity level	Aware	Responding	Developing	Practicing	Leading
Corporate	0	1	13	16	1
Operational	0	0	18	13	0
User Experience	0	1	23	7	0



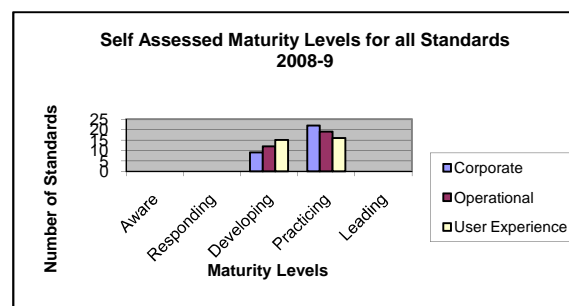
The assessment against the Healthcare Standards for Wales for 2008-9 has been completed by the required date (9th April, 2009); however, it is yet to be validated by HIW. The process the Trust used to complete the 2008-9 self assessment is as follows:

- Each Standard has an Executive Lead who oversees the completion of the standard, approves the maturity level and signs off the standard.
- Each standard has a standard owner, and where appropriate, criteria leads. They are responsible for ensuring that the self-assessment against the standard is completed within the time scale.
- The self-assessment is completed, answering all the questions, referring to the technical guide, taking into account the comments in the 2007-8 HIW validation report, demonstrating where improvements have been made that were part of the HCSIP and taking a joint approach with the LHBs where this is appropriate.
- The standard owner determines the appropriate maturity level, with reference to the maturity matrix.
- The Internal audit department reviews the majority of the standards to ensure that questions have been answered, the actions in the HCSIP have been addressed, evidence referred to is available and that the maturity level is appropriate according to the maturity matrix.
- A meeting of Senior Managers, Executive Directors and a non-Executive Director reviews key standards to ensure no information has been missed, that the information is accurate, and agree the maturity scores.
- Standard owners make any changes based on the comments from Internal Audit and from the review meeting.
- The final submission is checked for completion.
- The Chief Executive and Chairman sign the declaration and the self assessment against the Healthcare Standards for Wales was submitted to HIW electronically on the 9 April 2009.

The self assessment of maturity levels for 2008-9 shows continuing improvement on the maturity levels given above for 2007-8.

Table 2 Self Assessed Maturity levels for all standards 2008 - 09

Maturity level	Aware	Responding	Developing	Practicing	Leading
Corporate	0	0	9	22	0
Operational	0	0	12	19	0
User Experience	0	0	15	16	0



The maturity levels for 2007-8 for the core standards that underpin the management of risk across all the standards are given below:

- In standard 14, the Trust assessed itself as practicing at the corporate, operational and user experience levels and this was validated by internal audit
- In standard 16, the Trust was validated as responding at the corporate level, and developing at the operational and user experience
- In standard 27, the Trust was validated as developing at the corporate, operational and user experience levels
- In standard 28, the Trust assessed itself as developing at the corporate, operational and user experience levels and this was validated by internal audit.

The maturity levels for 2008-9 for the core standards that underpin the management of risk across all the standards are given below:

- In standard 14, the Trust assessed itself as practicing at the corporate and operational levels and developing/practicing at the user experience levels
- In standard 16, the Trust assessed itself as developing at the corporate, operational and user experience
- In standard 27, the Trust assessed itself as developing at the corporate, operational and user experience levels
- In standard 28, the Trust assessed itself as practicing at the corporate, operational and user experience levels.

A Healthcare Standards Improvement Plan was developed for 2008-9, based on the 2007-8 self-assessment and the validation report. The Improvement Plan was developed by the Standard Owners, taking into account the comments in the HIW Validation report, and putting in place actions to address them. The HCSIP is monitored by the Quality and Clinical Governance Committee following presentation to and approval by Trust Board. A HCSIP for 2009-10 will be developed with the 5 current LHBs for the new organisation, taking account of the comments in the HIW validation when it is received.

