

Bro Morgannwg NHS Trust

Foreword

These accounts for the year ended 31 March 2008 have been prepared by the Bro Morgannwg NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form in which the National Assembly for Wales has, with the approval of Treasury, directed.

Bro Morgannwg NHS Trust manages a comprehensive range of integrated hospital and community services for a resident population living primarily in the County Boroughs of Neath Port Talbot, Bridgend and the Western Vale of Glamorgan.

The Trust also manages Welsh Health Supplies, Informing Healthcare and the National Leadership & Innovation Agency for Healthcare which includes the Workforce Development Education & Contracting Unit, the Delivery & Support Unit and the Centre for Equality Human Rights.

Reconfiguration of NHS Trusts in Wales

In December 2007, the Health and Social Services Minister in the Welsh Assembly Government gave approval for a series of mergers to reduce the number of NHS Trusts in Wales to take effect from 1st April 2008.

From 1st April 2008 the Trust merged with Swansea NHS Trust to form Abertawe Bro Morgannwg University NHS Trust. All of the assets and liabilities of the Trust will transfer to the new Trust on 1st April 2008 and all operations are continuing.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2008

	Note	£000	2006-07 £000
Income from activities	3	385,075	290,765
Other operating income	4	35,978	36,236
Total income		421,053	327,001
Operating expenses	5	(417,428)	(322,225)
Operating surplus/(deficit)		3,625	4,776
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(245)	(330)
Surplus/(deficit) before interest		3,380	4,446
Interest receivable		2,896	1,604
Interest payable	9	0	0
Other finance costs	16	(67)	(70)
Surplus/(deficit) for the financial year		6,209	5,980
Public Dividend Capital dividends payable		(6,090)	(5,912)
Retained surplus/(deficit) for the year	17	119	68

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008**

		2006-07
	Note	£000
		£000
Surplus/(deficit) for the financial year before dividend payments		5,980
Fixed asset impairment losses	17	(3)
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	12,180
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	50
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(414)
Additions/(reductions) in "other reserves"	17	(121)
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		17,672
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>12,826</u>
		<u>17,672</u>

BALANCE SHEET AS AT 31 MARCH 2008

	Note	£000	£000	31 March 2007 £000
Fixed assets				
Intangible assets	10	6,892		8,888
Tangible assets	11	187,812		182,519
Investment assets	11.4	0		379
			<u>194,704</u>	191,786
Current assets				
Stocks and work-in-progress	12	3,830		3,972
Debtors	13	45,007		43,574
Investments	14	21,100		14,900
Cash at bank and in hand	18.3	400		400
Total current assets			<u>70,337</u>	62,846
Creditors: amounts falling due within 1 year	15		<u>(26,747)</u>	(23,482)
Net current assets/(liabilities)			<u>43,590</u>	39,364
Total assets less current liabilities			238,294	231,150
Creditors: amounts falling due after more than one year	15		(3,312)	(3,486)
Provisions for liabilities and charges	16		(31,933)	(38,934)
Total assets employed			<u>203,049</u>	188,730
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		134,918	127,335
Revaluation reserve	17		59,248	55,498
Donated asset reserve	17		2,528	2,879
Government grant reserve	17		612	450
Other reserves	17		0	379
Income and expenditure reserve	17		5,743	2,189
Total taxpayer's equity			<u>203,049</u>	188,730

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	£000	£000	2006-07 £000
Operating activities				
Net cash inflow from operating activities	18.1		13,282	14,590
Returns on investments and servicing of finance				
Interest received		2,913		1,594
Interest paid		0		0
Interest element of finance leases		0		0
			2,913	1,594
Net cash inflow/(outflow) from returns on investments and servicing of finance				
Capital expenditure				
Payments to acquire tangible fixed assets		(10,693)		(8,179)
Receipts from sale of tangible fixed assets		4,374		1,128
Payments to acquire/ receipts from sale of intangible assets		(4,245)		(3,929)
Payments to acquire/ receipts from sale of fixed asset investments		0		0
			(10,564)	(10,980)
Net cash inflow/(outflow) from capital expenditure				
Public dividend capital dividends paid			(7,014)	(5,537)
Management of liquid resources				
Purchase of current asset investments		(6,200)		(5,975)
Sale of investments		0		0
			(6,200)	(5,975)
Net cash inflow/(outflow) from management of liquid resources				
Net cash inflow/(outflow) before financing				
			(7,583)	(6,308)
Financing				
Public dividend capital received		9,850		6,728
Public dividend capital repaid (not previously accrued)		(2,267)		(420)
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		0
Other capital receipts		0		0
Capital element of finance leases		0		0
			7,583	6,308
Net cash inflow/(outflow) from financing				
Increase/(decrease) in cash	18.2		0	0

Notes to the accounts

1. Accounting policies and other information

The National Assembly for Wales has 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. 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.

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 are 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 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. Falls in value when newly constructed assets are brought into use are always charged to the revaluation reserve even where there is no credit balance. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

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 valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. 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. Where, under Financial Reporting Standard 11 a fixed asset impairment is charged to the Income and Expenditure account, offsetting income is paid by the Assembly via the Trust's main commissioner, to offset the charge. The income is used to repay Public Dividend Capital.

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 Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as a defined contribution scheme: the cost to the NHS body participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which 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 employees and scheme members. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS 17 purposes. 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 Business Service Agency - Pensions Division website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 2004 investigation was that the scheme had accumulated a notional deficit of £3.3 billion against notional assets as at 31 March 2004. This is after making some allowance for the one-off effective of pay modernisation, but before taking into account any of the schemes changes which come into effect on 1 April 2008. Taking into account the changes in the benefit and contribution structure effective from 1 April 2008, employer contributions could continue at the existing rate of 14% of pensionable pay.

On advice from the actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, employees paid contributions of 6% (manual staff 5%) of their pensionable pay. From 1 April 2008, employees will pay contributions according to a tiered scale from 5% up to 8.5% of their pensionable pay.

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 up to 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 years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements 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.

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.

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 28 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.

