

# North East Wales NHS Trust

## Foreword

These accounts for the year ended 31 March 2008 have been prepared by the North East Wales NHS Trust under schedule 9 section 178 Para 3 (1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers, with the approval of the Treasury, directed.

**INCOME AND EXPENDITURE FOR THE YEAR ENDED  
31 MARCH 2008**

	Note	£000	2006-07 £000
<b>Income from activities</b>	3	<b>206,652</b>	195,526
<b>Other operating income</b>	4	<b>12,971</b>	14,270
<b>Total income</b>		<b>219,623</b>	209,796
<b>Operating expenses</b>	5	<b>(215,136)</b>	(206,459)
<b>Operating surplus/(deficit)</b>		<b>4,487</b>	3,337
Costs of fundamental reorganisation/restructuring		<b>0</b>	0
Profit/(loss) on disposal of fixed assets	8	<b>25</b>	448
<b>Surplus/(deficit) before interest</b>		<b>4,512</b>	3,785
Interest receivable		<b>619</b>	545
Interest payable	9	<b>(51)</b>	(117)
Other finance costs	16	<b>(28)</b>	(29)
<b>Surplus/(deficit) for the financial year</b>		<b>5,052</b>	4,184
Public Dividend Capital dividends payable		<b>(4,956)</b>	(4,219)
<b>Retained surplus/(deficit) for the year</b>	17	<b>96</b>	(35)

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

		2006-07
		£000
	Note	£000
Surplus/(deficit) for the financial year before dividend payments		4,184
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	9,072
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	382
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(467)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<hr/>
Total recognised gains and losses for the financial year		13,171
Prior period adjustment	17	0
		<hr/>
<b>Total gains and losses recognised in the financial year</b>		<b>13,171</b>

**BALANCE SHEET AS AT 31 MARCH 2008**

	Note	£000	£000	31 March 2007 £000
<b>Fixed assets</b>				
Intangible assets	10	0		0
Tangible assets	11	166,510		142,935
Investment assets	11.4	0		0
			<u>166,510</u>	142,935
<b>Current assets</b>				
Stocks and work-in-progress	12	3,332		2,748
Debtors	13	32,016		15,787
Investments	14	0		0
Cash at bank and in hand	18.3	40		40
<b>Total current assets</b>			<u>35,388</u>	18,575
Creditors: amounts falling due within 1 year	15		<u>(17,657)</u>	(11,680)
<b>Net current assets/(liabilities)</b>			<u>17,731</u>	6,895
<b>Total assets less current liabilities</b>			<b>184,241</b>	149,830
Creditors: amounts falling due after more than one year	15		(4,391)	(3,347)
Provisions for liabilities and charges	16		<u>(23,184)</u>	(12,334)
<b>Total assets employed</b>			<u>156,666</u>	134,149
<b>Financed by:</b>				
<b>Taxpayer's equity</b>				
Public dividend capital	23.2		115,605	90,880
Revaluation reserve	17		42,539	43,751
Donated asset reserve	17		2,844	4,194
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		<u>(4,322)</u>	(4,676)
<b>Total taxpayer's equity</b>			<u>156,666</u>	134,149

Signed on behalf of the Board on .....

Chairman .....

Chief Executive .....

Adopted by the Board on .....

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008**

	Note	£000	£000	2006-07 £000
<b>Operating activities</b>				
Net cash inflow from operating activities	18.1		<b>9,156</b>	10,153
<b>Returns on investments and servicing of finance</b>				
Interest received		<b>607</b>		551
Interest paid		<b>0</b>		(62)
Interest element of finance leases		<b>(51)</b>		(55)
			<b>556</b>	434
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>				
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		<b>(32,065)</b>		(15,478)
Receipts from sale of tangible fixed assets		<b>401</b>		786
Payments to acquire/ receipts from sale of intangible assets		<b>0</b>		0
Payments to acquire/ receipts from sale of fixed asset investments		<b>0</b>		0
			<b>(31,664)</b>	(14,692)
<b>Net cash inflow/(outflow) from capital expenditure</b>				
Public dividend capital dividends paid			<b>(4,397)</b>	(4,415)
<b>Management of liquid resources</b>				
Purchase of current asset investments		<b>0</b>		0
Sale of investments		<b>0</b>		0
			<b>0</b>	0
<b>Net cash inflow/(outflow) from management of liquid resources</b>				
<b>Net cash inflow/(outflow) before financing</b>				
			<b>(26,349)</b>	(8,520)
<b>Financing</b>				
Public dividend capital received		<b>25,456</b>		5,712
Public dividend capital repaid (not previously accrued)		<b>(731)</b>		(145)
Public dividend capital repaid (accrued in previous period)		<b>0</b>		0
Government loans received: short term		<b>0</b>		2,500
Government loans repaid: short term		<b>0</b>		(2,500)
Loan advances/brokerage received		<b>1,676</b>		3,000
Loan advances/brokerage repaid		<b>0</b>		0
Other capital receipts		<b>0</b>		0
Capital element of finance leases		<b>(52)</b>		(47)
			<b>26,349</b>	8,520
<b>Net cash inflow/(outflow) from financing</b>				
<b>Increase/(decrease) in cash</b>	18.2		<b>0</b>	0

## Notes to the accounts

### 1. Accounting policies and other information

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

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income recognition

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

#### 1.4 Intangible fixed assets

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

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

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

#### 1.5 Tangible fixed assets

##### i. Capitalisation

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

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

**ii. Valuation**

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

Land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years.

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

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

Adjustments arising from the five-yearly revaluations are in the first instance taken to the relevant Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses where there is a credit balance for that impaired asset in the revaluation reserve, otherwise ordinarily they will be charged to the income and expenditure statement. Falls in value when newly constructed assets are brought into use are always charged to the revaluation reserve even where there is no credit balance. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

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

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

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

Operational equipment is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

**iii. Depreciation**

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

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

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

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

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale. Where there have been any significant changes to the useful economic life or residual values of assets, the reason and effect should be disclosed in the year of change. Where, under Financial Reporting Standard 11 a fixed asset impairment is charged to the Income and Expenditure account, offsetting income is paid by the Assembly via the Trust's main commissioner, to offset the charge. The income is used to repay Public Dividend Capital.

### **1.6 Fixed Asset Investments**

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

### **1.7 Donated fixed assets**

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

### **1.8 Government grants**

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

### **1.9 Cash Bank and Overdrafts**

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

### **1.10 Leases**

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

### **1.11 Private Finance Initiative**

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

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

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

### **1.12 Stocks and work-in-progress**

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

### **1.13 Research and development**

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

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

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

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

### **1.14 Provisions**

The trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. In accordance with FRS 12 provisions are only recognised where the transfer of economic benefit is probable, and the amount can be reasonably estimated. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

### **1.15 Contingent Liabilities**

Contingent liabilities are recognised where the NHS Trust has

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

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

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

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

### **1.16 Losses and special payments**

Losses and special payments are items that the National Assembly for Wales would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled. Losses and special payments are charged to the income and expenditure account on an accruals basis. However, note 22 is compiled directly from the losses and compensations register which is prepared on a cash basis.

