

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

Summarised accounts of local health boards and NHS trusts in Wales for the year ended
31 March 2016

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para5(2)

NHS (Wales) Summarised Accounts 2015-16

Welsh Government

NHS Wales Summarised Accounts 2015-16

FOREWORD

Introduction

1. Section 178, Schedule 9 Para 3(1) and 4 of the National Health Service (NHS) Wales Act 2006 requires all NHS organisations in Wales to prepare annual accounts and to submit them to the Auditor General for Wales (AGW) for audit.
2. The accounts for each NHS body must be laid before the National Assembly for Wales.
3. The Welsh Ministers are then required to prepare, in such form as HM Treasury may direct, summarised accounts from those individual accounts of NHS Wales organisations. The Auditor General for Wales is required to examine, certify and report on those summarised accounts (Section 178, Schedule 9 para 5(2)).
4. The annual accounts of all NHS Wales organisations have been audited and these summarised accounts are based on those audited figures. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2015-16 which include the results of the local health boards.
5. The chief executives of the individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.
6. In my capacity as Additional Accounting Officer, I have financial responsibility for health service expenditure. Accordingly, I have signed the summarised accounts of the local health boards and of the NHS trusts.

Summarised Accounts

7. HM Treasury directed that the accounts of the central government departments and entities in the wider public sector, be produced using all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales from 2009-10 onwards. Two summarised accounts for NHS Wales have been prepared, one for the seven local health boards and one for the three NHS trusts.

(a) Local Health Boards

8. Local health boards were established under section 11 Schedule 2 of the National Health Service (Wales) Act 2006.

9. The summarised account for the local health boards in Wales is based on the audited accounts of the seven local health boards. All seven local health boards received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales for 2015-16.
10. Two of the local health boards (Betsi Cadwaladr and Hywel Dda) incurred operating deficits as their expenditure exceeded their revenue resource allocations for 2015-16.
11. On 8 June 2015, following a tripartite meeting between Welsh Government officials, staff of the Wales Audit Office and Health Inspectorate Wales, the Minister for Health and Social Services accepted the recommendation of his officials that he should place the Betsi Cadwaladr University Health Board in special measures due to serious and outstanding concerns about the leadership, governance and progress in the Health Board. In October 2015, the Deputy Minister for Health announced that the health board will remain in special measures until October 2017 with progress and milestones reviewed every six months.
12. At the end of March 2016, three local health boards (Abertawe Bro Morgannwg, Cardiff and Vale, and Hywel Dda) were all subject to enhanced monitoring in accordance with the Welsh Government escalation arrangements. Abertawe Bro Morgannwg was placed on enhanced monitoring in June 2014, and both Cardiff and Vale and Hywel Dda were placed on enhanced monitoring in February 2015. All other local health boards were on routine monitoring arrangements.
13. Further comment on the monitoring and escalation arrangements for local health boards is set out in the NHS Summarised Accounts Annual Governance Statement.
14. The AGW has placed narrative reports on the accounts of all local health boards to explain their new financial duties under the NHS Finance (Wales) Act 2014, their performance against them and the implications for 2015-16. Two local health boards (Betsi Cadwaladr and Hywel Dda) have not had their submitted three year plans covering the period 2015-16 to 2017-18 approved by the Welsh Ministers as at the date of the signing of their accounts and consequently are in breach of their statutory duty to do so.

(a) NHS Trusts

15. NHS trusts were established under section 18 of the National Health Service (Wales) Act 2006. They receive most of their income from the Welsh Government, the local health boards and the Welsh Health Specialised Services Committee (WHSSC) which is hosted by Cwm Taf Health Board.
 16. The summarised account for the NHS trusts in Wales is based on the audited accounts of the three Welsh NHS trusts. All three trusts received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales for 2015-16.
 17. No NHS trust incurred an operating deficit in the 2015-16 financial year.
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18. At the end of March 2016, Welsh Ambulance Services NHS Trust was on enhanced monitoring in accordance with the Welsh Government escalation framework. All other NHS trusts were on routine monitoring arrangements. The trust was placed on enhanced monitoring in June 2014. Further comment on the monitoring and escalation arrangements for NHS trusts is set out in the NHS Summarised Accounts Annual Governance Statement.
19. The AGW has placed narrative reports on the accounts of the NHS trusts to explain their new financial duties under the NHS Finance (Wales) Act 2014, their performance against them and the implications for 2015-16. One NHS trust (Welsh Ambulance Services) has not had their submitted three year plan covering the period 2015-16 to 2017-18 approved by the Welsh Ministers as at the date of the signing of their accounts and consequently are in breach of their administrative duty to do so.

Performance against statutory and administrative financial duties

20. Welsh Health Circular (2015) 014 sets out the position regarding the statutory and administrative financial duties of local health boards and NHS trusts in Wales further to the NHS Finance (Wales) Act 2014, and is effective from 2014-15 financial year.
21. The NHS Finance (Wales) Act 2014 amended the statutory financial duties of Local Health Boards within the National Health Service (Wales) Act 2006 to the following two financial duties:
- S175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years
 - S175 (2A) and the Directions issued by the Welsh Ministers under section 175(2) to prepare a plan which sets out its strategy for securing compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.
22. For local health boards (LHBs), the first statutory financial duty is to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved resource limit, including any other sums received. Under the rolling 3 year duty, the first assessment of the financial duty will take place at the end of 2016-17. Failure to achieve financial balance over the 3 year accounting period will result in the LHB being considered to have breached the first financial duty.
23. The second statutory financial duty was effective from the 2014-15 financial year and is assessed annually. Failure to comply with the planning duty, including not submitting a plan and not having the plan approved by the Minister, is a breach of this second statutory financial duty. The plan is required to be approved prior to the Accountable Officer signing of the financial statements for the first year of each three-year plan. Performance against this second financial duty, including any breach

of this duty, is reported in the Annual Accounts each year, including the Annual Governance Statement.

24. The NHS (Wales) Act 2006, Schedule 4 Paragraph 2, sets down the financial obligations of NHS trusts including in relation to the revenue financial breakeven duty. These are:
- “(1) Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.
- (2) Each NHS trust must achieve such financial objectives as may from time to time be set by the Welsh Ministers with the consent of the Treasury and are applicable to it.
- (3) Any such objectives may be made applicable to NHS trusts generally, or to a particular NHS trust or to NHS trusts of a particular description.”
25. WHC (2015) 014 sets out the duty under Schedule 4 Paragraph 2 (1) will be met if expenditure is covered by income over a rolling 3 year period. Performance against this financial duty including any breach of the duty, will be reported from the 2016-17 Annual Accounts onwards. Failure to achieve financial balance over the 3 year accounting duty will result in the trust being considered to have breached its financial statutory duty.
26. While the National Health Service Finance (Wales) Act 2014 relates to the statutory financial duties of Local Health Boards, the principles behind the Act, of two financial duties, as opposed to one, also applies to NHS trusts. The financial duties of NHS trusts are set out Schedule 4 Paragraph 2 (1) of the National Health Service (Wales) Act 2006 and the requirement to plan is set out in the Standing Orders, Standing Financial Instructions and the Planning Framework issued by the Welsh Ministers. For 2015-16 the planning requirement will be an administrative duty.

(a) Local Health Boards

27. In 2015-16, five of the seven local health boards incurred expenditure within revenue resource allocations, and all local health boards kept expenditure within capital resource allocations. The details of the local health board surpluses and deficits for 2015-16 are set out in Annex 4 to this Foreword.
28. In September 2015, the Welsh Government announced a package of additional funding for the NHS in 2015-16. This comprised an additional £45 million to improve performance, and a further £13.8 million to support the introduction of new treatments for Hepatitis C and atypical Haemolytic Uraemic Syndrome.
29. In February 2016, the Welsh Government announced the investment of £45 million from central reserves to the NHS in 2015-16 to help it respond to winter pressures.

30. In 2015-16, five of the seven local health boards (Abertawe Bro Morgannwg, Aneurin Bevan, Cardiff & Vale, Cwm Taf and Powys) met their statutory duty to have submitted an integrated three year plan which had been approved by the Minister for Health and Social Services.
31. Two health boards (Betsi Cadwaladr and Hywel Dda) were unable to develop three year plans for approval by the Minister, so submitted one year operational plans. Further comment on the progress of local health board integrated three year plans is set out in the NHS Summarised Accounts Annual Governance Statement.

(b) NHS Trusts

32. During 2015-16, all three trusts achieved operating surpluses.
33. The overall retained income and expenditure surplus of the three NHS trusts in Wales for 2015-16 was £0.202 million, with an adjusted income and expenditure surplus of £0.106 million. (For 2014-15 the NHS Wales trusts collectively reported a retained surplus of £0.799 million.) The details of the NHS trusts' surpluses and deficits for 2015-16 are set out in Annex 3 to this Foreword.
34. As part of the additional funding allocated by the Welsh Government for 2015-16, £3.5 million was provided to the Welsh Ambulance Services NHS Trust for improved performance for emergency ambulance services.
35. Two NHS trusts (Public Health Wales and Velindre) met the administrative duty to have submitted an integrated three year plan which had been approved by the Minister for Health and Social Services. The Welsh Ambulance Services NHS Trust submitted a three year plan which was not approved, and therefore did not meet their administrative duty. The NHS trust operated to an annual operational plan for the 2015-16 financial year. Further comment on the progress of NHS trust integrated three year plans is set out in the NHS Summarised Accounts Annual Governance Statement.

External financing limit

36. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to local health boards.
37. In 2015-16, the overall external financing limit for NHS trusts was £7.781 million and each of the trusts in Wales stayed within their individual external financing limits.

Prompt Payment Performance

38. Local health boards and NHS trusts are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay 95% of non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
39. The performance of each local health board and NHS trust in Wales, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent, and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 4 to this Foreword.
40. The number of non NHS invoices paid within 30 days ranged from 85.9% to 99.1% for NHS bodies, with an average for the year of 92.9% for local health boards and 94.5% for NHS trusts (2014-15 89.8% and 93.8%). The comparative 2014-15 figures have been restated to reflect the 2015-16 decision to remove non-NHS bills paid to primary care services and contractor services. Full details are contained within the statutory accounts of the NHS organisations.

Summary of achievement of financial duties

41. A summary of performance for each financial duty by individual organisation is provided as follows:

- Annex 1 NHS Trust Performance against Financial Duties and External Financing Limits.
- Annex 2 Local Health Boards' Performance against Financial Duties
- Annex 3 NHS Trust Financial Performance
- Annex 4 Local Health Board Financial Performance
- Annex 5 NHS Trust and Local Health Board Public Sector Payment Performance.

Statement of Financial Position Issues

Clinical Negligence Provisions

42. At 31 March 2016, known actual and anticipated liabilities for clinical negligence totalled £9.767 million (2014-15 £5.086 million) in NHS trusts and a further £382.785 million (2014-15 £429.536 million) in local health boards. These provisions and creditors are calculated on the basis of claims against the organisation, where it is assessed that there is a probable chance of the claim being settled.
43. Excluded from the provisions calculations included within the summarised accounts is a further estimated £808.530 million (2014-15 £717.072 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities, as the likelihood of settlement is assessed as

possible, rather than probable.

Welsh Risk Pool (WRP)

44. The Welsh Risk Pool (the Pool) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The Pool is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.
45. The Pool is managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre NHS Trust. The reimbursement of claims by the Pool continues to be managed by the Welsh Risk Pool Committee comprising representatives from NHS trusts, local health boards and the Welsh Government.
46. Velindre NHS Trust's liability is limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the Pool for claims less than £25,000 and with the members of the pool for claims settlements exceeding the funding to the Pool by NHS Wales. The NHS trust summarised account includes the WRP activities in the Velindre NHS Trust activities (amended for NHS Trust interparty trading elimination), as part of the hosted NWSSP. The structured settlement liabilities are accounted for in the Welsh Government's Resource Accounts provision for the Welsh Risk Pool at 31 March 2016 of £681.300 million (2014-15 £674.117 million).
47. During the year, the Pool made payments of £44.173 million (2014-15: £61.807 million) in relation to claims. Of this £41.020 million related to clinical negligence claims and £2.655 million related to personal injury claims (2014-15 £58.182 million and £3.434 million respectively).

Sustainability Reporting

48. The HMT Government Financial Reporting Manual (FReM) requires that entities falling within the scope of reporting under the Greening Government commitments and which are not exempted by de-minimis limit or other exemption under Greening Government (or other successor policy), shall produce a sustainability report in accordance with HM Treasury issued Sustainability Reporting in the Public Sector guidance.
49. This requirement is not applicable to Wales as a Devolved Government, however Wales is unique in the UK in having sustainable development as its central organising principle. Sustainability reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting. For 2015-16 public bodies in Wales that report under the FReM and meet the FReM de-minimis are required to produce a FReM sustainability report. This applies to the NHS organisations in Wales.

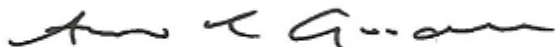
50. Full sustainability reports prepared in accordance with the NHS Wales Manual for Accounts guidance are to be contained within the Annual Reports of the local health boards and trusts (due for publication no later than 30 September 2016), these include details of significant achievements and key actions taken during 2015-16.

Annual Quality Statement

51. In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS organisations to publish an Annual Quality Statement as part of the NHS organisations' annual reports.
52. The Annual Quality Statement will bring together each year, a summary highlighting how the organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.
53. In 2015-16 the Annual Quality Statement for individual health boards and NHS trusts should be published no later than 30 September 2016.

Events after the Reporting Period

54. There have been no significant events after the reporting period.



Dr Andrew Goodall
Director General, Health
Chief Executive NHS Wales
Health and Social Services Group
4 July 2016

NHS Trust Performance against Financial Duties and External Financing Limits

The Financial Duties of NHS Trusts

WHC (2015) 014 replaced WHC (2007) 049 - Statutory Financial Duties of NHS Trusts and Local Health Boards.

It clarified the position regarding the Statutory and Administrative Financial Duties of NHS bodies in Wales. The Welsh Health Circular provides guidance for the revised financial duties which came into effect on 1 April 2014.

The Welsh Health Circular resets NHS Trusts' break even duty from an annual to a 3 year duty. The circular confirms the introduction of a second NHS Trust administrative financial duty in relation to planning.

First Financial Duty

First Financial Duty – breakeven duty, to ensure that its revenue is not less than sufficient to meet outgoings properly chargeable to the revenue account in respect of each rolling three-year accounting period. This is a statutory duty in accordance with the NHS (Wales) Act 2006 Schedule 4 paragraph 2.

The first financial duty will be measured, reported, assessed, and audited through the NHS Trust Annual Accounts from 2016/17 onwards. For 2014/15 and 2015/16 break-even performance will be reported, noting in the accounts whether expenditure has exceeded income. Break-even is based on the NHS Trusts' adjusted surplus/(deficit) position.

From 2016-17 onwards, the statutory financial duty test will apply and will be subject to audit.

Second Financial Duty

Second Financial Duty - to prepare a three year Integrated Medium Term Plan in accordance with the NHS Planning Framework and for that plan to be submitted to and approved by the Welsh Ministers. From 1 April 2014 this is an administrative requirement for the NHS Trusts.

External Financing Limit

NHS Trusts are set an external financing limit by Welsh Government which it is permitted to undershoot, this is an administrative requirement.

	Second Financial Duty Integrated Medium Term Plan 2015-16	Administrative Requirement External Finance Limit 2015-16
Public Health Wales Trust	✓	✓
Velindre NHS Trust	✓	✓
Welsh Ambulance Services NHS Trust	✗	✓

Local Health Board Performance against Financial Duties

The Financial Duties of Local Health Boards

WHC (2015) 014 replaced WHC (2007) 049 - Statutory Financial Duties of NHS Trusts and Local Health Boards.

It clarified the position regarding the Statutory and Administrative Financial Duties of NHS bodies in Wales. The Welsh Health Circular provides guidance for the revised financial duties which came into effect on 1 April 2014.

The National Health Service Finance (Wales) Act 2014 amended the National Health Service (Wales) Act 2006 with the effect of changing the statutory financial duties of Local Health Boards from a single financial duty, to manage to secure that its expenditure does not exceed its funding over an annual period, to the following two financial duties:

First Financial Duty

A duty under section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years. This is referred to as the "First Financial Duty".

The first financial duty will be measured, reported, assessed, and audited through the LHBs Annual Accounts from 2016/17 onwards. For 2014/15 and 2015/16 performance will be reported against the resource allocations made, noting in the accounts whether expenditure has exceeded the resources allocated.

From 2016-17 onwards, the statutory financial duty test will apply and will be subject to audit.

Second Financial Duty - Integrated Medium Term Plans

A duty under section 175 (2A) and the Directions issued by the Welsh Ministers under section 175(2) to prepare, submit to and have approved by the Welsh Ministers a plan which sets out its strategy for securing compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people. This is referred to as the "Second Financial Duty". This "Second Financial Duty" is subject to Directions being issued by the Welsh Ministers and is applicable to Local Health Boards from 1 April 2014.