2. Segmental Reporting

The following information segments the results of the Trust by:-

	Informing Healthcare		National Leadership & Innovation Agency for		Welsh Health Supplies		Delivery & Support Unit		Centre for Equality & Human Rights		Healthcare Activities		Inter-segment trading (see note below)		Trust Total (per main I&E statement)	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Segment income (Gross)	22,113	19,367	91,987	12,899			2,252	1,554	634	416						
WAG Creditor *	(34)	(12)	(5)	(11)			(40)	(51)	0	(1)						
Segment income (Net)	22,079	19,355	91,982	12,888	29,224	28,714	2,212	1,503	634	415	278,916	#####	-3,994	-3,605	#####	#####
Costs directly attributable to segment:-																
Pay	3,528	2,712	6,350	5,094	3,116	2,745	1,227	848	542	356						
Funded programme payments for NHS bodies	7,326	8,255	1,520	2,378		0	0	0	0	0						
Supplies & services - General Establishment	7	4	76	356	19	24	3	0	0	0						
Transport	1,611	1,295	4,267	1,860	269	215	183	140	63	44						
Premises	7	9	15	40	392	387	4	6	1	2						
Other operating expenses	3,668	1,260	589	721	644	530	134	33	3	12						
Total directly attributable costs	3,084	2,934	78,915	2,196	24,206	24,260	608	430	22	1						
Surplus / deficit	19,231	16,469	91,732	12,645	28,646	28,161	2,159	1,457	631	415	273,665	#####	-3,994	-3,605	#####	#####
Common costs	2,848	2,886	250	243	578	553	53	46	3	0	5,251	5,852			8,983	9,580
Depreciation	199	158	250	243	424	411	53	46	3	0	4,677	4,276			5,603	5,134
Surplus before interest	2,378	2,374	0	0	78	63	0	0	0	0	9,076	9,507			11,532	11,944
Capital Charges	271	354	0	0	76	79	0	0	0	0	3,033	4,013			3,380	4,446
Disposal of Fixed Assets and Other Finance Costs	271	354	0	0	74	77					5,745	5,481			6,090	5,912
Surplus after interest	0	0	0	0	2	2	0	0	0	0	117	66			119	68
Segment average net assets	4,348	3,248	-1,606	-1,097	7,212	7,316	-189	-125	-21	-6	162,948	#####			#####	#####

* WAG creditor relates to Trading Agency underspends in line with agreement between the Trust and the WAG.

For the business segments, "other operating expenses" shown above for 2007/08 includes the following material items:-

Informing Healthcare -	External Consultancy costs £1,451k and Staff Consultancy Support £1,027k
National Leadership & Innovations Agency for Health -	External Consultancy costs £2,459k and WEDCU contracts of £76,292k
Welsh Health Supplies -	Cost of stock issues £23,967k
Delivery & Support Unit -	External Consultancy costs £557k

NOTE: The following inter-segment trading amounts have been "netted-off" in the consolidated position shown in the main I&E Account:-

WHS related -	£3,100,586
IHC related -	£532,879
NLIAH related -	£304,589
DSU related -	£53,168
CEHR related -	£3,000
Total inter-segment trading -	£3,994,222

Additional information regarding the accounting and governance arrangements for Informing Healthcare, the National Leadership & Innovation Agency for Healthcare (NLIAH), the Delivery & Support Unit (DSU), and the Centre for Equality and Human Rights (CEHR) is given in Note 31 to the Accounts.

3. Income from activities

	£000	2006-07 £000
Local health boards	246,739	235,503
Health Commission Wales	14,434	13,197
NHS trusts	1,224	910
Strategic health authorities and primary care trusts	698	340
Foundation Trusts	0	0
Local authorities	0	0
Welsh Assembly Government	113,468	31,407
Non NHS:		
Private patient income	1,533	1,732
Overseas patients (non-reciprocal)	4	2
Injury Costs Recovery (ICR) Scheme	1,015	630
Other income from activities	5,960	7,044
Total	385,075	290,765

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

4. Other operating income

	£000	2006-07 £000
Patient transport services	0	0
Education, training and research	5,718	5,579
Charitable and other contributions to expenditure	438	554
Transfer from the donated asset reserve	256	414
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	462	557
Other income:		
Provision of laundry, pathology, payroll services	0	0
Accommodation and catering charges	712	763
Mortuary fees	101	98
Staff payments for use of cars	0	0
Business unit Welsh Health Supplies	26,123	25,651
Other	2,168	2,620
Total	35,978	36,236

Other income does not exceed 20% of total or £10m

5. Operating expenses

5.1 Operating expenses comprise

	2006-07	2006-07
	£000	£000
Goods and services from other NHS bodies	7,573	7,060
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	0	0
Directors' costs	1,089	1,032
Staff costs	214,263	202,845
Supplies and services - clinical	24,204	22,488
Supplies and services - general	6,117	5,842
Consultancy Services	4,849	0
Establishment	12,799	9,350
Transport	1,154	1,197
Premises	17,220	13,902
Depreciation	9,163	9,579
Amortisation	2,369	2,363
Fixed asset impairments and reversals	264	3
Audit fees	208	205
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	515	667
Other operating expenses	115,641	45,692
Total	417,428	322,225

Consultancy Service costs for 2006-07 were £5,009 and were included within Other operating expenses
 Of the £4,849k in 07-08, £4,467k related to the hosted agencies
 Of the £5,009k in 06-07, £4,879k related to the hosted agencies

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

	2006-07	2006-07
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence	119	3,523
Personal injury	244	104
All other losses and special payments	18	20
Defence legal fees and other administrative costs	47	18
Gross increase/(decrease) in provision for future payments	428	3,665
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	149	37
Less: income received/ due from Welsh Risk Pool	(62)	(3,035)
Total charge	515	667

Personal injury includes £70k (2006-07 £4k) in respect of permanent injury benefits

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

	Land and buildings		Other leases	
	£000	2006-07 £000	£000	2006-07 £000
Operating leases which expire:				
Within 1 year	0	0	282	222
Between 1 and 5 years	0	0	706	686
After 5 years	0	0	0	0
Total	0	0	988	908

5.3.2 Operating expenses include:

	£000	2006-07 £000
Other operating lease rentals	833	650
Hire of plant and machinery	0	0
Total	833	650

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2006-07 £000
Non-executive directors' remuneration	98	0	98	99
Executive directors' remuneration:				
basic salaries	788	0	788	735
benefits	0	0	0	3
performance related bonuses	0	0	0	0
pension contributions paid	108	0	108	103
Sub-total	994	0	994	940
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	994	0	994	940

The trust does not operate a Performance Related Bonus Scheme and therefore no performance related bonuses were paid to any Director of the Trust during 2007-08