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

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

### **1.17 Pension costs**

Past and present employees are covered by the provisions of the NHS 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 a defined contribution scheme: the cost to the NHS body participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of valuation on this basis took place as at 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS 17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 2004 investigation was that the scheme had accumulated a notional deficit of £3.3 billion against notional assets as at 31 March 2004. This is after making some allowance for the one-off effective of pay modernisation, but before taking into account any of the scheme changes which come into effect on 1 April 2008. Taking into account the changes in the benefit and contribution structure effective from 1 April 2008, employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008 employees paid contributions of 6% (manual staff 5%) of their pensionable pay. From 1 April 2008, employees will pay contributions according to a tiered scale from 5% up to 8.5% of their pensionable pay.

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

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

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill- health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

#### **1.18 Liquid resources**

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

#### **1.19 Value added tax**

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

#### **1.20 Foreign Exchange**

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

#### **1.21 Third party assets**

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 27 to the accounts.

**1.22 Public Dividend Capital Dividends**

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

**2. Segmental reporting**

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

**3. Income from activities**

	£000	2006-07 £000
Local health boards	180,824	174,227
Health Commission Wales	10,436	9,440
NHS trusts	2,309	2,371
Strategic health authorities and primary care trusts	5,552	3,938
Foundation Trusts	24	33
Local authorities	3,602	2,906
National Assembly for Wales	1,777	523
Non NHS:		
Private patient income	236	273
Overseas patients (non-reciprocal)	8	6
Injury Costs Recovery (ICR) Scheme	647	842
Other income from activities	1,237	967
<b>Total</b>	<b>206,652</b>	<b>195,526</b>

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

**4. Other operating income**

	£000	2006-07 £000
Patient transport services	0	0
Education, training and research	5,510	5,196
Charitable and other contributions to expenditure	558	517
Transfer from the donated asset reserve	484	467
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	89	87
Other income:		
Provision of laundry, pathology, payroll services	439	911
Accommodation and catering charges	878	890
Mortuary fees	109	107
Staff payments for use of cars	159	188
Business unit (please state)	0	0
Other	4,745	5,907
<b>Total</b>	<b>12,971</b>	<b>14,270</b>

Other income of £4,745k includes the following sources:

Leased Rents	530	981
Staff Recharges	1,785	1,748
Other	2,430	3,178
<b>Total</b>	<b>4,745</b>	<b>5,907</b>

## 5. Operating expenses

### 5.1 Operating expenses comprise

	£000	2006-07 £000
Goods and services from other NHS bodies	4,262	2,942
Goods and services from other NHS Foundation Trusts	299	190
Purchase of healthcare from non-NHS bodies	815	544
Directors' costs	613	612
Staff costs	156,713	150,465
Supplies and services - clinical	26,512	25,201
Supplies and services - general	2,335	2,413
Consultancy Services	238	593
Establishment	4,543	4,367
Transport	142	133
Premises	7,878	8,893
Depreciation	8,655	8,207
Amortisation	0	0
Fixed asset impairments and reversals	0	0
Audit fees	222	205
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	744	420
Other operating expenses	1,165	1,274
<b>Total</b>	<b>215,136</b>	<b>206,459</b>

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

	£000	2006-07 £000
<b>Increase/(decrease) in provision for future payments:</b>	<b>£000</b>	<b>£000</b>
Clinical negligence	13,065	7,629
Personal injury	236	171
All other losses and special payments	35	27
Defence legal fees and other administrative costs	260	126
Gross increase/(decrease) in provision for future payments	13,596	7,953
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	163	(37)
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(13,015)</b>	<b>(7,496)</b>
<b>Total charge</b>	<b>744</b>	<b>420</b>

Personal injury includes £30,490 (2006-07 £48,026) in respect of permanent injury benefits

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

	<b>Land and buildings</b>		<b>Other leases</b>	
		2006-07		2006-07
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operating leases which expire:				
Within 1 year	<b>45</b>	12	<b>0</b>	4
Between 1 and 5 years	<b>70</b>	57	<b>24</b>	0
After 5 years	<b>92</b>	169	<b>0</b>	0
<b>Total</b>	<b>207</b>	238	<b>24</b>	4

**5.3.2 Operating expenses include:**

		2006-07
	<b>£000</b>	<b>£000</b>
Other operating lease rentals	<b>231</b>	242
Hire of plant and machinery	<b>0</b>	0
<b>Total</b>	<b>231</b>	242

**5.4 Directors' remuneration**

	<b>Remuneration as Director £000</b>	<b>Other remuneration £000</b>	<b>Total £000</b>	2006-07 £000
Non-executive directors' remuneration	<b>104</b>	<b>0</b>	<b>104</b>	94
Executive directors' remuneration:				
basic salaries	<b>404</b>	<b>83</b>	<b>487</b>	514
benefits	<b>23</b>	<b>0</b>	<b>23</b>	27
performance related bonuses	<b>0</b>	<b>0</b>	<b>0</b>	0
pension contributions paid	<b>57</b>	<b>12</b>	<b>69</b>	72
Sub-total	<b>588</b>	<b>95</b>	<b>683</b>	707
Compensation for loss of office	<b>0</b>	<b>0</b>	<b>0</b>	0
Pensions for directors and former directors (other than from the NHS pension scheme)	<b>0</b>	<b>0</b>	<b>0</b>	0
<b>Total</b>	<b>588</b>	<b>95</b>	<b>683</b>	707

No performance related bonuses were paid to any Director of the Trust during the financial year 2007-08

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

**5.4 Directors' remuneration (continued):**

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

	Remuneration as director £000	Other remuneration £000	Total £000	2006-07 £000
<b>Chairman</b>				
Basic remuneration	45	0	45	39
Benefits	0	0	0	0
	<u>45</u>	<u>0</u>	<u>45</u>	<u>39</u>
<b>Chief Executive</b>				
Basic salaries	119	0	119	119
Benefits	4	0	4	2
Performance related bonuses	0	0	0	0
	<u>123</u>	<u>0</u>	<u>123</u>	<u>121</u>
Pension contributions	16	0	16	17
	<u>139</u>	<u>0</u>	<u>139</u>	<u>138</u>
<b>Highest paid director*</b>				
Basic salaries	119	0	119	133
Benefits	4	0	4	5
Performance related bonuses	0	0	0	0
	<u>123</u>	<u>0</u>	<u>123</u>	<u>138</u>
Pension contributions	16	0	16	19
<b>Total</b>	<u>139</u>	<u>0</u>	<u>139</u>	<u>157</u>

\* the Chief Executive was the highest paid director during the financial year 2007-08.

Mr M Simkins was Acting Chairman for a short period during the year, to provide sickness cover.

**Chairman**

Basic remuneration	Mr TM Williams	39	0	39	
Basic remuneration	Mr M Simkins	6	0	6	
		<u>45</u>	<u>0</u>	<u>45</u>	<u>39</u>

Mr M Common was Acting Chief Executive from 1st April 2007 to 6th May 2007. Mrs M Burrows started as Chief Executive on the 7th May 2007.