Second Financial Duty

Integrated Medium Term Plan 2015-16

Abertawe Bro Morgannwg University Local Health Board	✓
Aneurin Bevan University Local Health Board	✓
Betsi Cadwaladr University Local Health Board	✗
Cardiff and Vale University Local Health Board	✓
Cwm Taf University Local Health Board	✓
Hywel Dda University Local Health Board	✗
Powys teaching Local Health Board	✓

NHS Trust Financial Performance

	Retained Surplus	Adjusted surplus	Break-even performance
	2015-16	2015-16	2015-16
	£000	£000	
Public Health Wales Trust	17	17	✓
Velindre NHS Trust	136	40	✓
Welsh Ambulance Services NHS Trust	49	49	✓
All NHS trusts	202	106	

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

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

Local Health Board Financial Performance

	Underspend / (overspend) against resource allocation	Underspend / (overspend) against capital allocation
	2015-16 £000	2015-16 £000
Abertawe Bro Morgannwg University Local Health Board	86	37
Aneurin Bevan University Local Health Board	214	89
Betsi Cadwaladr University Local Health Board	(19,525)	3
Cardiff and Vale University Local Health Board	68	60
Cwm Taf University Local Health Board	22	8
Hywel Dda University Local Health Board	(31,199)	28
Powys Teaching Local Health Board	40	2
All local health boards	(50,294)	227
Number of local health boards operating within resource allocation	5	7
Percentage of local health boards operating within resource allocation	71%	100%

Local Health Board Public Sector Payment Policy Performance

	Non NHS Value of bills 2015-16 %	Non NHS Number of bills 2015-16 %	Non NHS Value of bills 2014-15 % Restated	Non NHS Number of bills 2014-15 % Restated
Abertawe Bro Morgannwg University Local Health Board	94.4	95.3	91.5	91.3
Aneurin Bevan University Local Health Board	96.5	95.6	95.2	91.0
Betsi Cadwaladr University Local Health Board	94.0	93.3	92.1	89.9
Cardiff and Vale University Local Health Board	90.5	93.0	90.5	88.5
Cwm Taf University Local Health Board	92.9	91.9	91.5	88.9
Hywel Dda University Local Health Board	94.1	85.9	92.8	89.3
Powys Teaching Local Health Board	85.5	90.5	74.2	84.2
All local health boards	93.5	92.9	91.7	89.8

NHS Trust Public Sector Payment Policy Performance

	Non NHS Value of bills 2015-16 %	Non NHS Number of bills 2015-16 %	Non NHS Value of bills 2014-15 % Restated	Non NHS Number of bills 2014-15 % Restated
Public Health Wales Trust	94.4	95.4	90.9	92.0
Velindre NHS Trust	94.2	91.7	92.6	93.2
Welsh Ambulance Services NHS Trust	99.2	99.1	96.6	96.0
All NHS trusts	95.3	94.5	93.0	93.8

NHS WALES SUMMARISED ACCOUNTS OF THE LOCAL HEALTH BOARDS AND NHS TRUSTS

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

1. As Additional Accounting Officer for the Health and Social Services Group (HSSG), I am responsible for maintaining a governance framework to support the efficient and effective production and audit of the two NHS Wales Summarised Accounts, comprising the Summarised Accounts of the Local Health Boards (LHBs) and NHS trusts in Wales (the Summarised Accounts).
2. This Statement is prepared in accordance with the Accounts Directions issued by HM Treasury for the Summarised Accounts. The Accounts Directions both require an Annual Governance Statement to be prepared, including information about the arrangements in place to assure the quality of the financial and other information included in the Summarised Accounts. As the governance framework for both of the Summarised Accounts is exercised in practice as a single process, and the Summarised Accounts are published for users as a single document, the requirement to prepare an Annual Governance Statement for both the LHBs and NHS trust Summarised Accounts is discharged by the preparation of this single Statement.
3. The Summarised Accounts' governance framework is designed to minimise the risks to the process of preparing and publishing the accounts. The accounts of the individual NHS entities included in the summarisation are each subject to their own governance frameworks, details of which can be found in the Annual Governance Statements contained within the underlying statutory accounts of the three NHS trusts and the seven LHBs.
4. The framework is intended to manage risk to a reasonable level, rather than to eliminate all risk of failure to the summarisation preparation process. It provides a high level, but not absolute assurance of effectiveness. The governance framework is based on an ongoing process that is designed to identify and prioritise the risks, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.
5. Preparation and publication of the Summarised Accounts is managed within the HSSG risk management framework, which in turn is part of the Welsh Government risk and control framework. Further details are set out in the Annual Governance Statement for the Welsh Government Consolidated Resource Account, which is laid separately before the National Assembly for Wales. The Director of Finance, HSSG, is responsible on a day-to day basis for managing risk and ensuring that the activities necessary for the production of the accounts are properly planned, resourced and performed.

6. In producing the Summarised Accounts, I must rely on each Accountable Officer of the LHBs and NHS trusts to manage their own risks. The Accountable Officers are required to ensure that the accounts of their respective organisations are properly presented and fully supported by sound financial procedures and records, in accordance with the Accounts Directions issued to them by the Welsh Ministers.
7. The key risks that I have identified in the preparation of the Summarised Accounts from the underlying accounts submitted by the LHBs and the NHS trusts which may have a significant impact on the Summarised Accounts preparation process include:
 - Inaccuracies in individual NHS entity accounts, which cumulatively result in materially mis-stated balances in the Summarised Accounts;
 - Failures to provide data;
 - Delays in submission of NHS entity accounts; and
 - Mis-matching and / or non-elimination of intra-NHS entity transaction streams and balances, resulting in materially mis-stated figures;
8. The Summarised Account governance framework has been in place for the year ended 31 March 2016 and up to the date of approval of the accounts and accords with Treasury guidance, including the relevant aspects of the *Corporate Governance in Central Government; Code of Good Practice* to the extent that this is deemed relevant and practical.

The Summarised Accounts governance framework

9. Matters relating to the governance of the preparation and audit of the Summarised Accounts are considered by the HSSG Audit and Risk Assurance Committee. The HSSG Audit and Risk Assurance Committee replaced the former HSSG Corporate Governance Committee in January 2016. Corporate Governance Committee meetings were held on a quarterly basis up to its final meeting on 12th October 2015, and this has continued with the Audit and Risk Assurance Committee which held its first meeting on 21st January 2016.
10. During 2015-16, the Corporate Governance Committee considered the following matters relating to the Summarised Accounts:
 - 2014-15 Financial Statements Report by Wales Audit Office
 - HSSG Risk Register.

Since January 2016, the Audit and Risk Assurance Committee has considered the following matters relating to the Summarised Accounts:

- 2014-15 Wales Audit Office Management Letter
 - 2015-16 NHS Summarised Accounts Audit Plan
 - HSSG Risk Register
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11. The work of the Committee provides me with support and assurance on the adequacy of governance arrangements for the Summarised Accounts. I am satisfied that the Committee operates in an effective manner and provides good support in the monitoring of risk, control and governance processes as it affects the Summarised Accounts.
 12. To manage the key risks to the summarisation and accounts preparation process, HSSG Finance Directorate maintains a Risk Register to assist in identifying and implementing mitigating actions. The Directorate Risk Register is updated and reviewed periodically. In 2015-16 no risks in relation to the preparation of the Summarised Account met the threshold for escalation to the HSSG Corporate Governance Committee or Audit and Risk Assurance Committee.
 13. The main risks specific to the preparation of the Summarised Accounts managed in year were:
 - Insufficient availability of appropriately skilled HSSG Finance staff to prepare the accounts;
 - Timetables not being agreed with the LHBs, NHS trusts, Wales Audit Office and Welsh Government Finance Department to ensure that the Summarised Accounts process is integrated with the Welsh Government Consolidated Resource Account timetable;
 - Late submission of quality assured LHB and NHS trust accounts properly presented and the lack of appropriate working papers;
 - Technical queries relating to the underlying accounts and the Summarised Account not being resolved in a timely manner between HSSG Finance, NHS organisations and WAO;
 - Delayed issue of both draft and final NHS Manual for Accounts and accounts templates; and
 - Insufficient level of management review and scrutiny of the draft Summarised Accounts, including the relevant accounting and disclosure requirements, consolidation journals and supporting evidence, before they were submitted for audit.
 14. The Summarised Accounts have been prepared in accordance with the 2015-16 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or before 1 January 2015, and with the LHBs / NHS trust Manual For Accounts 2015-16.
 15. The LHB / NHS trust Manual for Accounts issued by the Welsh Government complements the FReM by providing additional advice and guidance on interpretations specific to the NHS in Wales. The Manual for Accounts provides sector specific guidance on how to complete the annual accounts proformas, as well as supporting Financial Returns and Memorandum Statements of debtor and creditor balances and income and expenditure transactions. Compliance with the Manual for Accounts therefore is critical to ensuring the accurate and appropriate completion of the accounts returns required for the preparation of the Summarised Accounts.
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Role of Internal Audit

16. The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector Internal Audit Standards. They undertake a full programme of work based on an analysis of the major risks facing each Department. The process of the preparation of the Summarised Accounts has not been included in the Internal Audit programme for HSSG in the current financial year.

Role of External Audit

17. The accounts of the individual NHS organisations are provided to HSSG Finance by the Auditor General for Wales, together with his audit opinion on the accounts of each body. This provides an independent assurance to Welsh Government that the data to be used to prepare the Summarised Accounts is authentic and agrees with the underlying source data from the audited LHB and NHS trust statutory accounts. The opinion on the financial statements discloses whether they give a true and fair view of the state of affairs of LHBs / NHS trusts for the financial year ending 31 March 2016 and whether they have been prepared in accordance with paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury. The opinion on regularity states whether the expenditure and income have been applied to the purposes intended by the National Assembly and the financial transactions conform to the authorities which govern them.
18. The Summarised Accounts are subject to audit by the Auditor General for Wales, who issues an audit certificate and report to the National Assembly for Wales on the Summarised Accounts under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. On completion of the audit annually a Financial Statements Report is prepared by the Wales Audit Office and reported to the Audit and Risk Assurance Committee (Corporate Governance Committee prior to January 2016) noting any areas of concern or action required for the following year. HSSG Finance consider the issues noted in the Financial Statements Report and undertake actions accordingly to address issues raised.
19. Additionally, the Auditor General for Wales prepares a NHS Financial Statements Audits summary report for the HSSG Finance Division on the preparation and audit of the NHS financial statements and makes recommendations to improve the quality and efficiency of future years accounts preparation. HSSG receive, respond to and implement the recommendations contained in these reports annually, which serve to enhance the overall quality of preparation of the underlying NHS accounts.

Information Governance

20. In preparing the Summarised Accounts, HSSG Finance does not collect any personal data from NHS organisations. Summarised accounts information collected from NHS organisations is held within the Welsh Government records management systems.

21. Five LHBs and one NHS Trust have reported data security lapses which were reported to the Information Commissioner during 2015-16. In all cases, appropriate subsequent action has been taken to ensure that the risks to data security are mitigated. Details of the data lapses and actions taken can be found in the Annual Governance Statements of Aneurin Bevan, Abertawe Bro Morgannwg, Cwm Taf, Hywel Dda and Powys Local Health Boards and Velindre NHS Trust.

Significant governance issues in the underlying accounts

22. At the end of each financial year, the Accountable Officer in each LHB and NHS trust is required to prepare an audited Governance Statement. Each Statement sets out how successfully the organisation has coped with the challenges it faced. These Governance Statements provide evidence on the governance, risk management and control in order to provide a coherent and consistent reporting mechanism, including identification of significant control and governance issues. The full details can be found in the annual accounts of each local health board and NHS trust in Wales, which are laid separately before the National Assembly for Wales.
23. I have considered the Governance Statements, the associated audit reports on the statutory accounts of the NHS organisations in Wales and other information available to me from internal and external sources for example monthly monitoring returns and regular meetings with LHB and NHS trust Executive teams, and have identified the following as significant governance issues in the underlying accounts.

Significant internal control or governance issues

- All LHBs and NHS trusts have declared their assessment within their respective Annual Governance Statements that generally sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2015-16. However in the Accountable Officers' assessments of effectiveness, areas of weakness or improvements required are noted and full details are contained in each individual body's own statements.
- Five of the seven LHBs have concluded that there are no significant internal control or governance issues. The two exceptions are as follows:

Betsi Cadwaladr University Health Board

- Betsi Cadwaladr University Health Board has concluded that, whilst there has been evidence of progress in improving internal control and governance during 2015-16, there remain a number of significant issues which have been identified and account for the Board entering into, and remaining in, special measures during the year.
- The areas requiring tangible improvements, and which are therefore the focus of the Special Measures Improvement Framework that was issued to the Board by

the Deputy Minister for Health in January 2016, cover the following areas:

- Leadership
 - Governance
 - Strategic and service planning
 - Engagement
 - Mental health
 - Maternity services; and
 - Primary care
-
- In October 2015, the Deputy Minister for Health announced that the health board will remain in special measures until October 2017 with progress and milestones against the Framework to be reviewed every six months.

Powys Local Health Board

- Powys Local Health Board has highlighted weaknesses in their control arrangements and non-compliance with Standing Financial Instructions. The matters which related to capital and estates expenditure underlined weaknesses in control related to:
 - capital and estates tendering and contracting procedures;
 - financial controls and monitoring;
 - procurement; and
 - corporate governance processes, such as compliance with Standing Financial Instructions and arrangements for the declaration of interests.
- The weaknesses identified have been fully investigated and audited, and appropriate steps have been taken to address these weaknesses.
- Further details on these issues and other matters identified as significant internal control or governance issues can be found in the Governance Statement of the health boards.
- All three NHS trusts have reported a conclusion of no significant governance issues within their Annual Governance Statements.

Local health boards and NHS trust subject to escalation actions

- In addition to the placing of Betsi Cadwaladr University Health Board in special measures in June 2015, in accordance with the Welsh Government NHS Escalation and Intervention Arrangements, a number of other NHS Wales organisations have been on escalated monitoring arrangements in the 2015-16 financial year, details of which are set out below.
 - Abertawe Bro Morgannwg University Health Board was placed on enhanced monitoring following the escalation meeting that took place in June 2014. Following the Trusted to Care report, it was felt that Welsh Government should

continue to work closely with the health board to be satisfied that the health board were addressing the issues raised and developing action plans. It was also noted that the health board had a number of performance challenges.

- Cardiff and Vale University Health Board was placed on enhanced monitoring following the escalation meeting that took place in February 2015 as a consequence of a number of challenges the health board was experiencing, including
 - a significant concern around the board's ability to deliver against the full range of commitments it made in gaining approval for the 3 year IMTP in 2014/15;
 - patient safety concerns in unscheduled care, which need to be tackled with urgency and a clear sense of pace.
- Hywel Dda University Health Board was placed on enhanced monitoring following the escalation meeting that took place in February 2015 due to areas of significant concern.
 - The organisation's ability to agree and deliver its commitments against an agreed three year IMTP that ensured safe and sustainable services that meet the needs of the local population, was a particular cause for concern.
 - Issues arising from a recent cancer peer review, and
 - a national peer review of paediatric diabetology had identified a number of concerns at the health board.
- The Welsh Ambulance Services NHS Trust was placed on enhanced monitoring following the escalation meeting that took place in June 2014, due to continuing concerns around performance, including Category A response times and handover delays at hospital, and the potential impact this could have on patients.

Assurances and compliance

- All LHBs and NHS trusts have stated that they are compliant with the Corporate Governance Code to the extent it relates to NHS public sector organisations in Wales, and that they are satisfied they are complying with the main principles of the Code with no material exceptions.
 - The NHS Head of Internal Audit provides an annual overall opinion to the Board of each NHS organisation on governance, risk management and control. The role of NHS Internal Audit is to provide an independent and objective opinion on the system of control. The work of NHS Internal Audit is undertaken in accordance with public sector internal audit standards, the scope of the work is agreed with the Audit Committee of each organisation and is focussed on significant risk areas and local improvement priorities.
 - The annual assurance opinions for the Head of Internal Audit assessment on the overall adequacy of each organisation's governance, risk management and control processes are provided within a range from 'No Assurance' to 'Substantial
-

Assurance'. No LHBs or NHS trusts received a 'No Assurance' overall opinion for 2015-16. Three LHBs (Abertawe Bro Morgannwg, Betsi Cadwaladr and Powys Local Health Boards) received a "Limited Assurance" overall opinion from the Head of Internal Audit. The Head of Internal Audit's opinion, details of the basis of that opinion, audit assignments with 'Limited' or 'No Assurance' opinions, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS organisations.

- No LHBs or NHS trusts have received a qualified audit opinion for 2015-16 in respect of the 'true and fair' or regularity opinion of the Auditor General for Wales. All LHBs and NHS trusts have had a narrative report placed on their accounts by the Auditor General for Wales to explain the new financial duties introduced by the NHS Finance (Wales) Act 2014 and Welsh Health Circular (2015) 014, and the organisations' performance against those duties.
- The narrative reports of two of the seven LHBs in Wales (Betsi Cadwaladr and Hywel Dda) note that they did not operate within their Revenue Resource allocation.
- All three NHS trusts in Wales reported surpluses in the 2015-16 financial year.
- The NHS Finance (Wales) Act 2014 and associated NHS Wales Planning Framework signalled a new medium-term approach to planning, requiring health boards and NHS trusts to set out how resources will be used over a three year period to:
 - address areas of population health need and improve health outcomes,
 - improve the quality of care, and
 - ensure best value from resources.
- For the 2015-16 financial year, two LHBs (Betsi Cadwaladr and Hywel Dda University Health Boards) and Welsh Ambulance Services NHS trust did not meet their statutory duty to have an approved integrated medium term plan in place, and operated an annual plan for the financial year. The other five LHBs (Abertawe Bro Morgannwg, Aneurin Bevan, Cardiff & Vale, Cwm Taf and Powys) met their statutory duty to have an approved integrated medium term plan in place. Two NHS trusts (Public Health Wales and Velindre) met their administrative duty to have an approved integrated medium term plan in place.
- In relation to the requirement to submit integrated medium term plans for the period 2016-17 to 2018-19, the plans for three health boards (Aneurin Bevan University, Cwm Taf University and Powys Teaching Health Boards) and all three NHS Trusts received Ministerial approval on 29th June 2016. All these organisations had satisfied the requirements of the NHS Planning Framework.

- The medium term plans submitted by Hywel Dda and Abertawe Bro Morgannwg University Health Boards have not received Ministerial approval in 2016-17. Hywel Dda University Health Board did not have an approved plan in 2015-16, and, despite the progress they have made under the new leadership during 2015-16, they are not yet in a position to deliver a balanced plan over three years from 2016-17 to 2018-19. Abertawe Bro Morgannwg University Health Board did have an approved plan in 2015-16, but were only able to keep within their 2015-16 revenue resource limit with additional financial support from Welsh Government. The Health Board's draft plan for 2016-17 to 2017-18 included a planned deficit of £20.1 million in 2016-17, and was therefore not approved. These two boards are required to produce an annual operating plan for 2016-17.
- Under the special measures arrangements in place, Betsi Cadwaladr University Health Board, is not required to produce a three year plan for 2016-17 to 2018-19, and instead will produce an annual operating plan for 2016-17.
- Cardiff and Vale University Health Board have been given a short extension to address issues relating to their medium term plan for 2016-17 to 2018-19. The Board are due to respond by the 8th July, after which a decision on Ministerial approval of their plan will be taken.

Disclosure of information to auditors

24. As the Additional Accounting Officer, I confirm that there is no relevant audit information of which the Auditor General for Wales is unaware. I have taken all the necessary steps to make myself aware of any relevant audit information to the National Health Service (Wales) Act 2006 and to establish that the external auditor is aware of that information.