5. REVIEW OF EFFECTIVENESS

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Executive Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of risk management processes is monitored in a number of ways, regular review supports the process of continual improvement and the development of systems and process fit for purpose.

- The Trust Board considered and approved the Terms of Reference of their sub committees and routinely receives minutes and updates from the appropriate executive or non-executive member.
- The Audit Committee's primary role is to conclude upon the adequacy and effective operation of the organisation's overall internal control system. In performing that role the Committee's work predominantly focuses upon the framework of risks, controls and related assurances that underpin the delivery of the organisation's objectives. It also provides a channel of communication between external and internal auditors and the Trust Board. It considers and determines external audit reports which look at the broader issues of cost effectiveness. The committee recommends the appropriate mechanisms to progress such reports, looked at working closer with the Trust Quality and Clinical Governance Committee and Risk Management Committee.
- The Quality and Clinical Governance Committee provided the Trust Board with assurance relating to issues of a clinical nature.
- Trust Health and Safety Committee – the Trust has a statutory responsibility to consult with staff representatives on matters relating to health and safety. The membership of the Trust Health and Safety Committee is made up of accredited staff side health and safety representatives, managers of the Trust and various risk advisors. It met on a bi-monthly basis and was chaired during 2008-09 by the Medical Director. During the year it has received a number of reports and policies relating to health, safety and welfare.

- Information governance – The Trust recognises the importance of managing its information effectively. During the year an on-line information governance training system has been developed and is mandated for all staff to complete. To improve the support mechanisms for staff, departments and the Information Governance Unit, the concept of Information Governance Stewards has been introduced. These will have departmental responsibility for monitoring a high standard of compliance with information governance requirements. The Trust also has arrangements in place to ensure that personal data is processed and handled in line with the Data Protection Act 1998 and other legislation. No significant reportable incidents were identified during the year.

- Internal Audit has provided an annual report for 2008-09 identifying the effectiveness of the system of internal controls in place. The Acting Head of Internal audit states in the report "...sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the organisations risk management, control and governance processes. In my opinion Gwent Healthcare NHS Trust has adequate management and government processes to manage it's achievement of the organisation's objectives. Where significant deficiencies in control processes were identified by Internal Audit, I am satisfied that the actions the Gwent Healthcare NHS Trust's management plan to take will, if implemented satisfactorily, resolve the deficiencies in an appropriate manner ". The statement is based upon the work undertaken by Internal Audit as set out in the audit committee approved plan.

- In addition to the key risk systems assurance is provided by other core organisational committees/groups, e.g. Executive Board.

- As as employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the scheme regulations are compiled with. This includes ensuring that deductions from salary, employer's contributions and payments in to the scheme are in accordance with the scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the regulations.

6. SIGNIFICANT INTERNAL CONTROL PROBLEMS

The development of processes and systems to ensure that the Trust has robust controls and risk management arrangements in place has continued to show steady progress.

Whilst action has and continues to be taken to address control weaknesses with the payroll system there remain a number of control weaknesses. The Trust has accepted the report from Internal Audit and has agreed with Internal Audit a number of additional measures to mitigate the risks.

Overall the Trust has adequate systems of controls to ensure achievement of its objectives.

I will ensure that during 2009/10 the Trust will make continued progress in the development and improvement of healthcare standards and to ensure that the system of internal controls is robust, I have instigated a Financial Controls Health check by Internal Audit.

Signed Chief Executive

Date:.....

(On behalf of the Board)

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Gwent Healthcare NHS Trust for the year ended 31 March 2009 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

The Directors and the Chief Executive are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with paragraph 3 of schedule 9 of the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, Gwent Healthcare NHS Trust has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Gwent Healthcare NHS Trust's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Gwent Healthcare NHS Trust's corporate governance procedures or its risk and control procedures.

I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

Basis of audit opinions

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Gwent Healthcare NHS Trust's circumstances, and are consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and that part of remuneration report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of the affairs of Gwent Healthcare NHS Trust as at 31 March 2009 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

My conclusion on Gwent Healthcare NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales

29 June 2009

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