

Velindre NHS Trust

Foreword

These accounts for the year ended 31st March 2009 have been prepared by the Velindre 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.

The Trust was established by Statutory Instrument on the 1st April 1994 and at that time was a single specialty Trust providing only Cancer Services with a turnover of £9m. Over the last fifteen years the Trust has significantly evolved and today the turnover of the Trust is £173m and the main function of the Trust is to provide All Wales and Regional clinical, health and social care services to the NHS and people of Wales and these services provided by the Trust during 2008/09 included:

(a) Regional non-surgical Cancer Services, mainly to the people of South East Wales, provided from Velindre Hospital and outreach clinics.

(b) All Wales population based Screening Services, including Breast Test Wales, Cervical Screening Wales, New Born Hearing Services Wales, working towards developing a comprehensive Antenatal Screening Service for Wales and roll out of Bowel Screening Service from October 2008.

(c) Welsh Blood Service (WBS), including Welsh Transplantation and Immunogenetics Laboratory (WTAIL)

(d) Health Solutions Wales (HSW)

(e) National Public Health Service for Wales (NPHS), including 22 Local Public Health Teams, the Health Protection Service, and a number of specialist All Wales Public Health 'resource' teams.

(f) Welsh Cancer Intelligence and Surveillance Unit (WCISU)

The Trust also hosts a number of organisations:

(g) Cancer Services and Cardiac Services Co-ordinating Groups.

(h) South East Wales Cancer and Cardiac Networks

(i) National Institute of Clinical Excellence (NICE) National Collaborating Centre for Cancer the Welsh Ministers, with the approval of the Treasury, directed.

(j) Welsh Cancer Trials Network

(k) Welsh Cancer Trials Unit - in August 2008 the Unit transferred to Cardiff University.

(l) Clinical Research Collaboration Cymru

On 2nd June 2009 the Minister announced the formation of Public Health Wales NHS Trust with effect from 1st October 2009. Public Health Wales will incorporate the functions and services provided by the National Public Health Service; the Wales Centre for Health; the Wales Cancer Intelligence and Surveillance Unit; the Congenital Anomaly Register and Information Service; and Screening Services Wales.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2009

	Note	£000	2007-08 £000
Income from activities	3	114,532	107,812
Other operating income	4	58,477	56,334
Total income		173,009	164,146
Operating expenses	5	(170,895)	(162,862)
Operating surplus/(deficit)		2,114	1,284
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(66)	(42)
Surplus/(deficit) before interest		2,048	1,242
Interest receivable	9	267	458
Interest payable	9	(26)	0
Other finance costs	16	0	0
Surplus/(deficit) for the financial year		2,289	1,700
Public Dividend Capital dividends payable		(2,250)	(2,097)
Retained surplus/(deficit) for the year	17	39	(397)

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

		2007-08
	£000	£000
	Note	
Surplus/(deficit) for the financial year before dividend payments		1,700
Fixed asset impairment losses	17	(128)
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	1,585
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	1,797
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(310)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		4,644
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>674</u>
		<u>4,644</u>

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£000	£000	31-Mar 2008 £000
Fixed assets				
Intangible assets	10	0		0
Tangible assets	11	72,248		68,386
Investment assets	11.4	0		0
			<u>72,248</u>	<u>68,386</u>
Current assets				
Stocks and work-in-progress	12	2,062		1,931
Debtors	13	11,090		12,319
Investments	14	0		0
Cash at bank and in hand	18.3	2,111		2,110
Total current assets			<u>15,263</u>	<u>16,360</u>
Creditors: amounts falling due within 1 year	15		<u>(12,563)</u>	<u>(12,391)</u>
Net current assets/(liabilities)			<u>2,700</u>	<u>3,969</u>
Total assets less current liabilities			<u>74,948</u>	<u>72,355</u>
Creditors: amounts falling due after more than one year	15		(169)	0
Provisions for liabilities and charges	16		<u>(1,817)</u>	<u>(3,221)</u>
Total assets employed			<u>72,962</u>	<u>69,134</u>
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2	40,248		34,844
Revaluation reserve	17	26,096		27,626
Donated asset reserve	17	4,263		4,348
Government grant reserve	17	0		0
Other reserves	17	0		0
Income and expenditure reserve	17	2,355		2,316
Total taxpayer's equity			<u>72,962</u>	<u>69,134</u>