**Chief Executive**

Basic salaries	Mr M Common	10	0	10	
	Mrs M Burrows	109	0	109	
		<u>119</u>	<u>0</u>	<u>119</u>	<u>119</u>
Benefits	Mr M Common	0	0	0	
	Mrs M Burrows	4	0	4	
		<u>4</u>	<u>0</u>	<u>4</u>	<u>2</u>
Pension contributions	Mr M Common	1	0	1	
	Mrs M Burrows	15	0	15	
		<u>16</u>	<u>0</u>	<u>16</u>	<u>17</u>

## 6. Employee costs and numbers

### 6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2006-07
	£000	£000	£000	£000	£000
Salaries and wages	118,374	917	12,188	131,479	126,248
Social security costs	8,761	16	814	9,591	9,417
Pension costs	14,670	19	1,363	16,052	15,211
Other pension costs	93	0	0	93	99
<b>Total</b>	<b>141,898</b>	<b>952</b>	<b>14,365</b>	<b>157,215</b>	<b>150,975</b>

Included under Agency, temporary and contract staff are Trust employees who are on temporary contracts. The total cost of these is £13,175,000 (2006/07: £8,908,000).

### 6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2006-07
	Number	Number	Number	Number	Number
Medical and dental	231	7	125	363	334
Ambulance staff	0	0	0	0	0
Administrative and estates	777	0	69	846	867
Healthcare assistants and other support staff	1,061	0	93	1,154	1,165
Nursing, midwifery and health visiting staff	1,550	1	103	1,654	1,620
Nursing, midwifery and health visiting learners	5	0	0	5	8
Scientific, therapeutic and technical staff	466	3	20	489	471
Social care staff	0	0	0	0	0
Other	0	0	1	1	6
<b>Total</b>	<b>4,090</b>	<b>11</b>	<b>411</b>	<b>4,512</b>	<b>4,471</b>

### 6.3 Employee benefits

The trust does not have an employee benefit scheme.

**6.4 Trust management costs**

	£000	Percentage of total income	2006-07	
			£000	Percentage of total income
Trust management costs	<b>8,460</b>	<b>3.8%</b>	8,182	3.9%
Income	<b>220,262</b>		209,796	

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

**6.5 Retirement costs due to ill-health**

During 2007-08 (prior year 2006-07) there were 8 (8) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Business Services Authority - Pensions Division) will be £297,124 (£392,526).

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

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

	Number	£000	2006-07 £000
<b>NHS</b>			
Total bills paid 2007-08	<b>1,305</b>	<b>8,586</b>	8,730
Total bills paid within target	<b>992</b>	<b>7,463</b>	8,412
Percentage of bills paid within target	<b>76.0%</b>	<b>86.9%</b>	96.4%
<b>Non-NHS</b>			
Total bills paid 2007-08	<b>63,984</b>	<b>59,259</b>	53,928
Total bills paid within target	<b>53,823</b>	<b>52,412</b>	52,578
Percentage of bills paid within target	<b>84.1%</b>	<b>88.4%</b>	97.5%
<b>Total</b>			
Total bills paid 2007-08	<b>65,289</b>	<b>67,845</b>	62,658
Total bills paid within target	<b>54,815</b>	<b>59,875</b>	60,990
Percentage of bills paid within target	<b>84.0%</b>	<b>88.3%</b>	97.3%

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

	£	2006-07 £
Amounts included within Interest Payable (note 9) arising from claims made under this legislation and compensation paid to cover debt recovery costs.	<b>69</b>	0

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

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

	2006-07
	£000
Profit on disposal of land and buildings	40
Loss on disposal of land and buildings	0
Profit on disposal of plant and equipment	0
Loss on disposal of plant and equipment	(15)
Profit on disposal of intangible fixed assets	0
Loss on disposal of intangible fixed assets	0
Profit on disposal of fixed assets investments	0
Loss on disposal of fixed asset investments	0
	<b>25</b>
	<b>448</b>

Specify where major property disposals have occurred

**9. Interest payable**

	2006-07
	£000
Government borrowing	0
Finance leases and PFI schemes	51
Other	0
	<b>51</b>
	<b>117</b>

**10. Intangible fixed assets**

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	127	0	0	0	127
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2008	<b>127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>127</b>
Accumulated amortisation at 1 April 2007	127	0	0	0	127
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2008	<b>127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>127</b>
Net book value at 1 April 2007	0	0	0	0	0
<b>Net book value at 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 11. Tangible fixed assets

### 11.1 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account		Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				£000	£000					
At 1 April 2007	7,724	140,419	6,719	9,548	32,529	297	8,490	1,485	<b>207,211</b>	
Additions										
- purchased	1,178	0	0	33,248	0	0	0	0	<b>34,426</b>	
- donated	0	0	0	371	0	0	0	0	<b>371</b>	
- government granted	0	0	0	0	0	0	0	0	<b>0</b>	
Reclassifications	0	32,949	62	(40,517)	5,654	64	674	1,114	<b>0</b>	
Impairments	0	0	0	0	0	0	0	0	<b>0</b>	
Other in-year revaluations	17,002	(57,524)	149	0	0	0	0	0	<b>(40,373)</b>	
Disposals	(215)	(145)	0	0	(1,364)	(23)	0	(22)	<b>(1,769)</b>	
<b>At 31 March 2008</b>	<b>25,689</b>	<b>115,699</b>	<b>6,930</b>	<b>2,650</b>	<b>36,819</b>	<b>338</b>	<b>9,164</b>	<b>2,577</b>	<b>199,866</b>	
<b>Depreciation</b>										
At 1 April 2007	0	36,460	1,664	0	19,770	226	5,471	685	<b>64,276</b>	
Reclassifications	0	126	0	0	(62)	0	(149)	85	<b>0</b>	
Impairments	0	0	0	0	0	0	0	0	<b>0</b>	
Reversal of impairments	0	0	0	0	0	0	0	0	<b>0</b>	
Other in-year revaluations	0	(36,519)	(1,663)	0	0	0	0	0	<b>(38,182)</b>	
Disposals	0	(4)	0	0	(1,344)	(23)	0	(22)	<b>(1,393)</b>	
Provided during the year	0	4,717	209	0	2,632	26	889	182	<b>8,655</b>	
<b>At 31 March 2008</b>	<b>0</b>	<b>4,780</b>	<b>210</b>	<b>0</b>	<b>20,996</b>	<b>229</b>	<b>6,211</b>	<b>930</b>	<b>33,356</b>	
Net book value at 1 April 2007	7,724	103,959	5,055	9,548	12,759	71	3,019	800	<b>142,935</b>	
<b>Net book value at 31 March 2008</b>	<b>25,689</b>	<b>110,919</b>	<b>6,720</b>	<b>2,650</b>	<b>15,823</b>	<b>109</b>	<b>2,953</b>	<b>1,647</b>	<b>166,510</b>	
<b>Net book value of assets held under finance leases and hire purchase contracts</b>										
<b>Total</b>	<b>0</b>	<b>871</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>871</b>	
<b>The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:</b>										
<b>Total</b>	<b>0</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65</b>	

Of the totals at 31 March 2008, £nil related to land valued at open market value and £nil related to buildings, installations and fittings valued at open market value.