5.4 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	2006-07 £000
Chairman				
Basic remuneration	39	0	39	39
Benefits	0	0	0	0
	<u>39</u>	<u>0</u>	<u>39</u>	<u>39</u>
Chief Executive				
Basic salaries	151	0	151	145
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>151</u>	<u>0</u>	<u>151</u>	<u>145</u>
Pension contributions	21	0	21	20
	<u>172</u>	<u>0</u>	<u>172</u>	<u>165</u>
Highest paid director*				
Basic salaries	0	0	0	137
Benefits	0	0	0	3
Performance related bonuses	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>140</u>
Pension contributions	0	0	0	19
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>159</u>

The Chief Executive was the highest paid Director in 2007-08

6. Employee costs and numbers

6.1 Employee costs	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2006-07
	£000	£000	£000	£000	£000
Salaries and wages	177,263	0	2,832	180,095	170,428
Social security costs	13,229	0	0	13,229	12,758
Pension costs	21,930	0	0	21,930	20,590
Other pension costs	0	0	0	0	0
Total	212,422	0	2,832	215,254	203,776

6.2 Average number of employees

6.2 Average number of employees	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2006-07
	Number	Number	Number	Number	Number
Medical and dental	412	0	18	430	411
Ambulance staff	0	0	0	0	0
Administrative and estates	1,271	0	24	1,295	1,319
Healthcare assistants and other support staff	1,653	0	8	1,661	1,628
Nursing, midwifery and health visiting staff	2,040	0	14	2,054	2,069
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	571	0	5	576	524
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	5,947	0	69	6,016	5,951

6.3 Employee benefits

The Trust does not have an employee benefit scheme and no benefits were paid

6.4 Trust management costs

	£000	Percentage of total income	2006-07	
			£000	Percentage of total income
Trust management costs	17,083	4.1%	13,435	4.1%
Income	421,053		327,001	

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 2007-08 (prior year 2006-07) there were 21 (17) 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 £1,280,454 (£1,474,509).

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	2006-07 £000
NHS			
Total bills paid 2007-08	4,526	35,639	27,582
Total bills paid within target	3,805	29,807	22,844
Percentage of bills paid within target	84.1%	83.6%	82.8%
Non-NHS			
Total bills paid 2007-08	103,523	174,005	104,424
Total bills paid within target	100,318	166,012	99,884
Percentage of bills paid within target	96.9%	95.4%	95.7%
Total			
Total bills paid 2007-08	108,049	209,644	132,006
Total bills paid within target	104,123	195,819	122,728
Percentage of bills paid within target	96.4%	93.4%	93.0%

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

	2006-07	
	£	£
Amounts included within Interest Payable (note 9) arising from claims made under this legislation and compensation paid to cover debt recovery costs.	0	0

8. Profit / (loss) on disposal of fixed assets

Profit / (loss) on the disposal of fixed assets is made as follows:

	2006-07
	£000 £000
Profit on disposal of land and buildings	18 4
Loss on disposal of land and buildings	(48) (47)
Profit on disposal of plant and equipment	8 27
Loss on disposal of plant and equipment	(223) (314)
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
	<u>(245)</u> <u>(330)</u>

Sale of Groeswen Hospital completed September 2007 with sale proceeds of £4.403m

9. Interest payable

	2006-07
	£000 £000
Government borrowing	0 0
Finance leases and PFI schemes	0 0
Other	0 0
	<u>0</u> <u>0</u>

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	11,841	0	0	0	11,841
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions	373	0	0	0	373
Disposals	0	0	0	0	0
Gross cost at 31 March 2008	<u>12,214</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,214</u>
Accumulated amortisation at 1 April 2007	2,953	0	0	0	2,953
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	2,369	0	0	0	2,369
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2008	<u>5,322</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,322</u>
Net book value at 1 April 2007	8,888	0	0	0	8,888
Net book value at 31 March 2008	<u>6,892</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,892</u>

The majority of the costs reported for Intangible Fixed Assets, relate to software licenses purchased by Informing Healthcare.

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account		Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				£000	£000					
At 1 April 2007	14,693	168,531	9,241	1,043	32,415	486	4,114	328	230,851	
Additions										
- purchased	253	783	0	7,339	3,074	0	800	0	12,249	
- donated	0	0	0	0	35	0	0	0	35	
- government granted	0	0	0	0	0	0	0	0	0	
Reclassifications	0	5,626	0	(4,267)	(1,002)	0	(182)	(175)	0	
Impairments	0	0	0	0	(320)	0	0	0	(320)	
Other in-year revaluations	24,365	(41,211)	(607)	0	0	0	0	0	(17,453)	
Disposals	(4,370)	(26)	0	0	(5,120)	(430)	(826)	0	(10,772)	
At 31 March 2008	34,941	133,703	8,634	4,115	29,082	56	3,906	153	214,590	
Depreciation										
At 1 April 2007	0	22,997	669	0	20,026	481	3,839	320	48,332	
Reclassifications	0	842	0	0	(514)	0	(153)	(175)	0	
Impairments	0	0	0	0	(56)	0	0	0	(56)	
Reversal of impairments	0	0	0	0	0	0	0	0	0	
Other in-year revaluations	0	(23,839)	(669)	0	0	0	0	0	(24,508)	
Disposals	0	0	0	0	(4,899)	(429)	(825)	0	(6,153)	
Provided during the year	0	5,123	185	0	3,772	2	80	1	9,163	
At 31 March 2008	0	5,123	185	0	18,329	54	2,941	146	26,778	
Net book value at 1 April 2007	14,693	145,534	8,572	1,043	12,389	5	275	8	182,519	
Net book value at 31 March 2008	34,941	128,580	8,449	4,115	10,753	2	965	7	187,812	
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 2008, £140k 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.

The Trust has undertaken a review of the remaining lives of its equipment assets and has amended the lives for its Radiology Archiving and Communication System (PACS) and patient monitors, to align them with their planned replacement dates. The impact was additional depreciation in year of £694k.

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 2007	795	15,285	0	0	0	0	0	0	16,080
Revaluation	(164)	(2,573)	0	0	0	0	0	0	(2,737)
Additions	239	837	0	0	0	0	0	0	1,076
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2008	870	13,549	0	0	0	0	0	0	14,419

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March 2007	
	£000	£000
Freehold	157,400	152,631
Long leasehold	14,572	16,170
Short leasehold	0	0
Total	<u>171,972</u>	<u>168,801</u>

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

* See note at bottom of page.