Review of effectiveness

25. As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the HSSG Audit and Risk Assurance Committee (Corporate Governance Committee prior to January 2016) and comments made by the external auditors in their management letter and other reports.

26. I am satisfied that the risks in relation to the preparation of the Summarised Account are generally well managed and that the internal controls provide an appropriate framework to assure the process of consolidation.
27. As Chief Executive NHS Wales I will be working closely with the LHBs and NHS trusts to address the significant governance issues identified, in particular to ensure that learning is shared across NHS Wales organisations. I will work with the NHS Wales organisations on the successful implementation of three year integrated plans, and support the development of integrated plans for those who have yet to submit approvable sustainable three year plans. Through the NHS Escalation and Intervention arrangements, I will continue to work with the Auditor General for Wales and Healthcare Inspectorate Wales to share information and respond when issues of concern become apparent in NHS bodies in Wales.



Dr Andrew Goodall
Director General, Health and Social Services Group,
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in
Wales
4 July 2016

Local Health Boards in Wales

Statement of the Welsh Government and Accounting Officer's responsibilities

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

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

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

In preparing the accounts Welsh Ministers are required to:

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

Audit report of the Auditor General to the National Assembly

Local Health Board Summarised Accounts

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 the Summarised Accounts of the Local Health Boards in Wales for the year ended 31 March 2016 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

Respective responsibilities of the Additional Accounting Officer and Auditor

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out on page 2, the Chief Executive of NHS Wales, as Additional Accounting Officer, is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006, and directions made by HM Treasury there under, and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to LHBs' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the LHB Directors and Chief Executives; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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 read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards in Wales as at 31 March 2016 and of their net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Opinion on Regularity

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

Opinion on other matters

In my opinion:

- the information contained in the Foreword is consistent with the financial statements.

Matters on which I report by exception

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

- the Annual Governance Statement does not reflect compliance with HM Treasury's guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Report

Please see my report on pages 5 to 7.

Huw Vaughan Thomas
Auditor General for Wales
5 July 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

On 1 April 2014 the NHS Finance (Wales) Act 2014 amended the NHS (Wales) Act 2006 and required LHBs to meet two new statutory financial duties.

The first financial duty gives additional resource flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period, replacing the duty to balance their books over a one year period. The first three year period under this duty is 2014-15 to 2016-17, so LHBs' performance against this duty will not be measured until 2016-17.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the spending limit set for those three years, is 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend. For the 2015-16 financial year, any excess spend against annual financial allocations is not irregular spend and so does not affect my regularity opinion.

The second financial duty is a new duty requiring LHBs to prepare and have approved by the Welsh Ministers a rolling three year integrated medium term plan (IMTP). This duty is an essential foundation to the delivery of sustainable quality health services and delivery of the first financial duty. An LHB will be deemed to have met this duty for 2015-16 if it submitted a Board approved 2015-16 to 2017-18 plan to the Welsh Ministers, who then approved it by the date the Accountable Officer signed the 2015-16 Financial Statements.

Further to the above, the NHS Planning Framework 2016/17 set out the Welsh Government's expectations that each LHB should obtain Ministerial approval for its three-year plan 2016-17 to 2018-19 by 30 June 2016.

I placed unqualified audit opinions on the 2015-16 financial statements of each of the seven Local Health Boards. For each of the financial statements I placed a narrative report alongside my audit certificate setting out the LHB's performance against the two financial duties, and the position with regard to the LHB's 2016-17 to 2018-19 plan. I have summarised those reports below, together with an update on the Ministerial approvals granted or withheld on 29 June 2016.

Abertawe Bro Morgannwg University Health Board

The LHB operated within its annual revenue and capital resource allocations. The LHB also met its second financial duty to have an approved IMTP in place for 2015-16 to 2017-18, which received confirmation of Ministerial approval on 6 August 2015.

The LHB has submitted an IMTP for 2016-17 to 2018-19 but has not yet received confirmation of Ministerial approval. The IMTP identifies a potential financial deficit of £20.1 million in 2016-17. The LHB is now required to finalise an Annual Operating Plan for 2016-17.

Aneurin Bevan University Health Board

The LHB operated within its annual revenue and capital resource allocations. The LHB also met its second financial duty to have an approved IMTP in place for 2015-16 to 2017-18, which received confirmation of Ministerial approval on 2 June 2015.

The LHB has submitted to the Welsh Government an IMTP for 2016-17 to 2018-19, which received Ministerial approval on 29 June 2016. This IMTP identifies a potential financial deficit of £12.8 million in 2016-17.

Betsi Cadwaladr University Health Board

The LHB was placed in special measures by the Minister in June 2015.

The LHB operated within its capital resource allocation, but did not operate within its annual revenue resource allocation with an overspend of £19.5 million. This overspend did not include any repayment of the £26.6 million deficit incurred by the LHB in 2014-15, the treatment of which is yet to be confirmed by the Welsh Government.

The LHB also did not meet its second financial duty to have an approved IMTP in place 2015-16 to 2017-18. The LHB has also been unable to develop a three-year plan since the NHS Finance (Wales) Act 2014 came into effect on 1 April 2014. Instead, the LHB has been operating under a series of Annual Operating Plans, setting out its priorities for the financial year. As a result the LHB has breached this statutory duty.

As the LHB is placed in Special Measures, the Welsh Government did not expect it to submit a three-year plan for 2016-19. Instead, the LHB commenced work to develop an annual Operational Plan for 2016-17. Pending completion of the Operational Plan for 2016-17, the LHB's Interim Annual Financial Plan for 2016-17 has identified a forecast revenue deficit of £30 million.

Cardiff and Vale University Health Board

The LHB operated within its annual revenue and capital resource allocations. The LHB also met its second financial duty to have an approved IMTP in place for 2015-16 to 2017-18, which received confirmation of Ministerial approval on 6 August 2015.

The LHB is developing its IMTP for 2016-17 to 2018-19. If the LHB is to achieve its first financial duty to balance its books over a rolling three-year period, the LHB will need to report a balanced position for 2016-17 that includes recovery of the excess spend incurred in 2014-15 of £21.364 million.

Cwm Taf University Health Board

The LHB operated within its annual revenue and capital resource allocations, and brokered £4.1 million of its revenue allocation back to the Welsh Government. The LHB also met its second financial duty to have an approved IMTP in place for 2015-16 to 2017-18, which received confirmation of Ministerial approval on 2 June 2015.

The LHB has submitted an IMTP for 2016-17 to 2018-19 which received Ministerial approval 29 June 2016. The IMTP identifies the need to make financial savings of £37.7 million over the period, £14.4 million of which will need to be found in 2016-17.

Hywel Dda University Health Board

The LHB operated within its capital resource allocation but it did not operate within its annual revenue resource allocation with an overspend of £31.2 million. This overspend did not include any repayment of the £7.5 million deficit incurred by the LHB in 2014-15.

The Welsh Government did not approve the LHB's IMTP for 2015-16 to 2017-18 because the Minister did not consider it to be sufficiently robust. In the absence of an approved IMTP, on the advice of the Welsh Government the LHB worked to a Board-approved one-year Operational Plan.

A draft IMTP for 2016-17 to 2018-19, approved by the Health Board, was submitted to the Welsh Government in January 2016. The IMTP was subsequently strengthened in consultation with the Welsh Government and a revised plan was submitted by the deadline of 31 March 2016. This revised IMTP has not been approved by the Board, but noted as interim and has not received Ministerial approval.

The LHB's proposed IMTP for 2016-17 to 2018-19 has a shortfall of £59.8 million between its revenue allocation and its planned net expenditure. This shortfall excludes the repayment of the excess spend of £38.7 million across the 2014-15 and 2015-16 financial years.

Powys Teaching Local Health Board

The LHB operated within its annual revenue and capital resource allocations. The LHB also met its second financial duty to have an approved IMTP in place for 2015-16 to 2017-18, which received confirmation of Ministerial approval on 2 June 2015.

The LHB has submitted an IMTP for 2016-17 to 2018-19 which received Ministerial approval on 29 June 2016. The IMTP presents a balanced financial position for 2016-17 to 2018-19 but includes savings of £10.149 million over the period, £4.615 million of which are required in 2016-17.

Looking forward

Later this year I intend to publish a value for money study on the implementation by the Welsh Government and NHS Wales of the NHS Finance (Wales) Act 2014.

Huw Vaughan Thomas
Auditor General for Wales
5 July 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

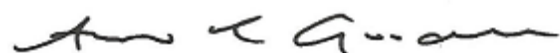
	Note	2015-16 £'000	2014-15 £'000
Expenditure on Primary Healthcare Services	2.1	1,401,178	1,373,604
Expenditure on healthcare from other providers	2.2	966,708	932,765
Expenditure on Hospital and Community Health Services	2.3	3,961,900	3,810,637
		6,329,786	6,117,006
Less: Miscellaneous Income	3	(384,318)	(401,067)
LHB net operating costs before interest and other gains and losses		5,945,468	5,715,939
Less :Investment Income	7	(23)	(25)
Other (Gains) / Losses	8	(163)	(676)
Finance costs	9	6,543	6,814
Net operating costs for the financial year		5,951,825	5,722,052
		2015-16 £'000	2014-15 £'000
Other Comprehensive Net Expenditure			
Net gain / (loss) on revaluation of property, plant and equipment		65,278	47,434
Net gain / (loss) on revaluation of intangibles		3	-
Net gain / (loss) on revaluation of available for sale financial assets		706	(234)
Other comprehensive net expenditure for the year		65,987	47,200
Total comprehensive net expenditure for the year		5,885,838	5,674,852

The notes on pages 13 to 51 form part of these accounts

Statement of Financial Position as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Property, plant and equipment	10.1	2,849,991	2,725,136
Intangible assets	11	8,946	8,998
Trade and other receivables	14	191,901	246,822
Other financial assets	21	755	785
Total non-current assets		3,051,593	2,981,741
Current assets			
Inventories	13	60,063	58,830
Trade and other receivables	14	349,391	317,724
Other financial assets	21	354	348
Cash and cash equivalents	20	13,122	11,462
		422,930	388,364
Non-current assets classified as "Held for Sale"	10.2	3,148	2,455
Total current assets		426,078	390,819
Total assets		3,477,671	3,372,560
Current liabilities			
Trade and other payables	15	713,336	611,126
Provisions	16	235,696	240,141
Total current liabilities		949,032	851,267
Net current assets/ (liabilities)		(522,954)	(460,448)
Non-current liabilities			
Trade and other payables	15	70,676	74,856
Provisions	16	222,880	276,108
Total non-current liabilities		293,556	350,964
Total assets employed		2,235,083	2,170,329
Financed by :			
Taxpayers' equity			
General Fund		1,851,509	1,843,230
Revaluation reserve		383,574	327,099
Total taxpayers' equity		2,235,083	2,170,329

The notes on pages 13 to 51 form part of these accounts



Dr Andrew Goodall, Director General, Health, Chief Executive NHS Wales, Health and Social Services Group
4 July 2016

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2016

	General Fund £'000	Revaluation reserve £'000	Total reserves £'000
Changes in taxpayers' equity for 2015-16			
Balance at 1 April 2015	1,843,230	327,099	2,170,329
Net operating cost for the year	(5,951,825)	-	(5,951,825)
Net gain/(loss) on revaluation of property, plant and equipment	-	65,278	65,278
Net gain/(loss) on revaluation of intangible assets	-	3	3
Net gain/(loss) on revaluation of assets held for sale	-	706	706
Transfers between reserves	9,512	(9,512)	-
Total recognised income and expense for 2015-16	(5,942,313)	56,475	(5,885,838)
Net Welsh Government funding	5,950,592	-	5,950,592
Balance at 31 March 2016	1,851,509	383,574	2,235,083

The notes on pages 13 to 51 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2015

	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2014-15			
Balance at 1 April 2014	1,686,878	333,339	2,020,217
Net operating cost for the year	(5,722,052)	-	(5,722,052)
Net gain/(loss) on revaluation of property, plant and equipment	-	47,434	47,434
Net gain/(loss) on revaluation of assets held for sale	-	(234)	(234)
Transfers between reserves	53,440	(53,440)	-
Total recognised income and expense for 2014-15	(5,668,612)	(6,240)	(5,674,852)
Net Welsh Government funding	5,824,964	-	5,824,964
Balance at 31 March 2015	1,843,230	327,099	2,170,329

The notes on pages 13 to 51 form part of these accounts

Statement of Cash flows for year ended 31 March 2016

	2015-16	2014-15
	£'000	£'000
Cash Flows from operating activities		
Net operating costs for the financial year	(5,951,825)	(5,722,052)
Movements in Working Capital	28 141,263	(34,269)
Other cash flow adjustments	29 122,972	282,040
Provisions utilised	16 (75,466)	(98,296)
Net cash outflow from operating activities	<u>(5,763,056)</u>	<u>(5,572,577)</u>
Cash Flows from investing activities		
Purchase of property, plant and equipment	(185,240)	(248,127)
Proceeds from disposal of property, plant and equipment	1,434	6,288
Purchase of intangible assets	(2,070)	(4,165)
Net cash outflow from investing activities	<u>(185,876)</u>	<u>(246,004)</u>
Net cash outflow before financing	<u>(5,948,932)</u>	<u>(5,818,581)</u>
Cash flows from financing activities		
Welsh Government funding (including capital)	5,950,592	5,824,964
Net financing	<u>5,950,592</u>	<u>5,824,964</u>
Net decrease in cash and cash equivalents	<u>1,660</u>	<u>6,383</u>
Cash and cash equivalents at 1 April 2015	<u>11,462</u>	<u>5,079</u>
Cash and cash equivalents at 31 March 2016	<u>13,122</u>	<u>11,462</u>

The notes on pages 13 to 51 form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2015-16 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Boards (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income and funding

The main source of funding for the LHB's are allocations (Welsh Government Funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the LHBs. Welsh Government funding is recognised in the financial period in which the cash is received. Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical or ophthalmic services identified by the Welsh Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the general fund.

- Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHBs for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHBs in their provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

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

1.4 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

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

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

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

Other Pensions Disclosure National Employment Savings Trust (NEST)

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

1.5 Other expenses

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

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

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

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

In 2012-13 a formal revaluation exercise by the District Valuation Office was applied to the land and properties of NHS Wales as from 1 April 2012. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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

From 2015-16, the LHB must comply with IFRS 13 Fair Value Measurement in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

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

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

Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13. Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

Subsequent expenditure

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

1.7 Intangible assets

Recognition

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

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

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

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

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

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

1.9 Research and Development

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

1.10 Non-current assets held for sale

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

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

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

1.11 Leases

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

1.11.1 The Local Health Board as lessee

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred. Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.11.2 The Local Health Board as lessor

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

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

1.12 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out/weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.13 Cash and cash equivalents

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

1.14 Provisions

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

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

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

A restructuring provision is recognised when the LHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are

those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.15 Clinical negligence costs

The Welsh Risk Pool operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2015-16. The Welsh Risk Pool is hosted by Velindre NHS Trust.

1.16 Financial assets

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

1.16.1 Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1.16.2 Financial assets at fair value through SoCNE

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

1.16.3 Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

1.16.4 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the SoCNE on de-recognition.

1.16.5 Loans and receivables

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

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

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

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

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

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

1.17 Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.17.1 Financial liabilities are initially recognised at fair value.

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

1.17.2 Financial liabilities at fair value through SoCNE

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

1.17.3 Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.18 Value Added Tax

Most of the activities of the LHB are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.19 Foreign currencies

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

1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHBs have no beneficial interest in them. Details of third party assets are given in note 24 to the accounts.

1.21 Losses and Special Payments

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

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

1.22 Pooled budgets

Several LHBs have entered into a pooled budget with Local Authorities. Under the arrangement funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006.

Payments for services provided are accounted for as Miscellaneous Income. LHBs account for their share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

1.23 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI assets

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

Assets contributed by the LHB to the operator for use in the scheme

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

Other assets contributed by the LHB to the operator

Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the LHB through the asset being made available to third party users.

1.24 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.25 Carbon Reduction Commitment Scheme

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

1.26 Absorption accounting

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

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

1.27 Accounting standards that have been issued but not yet been adopted

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

IPSAS 32 - Service Concession Arrangement - subject to consultation
IFRS 15 - Revenue Recognition

1.28 Accounting standards that have been adopted early

No accounting standards issued have been adopted early.

1.29 Charities

The LHBs with the agreement of the Welsh Government have adopted the IFRS 10 exemption to consolidate. The Welsh Government as the ultimate parent of the Local Health Boards will disclose the Charitable Accounts of the Local Health Boards in the Welsh Governments Consolidated Accounts.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2015-16 Total £'000	2014-15 £'000
General Medical Services	486,556	-	486,556	476,121
Pharmaceutical Services	148,726	6,650	155,376	155,601
General Dental Services	172,564	-	172,564	172,221
General Ophthalmic Services	43	32,542	32,585	32,016
Other Primary Health Care expenditure	31,344	-	31,344	25,685
Prescribed drugs and appliances	522,753	-	522,753	511,960
Total	1,361,986	39,192	1,401,178	1,373,604

2.2 Expenditure on healthcare from other providers

	2015-16 £'000	2014-15 £'000
Goods and services from other NHS Wales Trusts	242,992	238,744
Goods and services from other non Welsh NHS bodies	244,808	247,255
Local Authorities	35,437	24,893
Voluntary organisations	36,141	33,022
NHS Funded Nursing Care	38,482	40,124
Continuing Care	318,525	305,232
Private providers	49,732	43,015
Specific projects funded by the Welsh Assembly Government	1	11
Other	590	469
Total	966,708	932,765

2.3 Expenditure on Hospital and Community Health Services

	2015-16 £'000	2014-15 £'000
Directors' costs	12,090	12,525
Staff costs	2,927,285	2,817,961
Supplies and services - clinical	575,344	527,975
Supplies and services - general	62,667	55,137
Consultancy Services	7,035	6,600
Establishment	58,787	57,401
Transport	11,890	12,170
Premises	152,001	133,530
External Contractors	4,864	2,661
Depreciation	138,136	131,913
Amortisation	2,457	1,768
Fixed asset impairments and reversals (Property, plant & equipment)	(31,472)	3,962
Impairments and reversals of non-current assets held for sale	787	(40)
Audit fees	2,764	2,814
Other auditors' remuneration	7	5
Losses, special payments and irrecoverable debts	16,380	24,603
Research and Development	821	792
Other operating expenses	20,057	18,860
Total	3,961,900	3,810,637

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

	2015-16 £'000	2014-15 £'000
Increase/(decrease) in provision for future payments:		
Clinical negligence	25,341	139,076
Personal injury	4,554	11,742
All other losses and special payments	1,090	4,185
Defence legal fees and other administrative costs	3,922	1,488
Gross increase/(decrease) in provision for future payments	<u>34,907</u>	<u>156,491</u>
Premium for other insurance arrangements	596	685
Irrecoverable debts	1,020	3,290
Less: income received/ due from Welsh Risk Pool	(20,087)	(135,016)
Total	16,436	25,450

Losses expenditure is included in note 2.1 and note 2.3.