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

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

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

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2007	0	0	0	0	0	0	0	0	<b>0</b>
Revaluation	0	0	0	0	0	0	0	0	<b>0</b>
Additions	0	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	0	0	0	0	<b>0</b>
Depreciation	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>11.3 The net book value of land and buildings at the balance sheet date comprise:</b>	31 March 2007	
	<b>£000</b>	£000
Freehold	<b>140,329</b>	113,364
Long leasehold	<b>2,999</b>	3,374
Short leasehold	<b>0</b>	0
<b>Total</b>	<b>143,328</b>	116,738

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

The Trust has no fixed asset investments.

	31 March 2007	
	<b>£000</b>	£000
Opening investment	<b>0</b>	0
Revaluation	<b>0</b>	0
<b>Total</b>	<b>0</b>	0

**12. Stocks and work-in-progress**

	31 March 2007	
	<b>£000</b>	£000
Raw materials and consumables	<b>3,332</b>	2,748
Work-in-progress	<b>0</b>	0
Finished processed goods	<b>0</b>	0
<b>Total</b>	<b>3,332</b>	2,748

**13. Debtors**

	31 March 2007	
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Welsh Risk Pool	<b>6,201</b>	4,075
NHS debtors	<b>5,052</b>	1,900
PDC dividend debtors	<b>0</b>	440
Other debtors	<b>3,811</b>	2,811
Provision for irrecoverable debts	<b>(306)</b>	(142)
Other prepayments and accrued income	<b>1,754</b>	1,930
Sub-total	<b>16,512</b>	11,014
<b>Amounts falling due after more than one year:</b>		
Welsh Risk Pool	<b>14,774</b>	4,270
NHS debtors	<b>0</b>	0
Other prepayments and accrued income	<b>0</b>	0
Other debtors	<b>730</b>	503
Sub-total	<b>15,504</b>	4,773
<b>Total</b>	<b>32,016</b>	15,787

Debtors due after more than one year make up 48% of total debtors.

**14. Current Asset Investments**

	31 March 2007	
	£000	£000
Government securities	0	0
Local authorities	0	0
EU Emission Trading Scheme	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

	31 March 2007	
	£000	£000
<b>Amounts falling due within one year:</b>		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	575	0
Payments received on account	0	0
NHS creditors	3,683	3,598
Non-NHS trade creditors - revenue	4,558	2,651
Non-NHS trade creditors - capital	3,271	910
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	2,650	2,463
PDC dividend payable	119	0
Obligations under finance leases and hire purchase contracts	57	52
Obligations under PFI schemes	0	0
Other creditors - superannuation	0	2
Other creditors - all other creditors	985	967
Accruals	1,675	959
Deferred income	84	78
Sub-total	<b>17,657</b>	<b>11,680</b>
<b>Amounts falling due after more than one year:</b>		
Loan advance/brokerage	4,101	3,000
Obligations under finance leases and hire purchase contracts	290	347
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	<b>4,391</b>	<b>3,347</b>
<b>Total</b>	<b>22,048</b>	<b>15,027</b>

**15.2 Loan advance/strategic assistance funding**

31 March

2007

<b>Amounts falling due:</b>	<b>£000</b>	<b>£000</b>
In one year or less	575	0
Between one and two years	2,425	1,600
Between two and five years	1,676	1,400
In five years or more	0	0
Sub-total	<u>4,676</u>	<u>3,000</u>
Wholly repayable within five years	4,676	3,000
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Sub-total	<u>4,676</u>	<u>3,000</u>
Total repayable after five years by instalments	0	0

**15.3 Finance lease obligations**

31 March

2007

<b>Payable:</b>	<b>Total £000</b>	<b>£000</b>
Within one year	103	103
Between one and two years	103	103
Between two and five years	227	248
After five years	105	187
Sub-total	<u>538</u>	<u>641</u>
Less finance charges allocated to future periods	(191)	(242)
<b>Total</b>	<u><b>347</b></u>	<u><b>399</b></u>

**15.4 Finance lease commitments**

North East Wales NHS Trust has not entered into any new contracts to lease (building assets) under finance leases during the financial year 2007/08.

## 16. Provisions for liabilities and charges

	At 1 April 2007 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2008 £000
Clinical negligence	8,348	0	0	13,955	(890)	(833)	0	20,580
Personal injury	1,187	0	0	258	(22)	(138)	22	1,307
All other losses and special payments	0	0	0	35	0	(35)	0	0
Defence legal fees and other administration	238	0	0	360	(100)	(94)		404
Sub-total	9,773	0	0	14,608	(1,012)	(1,100)	22	22,291
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	287			16	0	(22)	6	287
Restructurings	0			0	0	0		0
Other	2,274			1,319	0	(2,987)		606
<b>Total</b>	<b>12,334</b>	<b>0</b>	<b>0</b>	<b>15,943</b>	<b>(1,012)</b>	<b>(4,109)</b>	<b>28</b>	<b>23,184</b>

### Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	5,828	14,752	0	20,580
Personal injury	353	196	758	1,307
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	201	203	0	404
Pensions - former directors	0	0	0	0
Pensions - other staff	23	93	171	287
Restructuring	0	0	0	0
Other	606	0	0	606
<b>Total</b>	<b>7,011</b>	<b>15,244</b>	<b>929</b>	<b>23,184</b>

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

Provisions have been made for clinical negligence and personal injury claims against the Trust. The Trust is contesting these cases. Where the Legal Advisors consider the probability of loss on a case to be less than 50% the Trust has only made a provision for the legal fees the potential damages arising from these cases are disclosed in note 21 Contingent Liabilities.

Included under Other Provisions is a sum to reflect the costs relating to the expected costs of the Agenda for Change initiative. By the 31st March 2008 98.3% of staff had been assimilated to the new scales. The provision reflects the cost for the additional charges for the period 1/10/2004 to 31/3/2008 for the remaining 1.7%. A further provision has been made for the potential additional charge for the period 1/10/2004 to 31/03/2008 for outstanding appeals, based on a 76.8% success rate.

**17. Movements on reserves**

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2007 as previously stated	43,751	4,194	0	0	(4,676)	<b>43,269</b>
Prior period adjustment					0	<b>0</b>
At 1 April 2007 as restated	43,751	4,194	0	0	(4,676)	<b>43,269</b>
Transfer from income and expenditure account					96	<b>96</b>
Impairments	0	0	0			<b>0</b>
Surplus (deficit) on revaluation / indexation of fixed assets	(954)	(1,237)	0			<b>(2,191)</b>
Transfer of realised profits/ (losses)	0	0	0		0	<b>0</b>
Receipt of donated/government granted assets		371	0			<b>371</b>
Depreciation, impairment and disposal of donated/government granted assets		(484)	0			<b>(484)</b>
Other transfers between reserves	(258)	0	0	0	258	<b>0</b>
Other reserve movements				0		<b>0</b>
<b>At 31 March 2008</b>	<b>42,539</b>	<b>2,844</b>	<b>0</b>	<b>0</b>	<b>(4,322)</b>	<b>41,061</b>