	31 March 2007	
	£000	£000
Opening investment	379	500
Revaluation	(379)	(121)
Total	<u>0</u>	<u>379</u>

12. Stocks and work-in-progress

	31 March 2007	
	£000	£000
Raw materials and consumables	3,830	3,972
Work-in-progress	0	0
Finished processed goods	0	0
Total	<u>3,830</u>	<u>3,972</u>

13. Debtors

	31 March 2007	
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	10,539	21,550
NHS debtors	9,211	7,654
PDC dividend debtors	876	0
Other debtors	2,960	3,130
Provision for irrecoverable debts	(273)	(526)
Other prepayments and accrued income	3,508	2,409
Sub-total	<u>26,821</u>	<u>34,217</u>
Amounts falling due after more than one year:		
Welsh Risk Pool	15,636	6,686
NHS debtors	0	0
Other prepayments and accrued income	2,550	2,671
Other debtors	0	0
Sub-total	<u>18,186</u>	<u>9,357</u>
Total	<u>45,007</u>	<u>43,574</u>

* Given the trading position of the company, the Trust has written out the reserve from its balance sheet.

14. Current Asset Investments

	31 March 2007	
	£000	£000
Government securities	21,100	14,900
Local authorities	0	0
EU Emission Trading Scheme	0	0
Other	0	0
Total	21,100	14,900

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

	31 March 2007	
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	0	0
NHS creditors	5,209	3,625
Non-NHS trade creditors - revenue	7,293	6,140
Non-NHS trade creditors - capital	1,297	4,591
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	430	363
PDC dividend payable	0	48
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	174	174
Other creditors - superannuation	173	170
Other creditors - all other creditors	669	714
Accruals	11,502	7,657
Deferred income	0	0
Sub-total	26,747	23,482
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	3,312	3,486
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	3,312	3,486
Total	30,059	26,968

15.2 Loan advance/strategic assistance funding31 March
2007

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

The Trust has no loans/brokerage.

15.3 Finance lease obligations31 March
2007

Payable:	Total £000	£000
Within one year	0	0
Between one and two years	0	0
Between two and five years	0	0
After five years	0	0
Sub-total	<u>0</u>	<u>0</u>
Less finance charges allocated to future periods	0	0
Total	<u>0</u>	<u>0</u>

15.4 Finance lease commitments

The Trust has no finance lease commitments.

16. Provisions for liabilities and charges

	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 31 March 2008 £000
Clinical negligence	28,224	0	5,594	(5,475)	(2,272)	0	26,071
Personal injury	2,824	0	247	(3)	(489)	43	2,622
All other losses and special payments	0	0	18	0	(18)	0	0
Defence legal fees and other administration	133	0	84	(37)	(45)		135
Sub-total	31,181	0	5,943	(5,515)	(2,824)	43	28,828
Pensions relating to:							
former directors	92		0	3	(7)	2	90
other staff	1,000		0	23	(83)	22	962
Restructurings	0		0	0	0		0
Other	6,661		0	(1,081)	(3,527)		2,053
Total	38,934	0	5,943	(6,570)	(6,441)	67	31,933

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	10,308	15,763	0	26,071
Personal injury	606	504	1,512	2,622
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	88	47	0	135
Pensions - former directors	90	0	0	90
Pensions - other staff	962	0	0	962
Restructuring	0	0	0	0
Other	2,053	0	0	2,053
Total	14,107	16,314	1,512	31,933

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

Other provisions include £1,995k for Agenda for Change

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 2007 as previously stated	55,498	2,879	450	379	2,189	61,395
Prior period adjustment					0	0
At 1 April 2007 as restated	55,498	2,879	450	379	2,189	61,395
Transfer from income and expenditure account					119	119
Impairments	(9)	0	0			(9)
Surplus (deficit) on revaluation / indexation of fixed assets	7,194	(130)	0			7,064
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		35	162			197
Depreciation, impairment and disposal of donated/government granted assets		(256)	0			(256)
Other transfers between reserves	(3,435)	0	0	0	3,435	0
Other reserve movements				(379)		(379)
At 31 March 2008	59,248	2,528	612	0	5,743	68,131

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2006-07 £000
Total operating surplus/(deficit)	3,625	4,776
Depreciation charge	11,532	11,942
Fixed asset impairment and reversals	264	3
Transfer from the donated asset reserve	(256)	(414)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	142	(78)
(Increase)/decrease in debtors	(878)	(1,949)
Increase/(decrease) in creditors	5,854	(831)
Increase/(decrease) in provisions	(7,001)	1,141
Net cash inflow from operating activities before restructuring costs	13,282	14,590
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	13,282	14,590

18.2 Reconciliation of net cash flow to movement in net debt	£000	2006-07 £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	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	6,200	5,975
Change in net debt resulting from cash flows	6,200	5,975
Non-cash changes in debt	0	0
Net debt at 1 April	15,300	9,325
Net debt at 31 March	21,500	15,300

18.3 Analysis of changes in net debt

	At 1 April 2007 £000	Cash flows £000	Non-cash changes £000	At 31 March 2008 £000
OPG cash at bank	2,377	234	■	2,611
Commercial cash at bank and in hand	(1,977)	(234)	■	(2,211)
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	0	0	0	0
Current asset investments	14,900	6,200	0	21,100
	15,300	6,200	0	21,500

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £2,506,318 (and in 2006-07 were £689,218).

20. Post balance sheet events

From 1st April 2008 the Trust merged with Swansea NHS Trust to form Abertawe Bro Morgannwg University NHS Trust. All of the assets and liabilities of the Trust will transfer to the new Trust on 1st April 2008 and all operations are continuing.

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2007-08 accounts for the following amounts:	31 March 2007 £000	
Legal claims for alleged medical or employer negligence	12,054	9,876
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	12,054	9,876
Amount recovered under insurance arrangements in the event of these claims being successful	(9,645)	(7,792)
Net contingent liability	2,409	2,084

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.

Bro Morgannwg Trust has received 87 equal pay grievances notices/equal pay claims from staff under equal pay legislation. The process of assessing these notices/claims is at an early stage and as a result there is significant uncertainty over both the likelihood of their success and any additional costs that Bro Morgannwg NHS Trust might incur. 87 cases have been referred to the Employment Tribunal but as yet there is no information available on the likely year of settlement. As a result no provision or contingent liability has been made for any potential costs which may arise.