Personal injury includes £1,333,330 (2014-15: £5,101,412) in respect of permanent injury benefits

Payments in respect of clinical redress were £2,089,397 (2014-15: £1,398,753)

3. Miscellaneous Income

	2015-16 £'000	2014-15 £'000
NHS trusts	26,993	26,802
Other NHS England bodies	29,812	29,375
Foundation Trusts	1,114	651
Local authorities	49,558	57,287
Welsh Government	24,129	32,701
Non NHS:		
Prescription charge income	152	255
Dental fee income	35,857	33,568
Private patient income	6,190	6,798
Overseas patients (non-reciprocal)	1,140	297
Injury Costs Recovery (ICR) Scheme	10,984	12,930
Other income from activities	9,545	8,315
Patient transport services	2	-
Education, training and research	116,872	119,936
Charitable and other contributions to expenditure	5,683	5,178
Receipt of donated assets	3,557	10,619
Receipt of Government granted assets	452	1,434
Non-patient care income generation schemes	3,237	2,993
NWSSP	3	11
Deferred income released to revenue	1,144	1,051
Rental income from operating leases	1,039	1,302
Other income:		
Provision of laundry, pathology, payroll services	5,177	4,680
Accommodation and catering charges	15,315	14,749
Mortuary fees	1,852	1,742
Staff payments for use of cars	3,337	3,447
Business units	347	449
Other	30,827	24,497
Total	384,318	401,067

ICR income is subject to a provision for impairment of 21.99% (2014-15 18.9%) to reflect expected rates of collection.

4. Employee benefits and staff numbers

4.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	
	£'000	£'000	£'000	£'000	£'000
				2015-16	2014-15
Salaries and wages	2,386,219	9,455	128,842	2,524,516	2,421,203
Social security costs	178,486	16	-	178,502	173,685
Employer contributions to NHS Pension Scheme	289,192	17	-	289,209	277,720
Other pension costs	290	-	-	290	639
Termination benefits	1,803	-	-	1,803	3,809
Total	2,855,990	9,488	128,842	2,994,320	2,877,056
Charged to capital				3,874	4,240
Charged to revenue				2,990,446	2,872,816
				2,994,320	2,877,056

The full employee costs reported above are included in note 2.1 General Medical Services and note 2.3 Expenditure on Hospital and Community Services.

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	
	Number	Number	Number	Number	Number
				2015-16	2014-15
Administrative, clerical and board members	11,490	39	157	11,686	11,264
Medical and dental	6,013	62	409	6,484	6,438
Nursing, midwifery registered	21,656	5	575	22,236	21,980
Professional, Scientific, and technical staff	3,131	22	34	3,187	3,036
Additional Clinical Services	12,690	3	248	12,941	12,473
Allied Health Professions	3,348	12	34	3,394	3,260
Healthcare Scientists	1,636	-	31	1,667	1,621
Estates and Ancillary	6,388	-	65	6,453	6,423
Students	56	-	-	56	62
Total	66,408	143	1,553	68,104	66,557

The format for LHB staff numbers, has been re-presented and comparative figures for 2014-15 been restated.

4.3. Retirements due to ill-health

During 2015-16 there were 108 (2014-15 142) early retirements from LHBs agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £5,448,846 (2014-15 £7,995,840).

4.4 Employee benefits

There were no employee benefit schemes operating in 2015-16

4.5 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

c) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It’s a non-departmental public body (NDPB) that operates at arm’s length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Currently, the legal minimum level of contributions is 2 per cent of a jobholder’s qualifying earnings for employers whose legal duties have started. Of this, the employer needs to pay at least 1 per cent, though they can pay more if they want to.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £42,385 for the 2015-2016 tax year.

NEST has an annual contribution limit of £4,700 for the 2015-16 tax year (£4,600 for 2014-15). This means

5. Operating leases

LHB as lessee

Detailed disclosures are made in the individual LHB accounts.

Payments recognised as an expense	2015-16	2014-15
	£'000	£'000
Minimum lease payments	22,776	21,842
Total	22,776	21,842

Total future minimum lease payments

Payable	£'000	£'000
Not later than one year	17,862	17,734
Between one and five years	40,097	39,728
After 5 years	37,291	35,155
Total	95,250	92,617

LHB as lessor

Rental revenue	£'000	£'000
Rent	1,301	1,026
Total revenue rental	1,301	1,026

Total future minimum lease payments

Receivable	£'000	£'000
Not later than one year	1,298	943
Between one and five years	2,088	739
After 5 years	3,140	996
Total	6,526	2,678

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

	2015-16	2014-15
	£	£
Amounts included within finance costs from claims made under this legislation	770	-
Compensation paid to cover debt recovery costs under this legislation	70	479
Total	840	479

7. Investment Income

	2015-16 £'000	2014-15 £'000
Interest revenue :		
Bank accounts	-	1
Other financial assets	23	24
Total	23	25

8. Other gains and losses

	2015-16 £'000	2014-15 £'000
Gain/(loss) on disposal of property, plant and equipment	153	68
Gain/(loss) on disposal of assets held for sale	10	608
Total	163	676

9. Finance costs

	2015-16 £'000	2014-15 £'000
Interest on obligations under finance leases	92	110
Interest on obligations under PFI contracts	-	-
main finance cost	5,077	5,279
contingent finance cost	2,418	2,265
Interest on late payment of commercial debt	1	-
Total interest expense	7,588	7,654
Provisions unwinding of discount	(1,045)	(840)
Total	6,543	6,814

10.1 Property, plant and equipment

	Land £'000	Buildings, excluding dwellings £'000	Dwellings £'000	Assets under construction & payments on account £'000	Plant and machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Cost or valuation at 1 April 2015	358,635	2,109,296	47,424	234,099	509,419	6,134	110,994	25,118	3,401,119
Indexation	6,166	67,812	2,306	-	-	-	-	-	76,284
Additions - purchased	2,571	18,090	96	106,353	24,912	16	10,581	1,907	164,526
Additions - donated	-	640	-	115	2,444	-	205	6	3,410
Additions - government granted	-	-	-	385	-	-	28	-	413
Reclassifications	-	101,463	(182)	(114,709)	10,993	452	878	1,042	(63)
Revaluations	2,065	1,198	5	-	-	-	-	-	3,268
Reversal of impairments	850	52,806	402	-	-	-	-	-	54,058
Impairments	(232)	(19,702)	(19)	-	(10)	-	-	(15)	(19,978)
Reclassified as held for sale	(1,541)	(460)	-	-	-	-	-	-	(2,001)
Disposals	(179)	(102)	(378)	-	(30,771)	(342)	(5,215)	(1,300)	(38,287)
At 31 March 2016	368,335	2,331,041	49,654	226,243	516,987	6,260	117,471	26,758	3,642,749
Depreciation at 1 April 2015	155	230,032	4,105	1,792	350,054	5,340	70,436	14,069	675,983
Indexation	372	14,260	256	-	-	-	-	-	14,888
Reclassifications	-	-	-	-	1	-	-	(1)	-
Revaluations	-	(1,321)	1	-	-	-	-	-	(1,320)
Reversal of impairments	(369)	(1,166)	(22)	-	-	-	-	-	(1,557)
Impairments	357	3,826	(9)	-	(9)	-	-	-	4,165
Reclassified as held for sale	-	(34)	-	-	-	-	-	-	(34)
Disposals	-	(11)	(35)	-	(30,607)	(342)	(5,209)	(1,299)	(37,503)
Provided during the year	-	78,018	1,572	-	41,729	327	13,563	2,927	138,136
At 31 March 2016	515	323,604	5,868	1,792	361,168	5,325	78,790	15,696	792,758
Net book value at 1 April 2015	358,480	1,879,264	43,319	232,307	159,365	794	40,558	11,049	2,725,136
Net book value at 31 March 2016	367,820	2,007,437	43,786	224,451	155,819	935	38,681	11,062	2,849,991
Net book value at 31 March 2016 comprises :									
Purchased	364,120	1,974,675	43,786	224,297	142,975	922	37,786	10,825	2,799,386
Donated	3,700	31,342	-	115	12,751	-	580	158	48,646
Government Granted	-	1,420	-	39	93	13	315	79	1,959
	367,820	2,007,437	43,786	224,451	155,819	935	38,681	11,062	2,849,991
Asset financing :									
Owned	356,323	1,912,634	41,504	224,451	153,676	935	38,681	11,062	2,739,266
Held on finance lease	-	2,662	-	-	1,516	-	-	-	4,178
On-SoFP PFI contracts	11,497	92,141	2,282	-	627	-	-	-	106,547
Total	367,820	2,007,437	43,786	224,451	155,819	935	38,681	11,062	2,849,991

The net book value of land, buildings and dwellings at 31 March 2016 comprises :

	£'000
Freehold	2,307,613
Long Leasehold	84,091
Short Leasehold	27,339
	2,419,043

10.1 Property, plant and equipment

	Land £'000	Buildings, excluding dwellings £'000	Dwellings £'000	Assets under construction on account £'000	Plant and machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Cost or valuation at 1 April 2014	351,621	1,901,616	46,579	191,841	483,757	6,196	102,194	25,371	3,109,175
Indexation	6,124	46,612	1,910	-	4,812	61	7	251	59,777
Additions - purchased	1,846	29,044	(48)	175,718	41,896	146	19,965	1,480	270,047
Additions - donated	-	410	-	2,809	6,915	-	224	-	10,358
Additions - government granted	-	424	-	633	51	-	264	62	1,434
Reclassifications	-	136,927	(1,014)	(136,902)	390	-	127	93	(379)
Revaluations	20	(731)	-	-	-	-	-	-	(711)
Reversal of impairments	907	48,417	404	-	2	-	-	-	49,730
Impairments	(423)	(48,420)	(54)	-	(911)	-	(201)	(21)	(50,030)
Reclassified as held for sale	(1,278)	(1,077)	(36)	-	(64)	-	-	-	(2,455)
Disposals	(182)	(3,926)	(317)	-	(27,429)	(269)	(11,586)	(2,118)	(45,827)
At 31 March 2015	358,635	2,109,296	47,424	234,099	509,419	6,134	110,994	25,118	3,401,119
Depreciation at 1 April 2014	-	144,740	2,871	1,792	336,164	5,183	70,052	13,377	574,179
Indexation	399	7,915	228	-	3,336	52	-	131	12,061
Reclassifications	-	73	(37)	-	(492)	-	258	59	(139)
Revaluations	-	(429)	-	-	-	-	-	-	(429)
Reversal of impairments	(399)	(719)	(98)	-	1	-	-	-	(1,215)
Impairments	155	5,665	(132)	-	(661)	-	(136)	(14)	4,877
Disposals	-	(3,799)	(216)	-	(27,289)	(268)	(11,575)	(2,117)	(45,264)
Provided during the year	-	76,586	1,489	-	38,995	373	11,837	2,633	131,913
At 31 March 2015	155	230,032	4,105	1,792	350,054	5,340	70,436	14,069	675,983
Net book value at 1 April 2014	351,621	1,756,876	43,708	190,049	147,593	1,013	32,142	11,994	2,534,996
Net book value at 31 March 2015	358,480	1,879,264	43,319	232,307	159,365	794	40,558	11,049	2,725,136
Net book value at 31 March 2015 comprises :									
Purchased	354,851	1,847,901	43,319	232,268	145,331	777	39,673	10,762	2,674,882
Donated	3,629	29,949	-	-	13,911	1	543	190	48,223
Government Granted	-	1,414	-	39	123	16	342	97	2,031
	358,480	1,879,264	43,319	232,307	159,365	794	40,558	11,049	2,725,136
Asset financing :									
Owned	347,203	1,786,358	41,100	232,307	156,741	794	40,558	11,049	2,616,110
Held on finance lease	-	2,839	-	-	1,819	-	-	-	4,658
On-SoFP PFI contracts	11,277	90,067	2,219	-	805	-	-	-	104,368
Total	358,480	1,879,264	43,319	232,307	159,365	794	40,558	11,049	2,725,136

The net book value of land, buildings and dwellings at 31 March 2015 comprises :

	£'000
Freehold	2,172,015
Long Leasehold	82,312
Short Leasehold	26,736
	2,281,063

The LHB Land and Buildings were revalued by the District Valuation Service with an effective date of 1st April 2012. The valuation has been prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition. LHB's are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

10. Property, plant and equipment (continued)

10.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Total
	£'000	£'000	£'000	£'000
Balance brought forward 1 April 2015	1,398	1,057	-	2,455
Plus assets classified as held for sale in the year	1,542	425	-	1,967
Less assets sold in the year	(370)	(117)	-	(487)
Reversal of impairments	233	-	-	233
Less impairment of assets held for sale	(20)	(1,000)	-	(1,020)
Balance carried forward 31 March 2016	2,783	365	-	3,148
Balance brought forward 1 April 2014	3,866	1,377	-	5,243
Plus assets classified as held for sale in the year	2,068	1,311	64	3,443
Revaluation	29	(217)	(46)	(234)
Less assets sold in the year	(3,583)	(1,402)	(64)	(5,049)
Reversal of impairments	63	186	46	295
Less impairment of assets held for sale	(255)	-	-	(255)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(790)	(198)	-	(988)
Balance carried forward 31 March 2015	1,398	1,057	-	2,455

11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2015	15,554	2,874	53	18,481
Revaluation	-	-	3	3
Reclassifications	63	-	-	63
Additions- purchased	1,782	376	(5)	2,153
Additions- donated	147	-	-	147
Additions- government granted	1	38	-	39
Disposals	(13)	-	-	(13)
Gross cost at 31 March 2016	17,534	3,288	51	20,873
Amortisation at 1 April 2015	9,293	190	-	9,483
Provided during the year	1,910	547	-	2,457
Disposals	(13)	-	-	(13)
Amortisation at 31 March 2016	11,190	737	-	11,927
Net book value at 1 April 2015	6,261	2,684	53	8,998
Net book value at 31 March 2016	6,344	2,551	51	8,946
At 31 March 2016				
Purchased	5,972	2,513	51	8,536
Donated	120	-	-	120
Government Granted	252	38	-	290
Total at 31 March 2016	6,344	2,551	51	8,946

11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2014	14,546	91	-	14,637
Reclassifications	(96)	475	-	379
Additions- purchased	2,142	2,308	53	4,503
Additions- donated	261	-	-	261
Disposals	(1,299)	-	-	(1,299)
Gross cost at 31 March 2015	15,554	2,874	53	18,481
Amortisation at 1 April 2014	8,847	28	-	8,875
Reclassifications	95	44	-	139
Provided during the year	1,650	118	-	1,768
Disposals	(1,299)	-	-	(1,299)
Amortisation at 31 March 2015	9,293	190	-	9,483
Net book value at 1 April 2014	5,699	63	-	5,762
Net book value at 31 March 2015	6,261	2,684	53	8,998
At 31 March 2015				
Purchased	5,962	2,684	53	8,699
Donated	299	-	-	299
Total at 31 March 2015	6,261	2,684	53	8,998

12. Impairments

	2015-16 Property, plant & equipment £'000	2014-15 Property, plant & equipment £'000
Impairments arising from :		
Loss or damage from normal operations	546	10
Abandonment in the course of construction	405	-
Changes in market price	53	543
Others (specify)	(31,689)	3,369
Total of all impairments	(30,685)	3,922

Analysis of impairments charged to reserves in year :

Charged to the Statement of Comprehensive Net Expenditure	(30,685)	3,922
Charged to Revaluation Reserve	526	363
	(30,159)	4,285

13.1 Inventories

	31 March 2016 £'000	31 March 2015 £'000
Drugs	22,589	21,323
Consumables	36,693	36,632
Energy	730	845
Other	51	30
Total	60,063	58,830

Of which held at realisable value - -

13.2 Inventories recognised in expenses

		Restated
Inventories recognised as an expense in the period	1,842	1,733
Write-down of inventories (including losses)	208	201
Reversal of write-downs that reduced the expense	-	-
Total	2,050	1,934

The prior year figures have been restated to reflect a consistent presentation in LHBs. Only stock which has been resold to other parties is now included in this note.