**18. Notes to the cash flow statement**

<b>18.1 Reconciliation of operating surplus to net cash inflow from operating activities:</b>	<b>£000</b>	2006-07 £000
Total operating surplus/(deficit)	<b>4,487</b>	3,337
Depreciation charge	<b>8,655</b>	8,207
Fixed asset impairment and reversals	<b>0</b>	0
Transfer from the donated asset reserve	<b>(484)</b>	(467)
Transfer from the government grant reserve	<b>0</b>	0
(Increase)/decrease in stocks	<b>(584)</b>	71
(Increase)/decrease in debtors	<b>(16,658)</b>	(7,150)
Increase/(decrease) in creditors	<b>2,890</b>	117
Increase/(decrease) in provisions	<b>10,850</b>	6,038
<b>Net cash inflow from operating activities before restructuring costs</b>	<b>9,156</b>	10,153
Payments in respect of fundamental reorganisation/restructuring	<b>0</b>	0
<b>Net cash inflow from operating activities</b>	<b>9,156</b>	10,153

<b>18.2 Reconciliation of net cash flow to movement in net debt</b>	<b>£000</b>	2006-07 £000
Increase/(decrease) in cash in the period	<b>0</b>	0
Cash inflow from new debt	<b>0</b>	(2,500)
Cash inflow from loan advance/brokerage	<b>(1,676)</b>	(3,000)
Cash outflow from debt repaid and finance lease capital payments	<b>52</b>	2,547
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<b>0</b>	0
<b>Change in net debt resulting from cash flows</b>	<b>(1,624)</b>	(2,953)
Non-cash changes in debt	<b>0</b>	0
Net debt at 1 April	<b>(3,358)</b>	(405)
<b>Net debt at 31 March</b>	<b>(4,982)</b>	(3,358)

**18.3 Analysis of changes in net debt**

	At 1 April 2007 £000	Cash flows £000	Non-cash changes £000	At 31 March 2008 £000
OPG cash at bank	255	62		317
Commercial cash at bank and in hand	(215)	(62)		(277)
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	(3,000)	(1,676)	0	(4,676)
Finance leases	(398)	52	0	(346)
Current asset investments	0	0	0	0
	<b>(3,358)</b>	<b>(1,624)</b>	<b>0</b>	<b>(4,982)</b>

The balance on the commercial bank account of -£277,000 includes £391,000 of cheques that were unrepresented at the 31st March 2008.

**19. Capital commitments**

Commitments under capital expenditure contracts at the balance sheet date were £23,042,114 (and in 2006-07 were £15,617,174 ).

**20. Post balance sheet events**

The Trust is to merge with Conwy & Denbighshire NHS Trust from the 1st July 2008. After this date, the North East Wales NHS Trust will cease to exist and will become part of the new North Wales NHS Trust.

**21. Contingencies****Contingent Liabilities**

		31 March 2007 £000
Provision has not been made in the 2007-08 accounts for the following amounts:		£000
Legal claims for alleged medical or employer negligence	15,833	13,125
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	15,833	13,125
Amount recovered under insurance arrangements in the event of these claims being successful	(14,521)	(12,268)
Net contingent liability	1,312	857

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.

The Trust has received 5 lead formal claims, representing 17 claimants, under equal pay legislation. There is significant uncertainty regarding both the likelihood of success of any claims and the liability of the Trust if any claims were to be successful. All cases have been referred to employment tribunal. It is unlikely that any of these cases will be settled within the next two years. The National Assembly for Wales will provide for all equal pay claims centrally.

During the year the Trust identified errors within a limited number of diagnostic test reports issued by the Histopathology Department at the Wrexham Maelor Hospital. The Trust has not received any claims in relation to these errors and the expenditure which may arise from any future claims cannot be determined, so no provision has been made for potential costs. Any future claims that are successful would be at a cost to the Trust of a maximum of £25,000 per case, with any additional costs above this figure being reimbursed by the Welsh Risk Pool.

**Contingent assets**

The Trust has no contingent assets.

## 22. Losses and special payments

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

### Gross loss to the Exchequer

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

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	21	832,913	5	611,148
Personal injury	12	137,983	3	14,600
All other losses and special payments	76	34,517	2	39
<b>Total</b>	<b>109</b>	<b>1,005,413</b>	<b>10</b>	<b>625,787</b>

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

	<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
	£	£	£
<b>Cases exceeding £250,000</b>			
03RT9MN0028	2,500	556,718	556,718
03RT9MN0030	340,000	405,000	0
96RT9MN0003	0	2,556,223	0
96RT9PI0009	0	1,769,060	0
98RT9MN0014	0	833,418	0
99RT9MN0014	0	1,557,049	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
<b>Sub-total</b>	<b>342,500</b>	<b>7,677,468</b>	<b>556,718</b>
<b>All other cases</b>	<b>662,913</b>	<b>2,210,482</b>	<b>69,069</b>
<b>Total cases</b>	<b>1,005,413</b>	<b>9,887,950</b>	<b>625,787</b>

**23.1 Movements in Government funds**

2006-07

	£000	£000
Surplus/(deficit) for the financial year	5,052	4,184
Public dividend capital dividends	(4,956)	(4,219)
<b>Subtotal</b>	<b>96</b>	<b>(35)</b>
Gains/(losses) from revaluation/indexation of purchased fixed assets	(954)	8,744
Impairment of fixed assets	0	0
New public dividend capital	25,456	5,712
Public dividend capital repaid	(731)	(145)
Public dividend capital repayable	0	0
New loans from Government	1,676	5,500
Government loans repaid	0	(2,500)
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	0	0
Net addition/(reduction) to Government funds	25,543	17,276
Opening Government funds at 1 April	132,955	115,679
Before deducting prior period adjustment of	0	0
<b>Closing Government funds</b>	<b>158,498</b>	<b>132,955</b>

**23.2 Movements in public dividend capital**

2006-07

	£000	£000
At 1 April 2007	90,880	85,313
New PDC issued in year	25,456	5,712
PDC due but not issued	0	0
PDC repaid in year	(731)	(145)
PDC repayable	0	0
<b>At 31 March 2008</b>	<b>115,605</b>	<b>90,880</b>

## 24. Financial performance targets

The Trust has met 2 out of its 3 of its financial targets. Details are given below:

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	96
Variance	<u>(96)</u>

**The Trust has broken even in 2007-08.**

The Trust has met the breakeven duty in full.

The Trust has made a surplus of £96k for 2007-08, which is within the tolerances set down in WHC(2004)34.

Under the terms of the breakeven duty set down in the NHS (Wales) Act 2006, the Trust has achieved its statutory duty under Parts 1 and 2 of the Act for 2007-08.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2007		
	£000	£000	£000
External financing limit set by the Assembly		26,349	8,520
Cash flow financing	26,349		8,520
Finance leases taken out in the year	0		0
Other capital receipts	<u>0</u>		<u>0</u>
External financing requirement		<u>26,349</u>	<u>8,520</u>
Undershoot (overshoot)		<u>0</u>	<u>0</u>

**The Trust has achieved its external financing limit.**

### 24.3 Creditor payment

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

Total number of non-NHS bills paid 2007-08	<b>2007-08</b> <b>63,984</b>
Total number of non-NHS bills paid within target	<b>53,823</b>
Percentage of non-NHS bills paid within target	<b>84.1%</b>

**The Trust has not met the target.**

The North Wales Business Support Partnership (NW BSP) has provided the Trust's creditor payments function since May 2007. Monthly performance against the target initially fell to 69% in August 2007, but steadily improved as staff and methods of working were established. Performance in March 2008 was 95%. The Trust is working with the NW BSP to continually improve creditor payment performance. The Trust has reported to the WAG throughout the year that it would not meet the creditor payment target.