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	235	2,254,233	255	2,197,038
Personal injury	415	414,472	464	421,481
All other losses and special payments	393	162,061	269	122,581
Total	1,043	2,830,766	988	2,741,100

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

		<u>Amounts</u>	<u>Cumulative</u>	<u>Approved to</u>
		<u>paid out in</u>		<u>amount</u>
		<u>year</u>	<u>in year</u>	<u>in year</u>
		£	£	£
Cases exceeding £250,000				
Clinical Negligence	CBD101	0	1,009,244	0
	CBM190	1,730	4,031,679	11,730
	CBM332	0	549,877	0
	CBM399	0	285,688	3,084
	CBM500	277,388	279,845	251,033
	CN748	6,793	313,634	27,393
	CN776	46,693	436,269	387,372
	CBM257	313,389	331,665	313,389
	CN745	498,969	529,869	484,969
Sub-total		1,144,962	7,767,770	1,478,970
All other cases		1,685,804	0	1,262,130
Total cases		2,830,766	7,767,770	2,741,100

23.1 Movements in Government funds

	2006-07	
	£000	£000
Surplus/(deficit) for the financial year	6,209	5,980
Public dividend capital dividends	(6,090)	(5,912)
Subtotal	119	68
Gains/(losses) from revaluation/indexation of purchased fixed assets	7,194	11,999
Impairment of fixed assets	(9)	(3)
New public dividend capital	9,850	6,728
Public dividend capital repaid	(2,267)	(420)
Public dividend capital repayable	0	0
New loans from Government	0	0
Government loans repaid	0	0
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	162	0
Addition/(reduction) in other reserves	(379)	(121)
Net addition/(reduction) to Government funds	14,670	18,251
Opening Government funds at 1 April	185,851	167,600
Before deducting prior period adjustment of	0	0
Closing Government funds	200,521	185,851

23.2 Movements in public dividend capital

	2006-07	
	£000	£000
At 1 April 2007	127,335	121,027
New PDC issued in year	9,850	6,728
PDC due but not issued	0	0
PDC repaid in year	(2,267)	(420)
PDC repayable	0	0
At 31 March 2008	134,918	127,335

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	119
Variance	<u>(119)</u>

The Trust has broken even in 2007-08.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2007		
	£000	£000	£000
External financing limit set by the Assembly		7,583	6,308
Cash flow financing	7,583		6,308
Finance leases taken out in the year	0		0
Other capital receipts	<u>0</u>		<u>0</u>
External financing requirement		<u>7,583</u>	<u>6,308</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:

	2007-08
Total number of non-NHS bills paid 2007-08	103,523
Total number of non-NHS bills paid within target	100,318
Percentage of non-NHS bills paid within target	96.9%

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 none of the board members or members of the key management staff or parties related to them has undertaken any material transactions with the Trust

Mr P M Williams was Chair of the National Leadership Innovations Agency for Healthcare, Chair of the Delivery & Support Unit, Department of Health & Social Care in Wales and a member of the NHS Confederation Council during 2007/08. During this year the Trust received income from and made payments to these organisations at a level not exceeding £358,000

Mrs M Lee was a Director of Zoobiotics Ltd. During this year, the Trust received income from and made payments to this organisation at a level not exceeding £48,375.32.

Mr E Williams was a member of the Finance Committee of the University of Wales, Swansea during 2007/08. During this year the Trust received income from and made payments to this organisation, at a level not exceeding £13,466,477.

Mr David Davies was a Trustee for Neath, Port Talbot Council for Voluntary Service during 2007/08. During this year the Trust received income from and made payments to this organisation, at a level not exceeding £91,175.39

Mrs C Miles was the Chair on the Companionship Award Committee for the Institute of Healthcare Management during 2007/08. During this year the Trust made payments to this organisation in the region of £6,538.

Mrs J Williams husband was a senior lecturer in University of Wales Cardiff Institute during 2007/08. The Trust received income from and made payments to this organisation, at a level not exceeding £2.6 million.

The Trust has also received revenue and capital payments totalling £0.43m (2006/07 £0.55m) from the Bro Morgannwg NHS Charitable Fund, the Trustees of which are also members of the Trust Board. (The audited accounts of the Funds Held on Trust for this Charitable Fund are included in the Annual Report and Accounts for the Funds Held on Trust).

The Welsh Assembly Government 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 Welsh Assembly Governm

	INCOME	
	RECEIVED/DUE	
	£'000	£'000
	2007-08	2006-07
Welsh Assembly Government	113,468	31,407
Health Commission Wales	14,434	13,197
University of Wales College of Medicine	228	153
	<u>128,130</u>	<u>44,757</u>
LHBs/BSC:		
Vale LHB	34,308	31,723
Powys LHB	1,514	1,452
Bridgend LHB	114,050	109,267
Neath/Port Talbot LHB	87,136	82,636
Rhondda Cynon Taff LHB	4,115	4,233
Swansea LHB	2,412	2,289
Cardiff LHB	961	1,615
	<u>244,497</u>	<u>233,215</u>
TOTAL	<u>31</u> <u>372,627</u>	<u>277,972</u>

26. Other/ Private finance transactions

26.1 The Trust has 1 PFI operational schemes deemed to be off-balance sheet

	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross	12,236
Amortisation of PFI deferred asset	(121)
Net charge to operating expenses	12,115

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

PFI scheme which expires:	£000
Within one year	
Years 2-5 (inclusive)	
Years 6-10 (inclusive)	
Years 11-15 (inclusive)	
Years 16-20 (inclusive)	
Years 21-25 (inclusive)	13,367
Years 26-30 (inclusive)	
etc.	

The estimated annual payments in future years are not expected to be materially different from those which the trust is committed to make during the next year.

Estimated capital value of the PFI scheme	£000 66,000
Contract start date:	12 May 2000
Contract end date:	12 May 2030

Description of the Contract

On 12th May 2000, a 30 year Private Finance Initiative(PFI) contract was signed between the Trust and Baglan Moors Healthcare PLC for the provision of a 270 bed local general hospital at Baglan Moors to serve the population of Neath and Port Talbot.

The services to be provided in the new hospital, which was completed in Autumn 2000, resulted in the transfer of services from, and subsequent closure of, Neath and Port Talbot general hospitals. The Trust made its first payment on the contract in November 2002. The annual payments to the contractor (at 2007/08 prices) will be approximately £13,367 million, inclusive of the costs of support services that will be provided by the contractor.

The contract involves 3 significant elements:

Lease of the Trust's main site

The contract involves the lease of the trust's main site to the operator for nil consideration. The substance of the transaction is that it results in lower annual payments over the life of the contract. The land has been written out of fixed assets and reclassified as a prepayment in note 13 (NBV of land disposed £1,164,395). This prepayment will be amortised to the Income and Expenditure Account over the operational life of the scheme.