14. Trade and other receivables

Current	31 March 2016 £'000	31 March 2015 £'000
Welsh Government	3,879	1,289
Welsh NHS Trusts	6,250	5,309
Non - Welsh Trusts	5,908	5,819
Other NHS	1,018	1,323
Welsh Risk Pool	248,883	220,280
Local Authorities	17,020	20,924
Capital debtors	41	112
Other debtors	53,686	51,511
Provision for irrecoverable debts	(11,117)	(10,218)
Other prepayments	19,273	17,542
Other accrued income	4,550	3,833
Sub total	349,391	317,724
Non-current		
Welsh Risk Pool	184,243	239,101
Other debtors	5,561	5,903
Provision for irrecoverable debts	(1,523)	(1,571)
Other prepayments and accrued income	1,284	1,316
Other accrued income	2,336	2,073
Sub total	191,901	246,822
Total	541,292	564,546
Receivables past their due date but not impaired		
By up to three months	18,829	15,532
By three to six months	2,112	3,182
By more than six months	8,088	8,116
	29,029	26,830
Provision for impairment of receivables		
Balance at 1 April	(11,789)	(8,126)
Amount written off during the year	352	531
Amount recovered during the year	959	481
(Increase) / decrease in receivables impaired	(2,592)	(4,696)
Bad debts recovered during year	430	21
Balance at 31 March	(12,640)	(11,789)
Receivables VAT		
Trade receivables	3,685	3,715
Other	2,624	2,202
Total	6,309	5,917

15. Trade and other payables

Current	31 March 2016 £'000	31 March 2015 £'000
Welsh Government	301	300
Welsh NHS Trusts	16,371	15,354
Other NHS	64,504	60,059
Taxation and social security payable / refunds	16,205	8,157
VAT payable to HMRC	61	110
Other taxes payable to HMRC	4,682	2,861
NI contributions payable to HMRC	21,377	12,845
Non-NHS creditors	131,376	109,073
Local Authorities	36,724	25,842
Capital Creditors	33,403	54,370
Overdraft	-	-
Obligations under finance leases, HP contracts	724	724
Imputed finance lease element of on SoFP PFI contracts	3,168	3,558
Pensions: staff	20,150	19,821
Accruals	337,802	296,526
Deferred Income brought forward	2,294	2,133
Deferred Income Additions	8,237	1,450
Released to SoCNE	(1,335)	(1,289)
Other creditors	37,526	24,724
PFI assets –deferred credits	293	292
Payments on account	(20,527)	(25,784)
Total	713,336	611,126
Non-current		
Obligations under finance leases, HP contracts	2,469	3,187
Imputed finance lease element of on SoFP PFI contracts	67,898	71,067
PFI assets –deferred credits	309	602
Sub-total	70,676	74,856
Total	784,012	685,982

16. Provisions

	At 1 April 2015	Structured settlement cases transferred to Risk Pool	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current								
Clinical negligence	197,061	(10,136)	(14,556)	68,241	120,562	(49,251)	(110,458)	199,989
Personal injury	12,643	-	(55)	(686)	7,706	(6,683)	248	9,875
All other losses and special payments	1,181	-	-	-	2,121	(2,086)	-	185
Defence legal fees and other administration	7,701	-	-	2,253	8,927	(3,790)	-	9,006
Pensions relating to former directors	8	-	-	3	-	(4)	-	2
Pensions relating to other staff	2,070	-	-	1,128	337	(1,987)	200	1,737
Other	19,477	-	(840)	1,611	5,206	(6,588)	-	14,902
Total	240,141	(10,136)	(15,451)	72,550	144,859	(70,389)	(1,026)	235,696
Non Current								
Clinical negligence	232,475	-	(724)	(68,241)	42,437	(3,955)	(43)	182,796
Personal injury	17,921	-	-	686	158	-	43	18,796
All other losses and special payments	-	-	-	-	-	-	-	-
Defence legal fees and other administration	4,743	-	-	(2,253)	1,609	(261)	-	3,277
Pensions relating to former directors	26	-	-	(3)	-	-	-	23
Pensions relating to other staff	14,287	-	-	(1,128)	496	(436)	13	13,232
Other	6,656	-	-	(1,611)	1,703	(861)	-	4,756
Total	276,108	-	(724)	(72,550)	46,403	(5,077)	13	222,880
TOTAL								
Clinical negligence	429,536	(10,136)	(15,280)	-	162,999	(53,206)	(129,611)	382,785
Personal injury	30,564	-	(55)	-	7,864	(6,683)	291	28,671
All other losses and special payments	1,181	-	-	-	2,121	(2,086)	-	185
Defence legal fees and other administration	12,444	-	-	-	10,536	(4,051)	-	12,283
Pensions relating to former directors	34	-	-	-	-	(4)	(5)	25
Pensions relating to other staff	16,357	-	-	-	833	(1,987)	213	14,969
Other	26,133	-	(840)	-	6,909	(7,449)	-	19,658
Total	516,249	(10,136)	(16,175)	-	191,262	(75,466)	(1,013)	458,576

Expected timing of cash flows:

	In the remainder of spending period review to 31 March 2017	Between 1 April 2017- 31 March 2022	Between 1 April 2022- 31 March 2027	Thereafter	Total
	£'000	£'000	£'000	£'000	£'000
Clinical negligence	199,989	181,224	1,572	-	382,785
Personal injury	9,875	8,088	5,381	5,327	28,671
All other losses and special payments	185	-	-	-	185
Defence legal fees and other administration	9,006	3,277	-	-	12,283
Pensions relating to former directors	2	18	5	-	25
Pensions relating to other staff	1,737	6,794	5,919	519	14,969
Other	14,902	4,756	-	-	19,658
Total	235,696	204,157	12,877	5,846	458,576

16. Provisions (continued)

	At 1 April 2014	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2015
	£'000	£000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current									
Clinical negligence	164,668	(2,818)	(4,415)	15,032	163,813	(63,362)	(74,623)	(1,234)	197,061
Personal injury	8,145	-	(361)	1,716	12,944	(6,750)	(3,323)	272	12,643
All other losses and special payments	608	-	-	616	4,329	(4,228)	(144)	-	1,181
Defence legal fees and other administration	8,929	-	-	1,175	7,780	(3,154)	(7,029)	-	7,701
Pensions relating to former directors	8	-	-	3	6	(9)	-	-	8
Pensions relating to other staff	2,128	-	-	913	815	(2,046)	(3)	263	2,070
Other	24,720	-	(323)	136	9,771	(11,047)	(3,780)	-	19,477
Total	209,206	(2,818)	(5,099)	19,591	199,458	(90,596)	(88,902)	(699)	240,141
Non Current									
Clinical negligence	203,189	(3,336)	(750)	(15,032)	63,212	(4,637)	(9,989)	(182)	232,475
Personal injury	17,464	-	-	(1,716)	2,121	-	-	52	17,921
All other losses and special payments	616	-	-	(616)	-	-	-	-	-
Defence legal fees and other administration	5,570	-	-	(1,175)	1,366	(356)	(662)	-	4,743
Pensions relating to former directors	28	-	-	(3)	1	-	-	-	26
Pensions relating to other staff	15,245	-	-	(913)	250	-	(316)	21	14,287
Other	5,972	-	-	(136)	3,829	(2,707)	(302)	-	6,656
Total	248,084	(3,336)	(750)	(19,591)	70,779	(7,700)	(11,269)	(109)	276,108
TOTAL									
Clinical negligence	367,857	(6,154)	(5,165)	-	227,025	(67,999)	(84,612)	(1,416)	429,536
Personal injury	25,609	-	(361)	-	15,065	(6,750)	(3,323)	324	30,564
All other losses and special payments	1,224	-	-	-	4,329	(4,228)	(144)	-	1,181
Defence legal fees and other administration	14,499	-	-	-	9,146	(3,510)	(7,691)	-	12,444
Pensions relating to former directors	36	-	-	-	7	(9)	-	-	34
Pensions relating to other staff	17,373	-	-	-	1,065	(2,046)	(319)	284	16,357
Other	30,692	-	(323)	-	13,600	(13,754)	(4,082)	-	26,133
Total	457,290	(6,154)	(5,849)	-	270,237	(98,296)	(100,171)	(808)	516,249

17. Contingencies

17.1 Contingent liabilities

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

	2015-16	2014-15
	£'000	£'000
Legal claims for alleged medical or employer negligence	804,118	707,469
Defence costs	18,718	16,624
Continuing Care health costs	26,832	39,128
Other	116	694
Total value of disputed claims	849,784	763,915
Less amounts recovered in the event of claims being successful	785,447	687,162
Net contingent liability	64,337	76,753

17.2 Contingent assets

The LHBs have no contingent asset disclosures.

18. Capital commitments

Contracted capital commitments at 31 March for	2015-16	2014-15
	£'000	£'000
Property, plant and equipment	87,839	116,835
Intangible assets	44	48
Total	87,883	116,883

19. Losses and special payments

Losses and special payments are charged to the SoCNE in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2016		Approved to write-off to 31 March 2016	
	Number	£	Number	£
Clinical negligence	686	56,590,223	398	42,388,961
Personal injury	375	6,555,304	246	5,549,001
All other losses and special payments	1,302	2,596,865	1,241	2,334,656
Total	2,363	65,742,392	1,885	50,272,618

Analysis of cases which exceed £300,000

	Cases over £300,000, paid out during the year		Cumulative interim payments over £300,000	
	Number	£	Number	£
Clinical negligence	48	31,886,604	110	93,852,141
Personal injury	3	1,138,513	5	2,055,920
Total	51	33,025,117	115	95,908,061

20. Cash and cash equivalents

	2015-16	2014-15
	£'000	£'000
Balance at 1 April	11,462	5,079
Net change in cash and cash equivalent balances	1,660	6,383
Balance at 31 March	13,122	11,462
Made up of:		
Cash held at Office of HM Paymaster General / GBS	12,027	11,437
Commercial banks	576	(291)
Cash in hand	519	316
Cash and cash equivalents as in Statement of Financial Position	13,122	11,462
Cash and cash equivalents as in Statement of Cash Flows	13,122	11,462

21. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Financial assets				
Loans at amortised cost	30	29	755	785
At fair value through SoCNE	324	319	-	-
Total	354	348	755	785

22. Other financial liabilities

No other financial liabilities were reported by LHB's.

23. Related Party Transactions

The Welsh Government was regarded as a related party. During the year the LHBs had a significant number of material transactions with the Welsh Government and with other NHS bodies.

All seven LHBs undertook related party transactions. The details of these can be found in the underlying accounts.

24. Third Party Assets

LHB's held £2,741,925 cash at bank and in hand at 31 March 2016 (31 March 2015: £2,496,589) which relates to monies held by the LHB on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

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

Buildings	31 March 2016 £'000	31 March 2015 £'000
Minimum lease payments		
Within one year	436	436
Between one and five years	1,122	1,341
After five years	-	210
Less finance charges allocated to future periods	(43)	(63)
Minimum lease payments	1,515	1,924
Included in:		
Current borrowings	417	413
Non-current borrowings	1,098	1,511
	1,515	1,924
Present value of minimum lease payments		
Within one year	397	393
Between one and five years	979	1,166
After five years	-	343
Present value of minimum lease payments	1,376	1,902
Included in:		
Current borrowings	-	-
Non-current borrowings	-	-
	-	-
Other	31 March 2015 £'000	31 March 2014 £'000
Minimum lease payments		
Within one year	378	378
Between one and five years	1,443	1,513
After five years	-	307
Less finance charges allocated to future periods	(144)	(212)
Minimum lease payments	1,677	1,986
Included in:		
Current borrowings	323	310
Non-current borrowings	1,354	1,676
	1,677	1,986
Present value of minimum lease payments		
Within one year	320	307
Between one and five years	1,312	1,331
After five years	-	287
Present value of minimum lease payments	1,632	1,925
Included in:		
Current borrowings	233	221
Non-current borrowings	985	1,218
	1,218	1,439

26. Private Finance Initiative contracts

26.1 Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2016 £'000	31 March 2015 £'000
Total payments due within one year	1,244	779
Total payments due between 1 and 5 years	4,733	2,955
Total payments due thereafter	5,086	4,962
Total future payments in relation to PFI contracts	11,063	8,696
Total estimated capital value of off-SoFP PFI contracts	4,882	7,300

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

	On SoFP PFI Capital element 31 March 2016 £'000	On SoFP PFI Imputed interest 31 March 2016 £'000	On SoFP PFI Service charges 31 March 2016 £'000
Total payments due within one year	3,168	6,929	9,252
Total payments due between 1 and 5 years	15,071	27,530	38,351
Total payments due thereafter	52,827	64,753	83,304
Total future payments in relation to PFI contracts	<u>71,066</u>	<u>99,212</u>	<u>130,907</u>

	On SoFP PFI Capital element 31 March 2015 £'000	On SoFP PFI Imputed interest 31 March 2015 £'000	On SoFP PFI Service charges 31 March 2015 £'000
Total payments due within one year	3,558	7,227	8,188
Total payments due between 1 and 5 years	14,209	27,682	37,512
Total payments due thereafter	56,858	71,530	91,567
Total future payments in relation to PFI contracts	<u>74,625</u>	<u>106,439</u>	<u>137,267</u>
Total present value of obligations for on-SoFP PFI contracts	116,331		

26. Private Finance Initiative contracts

26.3 Charges to expenditure	2015-16	2014-15
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	7,022	7,301
Total expense for Off Balance sheet PFI contracts	1,147	1,307
The total charged in the year to expenditure in respect of PFI contracts	<u>8,169</u>	<u>8,608</u>

The LHB is committed to the following annual charges

	31 March 2016	31 March 2015
PFI scheme expiry date:	£000	£000
Not later than one year	2,128	2,008
Later than one year, not later than five years	8,765	7,640
Later than five years	34,119	33,957
Total	<u>45,012</u>	<u>43,605</u>

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

26.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	8	2
Number of PFI contracts which individually have a total commitment > £500m	1	-

27. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHBs 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 listed companies, to which these standards mainly apply. The LHBs have limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs in undertaking their activities.

Currency risk

The LHBs are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHBs have no overseas operations. The LHBs therefore have low exposure to currency rate fluctuations.

Interest rate risk

LHBs are not permitted to borrow. The LHBs therefore have low exposure to interest rate fluctuations.

Credit risk

Because the majority of the LHB's funding derives from funds voted by the Welsh Government the LHBs have low exposure to credit risk.

Liquidity risk

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

28. Movements in working capital

	2015-16	2014-15
	£'000	£'000
Decrease / (increase) in inventories	(1,233)	457
(Increase) in trade and other receivables - non-current	54,951	(27,884)
(Increase) / decrease in trade and other receivables -current	(31,673)	(46,491)
(Decrease) in trade and other payables- non-current	(4,180)	(3,909)
Increase / (decrease) in trade and other payables- current	102,210	65,727
Total	120,075	(12,100)
Adjustment for accrual movements in fixed assets -creditors	20,967	(22,045)
Adjustment for accrual movements in fixed assets -debtors	(71)	(416)
Other adjustments	292	292
Total	141,263	(34,269)

29. Other cash flow adjustments

	2015-16	2014-15
	£'000	£'000
Depreciation	138,136	131,913
Amortisation	2,457	1,768
(Gains)/Loss on Disposal	(163)	(676)
Impairments and reversals	(30,685)	3,922
Release of PFI deferred credits	(292)	(292)
Donated assets received credited to revenue but non-cash	(3,557)	(10,619)
Government Grant assets received credited to revenue but non-cash	(452)	(1,434)
Non-cash movements in provisions	17,528	157,458
Total	122,972	282,040

**THE NATIONAL HEALTH SERVICE – LOCAL HEALTH BOARDS IN WALES
SUMMARISED ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN
ACCORDANCE WITH SECTION 178, SCHEDULE 9, PARA 5(4) OF THE
NATIONAL HEALTH SERVICES (WALES) ACT 2006**

1. HM Treasury directs that an account, summarised by consolidation, of the Local Health Boards in Wales shall be prepared in respect of the financial year ended 31 March 2014, and subsequent financial years. The basis of preparation and form of accounts shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The summarised account of the Local Health Boards in Wales shall be prepared from the audited accounts of the Local Health Boards to which it relates.

FORM AND CONTENT

3. The summarised account of the Local Health Boards in Wales shall be prepared in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) issued by HM Treasury which is in force for the financial year, but specifically excluding a Statement of Parliamentary Supply and any other divergences as have been formally agreed for that year by HM Treasury.

4. The summarised account of the Local Health Boards shall be prepared so as to:

- a. give a true and fair view of the state of affairs as at 31 March 2014, and subsequent financial year-ends, and of the Statement of Comprehensive Net Expenditure, Statement of Changes in Taxpayers' Equity and Statement of Cash Flows for the financial year then ended; and
- b. provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

5. The Foreword, Governance Statement and Statement of Financial Position shall be signed by the Accounting Officer and dated.

6. Compliance with the reporting requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with these reporting requirements is inconsistent with the requirement to give a true and fair view, the requirements the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment that should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with HM Treasury.

7. This direction supersedes all previous directions.

Ross Campbell
Deputy Director, Government Financial Reporting
HM Treasury
10 February 2014

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING REQUIREMENTS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the Local Health Boards unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the Local Health Boards, the information relating to Local Health Boards shall be contained in the foreword.

Accounting Standards

3. Local Health Boards are not required to include a note showing the historical cost profits and losses.

SCHEDULE 2 ADDITIONAL REQUIREMENTS

Foreword

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (2) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the Local Health Boards to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.

Governance statement

3. The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the summarised account of Local Health Boards in Wales (there are separate Accounts Directions for Local Health Boards). The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the summarised account, including the role of Internal Audit.
4. The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and officials appointed by the Department for Health and Social Services to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).

NHS Trusts in Wales

Statement of the Welsh Government and Accounting Officer's responsibilities

Section 129 (6) of the Government of Wales Act 2006 requires that the Principal Accounting Officer for the Welsh Ministers, is the Permanent Secretary to the Welsh Government. Section 133(2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Government staff as Additional Accounting Officers.

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

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

In preparing the accounts the Welsh Government is required to:

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

NHS Trust Summarised Accounts

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 the Summarised Accounts of the NHS Trusts in Wales for the year ended 31 March 2016 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

Respective responsibilities of the Additional Accounting Officer and Auditor

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out page T-2, the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006 and directions made by HM Treasury there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to NHS Trusts' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Trust Directors and Chief Executives; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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 read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the NHS Trusts in Wales as at 31 March 2016 and of their surpluses for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Opinion on Regularity

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

Opinion on other matters

In my opinion the information contained in the Foreword is consistent with the financial statements.

Matters on which I report by exception

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

- the Annual Governance Statement does not reflect compliance with HM Treasury's guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
or
- I have not received all the information and explanations I require for my audit.

Report

Please see my Report on pages T-5 to T-6.

Huw Vaughan Thomas
Auditor General for Wales
5 July 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

The Welsh Government changed the financial duties of NHS Trusts for 2014-15 onwards.

The first financial duty gives additional financial flexibility to NHS Trusts by allowing them to balance their income with their expenditure over a three-year rolling period, replacing the duty to balance their books over a one-year period. The first three-year period under this duty is 2014-15 to 2016-17, so NHS Trusts' performance against this duty will not be measured until 2016-17.

The second financial duty requires NHS Trusts to prepare and have approved by Welsh Ministers a rolling three-year integrated medium term plan (IMTP). This duty is an essential foundation to the delivery of sustainable quality health services. For 2015-16 (and until HM Treasury consent has been obtained for this change), it is an administrative duty and an NHS Trust will be deemed to have met it for 2015-16 if it submitted a 2015-16 to 2017-18 plan approved by its Board to the Welsh Ministers, who had then approved it by the date that the Accountable Officer signed the 2015-16 Financial Statements.

Further to the above, the NHS Planning Framework 2016-17 set out the Welsh Government's expectations that each Trust should obtain Ministerial approval for its three-year plan 2016-17 to 2018-19 by 30 June 2016.