### 24.4 Strategic Change and Efficiency Plan

The Trust has a Strategic Change and Efficiency Plan (SCEP) to repay a deficit of £3,631k incurred in 2005/06. The SCEP has been agreed by the Welsh Assembly Government.

## 25. Related Party transactions

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

The following Directors have declared an interest with the organisations listed below. All other Directors do not have any declared interest:

<u>Director</u>	<u>Title</u>	<u>Organisation</u>
Mrs M Burrows	Chief Executive	West Northants Development Corporation, Northampton General Hospital (Shadow) Foundation NHS Trust
Mr W Harris	Executive Director of Finance	Shooting Star Appeal
Mr R M Tompkins	Executive Director of Human Resources and Organisational Development	Offermore Ltd.
Dr P Rutherford	Former Executive Medical Director	University of Wales College of Medicine (Cardiff University),
Mrs V M Doyle	Former Executive Nurse	Welsh Nursing & Midwifery Committee
Prof C Wilkinson	Non-Executive Director	University of Wales College of Medicine (Cardiff University), Beechley Medical Centre, Hospice (Wirral)
Mr H Owen-Jones	Non-Executive Director	M S Support Centre Ltd., Flintshire Local Voluntary Council Flintshire Well-Being Network (Executive Group), Age Concern NE Wales
Mr J L Jones	Non-Executive Director	Nursing & Midwifery Council, Gresford Community Council, Wrexham & District Citizens Advice Bureau, Ysgol Tan Y Fron, Yale College Wrexham, Rofft School Marford
Dr P Davies	Non-Executive Director	North Wales MCC (Magistrates), Wrexham PSD, Ysgol Morgan Llwyd, Wrexham Central Hall Trust Maelor Methodist Churches
Mr M C Simkins	Non-Executive Director	Careers Wales North East
Mr K McDonogh	Non-Executive Director	Child & Vulnerable Adults Protection, Diocesan Trustees (Wrexham)

The Assembly is regarded as a related party. During the year the Trust has had a significant number of material transactions (approximately £6.568 million) with the Assembly and with other entities for which the Assembly is responsible

North Wales LHBs - the contract between the Trust and these bodies represents approximately £179million of total income from activities, of which £101million was with Wrexham LHB and £63 million with Flintshire LHB. Total payments to the North Wales LHBs were £188k

	2007/08				2006/07			
	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Receipts due from Related Party	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Receipts due from Related Party
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Welsh Bodies:								
Welsh Ambulance Service NHS Trust	906	104	96	17	891	315	6	11
Conwy & Denbighshire NHS Trust	2,774	1,475	118	700	1,558	1,205	296	80
University of Wales College of Medicine	461	265	199	100	298	203	89	57
Bro Morgannwg NHS Trust	2,819	1,469	216	287	2,761	527	224	14
Welsh Risk Pool	0	719	0	538	0	224	0	212
Velindre NHS Trust	97	1,017	13	125	88	1,004	48	48
Health Commission Wales	0	10,405	0	525	0	9,422	0	0
North West Wales NHS Trust	120	69	1	10	223	110	6	25
Powys LHB	9,217	1,782	(1)	657	0	1,065	5	134

The Trust also contracts with English PCT's, the most significant amounts of income being from

Shropshire PCT		2,312		441		1,528		4
Western Cheshire PCT		1,805		758		1,121		54

In addition, the Trust has had a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with:

Wrexham County Borough Council	1,364	2,966	132	1,015	1,220	2,385	116	630
Flintshire County Council	636	1,423	70	388	323	1,099	53	164

Other related parties:

Offermore Ltd	22	7	5	0	19	7	5	4
North East Wales Institute	49	146	13	9	39	37	6	5

The Trust has also received revenue and capital payments to the value of approximately £779k from a number of charitable funds, certain of the Trustees for which are also members of the Trust Board.

The Audited accounts of the Funds held on the Trust are available from

Mr W Harris  
Director of Finance  
North East Wales NHS Trust  
Croesnewydd Road  
Wrexham  
LL13 7TD

## **26. Other/ Private finance transactions**

The Trust has no PFI schemes deemed to be "on or off balance sheet."

## 27. Third party assets

The Trust held £24,804 cash at bank and in hand at 31 March 2008 (31 March 2007: £29,629) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

## 28. Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationships that the NHS Trust has previously had with Health Authorities and now with Health Commission Wales and Local Health Boards, and the way those Health bodies are financed, NHS Trusts are not exposed to the degree of financial risk faced by business entities.

Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. NHS Trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing NHS Trusts in undertaking its activities.

### Liquidity Risk

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

### Interest-rate risks

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

### Foreign currency risk

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

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

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

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

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

**29. Intra Government balances**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
<b>2007-08:</b>				
National Assembly for Wales	783	0	694	4101
Welsh Local Health Boards	979	0	406	0
Welsh NHS Trusts	7392	14774	509	0
Health Commission Wales	528	0	0	0
All English Health Bodies	1670	0	2767	0
All N. Ireland Health Bodies	2	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-101	0		
<b>Sub total</b>	<b>11,253</b>	<b>14,774</b>	<b>4,376</b>	<b>4,101</b>
Other Central Government Bodies				
Other Government Departments*	299	0	43	0
Revenue & Customs	643	0	2,652	0
Local Authorities	1,834	0	246	0
Balances with Public Corporations and trading fund	0	0	0	0
Balances with bodies external to Government	2,483	730	10,340	290
<b>TOTAL</b>	<b>16,512</b>	<b>15,504</b>	<b>17,657</b>	<b>4,391</b>
<b>2006-07:</b>				
National Assembly for Wales	1,265	0	0	3,000
Welsh Local Health Boards	427	0	693	0
Welsh NHS Trusts	4,296	4,270	604	0
Health Commission Wales	0	0	0	0
All English Health Bodies	425	0	2,303	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	3	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
<b>Sub total</b>	<b>6,416</b>	<b>4,270</b>	<b>3,600</b>	<b>3,000</b>
Other Central Government Bodies				
Other Government Departments*	155	0	49	0
Revenue & Customs	343	0	2,466	0
Local Authorities	962	0	159	0
Balances with Public Corporations and trading fund	0	0	16	0
Balances with bodies external to Government	3,138	503	5,390	347
<b>TOTAL</b>	<b>11,014</b>	<b>4,773</b>	<b>11,680</b>	<b>3,347</b>

### **30. Pooled budgets**

The Trust has no pooled budgets.

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

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

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

Date: ..... 2008 ..... Chief Executive

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

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

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

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

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

**By Order of the Board**

**Signed:**

Date: .....2008

Chairman: .....