Residual interest in the assets

Where the property passes to the NHS at the end of the contract for nil consideration, an asset must be built up over the life of the contract in order to ensure that there is an appropriate allocation of the unitary charge between the cost of the service provided under the contract and the acquisition of the residual interest. The aim of building up the residual interest is to ensure that at the end of the contract the accumulated balance should exactly match the estimated fair value of the asset(s) received. In valuing the residual value of the building at the end of the contract, the Trust has used the District Valuer's indexed valuation figure at 1st April 2007 of £33.1 million. The asset will be subject to normal NHS valuation rules. The present value of the building over 30 years is £13,549,000. The present value of the land over 30 years is £870,000. These amounts have been recognised as a fixed asset investment in note 11.2. The value of the residual interest will be regularly revalued in accordance with NHS valuation guidelines. The provision created by the recognition of the residual interest will be amortised over the life of the contract on an annual basis. The provision has been recorded in note 15 as £3,486,167 for land and buildings.

26. Other/ Private finance transactions continued

26.2 The Trust has no PFI operational schemes deemed to be on-balance sheet

26. Other/ Private finance transactions continued

26.3 The Trust has no Public Private Partnerships

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
2007-08:				
Welsh Assembly Government	5,389	0	1,640	0
Welsh Local Health Boards	1,476	0	461	0
Welsh NHS Trusts	13,478	15,636	2,967	0
Health Commission Wales	196	0	0	0
All English Health Bodies	87	0	141	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	20,626	15,636	5,209	0
Other Central Government Bodies				
Other Government Departments*	421	0	534	0
Revenue & Customs	1,085	0	603	0
Local Authorities	606	0	23	0
Balances with Public Corporations and trading fund	0	0	0	0
Balances with bodies external to Government	4,083	2,550	20,378	3,312
TOTAL	26,821	18,186	26,747	3,312
2006-07:				
Welsh Assembly Government	1,901	0	856	0
Welsh Local Health Boards	1,768	0	698	0
Welsh NHS Trusts	25,093	6,686	1,965	0
Health Commission Wales	252	0	0	0
All English Health Bodies	100	0	156	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	3	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	(69)	0	0	0
Sub total	29,048	6,686	3,675	0
Other Central Government Bodies				
Other Government Departments*	272	0	327	0
Revenue & Customs	1,139	0	533	0
Local Authorities	750	0	4	0
Balances with Public Corporations and trading fund	0	0	0	0
Balances with bodies external to Government	3,008	2,671	18,943	3,486
TOTAL	34,217	9,357	23,482	3,486

27. Third party assets

The Trust held £112,099.12 cash at bank and in hand at 31 March 2008 (£113,758.99 @ 31 March 2007) which relates to monies held by the Trust on behalf of patients. Cash held in patient deposit accounts amounted to £705,288.05 as at 31 March 2008 (£468,306.49 @ 31 March 2007). This has been excluded from cash at bank and in hand figure reported in the accounts.

28. Financial instruments

FRS 13, Derivatives and Other Financial Instruments, 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 FRS 13 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.

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.

The NHS Trust may hold any of the following financial assets and liabilities:

Assets: investments, long-term debtors and accrued income, short-term debtors and accrued income (not disclosed in this note as permitted by FRS 13), cash.

Liabilities: loans and overdrafts, long-term creditors, short-term creditors (not disclosed in this note as permitted by FRS 13), provisions arising from contractual arrangements, finance lease obligations, Public Dividend Capital

The powers of NHS Trusts to invest and borrow are limited. The Board has determined that in order to maximise income from cash balances held, any balance of cash which is not required will be invested. The amount of investment is capped by Direction of the Assembly at an average daily cleared balance of £50,000 and NHS Trusts may only invest in instruments and institutions approved by the Assembly. The Trust does not borrow from the private sector. All other financial instruments are held for the sole purpose of managing the cash flow of the Trust on a day to day basis or arise from the operating activities of the Trust. The management of risks around these financial instruments therefore relates primarily to the Trust's overall arrangements for managing risks to their financial position, rather than the Trust's treasury management procedures.

30. Pooled budgets

The Trust has no pooled budgets.

31. Additional Information

Informing Healthcare (IHC) (Welsh Assembly Government NHS initiative) has been hosted by the Trust since 1st April 2004. The National Leadership & Innovation Agency (NLIAH) transferred to the Trust from the Welsh Assembly Government on the 1st November 2004. The Delivery Support Unit (DSU) is hosted by the Trust having been established by the Welsh Assembly Government on 1st November 2005. The Centre for Equality and Human Rights (CEHL) is hosted by the Trust with effect from 1st April 2006. The Workforce Development Education and Contracting Unit (WEDCU) transferred to the Trust from the Welsh Assembly Government in 2006/07, and with effect from 1st June 2007 budgets transferred and WEDCU now forms part of the hosted agency NLIAH.

In hosting these agencies' it has been agreed by the Welsh Assembly Government through accountability agreements that the Trust will not bear the financial impact of any surplus/deficit arising from these trading agency services, and therefore a creditor has been raised with the Welsh Assembly Government as at 31st March 2008 (as indicated in Note 2 to the Accounts) which represents the net surplus of IHC, NLIAH, DSU and CEHR for the year ended 31st March 2008. This creditor balance is repayable by the Trust to the Welsh Assembly Government.

The Accountability Agreements that have been signed for the four Agencies set down the responsibilities of both the Trust and the Welsh Assembly Government for each of the Agencies. The Agreements require the Trust to operate a Governance Sub-Committee of the Trust Board to oversee the Trusts responsibilities for Governance in relation to the Agencies. The Trust Chief Executive also discharges his responsibilities as Accountable Officer for expenditure with each Agency through the IHC Programme Director, NLIAH Chief Executive for NLIAH and WEDCU, the Director of the CEHR and the Director of the DSU respectively discharging similar or personal obligations in relation to all of their Agencies activities.

Informing Healthcare (IHC)

IHC is a National Programme to develop new methods, tools and information technologies to transform health services for the people of Wales. The aim is to modernise health service delivery and promote new ways of working through better access to information and knowledge for shared decision making. IHC is one of the key enablers for "Designed for Life", the national ten year strategy to deliver world class health and social care for Wales.

IHC will achieve through a series of healthcare service improvement projects and investments information communication technologies to create Wales-wide information and infrastructure services. Many of these projects are delivered by local NHS organisations utilising funding, which is made available by IHC.