I have placed unqualified audit opinions on the 2015-16 financial statements of each of the three NHS Trusts. For each of the financial statements I placed a narrative report alongside my audit certificate setting out the Trust's performance against the two financial duties, and the position with regard to the Trust's 2016-17 to 2018-19 plan. I have summarised those reports below, together with an update on the Ministerial approvals granted or withheld on 29 June 2016 .

Public Health Wales NHS Trust

The Trust achieved a surplus of £17,000 for 2015-16. This surplus was achieved following a planned brokerage of £300,000 to the Welsh Government.

The Trust met its second financial duty to have an approved IMTP in place for 2015-16 to 2017-18. This plan received Ministerial approval in June 2015.

On 31 March 2016 the Trust submitted its IMTP for 2016-17 to 2018-19 which received Ministerial approval on 29 June 2016. The IMTP predicts a balanced financial position over the three financial years but requires the Trust to achieve a savings of £5.74 million over the period.

Velindre NHS Trust

The Trust achieved a surplus of £40,000 for 2015-16. The Trust met its second financial duty to have an approved IMTP in place for 2015-16 to 2017-18. This plan received Ministerial approval on 4 June 2015.

On 31 March 2016 the Trust submitted its IMTP for 2016-17 to 2018-19 which received Ministerial approval on 29 June 2016. The IMTP predicts a balanced financial position over the three financial years with identified savings of £4.2 million over the period.

Welsh Ambulance Service NHS Trust

The Trust achieved a surplus of £49,000 for 2015-16.

The Trust did not meet its second financial duty to have an approved IMTP in place for 2015-16 to 2017-18. The Trust submitted an IMTP for 2015-16 to 2017-18, which was approved by the Trust Board on 26 March 2015 and then submitted to the Welsh Government on 1 April 2015. While the Welsh Government noted that progress in the development of the plan was evident, the planned changes within the commissioning framework meant that an approved plan was unrealistic at that time. Ministerial approval was therefore withheld. Instead, a one-year plan for 2015-16 prepared and approved by the Trust Board and submitted to Welsh Government on 30 September 2015.

On 31 March 2016 the Trust submitted its IMTP for 2016-17 to 2018-19 which received Ministerial approval on 29 June 2016. The plan predicts a balanced financial position over the three financial years, with cumulative savings of £22.1 million over the period.

Looking forward

Later this year I intend to publish a value for money study on the implementation by the Welsh Government and NHS Wales of the NHS Finance (Wales) Act 2014.

Huw Vaughan Thomas
Auditor General for Wales
5 July 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

**STATEMENT OF COMPREHENSIVE NET INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2016**

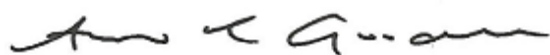
		2015-16	2014-15
	Note	£000	£000
Revenue from patient care activities	2	401,407	474,540
Other operating revenue	3	295,606	267,916
Operating expenses	4	(697,431)	(742,405)
Operating (deficit)/surplus		(418)	51
Investment revenue	5	123	102
Other gains and losses	6	92	411
Finance costs	7	405	235
Retained surplus		202	799
 Other Comprehensive Income			
Net gain/(loss) on revaluation of property, plant and equipment		3,708	2,988
Impairments and reversals		(196)	-
Total other comprehensive income for the year		3,512	2,988
Items that may be reclassified subsequently to net operating costs			
Total Comprehensive Income for the year		3,714	3,787

The notes on pages T-12 to T-54 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

		31 March 2016 £000	31 March 2015 £000
	Note		
Non-current assets			
Property, plant and equipment	12	188,158	175,428
Intangible assets	13	24,386	28,506
Trade and other receivables	19	461,086	460,412
Total non-current assets		673,630	664,346
Current assets			
Inventories	18	7,684	7,006
Trade and other receivables	19	303,787	272,464
Cash and cash equivalents	20	32,202	34,262
		343,673	313,732
Non-current assets held for sale	12.2	340	284
Total current assets		344,013	314,016
Total assets		1,017,643	978,362
Current liabilities			
Trade and other payables	21	(119,901)	(99,727)
Borrowings	22	(1,527)	(1,430)
Provisions	24	(210,480)	(209,198)
Total current liabilities		(331,908)	(310,355)
Net current assets/(liabilities)		12,105	3,661
Total assets less current liabilities		685,735	668,007
Non-current liabilities			
Trade and other payables	21	(272,176)	(222,366)
Borrowings	22	(3,921)	(5,359)
Provisions	24	(202,052)	(245,641)
Total non-current liabilities		(478,149)	(473,366)
Total assets employed		207,586	194,641
Financed by:			
Taxpayers' equity			
Public dividend capital		167,258	158,027
Retained earnings		4,219	3,454
Revaluation reserve		36,109	33,160
Total taxpayers' equity		207,586	194,641

The notes on pages T-12 to T-54 form part of these accounts.



Dr Andrew Goodall 4th July 2016
Director General, Department for Health and Social Services, Chief Executive NHS Wales.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2016

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance as at 1 April 2015	158,027	3,454	33,160	194,641
Changes in taxpayers' equity for 2015-16				
Retained surplus/(deficit) for the year		202	-	202
Net gain on revaluation of property, plant and equipment		51	3,657	3,708
Impairments and reversals		-	(196)	(196)
Transfers between reserves		512	(512)	-
New Public Dividend Capital received	11,400			11,400
Public Dividend Capital repaid in year	(2,169)			(2,169)
Balance at 31 March 2016	167,258	4,219	36,109	207,586

The notes on pages T-12 to T-54 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2015

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance at 1 April 2014	141,863	2,426	30,401	174,690
Changes in taxpayers' equity for 2014-15				
Retained surplus/(deficit) for the year		799	-	799
Net gain on revaluation of property, plant and equipment		-	2,988	2,988
Movements in other reserves		52	(52)	-
Transfers between reserves		177	(177)	-
New Public Dividend Capital received	16,237			16,237
Other movements in PDC in year	(73)			(73)
Balance at 31 March 2015	158,027	3,454	33,160	194,641

The notes on pages T-12 to T-54 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2015-16 £000	2014-15 £000
Cash flows from operating activities			
Operating surplus/(deficit)	SoI&E	(418)	51
Depreciation and amortisation		32,004	29,665
Impairments and reversals		506	(96)
Donated Assets received credited to revenue but non cash		(96)	(565)
Government Granted Assets received credited to revenue but non cash		-	(12)
Interest paid		(287)	(334)
(Increase)/decrease in inventories		(678)	(3,710)
(Increase)/decrease in trade and other receivables		(32,277)	(95,722)
Increase/(decrease) in trade and other payables		78,699	33,215
Increase/(decrease) in provisions		(41,532)	66,851
Net cash inflow/(outflow) from operating activities		35,921	29,343
Cash flows from investing activities			
Interest received		123	102
(Payments) for property, plant and equipment		(42,160)	(19,992)
Proceeds from disposal of property, plant and equipment		958	546
(Payments) for intangible assets		(4,421)	(10,390)
Net cash inflow/(outflow) from investing activities		(45,500)	(29,734)
Net cash inflow/(outflow) before financing		(9,579)	(391)
Cash flows from financing activities			
Public Dividend Capital received		11,649	15,935
Public Dividend Capital repaid		(2,169)	-
Capital elements of finance leases and on SoFP PFI		(1,961)	(1,996)
Net cash inflow/(outflow) from financing activities		7,519	13,939
Net increase/(decrease) in cash and cash equivalents		(2,060)	13,548
Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year	20	34,262	20,714
Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year	20	32,202	34,262

The notes on pages T-12 to T-54 form part of these accounts.

Notes to the Accounts

1. Accounting policies

The Welsh Minister for Health and Social Services has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS Trusts' Manual for Accounts. Consequently, the underlying financial statements have been prepared in accordance with the 2015-16 NHS Trusts' Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts' Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS trusts are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Revenue

The main source of revenue for the trusts is from the Welsh Government and the Health Boards. Revenue is recognised in the period in which services are provided.

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

The NHS trusts receive income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The NHS trusts recognise the income when it receives notification from the Department for Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

1.4 Employee Benefits

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

Retirement benefit costs

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

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

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the trusts' accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the period is recognised within operating expenses. The expected gain during the period from scheme assets is recognised within finance income. The interest cost for the period arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses for the period are recognised in the pensions reserve and reported as an item of other comprehensive income.

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

1.5 Other expenses

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

1.6 Property, plant and equipment

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are depreciated over their own useful economic lives, where they are significant in relation to the whole.

Valuation

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

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. The Welsh Government has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales trusts have applied these new valuation requirements from 1 April 2009.

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

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

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

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

A formal revaluation exercise by the District Valuation Office was applied to the land and properties of NHS Wales Trusts as from 1 April 2012. The carrying value of existing assets at that date written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

In 2015-16 indexation has been applied to property plant and equipment based on indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to retained earnings.

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

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.7 Intangible assets

Recognition

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

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the trusts expect to obtain economic benefits or service potential from the asset. This is specific to the trust and may be shorter than the physical life of the asset itself.

Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

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

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

1.9 Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.10 Donated assets

A donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their face value on receipt, with a matching credit to miscellaneous income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

1.11 Government grants

A government grant reserve is no longer maintained. The value of assets received by means of government grant are credited directly to miscellaneous income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the government grant preclude immediate recognition of the gain.

1.12 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Income Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

1.13 Leases

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

The trusts as lessee

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

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

Contingent rentals are recognised as an expense in the period in which they are incurred.

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

The trusts as lessor

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

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

1.14 Private Finance Initiative (PFI) transactions

The NHS trusts have no PFI arrangements.

1.15 Inventories

Inventories are valued at the lower of cost and net realisable value using the weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.16 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the NHS trusts' cash management.

1.17 Provisions

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

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

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

A restructuring provision is recognised when the NHS trusts have developed a detailed formal plan for the restructuring and have raised a valid expectation in those affected that they will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.18 Clinical Negligence Costs

The Welsh Risk Pool (WRP) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2015-16. The WRP is hosted by Velindre NHS Trust as part of the NWSSP transfer. The WRP accounts are consolidated into the summarised NHS trust account.

1.19 CRC Trading Scheme

The NHS trusts are not members of the CRC Trading Scheme.

1.20 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trusts, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. **A contingent liability is disclosed unless the possibility of a payment is remote.**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trusts. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.21 Financial assets

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

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through Statement of Comprehensive Income and Expenditure

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

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

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

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

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

1.22 Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the trusts become party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Welsh Government are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

The NHS trusts do not have any financial guarantee contract liabilities nor any financial derivatives requiring to be stated at fair value through profit and loss.

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Welsh Government, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.23 Value Added Tax

Most of the activities of the trusts 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.

1.24 Foreign currencies

The NHS trusts' functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March 2016. Resulting exchange gains and losses for either of these are recognised in the trusts' surplus/deficit in the period in which they arise.

1.25 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS trusts have no beneficial interest in them.

1.26 Public Dividend Capital

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

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

1.27 Losses and Special Payments

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

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

The trusts account for all losses and special payments gross (including assistance from the Welsh Risk Pool). The trusts accrue or provide for the best estimate of its future pay outs 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%. Expected reimbursements from the Welsh Risk Pool are included in debtors. As the WRP accounts have been consolidated into the summarised account this debtor has been eliminated on summarisation. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.28 Absorption Accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

1.29 Subsidiaries

Material entities over which the trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

1.30 Accounting standards that have been issued but have not yet been adopted

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

IFRS 15 Revenue Recognition
IPSAS 32 Service Concession Arrangements - subject to consultation.

1.31 Accounting standards issued that have been adopted early

No accounting standards issued have been adopted early.

1.32 Charities

From 2013-14 Velindre NHS Trust consolidated their NHS charitable funds for which they are the corporate trustee. On the basis that the charitable funds consolidation will be dealt with in the underlying accounts and that the consolidation is not material at the Summarised Account level the NHS Trust Summarised Account will not summarise any charitable funds elements.

1.33 Critical Judgements in applying accounting policies

There are no critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.34 Key sources of estimation uncertainty

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

The amount recognised as provisions give rise to significant judgement and uncertainty. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking in to account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. A change in the assumptions could cause an increase or decrease in the amounts recognised as a provision which could materially impact the results of operations.

Summarised Accounts of NHS Trusts in Wales 2015-16

2. Revenue from patient care activities	2015-16	2014-15
	£000	£000
Welsh Government	169,474	245,229
Welsh Health Specialised Services & Emergency Ambulance Services Committee (WHSSC & EASC)	158,904	158,210
Local health boards	69,765	67,502
Other NHS trusts	65	481
Other English NHS bodies	-	35
Foundation Trusts	198	292
Non NHS:		
Private patient income	1,866	1,684
Overseas patients (non-reciprocal)	3	-
Injury Costs Recovery (ICR) Scheme	418	471
Other revenue from activities	714	636
Total	401,407	474,540

ICR income is subject to a provision for impairment of 21.99% to reflect expected rates of collection.

3. Other operating revenue	2015-16	2014-15
	£000	£000
Education, training and research	5,397	5,756
Charitable and other contributions to expenditure	3,111	2,530
Receipt of donations for capital acquisitions	96	565
Receipt of government grants for capital acquisitions	-	12
Non-patient care services to other bodies	687	-
Income generation	899	903
Rental revenue from operating leases	79	76
Other revenue:		
Provision of laundry, pathology, payroll services	14,327	14,294
Accommodation and catering charges	158	157
Staff payments for use of cars	361	274
Other	270,491	243,349
Total	295,606	267,916

Other revenue includes:

NHS Wales Shared Services Partnership (NWSSP)	199,946	171,995
NHS Wales Informatics Services (NWIS)	49,772	48,154
Non-ambulance transport for other NHS bodies	-	3,526
Ambulance Radio Replacement Programme (ARRP)	2,269	2,356
Hazardous Area Response Team (HART)	2,230	2,207
Staff Recharges	2,250	2,031
Personal injury benefit scheme (PIBS)	747	726
Air Ambulance paramedic funding	597	597
Other	12,680	11,757
Total	270,491	243,349

4. Operating expenses

	2015-16	2014-15
4.1 Operating expenses	£000	£000
Welsh Government	3	226
Local Health Boards	16,007	15,839
Other NHS Trusts	117	67
Goods and services from other NHS bodies	309	494
Purchase of healthcare from non-NHS bodies	2,048	2,347
Welsh Local Authorities	4,500	4,575
Directors' costs	3,220	3,079
Staff costs	309,519	283,873
Supplies and services - clinical	47,676	44,687
Supplies and services - general	40,094	41,279
Consultancy Services	2,769	2,625
Establishment	26,262	25,577
Transport	14,973	15,925
Premises	32,697	26,753
Depreciation	23,819	22,348
Amortisation	8,185	7,317
Impairments and reversals of property, plant and equipment	506	(96)
Audit fees	502	482
Other auditors' remuneration	(16)	-
Losses, special payments and irrecoverable debts	79,492	161,073
Other operating expenses	84,749	83,935
Total	697,431	742,405

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

	2015-16	2014-15
Increase/(decrease) in provision for future payments:	£000	£000
Clinical negligence	37,535	150,328
Personal injury	3,263	5,285
All other losses and special payments	340	204
Defence legal fees and other administrative costs	739	2,593
Gross increase/(decrease) in provision for future payments	41,877	158,410
Welsh Risk Pool creditor movement	42,931	2,538
Irrecoverable debts	186	(11)
Less: income received/ due from Welsh Risk Pool	(5,502)	136
Total charge	79,492	161,073

Personal injury includes £764k in respect of permanent injury benefits [2014-15 £846k].

Summarised Accounts of NHS Trusts in Wales 2015-16

5. Investment revenue	2015-16	2014-15
	£000	£000
Interest revenue:		
Bank accounts	<u>123</u>	<u>102</u>
Total	<u>123</u>	<u>102</u>

6. Other gains and losses	2015-16	2014-15
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	<u>92</u>	<u>411</u>
Total	<u>92</u>	<u>411</u>

7. Finance costs	2015-16	2014-15
	£000	£000
Interest on obligations under finance leases	<u>287</u>	<u>335</u>
Total interest expense	<u>287</u>	<u>335</u>
Provisions unwinding of discount	(2,974)	(2,738)
Periodical Payment Order unwinding of discount	2,282	2,168
Total	<u>(405)</u>	<u>(235)</u>

The finance costs of £(405)k [2014-15: £(235)k] includes £(775)k [2014-15: £(679k)] which relates to the Welsh Risk Pool unwinding of discount.

8. Operating leases

As lessee

There are some significant leasing arrangements where the Trusts are the lessee and the lease agreement exceeds 5 years. Detailed disclosures are included within the individual NHS trust accounts.

Payments recognised as an expense	2015-16	2014-15
	£000	£000
Minimum lease payments	5,733	6,207
Total	5,733	6,207

Total future minimum lease payments	2015-16	2014-15
	£000	£000
Payable:		
Not later than one year	5,576	4,216
Between one and five years	15,241	11,468
After 5 years	12,375	6,047
Total	33,192	21,731

As lessor

The rental revenue relates to Vantage Point House part of which is leased to Aneurin Bevan LHB in respect of their GP Out of Hours Service.

Rental Revenue	2015-16	2014-15
	£000	£000
Other	79	76
Total rental revenue	79	76

Total future minimum lease payments	2015-16	2014-15
	£000	£000
Receivable:		
Not later than one year	72	72
Between one and five years	227	156
After 5 years	-	287
Total	299	515

9. Employee costs and numbers

9.1 Employee costs	Permanently	Agency	Staff on	2015-16	2014-15
	Employed	Staff	Inward	£000	£000
	£000	£000	Secondment £000	Total £000	Total £000
Salaries and wages	249,913	5,140	8,038	263,091	240,952
Social security costs	18,854	-	16	18,870	17,528
Employer contributions to NHS Pensions Scheme	31,190	-	17	31,207	28,743
Other pension costs	19	-	-	19	178
Total	299,976	5,140	8,071	313,187	287,401
Of the total above:					
Charged to capital				1,261	622
Charged to revenue				311,926	286,779
				313,187	287,401

Net movement in accrued employee benefits (untaken staff leave accrual included above) (17) 297

9.2 Average number of employees	Permanently	Agency	Staff on	2015-16	2014-15
	Employed	Staff	Inward	Total	Total
	Number	Number	Secondment Number	Number	Restated Number
Administrative, clerical and board members	3,216	47	63	3,326	3,076
Medical and dental	420	1	33	454	225
Nursing, midwifery registered	349	1	34	384	349
Professional, scientific and technical staff	464	2	2	468	464
Additional Clinical Services	1,500	-	3	1,503	1,437
Allied Health Professions	1,032	32	1	1,065	1,123
Healthcare scientists	119	-	-	119	122
Estates and Ancillary	318	22	3	343	389
Total	7,418	105	139	7,662	7,185

9.3 Employee benefits

One of the three trusts operates a lease car scheme and three salary sacrifice schemes (childcare, bikes and computer scheme) for employees.