Date: .....2008

Chief Executive: .....

Date: .....2008

Director of Finance: .....

## STATEMENT ON INTERNAL CONTROL

### 1. **Scope of responsibility**

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

As the Accountable Officer, I have overall accountability for Risk Management in the Trust. To discharge my responsibilities, I have put in place appropriate measures to enable me to fulfil my role and provide assurance to the Board. There are clear lines of accountability throughout the organisation and I have delegated responsibilities to specific post holders to ensure risk is effectively managed. My Executive Nurse leads on Risk Management issues at Board level.

The most important aspect of managing risk is the appreciation that everyone in the Trust has some responsibility for risk management and internal control in order to achieve their personal objectives and the Trust's overall aims and objectives.

As well as internal processes, I work with partner organisations, stakeholders, the Welsh Assembly Government, the North Wales Regional Office, Local Health Boards and Local Authorities to identify and manage issues that present a risk to the Trust. These cover operational and strategic issues such as service planning, performance, improvement, commissioning, research, education and risk.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to;

- Identify and prioritise the risks to the achievement of organisational policies, aims and objectives
- To evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the organisation for the year ended 31<sup>st</sup> March 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

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

The Board approved a revised Corporate Governance Framework in October 2005. The Trust Board endorsed the Trust's Risk Management Strategy which outlines the leadership framework for Risk and details the roles and responsibilities of staff in relation to risk.

I have delegated responsibility for risk management to the Executive Nurse. To make sure the risk management process is an integral part of the business of the organisation, a committee structure operates to assist the Board to discharge its' duties. This brings together those with responsibility for overseeing high-risk areas such as infection control, blood transfusion, health records, medical equipment management, informed consent, nutrition and resuscitation.

A Non Executive Director chairs both the Risk Management Committee and the Audit Committee. This ensures the integration of corporate, financial and clinical governance functions and relevant agendas. A number of individuals provide the link between operational and strategic levels of the organisation, ensuring that the Board's risk management expectations are made explicit and support front line staff, for example: -

General Manager, Clinical Governance  
Risk Manager  
Health and Safety Manager  
Complaints Manager  
Litigation Manager  
Patient and Public Information (PPI) Manager

To further strengthen the approach within the Trust, programmes of risk training continued throughout the year. Risk Management, Complaints, Litigation and Health and Safety remain core elements of the Trust Mandatory induction programme.

#### 4. **The risk and control framework**

Risk management is a fundamental part of our organisational approach to corporate, financial and clinical governance. The main policy drivers are the Corporate Governance Framework and the Risk Management Strategy. .

The key elements of the risk and control framework are:

- Recognition and identification of risk at all levels communicated through a comprehensive incident reporting system, accessible to staff.
- Defined and well communicated accountability and reporting structures for staff in relation to risk.
- An established structured and process of risk assessment that informs local risk registers and the corporate risk register.
- An organisational risk matrix that identifies the impact of the risks facing the organisation based upon severity, likelihood and consequence.
- An effective reporting and evaluation system that allows the Risk Management Committee and Executive team to review identified risks and monitor the system of control required to manage risk.
- Monthly significant issue reports to the Trust Board.
- Review, assurance and risk assessment mechanisms in directorate business planning and performance management processes.
- Annual Risk Management and Health and Safety reports to the Board.
- Health Care Standards assessment
- Welsh Risk Pool (WRP) assessment.

The system of internal control is underpinned by compliance with the requirements of the core Controls Assurance standards such as Governance, Financial Management and Risk Management.

#### **WRP Assessment 2007-08 Scoring**

The assessment process for 2007/2008 has changed significantly reflecting the introduction of the Healthcare Standards. However, the Welsh Risk Pool has retained the responsibility for the assessment of the Claims Management Standard and has, at the request of Chief Executives, undertaken an assessment of compliance against a further three key standards.

The period of assessment was the 1<sup>st</sup> April 2007-31<sup>st</sup> March 2008 and included a review of the following:

Standard 5: Claims Management  
Standard 15: Maternity  
Standard 16: Operating Department Services  
Standard 17: Accident & Emergency

North East Wales NHS Trust's compliance against the Welsh Risk Pool assessment is 77%. This score reflects the results of both the documentation review and interviews. An equal weighting has been applied to both aspects of the assessment.

### Healthcare Standards 2007-08 Scoring

The Trust completed its' self assessment against the Healthcare Standards for 2007-2008 and received acknowledgement of receipt by Health Inspectorate Wales (HIW). The process for managing the assessment was approved by the Trust Board in 2007. Management of the assessment process rests with the Clinical Governance Department. The Executive Nurse has delegated Executive responsibility for the Standards. The process is managed through Executive and Operational standard leads and a quality assurance mechanism is in place to facilitate sign off of each standard by the relevant Executive lead. All Non Executives have access to the on line tool and each of the standards is monitored on an ongoing basis by the relevant corporate committee.

The Trust overall self-assessment position against the Healthcare Standards for 2007–2008 was:

Leading	=	2%
Practising	=	66%
Developing	=	32%
Responding	=	0%
Aware	=	0%

In particular the Trust's scores against the four standards that underpin the management of risk across all Standards was:

**Healthcare standard 14 – Health & Safety of Patients, Staff and the Public** – Last year, following HIW validation Standard 14 was assessed as '*Practising*' at Corporate, Operational/Clinical Outcomes and User Experience levels and this has been maintained for 2007-2008.

**Healthcare standard 16 – A Learning Process from Incidents** – 2007-2008 self assessment indicates a compliance score of '*Practising*' at Corporate and Operational/Clinical Outcomes levels and '*Developing*' at the User Experience level. Further action has been identified in relation to the collation and provision of information that will improve the evidence submitted to demonstrate a higher compliance at User Experience level. Actions for improvement have been included in the current draft Healthcare Standards Improvement Plan 2008-2009.

**Healthcare standard 27 – Best Practice Governance Arrangements** – HIW validated the 2006-2007 assessment as '*Practising*' at Corporate and Operational/Clinical Outcomes levels and '*Developing*' at the User Experience level. The evidence collected and submitted for the 2007-2008 self assessment has improved the compliance score for the User Experience level to '*Practising*'.

**Healthcare standard 28 - High Quality Clinical Governance** – Following HIW validation 2006-2007 , Standard 28 was assessed as '*Practising*' at Corporate, Operational/Clinical Outcomes and User Experience levels and evidence submitted for the 2007-2008 self assessment demonstrates that this level of compliance has been maintained for 2007-2008.

The Self Assessment for 2007-2008 has not been validated or audited by HIW at the time of completing this statement.

Final Trust Board sign off was completed on the 7<sup>th</sup> May 2008 and submission to Healthcare Inspectorate Wales on the 9<sup>th</sup> May 2008.

The self-assessment of Performance against the Healthcare Standards for 2007–2008 indicates an overall improvement in compliance. Comparison between last years validated scores and this years self assessment scores reflect the following;

66% *'Practising'* 07-08 compared with 50% 06-07  
32% *'Developing'* 07-08 compared with 48% 06-07  
2% *'Leading'* 07-08 compared with 0% 06-07

Standard 21 (Employment checks, professional registration and representation of minority groups) was the only standard validated as *'Responding'* for 06-07. Evidence collected and submitted for this year's self assessment has improved this position to *'Developing'*.