National Leadership & Innovation Agency for Healthcare (NLIAH) including Workforce Development and Education Contracting Unit (WEDCU)

NLIAH is a source of strategic support for NHS Wales to deliver the service improvement agenda as defined in the Welsh Assembly Government strategy document "Designed for Life". Through its work programme NLIAH supports individuals, teams, networks, organisations and the wider health and social care system. NLIAH has an identified role across a number of the 10 critical areas of change and reform set out in "Designed for Life", namely professional leadership, clinical networks, service reconfiguration; education, training and workforce redesign; planning, commissioning and strategy partnerships; and research and evaluation. The WEDC Unit was established within NLIAH in 2006/07; however budgetary transfers took place in 2007/08.

Delivery and Support Unit (DSU)

Established by the Welsh Assembly Government in 2005, the DSU provides Trusts and Local Health Boards with enhanced support and performance tools to enable them to meet the national targets set by the Minister for Health and Social Services. There are key areas that the DSU focuses on including access targets, but the DSU can be invited by the Chief Executive of NHS Wales, Regional Offices or organisations themselves, to provide support in any area of business. In addition the DSU manages the Second Offer Scheme which gives opportunities for patients to be treated within the guaranteed waiting times, and it should be noted that resources for this scheme are accounted for by Rhondda Cynon Taff Local Health Board, not the Trust. The DSU is designing and delivering the Welsh Assembly Government's 2009 Project, which involves achieving a 26-week patient pathway from GP or dental referral to treatment (including diagnostics and therapy) by December 2009. The DSU also provides advice and guidance to the Welsh Assembly Government on policy development matters, to enable an overall improvement

Centre for Equality and Human Rights (CEHR)

The CEHR is a strategic support for the NHS in Wales as the mainstreaming of equality and human rights across all aspects of service delivery and employer policy.

Welsh Health Supplies (WHS)

WHS has been a directly managed service of the Trust since 1st April 1999, and provides a wide range of contracting (procurement) services for NHS Wales, together with a Materials Management (Stores) service for the majority of organisations within NHS Wales and other organisations.

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

NHS TRUSTS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2008 and subsequent financial years in respect of the NHS Wales Trusts. The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the NHS Wales Trusts shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FRM), as detailed in the NHS Wales Trust Manual for Accounts;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

3. The account of the Trust for the year ended 31 March 2008 and subsequent years shall comprise a foreword, an income and expenditure account, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2006 and subsequent years, the account of the Trust shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

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

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.
7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.
8. Notes providing further explanations of figures in the accounts shall be made where it is considered appropriate for a proper understanding of the accounts.

Signed by the authority of Welsh Ministers

Signed :

Dated :

**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: 2008 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:2008

Chairman:

Date:2008

Chief Executive:

Date:2008

Director of Finance:

Bro Morgannwg NHS Trust Annual Accounts 2007-08

PROFORMA STATEMENT ON INTERNAL CONTROL

Context

During 2007/08, the Bro Morgannwg NHS Trust and the Swansea NNHS Trust have worked together within structured project management arrangements in preparation for the integration of both Trusts to form the Abertawe Bro Morgannwg University NHS Trust from 1 April 2008. This statement on internal control relates to arrangements within the Bro Morgannwg NHS Trust during 2007/08.

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive for this Board, I have the 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 this organisation's assets for which I am personally responsible, in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

The Trust works with and involves the Welsh Assembly Government in a number of ways in relation to managing risk. The Trust has in place a serious incident reporting procedure through which serious incidents are reported to the Assembly's Regional Office, supported by development of an action plan to ensure that lessons are learned. In addition, the Trust's Clinical Governance and Risk Annual Reports are shared with the Assembly, with Clinical Governance and Risk Management being standing agenda items for the periodic reviews with the Assembly. As Chief Executive and Accountable Officer I would personally bring any serious risks to the attention of the Director of the Assembly's Regional Office.

Actions plans developed to improve compliance with the Welsh Risk Management Standards (WRMS) during 2007/8 were submitted to the Welsh Risk Pool and will form part of the Trust's Healthcare Standards Improvement Plan.

2. The 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 the 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 31st March 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The lines of accountability for risk management are stated within the Trust's Risk Management Policy and Strategy, which is annually reviewed and approved. The Chief Executive has overall responsibility for risk management. Responsibility for coordinating all operational Risk Management and Controls Assurance activities is delegated to the Deputy Chief Executive. The Medical Director and Nurse Director have responsibility for Clinical Governance issues, including ensuring that Clinical Risk Management Systems are maintained and developed and there are links with clinical audit. Staff in the Governance Support Unit and a number of specialist advisors facilitate risk management throughout the Trust, supporting the Executives, Managers and Leads who directly manage risk management activities.

The Operational Risk Management Group (ORMG) oversees activities relating to the review and adequacy of systems for managing risk throughout the Trust, monitoring ongoing Risk Management activity in the Trust, the utilisation of Risk Registers, and reporting on the most significant risks and the level of resources required to manage those risks effectively. Standing members of the ORMG include four Executive Directors and the Head of the Governance Support Unit. The Group is chaired by the Deputy Chief Executive and meets every three weeks. Onward reporting from ORMG is to the Trust's Management Executive, which is concerned with all aspects of operational management and performance of the Trust, and the Trust Board where items require notification or action. Information is also passed to the Healthcare Governance Committee

Local groups dealing with risk issues exist within each Clinical Directorate. Membership comprises staff able to consider a broad range of clinical, health and safety and organisational risks.

Through the Risk Management Training Programme run by the Governance Support Unit, the Trust supports all staff to achieve a basic awareness of risk and to be able to assist in the identification and minimisation of risks, either directly or through bringing them to the attention of the appropriate manager. Plans for meeting training needs relating to specific risk management responsibilities are developed as part of an individual's annual performance review. All Trust staff have a degree of responsibility for risk management and internal control in order to achieve their individual and Trust objectives, and this will be specified as appropriate in Job Descriptions, Key Skills Framework and the setting of annual objectives.

As in previous years, the Trust continues to record and maintain losses and special payments information using an Excel spreadsheet based register, which meets the accounting and reporting standards for the Trust's Annual Accounts. In addition, developments in the probability and quantum position on every case have been accounted for in the Annual Accounts and recorded in the Governance Support Unit database.

4. The risk and control framework

The Trust is committed to effectively managing risks, recognising the contribution this makes to the delivery of high quality care for patients, a safe environment of care for patients and visitors, safe systems of work and a safe work environment for staff and contractors and the effective operation of the organisation.

The Trust's Risk Management Policy and Strategy aims to ensure that the necessary systems and processes are in place and operating effectively to identify, assess and prioritise risks for action, so as to minimise the negative consequences of risks.