10. Pension and Retirement Costs Due to Ill Health

10.1 Pension Costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

10.1 Pension Costs (continued)

c) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Currently, the legal minimum level of contributions is 2 per cent of a jobholder's qualifying earnings for employers whose legal duties have started. Of this, the employer needs to pay at least 1 per cent, though they can pay more if they want to.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £42,385 for the 2015-2016 tax year.

NEST has an annual contribution limit of £4,700 for the 2015-16 tax year (£4,600 for 2014-15). This means the most that can be contributed to a single pot in the current tax year is £4,700. This figure will be adjusted annually in line with average earnings.

The annual contribution limit includes member contributions, money from their employer and any tax relief. It also includes any money paid in by someone else on behalf of the member, such as a member's partner or spouse.

10.2 Retirement costs due to ill-health

During 2015-16 there were 11 [2014-15 14] early retirements from the trusts agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements will be £717k [2014-15 £544k]. The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

11. Public Sector Payment Policy - Measure of Compliance

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

The NHS trusts had no interest or compensation charges under legislation, in relation to the late payment of commercial debt.

**12. Property, plant and equipment :
2015-16**

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2015	23,551	79,243	242	20,628	66,041	57,869	62,132	2,252	311,958
Indexation	463	4,388	14	-	-	-	-	-	4,865
Additions - purchased	-	1,016	-	27,540	647	818	3,491	123	33,635
Additions - donated	-	-	-	-	66	-	9	-	75
Transfers from/(into) other NHS bodies	-	-	-	-	-	102	(1)	-	101
Reclassifications	-	2,089	-	(22,226)	4,509	11,351	3,331	-	(946)
Reclassified as held for sale	(52)	(1,368)	-	-	(122)	(2,520)	-	-	(4,062)
Disposals other than by sale	-	(547)	-	-	(6,244)	(144)	(2,936)	(64)	(9,935)
Impairments	(18)	(464)	-	(124)	-	-	-	-	(606)
Reversal of impairments	-	345	-	-	-	-	-	-	345
At 31 March 2016	23,944	84,702	256	25,818	64,897	67,476	66,026	2,311	335,430
Depreciation									
At 1 April 2015	-	20,915	32	-	41,032	34,843	37,723	1,985	136,530
Indexation	-	1,155	2	-	-	-	-	-	1,157
Transfers from/(into) other NHS bodies	-	-	-	-	-	102	-	-	102
Reclassifications	-	-	-	-	-	-	(852)	-	(852)
Reclassified as held for sale	-	(1,364)	-	-	(122)	(2,504)	-	-	(3,990)
Disposals other than by sale	-	(351)	-	-	(6,244)	(144)	(2,936)	(64)	(9,739)
Impairments	-	214	-	-	-	-	-	-	214
Reversal of impairments	-	31	-	-	-	-	-	-	31
Charged during the year	-	2,980	14	-	5,374	7,539	7,828	84	23,819
At 31 March 2016	-	23,580	48	-	40,040	39,836	41,763	2,005	147,272
Net book value at 1 April 2015	23,551	58,328	210	20,628	25,009	23,026	24,409	267	175,428
Net book value At 31 March 2016	23,944	61,122	208	25,818	24,857	27,640	24,263	306	188,158
Net book value at 31 March 2016 comprises :									
Purchased	23,944	55,180	208	25,818	24,564	27,640	24,246	306	181,906
Donated	-	5,942	-	-	293	-	8	-	6,243
Government Granted	-	-	-	-	-	-	9	-	9
At 31 March 2016	23,944	61,122	208	25,818	24,857	27,640	24,263	306	188,158
Asset Financing:									
Owned	23,944	61,122	208	25,818	24,848	27,640	19,256	302	183,138
Held on finance lease	-	-	-	-	9	-	5,007	4	5,020
At 31 March 2016	23,944	61,122	208	25,818	24,857	27,640	24,263	306	188,158

The net book value of land, buildings and dwellings at 31 March 2016 comprises :

	£000
Freehold	81,271
Long Leasehold	247
Short Leasehold	3,756
	85,274

The Trusts Land and Buildings were revalued by the District Valuation Service with an effective date of 1st April 2012. The valuation was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition.

The valuations were 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 was assessed at existing use value. For non-operational properties, including surplus land, the valuations were carried out at fair value. Fair value was defined by IAS16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This was undertaken on the assumption that the property was sold as part of the continuing enterprise in occupation.

**12. Property, plant and equipment (continued):
2014-15**

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2014	23,358	71,002	140	16,313	57,447	60,822	57,887	2,258	289,227
Indexation	467	3,141	7	-	276	16	-	6	3,913
Revaluation	-	19	-	-	-	-	-	-	19
Additions - purchased	-	2,312	95	16,303	2,918	286	6,084	134	28,132
Additions - donated	-	315	-	-	250	-	-	-	565
Additions - government granted	-	-	-	-	-	-	12	-	12
Reclassifications	-	2,540	-	(11,988)	6,801	1,173	1,474	-	-
Reclassified as held for sale	(254)	-	-	-	-	(3,915)	(219)	-	(4,388)
Disposals other than by sale	-	-	-	-	(1,651)	(510)	(3,106)	(146)	(5,413)
Impairments	(20)	(274)	-	-	-	(3)	-	-	(297)
Reversal of impairments	-	188	-	-	-	-	-	-	188
At 31 March 2015	23,551	79,243	242	20,628	66,041	57,869	62,132	2,252	311,958
Depreciation									
At 1 April 2014	-	17,675	20	-	37,816	31,865	33,677	1,936	122,989
Indexation	-	873	1	-	115	4	-	3	996
Revaluation	-	(52)	-	-	-	-	-	-	(52)
Reclassified as held for sale	-	-	-	-	-	(3,915)	(219)	-	(4,134)
Disposals other than by sale	-	-	-	-	(1,651)	(510)	(3,105)	(146)	(5,412)
Impairments	-	-	-	-	-	-	-	-	-
Reversal of impairments	-	(205)	-	-	-	-	-	-	(205)
Charged during the year	-	2,624	11	-	4,752	7,399	7,370	192	22,348
At 31 March 2015	-	20,915	32	-	41,032	34,843	37,723	1,985	136,530
Net book value									
at 1 April 2014	23,358	53,327	120	16,313	19,631	28,957	24,210	322	166,238
Net book value									
At 31 March 2015	23,551	58,328	210	20,628	25,009	23,026	24,409	267	175,428
Net book value at 31 March 2015 comprises :									
Purchased	23,551	52,458	210	20,628	24,718	23,026	24,398	267	169,256
Donated	-	5,870	-	-	291	-	-	-	6,161
Government Granted	-	-	-	-	-	-	11	-	11
At 31 March 2015	23,551	58,328	210	20,628	25,009	23,026	24,409	267	175,428
Asset Financing:									
Owned	23,551	58,328	210	20,628	24,947	23,026	17,845	261	168,796
Held on finance lease	-	-	-	-	62	-	6,564	6	6,632
At 31 March 2015	23,551	58,328	210	20,628	25,009	23,026	24,409	267	175,428
The net book value of land, buildings and dwellings at 31 March 2015 comprises :									
									£000
Freehold									78,599
Long Leasehold									290
Short Leasehold									3,200
									82,089

12.2 Non-current assets held for sale

	Land	Buildings, including dwellings	Other property plant and equipment	Total
	£000	£000	£000	£000
Balance b/f 1 April 2015	284	-	-	284
Plus assets classified as held for sale in year	52	4	16	72
Less assets sold in year	-	-	(16)	(16)
Balance c/f 31 March 2016	336	4	-	340
Balance b/f 1 April 2014	165	-	-	165
Plus assets classified as held for sale in year	254	-	-	254
Less assets sold in year	(135)	-	-	(135)
Balance c/f 31 March 2015	284	-	-	284

Three properties were included within this category as at 1 April 2015, namely Newquay, Wrexham and Monmouth Ambulance Stations.

During the year one further Ambulance Station, Chirk, was identified as being held for sale within one calendar year.

There are four Ambulance stations remaining as due for sale as at 31 March 2016.

13. Intangible assets

2015-16

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2015	52,708	6,292	1,924	60,924
Additions				
- purchased	2,869	18	1,063	3,950
- donated	21	-	-	21
Reclassifications	(253)	-	1,199	946
Disposals other than by sale	(1,195)	-	-	(1,195)
Gross cost at 31 March 2016	54,150	6,310	4,186	64,646
Amortisation				
Accumulated amortisation at 1 April 2015	27,771	4,647	-	32,418
Reclassifications	(39)	-	891	852
Disposals other than by sale	(1,195)	-	-	(1,195)
Charged during the year	7,084	693	408	8,185
Accumulated amortisation at 31 March 2016	33,621	5,340	1,299	40,260
Net book value at 1 April 2015	24,937	1,645	1,924	28,506
Net book value at 31 March 2016	20,529	970	2,887	24,386
Net book value				
Purchased	20,510	-	2,887	23,397
Internally Generated	-	970	-	970
Donated	19	-	-	19
Total at 31 March 2016	20,529	970	2,887	24,386

13. Intangible assets (continued)

2014-15

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2014	45,083	6,292	-	51,375
Additions				
- purchased	7,625	-	1,924	9,549
Gross cost at 31 March 2015	52,708	6,292	1,924	60,924
Amortisation				
Accumulated amortisation at 1 April 2014	21,380	3,721	-	25,101
Charged during the year	6,391	926	-	7,317
Accumulated amortisation at 31 March 2015	27,771	4,647	-	32,418
Net book value at 1 April 2014	23,703	2,571	-	26,274
Net book value at 31 March 2015	24,937	1,645	1,924	28,506
Net book value				
Purchased	24,937	-	1,924	26,861
Internally Generated	-	1,645	-	1,645
Total at 31 March 2015	24,937	1,645	1,924	28,506

14. Revaluation reserve balance for intangible assets

The NHS trusts have no revaluation reserve balances for intangible assets.

15. Impairments

	2015-16	2014-15
	Property, plant & equipment	Property, plant & equipment
	£000	£000
		Reclassified
Impairments in the period arose from:		
Abandonment of assets in the course of construction	-	21
Unforeseen obsolescence	124	-
Changes in market price	-	(31)
Other (specify)	678	272
Reversal of impairment	(296)	(358)
Total	506	(96)
Operating expenses in Statement of Comprehensive Income	506	(96)
Total	506	(96)

The figures in the table for 2014/15 and 2015/16 are a reversal of previous impairments that were charged to I&E, and are not therefore taken to the revaluation reserve (IAS 16).

16. Capital commitments

Commitments under capital expenditure contracts at the statement of financial position date were:

	31 March	31 March
	2016	2015
	£000	£000
Property, plant and equipment	1,695	11,709
Intangible assets	1,685	1,154
Total	3,380	12,863

17. Other financial assets

The NHS trusts have no Other Financial Assets.

18. Inventories

18.1 Inventories

	31 March	31 March
	2016	2015
	£000	£000
Drugs	1,344	945
Consumables	4,881	5,036
Other	1,459	1,025
Total	7,684	7,006

18.2 Inventories recognised in expenses

	31 March	31 March
	2016	2015
	£000	£000
Inventories recognised as an expense in the period	49,317	66,495
Write-down of inventories (including losses)	39	270
Total	49,356	66,765

19. Trade and other receivables

19.1 Trade and other receivables

	31 March	31 March
	2016	2015
	£000	£000
Current		
Welsh Government	264,879	245,015
WHSSC/EASC	2,554	1,537
Welsh Health Boards	13,833	13,796
Non - Welsh Trusts	182	37
Other NHS	216	53
Welsh Local Authorities	101	374
Capital debtors	-	31
Other debtors	15,826	5,714
Provision for impairment of trade receivables	(580)	(373)
Other prepayments	6,279	5,533
Accrued income	497	747
Sub-total	303,787	272,464
Non-current		
Welsh Government	460,564	459,910
Other debtors	522	502
Sub-total	461,086	460,412
Total trade and other receivables	764,873	732,876

The great majority of trade is with the Welsh Government and Welsh Health Boards. As these bodies are either Welsh Government or funded by Welsh Government, no credit scoring of them is considered necessary.

The NHS Welsh Government non current receivables relate to the consolidation of the Welsh Risk Pool "debtor of last resort" in the summarised account.

19.2 Receivables VAT	31 March	31 March
	2016	2015
	£000	£000
Trade receivables	650	452
Total	650	452

19.3 Receivables past their due date but not impaired

	31 March	31 March
	2016	2015
	£000	£000
By up to 3 months	1,429	1,256
By 3 to 6 months	465	479
By more than 6 months	705	297
Balance at end of financial year	2,599	2,032

19.4 Provision for the impairment of receivables

	31 March	31 March
	2016	2015
	£000	£000
Balance at beginning of the year	(373)	(362)
Provision utilised (Amount written off during the year)	2	30
(Increase)/decrease in receivables impaired	(209)	(41)
Balance at end of financial year	(580)	(373)

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

20. Cash and cash equivalents

	31 March	31 March
	2016	2015
	£000	£000
Opening Balance	34,262	20,714
Net change in year	(2,060)	13,548
Closing Balance	32,202	34,262
 Made up of:		
Cash with Government Banking Service (GBS)	9,712	9,577
Cash with Commercial banks	39	36
Cash in hand	51	49
Cash as in Statement of Financial Position	9,802	9,662
Current investments	22,400	24,600
Cash and cash equivalents as in Statement of Financial Position	32,202	34,262
Cash & cash equivalents as in Statement of Cash Flows	32,202	34,262

The current investment is a deposit in the UK Government National Loans Fund.

21. Trade and other payables

Trade and other payables at the Statement of Financial Position date consist of:

	31 March 2016 £000	31 March 2015 £000
Current		
Welsh Government	2,333	1,428
WHSSC & EASC	148	51
Welsh Health Boards	54,178	32,909
Other NHS	1,099	135
Welsh Local Authorities	1,113	976
Other Local Authorities	1	-
Income tax and social security		
Refunds of taxation by HMRC	(2)	-
VAT payable to HMRC	59	-
Other taxes payable to HMRC	1,761	517
National Insurance contributions payable to HMRC	2,512	1,151
Non-NHS trade payables - revenue	20,065	19,010
Non-NHS trade payables - capital	12,490	20,668
Rentals due under operating leases	34	41
Obligations due under finance leases and HP contracts	481	625
Pensions: staff	3,400	3,093
Accruals	18,635	17,933
Deferred Income		
Deferred income brought forward	1,222	1,155
Deferred income additions	905	1,191
Transfer to/from current/non current deferred income	-	(8)
Released to the Income Statement	(537)	(1,148)
Other liabilities - all other payables	4	-
Sub-total	<u>119,901</u>	<u>99,727</u>
Non-current		
Non-NHS trade payables - revenue	272,072	221,742
Obligations due under finance leases and HP contracts	104	580
Deferred Income		
Deferred income additions	-	36
Transfer to/from current/non current deferred income	-	8
Sub-total	<u>272,176</u>	<u>222,366</u>
Total	<u>392,077</u>	<u>322,093</u>

The non current Non-NHS trade payables - revenue relates to the WRP periodical payment order.

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

In respect of the Pensions figure shown above, £3,397k relates to the NHS Pension scheme (2014-15 £3,092k) and £2k to the NEST pension scheme (2014-15 £2k).

Summarised Accounts of NHS Trusts in Wales 2015-16

22. Borrowings

Current	31 March	31 March
	2016	2015
	£000	£000
Finance lease liabilities	1,527	1,430
Total	<u>1,527</u>	<u>1,430</u>
Non-current		
Finance lease liabilities	3,921	5,359
Total	<u>3,921</u>	<u>5,359</u>

The borrowings relate to finance leases on plant and equipment.

22.2 Loan advance/strategic assistance funding

The NHS trusts have not received any loan advance or strategic funding from the Welsh Government.

23. Other financial liabilities

The NHS trusts have no Other Financial Liabilities.

24. Provisions

2015-16

24.1 NHS Trusts including Welsh Risk Pool

	At 1 April 2015	Structured settlement cases transferred to Risk Pool	Transfer of provisions to Creditors	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	196,086	(10,037)	(12,310)	52,370	120,987	(44,181)	(101,080)	(2,979)	198,856
Personal injury	5,919	-	-	26	5,720	(3,793)	(2,737)	71	5,206
All other losses and special payments	140	-	-	-	431	(437)	(91)	-	43
Defence legal fees and other administration	5,051	-	-	255	3,826	(1,033)	(3,237)	(14)	4,848
Pensions relating to: other staff	43		(6)	30	15	(37)	-	2	47
Restructurings	430			-	199	(214)	(350)		65
Other	1,529		-	17	541	(480)	(192)		1,415
Total	209,198	(10,037)	(12,316)	52,698	131,719	(50,175)	(107,687)	(2,920)	210,480
Non Current									
Clinical negligence	237,231	(4,527)	(724)	(52,442)	31,834	(3,536)	(14,206)	(54)	193,576
Personal injury	7,015	-	-	(1)	280	(70)	-	-	7,224
Defence legal fees and other administration	937	-	-	(208)	279	(70)	(129)	-	809
Pensions relating to: other staff	291			(30)	21	-	-	-	282
Other	167		-	(17)	11	-	-		161
Total	245,641	(4,527)	(724)	(52,698)	32,425	(3,676)	(14,335)	(54)	202,052
TOTAL									
Clinical negligence	433,317	(14,564)	(13,034)	(72)	152,821	(47,717)	(115,286)	(3,033)	392,432
Personal injury	12,934	-	-	25	6,000	(3,863)	(2,737)	71	12,430
All other losses and special payments	140	-	-	-	431	(437)	(91)	-	43
Defence legal fees and other administration	5,988	-	-	47	4,105	(1,103)	(3,366)	(14)	5,657
Pensions relating to: other staff	334		(6)	-	36	(37)	-	2	329
Restructurings	430			-	199	(214)	(350)		65
Other	1,696		-	-	552	(480)	(192)		1,576
Total	454,839	(14,564)	(13,040)	-	164,144	(53,851)	(122,022)	(2,974)	412,532

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2017	Between 1 Apr 2017 to 31 March 2022	Between 1 Apr 2022 to 31 March 2027	Thereafter	Total
	£000	£000	£000	£000	£000
Clinical negligence	198,856	144,042	29,440	20,094	392,432
Personal injury	5,206	2,169	1,950	3,105	12,430
All other losses and special payments	43	-	-	-	43
Defence legal fees and other administration	4,848	809	-	-	5,657
Pensions - other staff	47	173	101	8	329
Restructuring	65	-	-	-	65
Other	1,415	161	-	-	1,576
Total	210,480	147,354	31,491	23,207	412,532

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

Included within the above are no clinical negligence provisions arising from Redress.