For the 07-08 self-assessment HIW will focus on 10 standards in greater depth when validating the submission .They are -

- Standard 4 - Healthcare Premises
- Standard 5 - Cleanliness & Maintenance
- Standard 6 - Patient Communication and Choice
- Standard 7 - Patient Contribution to Care
- Standard 8 - Patient Consent, Dignity & Respect
- Standard 9 - Nutrition & Catering
- Standard 15 - Support, Complaints & Concerns
- Standard 17 - Safeguarding
- Standard 25 - IM&T
- Standard 26 - Records Management

Comparison of the validated performance 06-07, with self assessment 07-08 for those specific standards this year, indicates that 73% of the Top 10 either remained at or improved to *'Practising'*, 20% assessed as *'Developing'* and 7% as *'Leading'*. None have been assessed as *'Aware'* or *'Responding'*

Progress against the 2007-2008 Healthcare Standards Improvement Plan (HCSIP) has been monitored by the Clinical Governance Committee, Trust Board and Regional Office. As at 31<sup>st</sup> March 08 95% of actions have been completed or are on target for completion.

A Directorate Self Assessment (D-SAT) system using 'SharePoint' was developed and piloted during this year to assist with the Trust's overall self-assessment for 07-08. The D-SAT has provided the means by which the profile of the Healthcare Standards has been raised at local levels and will be used to form individual Directorate baselines for future monitoring of the implementation of the standards at service level. A HCS information leaflet - 'What they are and how do they affect me?' has also been distributed to further raise awareness at all levels of the organisation.

Each of the Healthcare Standards has been allocated to an existing group or committee with knowledge and expertise in that field in order to ensure integration with existing and developing service and quality plans, and ongoing monitoring.

### **Review of Self Assessment**

The Trust's internal auditors, have validated the scores determined by the Trust's self assessment for the 4 key standards referred to above, as specified by the Welsh Assembly Government in 2007-08. Our internal auditors have also undertaken an audit during the year of the process and controls for the 2006-07 self assessment, this included reviewing the action plans and progress on standards assessed as "aware" or "responding". Our internal auditors have issued a "substantial assurance" opinion as a result of their work and have confirmed that the Board were appropriately engaged.

## 5. **Review of effectiveness**

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

My review is informed in a number of ways. The Chief Internal Auditor provides me with an opinion on the overall arrangements for gaining assurance via the Chief Internal Auditor's Opinion on the System of Internal Control and on the controls reviewed as part of the internal audit work. Executive Directors provide me with assurance through regular reviews of clinical safety, financial management and performance monitoring. My review has also been informed by the following: -

- Due Diligence Review
- Controls Assurance Standards
- Healthcare Standards (HCS)
- Welsh Risk Pool Standards, action plans and reports
- The Health and Safety Executive visits and reports
- Scheduled performance and quality reports to the Board
- Clinical Governance development plan
- Healthcare Inspectorate Wales inspection and visits
- Royal College visits
- Regional Office reviews and reports
- Community Health Council reports

The Healthcare Inspectorate Wales visit in year to review progress against our Healthcare Standards Improvement Plan (HCSIP) was a positive and successful exercise and served to provide additional reassurance.

The Corporate Risk register lists a number of known risks and challenges facing the Trust Board. With risk there is uncertainty and I am aware that there are unknown and unquantifiable risks for the future. The focus and attention on predicting risk, its impact and consequences plus the systems in place to respond to the internal and external environment and business changes provide me with additional assurance.

- The Board receives and acknowledges the Corporate Risk Register, which is routinely updated and monitored to ensure it reflects all identified risks that could impact upon the business objectives of the Trust. The mechanism for monitoring the Corporate Risk Register is through a number of means namely the Risk Management Committee (bi-monthly), Executive Team (quarterly) and Trust Board (annually)

Deficiencies identified are monitored through ongoing Welsh Risk Pool audit; Internal Audit of all standards on a rolling basis and via the internal Trust Governance Framework.

## 6. Significant internal control problems

### Electronic Staff Record:

Problems were encountered in 2007/08 with the Trust's 'Electronic Staff Record' (ESR) payroll system. The main problems were as follows: -

- (i) A number of "overpayments" were identified on the ESR system, central documentation has not always been presented in a timely and consistent manner.
- (ii) There have been problems and delays in the generation of the general ledger interface file.
- (iii) There has been some incorrect reporting of statistical Whole Time Equivalent data.

Despite these problems, audit work undertaken by Internal Audit and the Auditor General for Wales on the ESR system, does not indicate that any material errors have occurred as a result. In addition, to mitigate the control weaknesses and associated risks, the Trust has undertaken additional internal monitoring of payroll data. The Trust continues to work with the ESR project Team alongside of the Trusts in Wales to resolve the remaining problems and there has been an improvement during the year.

### Public Sector Payment Policy

The Business Support Partnership (BSP) was established at the end of 2006/07 to provide a shared service centre. The BSP took over responsibility for making creditor payments in May 2007. There have been problems achieving the Public Sector Payment target of paying 95% of non NHS invoices within 30 days of the receipt of the goods or a valid invoice (whichever is the later). The main problems were:-

- (i) Many staff did not transfer from the predecessor creditor payment sections, resulting in delays whilst new staff were recruited and fully trained.
- (ii) Suppliers continued to send invoices to the predecessor locations, suppliers then occasionally sent a duplicate invoice to the BSP which delayed payment whilst the account was reconciled.
- (iii) Authorisation of invoices and goods took longer due to the need to send some invoices by post been the BSP office and host Trust for approval.

Steps have been taken throughout the year to improve the processes and train staff. As a result there has been a steady improvement in the performance and the 95% target was achieved in March.

### Histopathology Misreporting

During 2007/08, errors were identified in the reporting of histopathology samples by one particular consultant. Shortly after the discovery of the errors, the consultant left the employment of the Trust. In accordance with guidance from Royal College of Pathologists, an independent audit of the consultants caseload was undertaken. This identified an unacceptably high error rate and led to a full review of all work undertaken by the consultant for the preceding 3 years. A helpline was set up to provide advice and support to patients, and a systematic procedure for clinically reviewing discrepant cases was implemented. Within Histopathology, peer review of all MDT cases was implemented as an immediate response. Health Inspectorate Wales were commissioned to undertake a full review of systems and processes, and will report in late summer 2008.

Signed.....

Mary Burrows, Chief Executive  
(on behalf of the Board)

Date.....

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

I certify that I have audited the financial statements of North East Wales NHS Trust for the year ended 31 March 2008 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

### **Respective responsibilities of Directors, the Chief Executive and the Auditor**

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

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

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

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

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

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

## **Basis of audit opinions**

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

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

## **Opinion**

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of the affairs of North East Wales NHS Trust as at 31 March 2008 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

## **Opinion on Regularity**

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

## **Report**

I have no observations to make on these financial statements.

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

Jeremy Colman  
Auditor General for Wales  
Date: 20 June 2008

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