The Trust has adopted an integrated approach to Risk Management to support Corporate and Clinical Governance using the Welsh Risk Management Standards and the Healthcare Standards for Wales as a foundation. This approach deals with risks of all types - clinical, non-clinical, financial and organisational.

The Trust continues to work to:

- manage all forms and types of risk through defined structures and a systematic, ongoing process of identifying, and assessing risks, determining and selecting actions to treat risks, monitoring the effectiveness of controls measures and improvements achieved are monitored;
- manage all risks to an acceptable level, taking account of financial and resource issues and the need to prioritise actions;
- regularly review Risk Management processes;
- engender ownership and responsibility for risk management at appropriate levels;
- ensure communications regarding risks and risk management are relevant, timely and appropriately directed;
- ensure staff are adequately trained to engage in Risk Management;
- foster and promote a just culture where staff are encouraged and supported to report risks, adverse incidents and near misses; and
- maintain compliance with the Welsh Risk Management Standards as appropriate and the Healthcare Standards for Wales, which support the effective management of risks in key areas.

The Trust identifies risks through proactive and reactive means. Proactively, the Trust considers scenarios and makes judgements based on experience of the issues and also uses the learning points of others. The Trust reacts to data, information and situations presented by adverse incidents, claims, complaints, audits, service and risk reviews, both internally and externally, in order to foster greater understanding of hazards, risks and the suitability and effectiveness of various controls and barriers.

Risks are analysed, evaluated and prioritised both methodically and consistently against criteria approved by the Trust Board and included in the Risk Management Policy and Strategy. These include the potential consequences for patients, staff and others and the Trust and the probability of occurrence. Options for controlling risks are assessed taking into consideration the potential reduction in risk and the value for money that can be achieved. All high risks, as documented the Risk Registers, are reviewed by the OMRG on a rolling basis.

In previous years, the Trusts performance against the core Welsh Risk Management Standards formed a key part of the Trust's risk and control, framework. For 2007/08 the assessment process has changed considerably with the introduction of the Health Care Standards for Wales (HCSW) which are independently reviewed by the Health Inspectorate Wales (HIW).

For 2007/08 the Trust has completed a self assessment process against all 32 individual HCSW. Each HCSW is sub divided into various categories in relation to three key areas - Corporate, Operational/ Clinical Outcomes and User Experience. The Chief Executive has overall responsibility for ensuring compliance with HCSW. Within Bro Morgannwg NHS Trust this responsibility has been delegated to the Deputy Chief Executive who chairs the ORMG which acted as the Project Assurance Board for the 2007/08 assessment process. The ORMG is supported by a Project Team comprising key individuals. Each HCSW has been allocated an Executive Lead, with Core Leads, Standard Leads, Criterion Leads and Directorate Leads allocated to specific roles in the process for collection of evidence and contributions to the narrative for the HCSW and completion of the on line tool prior to submission to HIW. The roles and responsibilities for the HCSW within the Trust were detailed in the Trust's HCS Guidance procedure for 2007/08 which sets out clearly the respective roles and responsibilities.

Each of the 32 HCSW has been assessed based on the following matrix:

- 5 - Leading
- 4 - Practicing
- 3 - Developing
- 2 - Responding
- 1 - Aware

The process for completion of the HCSW submission was presented to and approved by Trust Board.

HIW has deemed four HCSW as core to the management of risk and the Trust's assessed compliance in these areas was:

- Healthcare Standard 14 – Overall Score 4
- Healthcare Standard 16 – Overall Score 4
- Healthcare Standard 27 - Overall Score 4
- Healthcare Standard 28 – Overall Score 4

The Standard Leads undertook an internal independent assessment of the self-assessed scores and this was verified by the executive Lead prior to submission to ORMG for scrutiny and approval.

The Healthcare Standards Improvement Plan for 2007/08 was formally approved by the Trust Board and monitored on a regular basis throughout the year. The HCSIP was reviewed internally by the Organisational Risk Management Group and the Healthcare Governance Committee. All details are fed through to the Trust Board who are kept informed of developments and progress on the HCSIP. Quarterly status reports on all areas of the HCSIP have been prepared and issued to WAG Regional office.

The Trust's internal auditors are required to review the self-assessed scores for the core Healthcare Standards and have conducted separate reviews of the four core HCSW for 2007/08 and throughout the process of completion of the HCSW, internal audit were granted reviewer access to the on line electronic tool. Internal audit have confirmed that:

- the self-assessed scores for the four core HCSW were reasonable based on the evidence presented;
- the systems and processes in place in respect of the completion and approval of HCSW were good, and
- the process for monitoring compliance with the Healthcare Standards Improvement Plan (HCSIP) were good.

Risk management is embedded in the activities of the Trust through:-

- the engendering of ownership of risks and responsibility for Risk Management at appropriate levels of the organization;
- ensuring that risk issues and priorities are considered at every level of business and financial planning throughout the organization;
- ensuring that communications relating to risks and risk management are relevant, timely and appropriately targeted;
- ensuring that risk issues are adequately considered as part of the individual performance review process and reflected in performance and development objectives;
- ensuring that the risk management awareness and training needs of staff are assessed and met;
- monitoring adherence to the policies and procedures designed to minimise risk, and
- setting and monitoring outcomes against Risk Management Performance Indicators.

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 ORMG and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

Internal Audit reports provide an independent and objective review and opinion on risk management, effectiveness of internal control and governance and the action plans for the implementation of internal audit recommendations are developed in conjunction with the Trust. For audit reviews conducted in respect of Healthcare Standards, during 2007/08 the reports were reviewed and approved by the Financial Audit Committee, who receive and consider all audit reports during the financial year.

Compliance with the Healthcare Standards is assessed annually by Health Inspectorate Wales. Results are widely reported in the Trust and the Trust Board approves the action plans developed to improve compliance.

The Clinical Governance and Financial Audit Committees provide an assurance to the Trust Board that internal risk management controls, systems and processes are effective and that lessons are being learnt and translated into positive service improvements.

.....
Chief Executive

.....
Date

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 Bro Morgannwg NHS Trust for the year ended 31 March 2008 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 described in that report as being 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 there under 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 there under. 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, Bro Morgannwg 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 Bro Morgannwg 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 Bro Morgannwg NHS Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement and the remaining elements of the Operating and Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

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 Bro Morgannwg 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 Bro Morgannwg NHS Trust as at 31 March 2008 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 there under by Welsh Ministers.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

My conclusion on Bro Morgannwg NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
16 June 2008

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