In addition to the provision shown above, contingent liabilities are given in the 'Contingent liabilities' note.

Other Provisions include:

- Dilapidations £995k
- Decommissioning cesium sources £161k
- Stock valuation £187k
- Employee Costs £233k

24. Provisions

2015-16

24.2 NHS Trusts excluding Welsh Risk Pool

	At 1 April 2015	Transfer of provisions to Creditors	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000
Current								
Clinical negligence	5,086	-	(28)	2,086	(616)	(2,653)	-	3,875
Personal injury	1,869	-	-	1,923	(780)	(1,128)	81	1,965
All other losses and special payments	140	-	-	431	(437)	(91)	-	43
Defence legal fees and other administration	672	-	-	442	(196)	(407)	-	511
Pensions relating to: other staff	43	(6)	30	15	(37)	-	2	47
Restructurings	430	-	-	199	(214)	(350)	-	65
Other	1,529	-	17	541	(480)	(192)	-	1,415
Total	9,769	(6)	19	5,637	(2,760)	(4,821)	83	7,921
Non Current								
Clinical negligence	-	-	28	5,873	(9)	-	-	5,892
Personal injury	7,015	-	-	280	(70)	-	-	7,225
Pensions relating to: other staff	291	-	(30)	21	-	-	-	282
Other	167	-	(17)	11	-	-	-	161
Total	7,473	-	(19)	6,185	(79)	-	-	13,560
TOTAL								
Clinical negligence	5,086	-	-	7,959	(625)	(2,653)	-	9,767
Personal injury	8,884	-	-	2,203	(850)	(1,128)	81	9,190
All other losses and special payments	140	-	-	431	(437)	(91)	-	43
Defence legal fees and other administration	672	-	-	442	(196)	(407)	-	511
Pensions relating to: other staff	334	(6)	-	36	(37)	-	2	329
Restructurings	430	-	-	199	(214)	(350)	-	65
Other	1,696	-	-	552	(480)	(192)	-	1,576
Total	17,242	(6)	-	11,822	(2,839)	(4,821)	83	21,481

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2017	Between 1 Apr 2017 to 31 March 2022	Between 1 Apr 2022 to 31 March 2027	Thereafter	Total
	£000	£000	£000	£000	£000
Clinical negligence	3,875	5,892	-	-	9,767
Personal injury	1,965	2,170	1,950	3,105	9,190
All other losses and special payments	43	-	-	-	43
Defence legal fees and other administration	511	-	-	-	511
Pensions - other staff	47	173	101	8	329
Restructuring	65	-	-	-	65
Other	1,415	161	-	-	1,576
Total	7,921	8,396	2,051	3,113	21,481

24. Provisions

2015-16

24.3 Welsh Risk Pool

	At 1 April 2015	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	195,850	(10,037)	(12,310)	52,398	126,354	(44,911)	(100,933)	(2,979)	203,432
Personal injury	5,030	-	-	26	4,809	(3,165)	(2,213)	(10)	4,477
Defence legal fees and other administration	4,513	-	-	255	3,432	(857)	(2,873)	(14)	4,456
Total	205,393	(10,037)	(12,310)	52,679	134,595	(48,933)	(106,019)	(3,003)	212,365
Non Current									
Clinical negligence	237,231	(4,527)	(724)	(52,470)	25,961	(3,527)	(14,206)	(54)	187,684
Personal injury	-	-	-	(1)	-	-	-	-	(1)
Defence legal fees and other administration	937	-	-	(208)	279	(70)	(129)	-	809
Total	238,168	(4,527)	(724)	(52,679)	26,240	(3,597)	(14,335)	(54)	188,492
TOTAL									
Clinical negligence	433,081	(14,564)	(13,034)	(72)	152,315	(48,438)	(115,139)	(3,033)	391,116
Personal injury	5,030	-	-	25	4,809	(3,165)	(2,213)	(10)	4,476
Defence legal fees and other administration	5,450	-	-	47	3,711	(927)	(3,002)	(14)	5,265
Total	443,561	(14,564)	(13,034)	-	160,835	(52,530)	(120,354)	(3,057)	400,857

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2017	Between 1 Apr 2017 to 31 March 2022	Between 1 Apr 2022 to 31 March 2027	Thereafter	Total
	£000	£000	£000	£000	£000
Clinical negligence	203,432	138,150	29,440	20,094	391,116
Personal injury	4,477	(1)	-	-	4,476
Defence legal fees and other administration	4,456	809	-	-	5,265
Total	212,365	138,958	29,440	20,094	400,857

The provisions relate to the amounts over £25,000 in respect of ongoing claims against the NHS in Wales, the outcome of which will not be determined until the case has been finalised.

24. Provisions

2014-15

24.4 NHS Trusts including Welsh Risk Pool

	At 1 April 2014	Structured settlement cases transferred to Risk Pool	Transfer of provisions to Creditors	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2015
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	164,623	(16,322)	(4,995)	6,580	166,245	(56,627)	(60,739)	(2,679)	196,086
Personal injury	3,460	-	(303)	1,326	6,706	(3,492)	(1,878)	100	5,919
All other losses and special payments	-	-	-	-	204	(64)	-	-	140
Defence legal fees and other administration	2,305	-	-	1,677	5,605	(1,312)	(3,213)	(11)	5,051
Pensions relating to: other staff	41	-	(6)	27	10	(28)	(4)	3	43
Restructurings	-	-	-	-	430	-	-	-	430
Other	575	-	-	133	828	-	(7)	-	1,529
Total	171,004	(16,322)	(5,304)	9,743	180,028	(61,523)	(65,841)	(2,587)	209,198
Non Current									
Clinical negligence	206,890	(3,336)	-	(6,857)	51,985	(4,138)	(7,163)	(150)	237,231
Personal injury	7,980	-	-	(1,351)	457	(71)	-	-	7,015
Defence legal fees and other administration	2,210	-	-	(1,375)	283	(98)	(82)	(1)	937
Pensions relating to: other staff	313	-	-	(27)	15	(10)	-	-	291
Other	270	-	-	(133)	30	-	-	-	167
Total	217,663	(3,336)	-	(9,743)	52,770	(4,317)	(7,245)	(151)	245,641
TOTAL									
Clinical negligence	371,513	(19,658)	(4,995)	(277)	218,230	(60,765)	(67,902)	(2,829)	433,317
Personal injury	11,440	-	(303)	(25)	7,163	(3,563)	(1,878)	100	12,934
All other losses and special payments	-	-	-	-	204	(64)	-	-	140
Defence legal fees and other administration	4,515	-	-	302	5,888	(1,410)	(3,295)	(12)	5,988
Pensions relating to: other staff	354	-	(6)	-	25	(38)	(4)	3	334
Restructurings	-	-	-	-	430	-	-	-	430
Other	845	-	-	-	858	-	(7)	-	1,696
Total	388,667	(19,658)	(5,304)	-	232,798	(65,840)	(73,086)	(2,738)	454,839

The provisions relate to the total liability of the NHS Wales Trusts that is for amounts less than £25,000 and those greater than £25,000 which will be reimbursed by the Welsh Risk Pool.

Other Provisions include:

- Dilapidations £1,477k
- Decommissioning cesium sources £150k
- Employee Costs £71k

25. Contingencies

25.1 Contingent liabilities

	31 March	31 March
Provision has not been made in these accounts for the following amounts:	2016	2015
	£000	£000
Legal claims for alleged medical or employer negligence	<u>789,358</u>	686,373
Total value of disputed claims	789,358	686,373
Amount recovered under insurance arrangements in the event of these claims being successful	<u>(788,962)</u>	(684,479)
Net contingent liability	<u>396</u>	<u>1,894</u>

The above figures for 31st March 2016 includes all contingent liabilities >£25k for Health Bodies in Wales, from the consolidation of the Welsh Risk Pool within the Velindre NHS Trust Accounts, together with the NHS trust contingent liabilities <£25k.

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. Legal claims are provided in the accounts on the basis of settlement probability assessed by the Trust's independent legal advisors. The amount disclosed in respect of contingent liabilities relates to outstanding cases with a probability of settlement that has been classified as either 'possible' or 'remote'.

25.2 Contingent assets

The NHS trusts have no contingent assets.

26. Losses and special payments

26.1 NHS trusts including Welsh Risk Pool

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

Gross loss to the Exchequer

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

	Amounts paid out during year to 31 March 2016		Approved to write-off year to 31 March 2016	
	Number	£	Number	£
Clinical negligence	345	41,656,437	330	41,413,685
Personal injury	170	3,439,937	121	3,579,929
All other losses and special payments	127	725,634	61	652,321
Total	642	45,822,008	512	45,645,935

Cases paid in 2015-16 where the cumulative sum exceeded £300,000 are as follows:

	No of cases	Amounts paid out in year £ 2015-16	Cumulative amount £ 2015-16	Approved to write-off in year £ 2015-16
All NHS Wales Health Boards and NHS Trusts				
ABMU	6	3,178,177	4,625,980	3,178,177
Aneurin Bevan	4	4,494,161	4,494,161	4,494,161
BCU	6	4,052,843	4,550,428	4,052,843
Cardiff and Vale	13	7,339,325	13,995,496	7,339,325
Cwm Taff	3	1,859,556	2,264,578	1,859,556
Hywel Dda	5	2,478,581	2,478,581	2,478,581
Sub-total	37	23,402,643	32,409,224	23,402,643
All other losses and payments	605	22,419,365	92,945,187	22,243,292
Total	642	45,822,008	125,354,411	45,645,935

To enable the reader of the accounts to compare NHS trust performance for current and past losses and special payments, the note has been prepared separately for the NHS Trusts and the Welsh Risk Pool.

26. Losses and special payments

26.2 NHS trusts excluding Welsh Risk Pool

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

Gross loss to the Exchequer

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

	Amounts paid out during year to 31 March 2016		Approved to write-off year to 31 March 2016	
	Number	£	Number	£
Clinical negligence	18	636,617	3	393,865
Personal injury	101	785,150	52	925,142
All other losses and special payments	120	227,157	54	153,844
Total	239	1,648,924	109	1,472,851

In 2015-16 the NHS trusts paid no cases where the cumulative sum exceeded £300,000:

	Amounts paid out in year £ 2015-16	Cumulative amount £ 2015-16	Approved to write-off in year £ 2015-16
All other losses and payments	239	1,648,924	1,472,851
Total	239	1,648,924	1,472,851

To enable the reader of the accounts to compare NHS trust performance for current and past losses and special payments, the note has been prepared separately for the NHS Trusts and the Welsh Risk Pool.

26. Losses and special payments

26.3 Welsh Risk Pool

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

The Welsh Risk Pool reimburses Trusts and Local Health Boards for payments made in year.

	Amounts paid out during year to 31 March 2016		Approved to write-off year to 31 March 2016	
	Number	£	Number	£
Clinical negligence	327	41,019,820	327	41,019,820
Personal injury	69	2,654,787	69	2,654,787
All other losses and special payments	7	498,477	7	498,477
Total	403	44,173,084	403	44,173,084

Cases paid in 2015-16 where the cumulative sum exceeded £300,000 are as follows:

	No of cases	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
		2015-16	2015-16	2015-16
ABMU	6	3,178,177	4,625,980	3,178,177
Aneurin Bevan	4	4,494,161	4,494,161	4,494,161
BCU	6	4,052,843	4,550,428	4,052,843
Cardiff and Vale	13	7,339,325	13,995,496	7,339,325
Cwm Taf	3	1,859,556	2,264,578	1,859,556
Hywel Dda	5	2,478,581	2,478,581	2,478,581
Sub-total	37	23,402,643	32,409,224	23,402,643
All other cases	366	20,770,441	85,123,429	20,770,441
Total cases	403	44,173,084	117,532,653	44,173,084

Summarised Accounts of NHS Trusts in Wales 2015-16

27. Finance lease obligations**27.1 Finance Lease obligations as lessee****Amounts payable under finance leases:****LAND & BUILDINGS**

The NHS trusts have no amounts payable under finance leases relating to land or buildings.

OTHER	31 March	31 March
	2016	2015
	£000	£000
Minimum lease payments		
Within one year	2,237	2,341
Between one and five years	4,285	6,262
After five years	-	121
Less finance charges allocated to future periods	(444)	(638)
Minimum lease payments	6,078	8,086
Included in:		
Current borrowings	1,528	1,430
Non-current borrowings	3,921	5,359
	5,449	6,789
Present value of minimum lease payments		
Within one year	2,009	2,055
Between one and five years	4,025	5,821
After five years	-	117
Present value of minimum lease payments	6,034	7,993
Included in:		
Current borrowings	2,009	2,055
Non-current borrowings	4,025	5,938
	6,034	7,993

27.2 Finance lease receivables (as lessor)

The NHS trusts have no finance lease receivables as lessor.

27.3 Finance Lease Rental Revenue

The NHS trusts have no finance lease rental revenue.

27.4. Finance lease commitments

The NHS trusts have not entered into any new contracts to lease under finance leases during 2015-16.

28. Private finance transactions

Private Finance Initiatives (PFI) / Public Private Partnerships (PPP)

The NHS trusts have no PFI or PPP schemes deemed to be on or off the Statement of Financial Position.

29. Financial risk

IFRS 7, 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 trusts have previously had with health authorities and Health Commission Wales and with Welsh Health Specialised Services Committee 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 IFRS 7 mainly applies. NHS trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing NHS trusts in undertaking its activities.

The NHS trusts' treasury management operations are carried out by the finance department within parameters defined formally within the NHS trusts' standing financial instructions and policies agreed by the board of directors. NHS trust treasury activity is subject to review by the NHS trusts' internal auditors.

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.

Credit Risk

Because the majority of the trusts' income comes from contracts with other public sector bodies, the trusts have low exposure to credit risk. The maximum exposures are in receivables from customers as disclosed in the Trade and other receivables note.

General

The powers of the NHS trusts to invest and borrow are limited. The Boards have determined that in order to maximise income from cash balances held, any balance of cash which is not required will be invested. The trusts do not borrow from the private sector. All other financial instruments are held for the sole purpose of managing the cash flow of the trusts on a day to day basis or arise from the operating activities of the trusts. The management of risks around these financial instruments therefore relates primarily to the trusts' overall arrangements for managing risks to their financial position, rather than the trusts' treasury management procedures.

30. Third party assets

The NHS trusts have no third party assets.

31. Events after reporting period

On 29th April 2016 the Welsh Ambulance Services NHS Trust sold the site of the former ambulance station at Ruthin Road, Wrexham for £1.5 million.

32. Related Party Transactions

The Welsh Government, local health boards and NHS trusts are regarded as related parties. During the year, the trusts' had a significant number of material transactions with the Welsh Government and with other NHS bodies.

All trusts disclosed other related party transactions, predominantly Universities and Local Authorities. Further details of transactions are given in the individual trust accounts.

**THE NATIONAL HEALTH SERVICE – NHS TRUSTS IN WALES SUMMARISED ACCOUNTS
DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 178, SCHEDULE 9,
PARA 5(4) OF THE NATIONAL HEALTH SERVICES (WALES) ACT 2006**

1. HM Treasury directs that an account, summarised by consolidation, of the NHS Trusts in Wales shall be prepared in respect of the financial year ended 31 March 2014, and subsequent financial years. The basis of preparation and form of accounts shall be as set out in the following paragraphs and Schedules.
2. In this direction, unless the context otherwise requires, “the NHS Trusts” means each and every NHS Trust in Wales.

BASIS OF PREPARATION

3. The summarised account of the NHS Trusts shall be prepared from the audited accounts of the NHS Trusts to which it relates and shall comply with:
 - a. the accounting and disclosure requirements of the Companies Act 2006;
 - b. all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales and are in force for the financial year for which the accounts are to be prepared;
 - c. all relevant guidance given in the NHS Trust Accounts (Wales) – Manual for accounts;
 - d. the historical cost convention modified by the inclusion of non-current 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

4. The summarised account of NHS Trusts shall be prepared so as to:
 - a. give a true and fair view of the state of affairs as at 31 March 2014, and subsequent financial year-ends, and of the Statement of Comprehensive Income, Statement of Changes in Taxpayers’ Equity and Statement of Cash Flows for the financial year then ended; and
 - b. provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.
5. The Foreword, Governance Statement and Statement of Financial Position shall be signed by the Accounting Officer and dated.
6. Compliance with the reporting requirements set out in paragraph 3 a-d above will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with these reporting requirements is inconsistent with the requirement to give a true and fair view, the requirements set out in paragraph 3 a-d above should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment that should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the reporting requirements. Any material departure from the requirements set out in paragraph 3 a-d should be discussed with HM Treasury.
7. This direction supersedes all previous directions.

**Ross Campbell Deputy Director, Government Financial Reporting HM Treasury
10 February 2014**

**SCHEDULE 1
APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE
COMPANIES ACT AND ACCOUNTING REQUIREMENTS**

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS Trusts unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS Trusts shall be contained in the foreword.

Accounting Standards

3. NHS Trusts are not required to include a note showing the historical cost profits and losses.

**SCHEDULE 2
ADDITIONAL REQUIREMENTS**

Foreword

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (2) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS Trusts to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.

Governance statement

3. The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the summarised account of NHS Trusts in Wales (there are separate Accounts Directions for NHS Trusts). The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the summarised account, including the role of Internal Audit.
4. The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and officials appointed by the Department for Health and Social Services to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).