Signed on behalf of the Board on 11th June 2009

Chairman

Chief Executive

Adopted by the Audit Committee on behalf of the Board on 10th June 2009

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2009

	Note	£000	£000	2007-08 £000
Operating activities				
Net cash inflow from operating activities	18.1		6,233	5,885
Returns on investments and servicing of finance				
Interest received		304		461
Interest paid		(26)		0
Interest element of finance leases		0		0
			278	461
Net cash inflow/(outflow) from returns on investments and servicing of finance				
Capital expenditure				
Payments to acquire tangible fixed assets		(9,633)		(9,884)
Receipts from sale of tangible fixed assets		0		0
Payments to acquire/ receipts from sale of intangible assets		0		0
Payments to acquire/ receipts from sale of fixed asset investments		0		0
			(9,633)	(9,884)
Net cash inflow/(outflow) from capital expenditure				
Public dividend capital dividends paid			(2,348)	(2,131)
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
			0	0
Net cash inflow/(outflow) from management of liquid resources				
Net cash inflow/(outflow) before financing				
			(5,470)	(5,669)
Financing				
Public dividend capital received		5,404		3,873
Public dividend capital repaid (not previously accrued)		0		0
Public dividend capital repaid (accrued in previous period)		0		0
Government loans received: short term		1,500		0
Government loans repaid: short term		(1,500)		0
Loan advances/brokerage received		0		0
Loan advances/brokerage repaid		0		0
Other capital receipts		67		1,797
Capital element of finance leases		0		0
			5,471	5,670
Net cash inflow/(outflow) from financing				
Increase/(decrease) in cash	18.2		1	1

Notes to the accounts

1. Accounting policies and other information

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

i. Capitalisation

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

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

ii. Valuation

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

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

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

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

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

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

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

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

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

iii. Depreciation

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

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

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

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

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

1.6 Fixed Asset Investments

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

1.7 Donated fixed assets

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

1.8 Government grants

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

1.9 Cash Bank and Overdrafts

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

1.10 Leases

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

1.11 Private Finance Initiative

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

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

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

1.12 Stocks and work-in-progress

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

1.13 Research and development

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

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

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

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

1.14 Provisions

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

1.15 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

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

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

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

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

1.16 Losses and special payments

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

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

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

1.17 Pension costs

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

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

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

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

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

b) FRS17 Accounting valuation

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

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

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

Scheme provisions as at 31 March 2008

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

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

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

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

Scheme provisions from 1 April 2008

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

1.18 Liquid resources

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

1.19 Value added tax

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

1.20 Foreign Exchange

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

1.21 Third party assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 28 to the accounts.

1.22 Public Dividend Capital Dividends

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

1.23 EU Emission Trading Scheme

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

1.24 Financial Instruments

Financial assets

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

Financial assets are initially recognised at fair value

• Financial liabilities

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

The Trust has no financial liabilities

2. Segmental reporting

The following information segments the results of the Trust by:

	Business services		Health Care		Total
	Health Solutions	Wales	Activities		
	2007-08		2007-08		2007-08
	£000	£000	£000	£000	£000
Segment income	16,567	15,833	156,442	148,313	173,009 164,146
Costs directly attributable to the segment	(16,040)	(15,030)	(151,077)	(143,906)	(167,117) (158,936)
Surplus/deficit	527	803	5,365	4,407	5,892 5,210
Common costs	(426)	(617)	(3,418)	(3,351)	(3,844) (3,968)
Surplus before interest	101	186	1,947	1,056	2,048 1,242
Segment net assets	1,888	1,488	62,405	58,438	64,293 59,926

3. Income from activities

	2007-08	2007-08
	£000	£000
Local health boards	28,244	27,548
Health Commission Wales	57,783	53,155
NHS trusts	19,633	18,904
Strategic health authorities and primary care trusts	0	0
Foundation Trusts	0	0
Local authorities	0	0
Welsh Assembly Government	6,986	6,673
Non NHS:		
Private patient income	1,427	1,109
Overseas patients (non-reciprocal)	0	0
Injury Costs Recovery (ICR) Scheme	0	0
Other income from activities	459	423
Total	114,532	107,812

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

4. Other operating income

	2007-08	2007-08
	£000	£000
Patient transport services	0	0
Education, training and research	5,109	4,827
Charitable and other contributions to expenditure	2,296	2,466
Transfer from the donated asset reserve	283	310
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	894	751
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	0	0
Accommodation and catering charges	164	164
Mortuary fees	0	0
Staff payments for use of cars	108	97
Business unit - Health Solutions Wales	16,567	15,833
Other	33,056	31,886
Total	58,477	56,334

Other income of £33.056m includes the following sources:

NPHS	25,214	25,585
Coronary Heart Disease Network	763	695
C.S.C.G	860	844
N.C.C.C.	959	946
W.C.I.S.U	1,000	974
Cancer Network	876	724
Other	3,384	2,118
TOTAL	33,056	31,886

5. Operating expenses

5.1 Operating expenses comprise

	2007-08
	£000
Goods and services from other NHS bodies	15,801
Goods and services from other NHS Foundation Trusts	0
Purchase of healthcare from non-NHS bodies	103
Directors' costs	543
Staff costs	96,569
Supplies and services - clinical	31,714
Supplies and services - general	924
Consultancy Services	317
Establishment	7,495
Transport	644
Premises	9,575
Depreciation	4,333
Amortisation	0
Fixed asset impairments and reversals (Property, plant and equipment)	0
Fixed asset impairments and reversals (Intangible assets)	0
Impairments & reversals of financial assets (by class)	0
Audit fees	227
Other auditors' remuneration	0
Losses, special payments and irrecoverable debts	96
Other operating expenses	2,554
Total	170,895

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

	2007-08
	£000
Increase/(decrease) in provision for future payments:	£000
Clinical negligence	(857)
Personal injury	77
All other losses and special payments	15
Defence legal fees and other administrative costs	20
Gross increase/(decrease) in provision for future payments	(745)
Contribution to Welsh Risk Pool	0
Premium for other insurance arrangements	0
Irrecoverable debts	25
Less: income received/ due from Welsh Risk Pool	816
Total charge	96

Personal injury includes £NIL (2007-08 £NIL) in respect of permanent injury benefits. See note 16

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

	Land and buildings		Other leases	
		2007-08		2007-08
	£000	£000	£000	£000
Operating leases which expire:		Restated		Restated
Within 1 year	336	0	2	24
Between 1 and 5 years	162	614	12	17
After 5 years	764	656	0	0
Total	1,262	1,270	14	41

5.3.2 Operating expenses include:

		2007-08
	£000	£000
		Restated
Other operating lease rentals	1,330	1,270
Hire of plant and machinery	49	49
Total	1,379	1,319

5.4 Directors' remuneration

	Remuneration as Director	Other remuneration	Total	2007-08
	£000	£000	£000	£000
Non-executive directors' remuneration	97	0	97	90
Executive directors' remuneration:				
basic salaries	347	155	502	500
benefits	6	3	9	6
performance related bonuses	0	0	0	0
pension contributions paid	48	22	70	70
Sub-total	498	180	678	666
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
Total	498	180	678	666

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

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	2007-08 £000
Chairman				
Basic remuneration	42	0	42	39
Benefits	0	0	0	0
	<u>42</u>	<u>0</u>	<u>42</u>	<u>39</u>
Chief Executive				
Basic salaries	105	0	105	105
Benefits	3	0	3	1
Performance related bonuses	0	0	0	0
	<u>108</u>	<u>0</u>	<u>108</u>	<u>106</u>
Pension contributions	15	0	15	15
	<u>123</u>	<u>0</u>	<u>123</u>	<u>121</u>
Highest paid director*				
Basic salaries	16	155	171	167
Benefits	0	3	3	3
Performance related bonuses	0	0	0	0
	<u>16</u>	<u>158</u>	<u>174</u>	<u>170</u>
Pension contributions	2	22	24	23
Total	<u>18</u>	<u>180</u>	<u>198</u>	<u>193</u>

Chair

Prof Tony Hazell was Chairman to 31st May 2008
Ilan Kelsall was appointed Chairman 1st June 2008

Chief Executive

Paul Miller was Chief Executive until 12th December 2008
Alun Lloyd was Acting Chief Executive from 13th December 2008 until 11th January 2009
Allison Williams was appointed Interim Chief Executive on 12th January 2009

The Highest paid director within the Trust is the Medical Director of Velindre Cancer Services

6. Employee costs and numbers

6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2007-08
	£000	£000	£000	£000	£000
Salaries and wages	77,325	2,343	1,626	81,294	77,461
Social security costs	6,037	0	0	6,037	5,754
Employer pension contributions to NHSBA	9,674	0	0	9,674	9,388
Other pension costs	0	0	0	0	0
Total	93,036	2,343	1,626	97,005	92,603

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2007-08
	Number	Number	Number	Number	Number
Medical and dental	157	20	2	179	171
Ambulance staff	0	0	0	0	0
Administrative and estates	1,275	13	37	1,325	1,332
Healthcare assistants and other support staff	64	0	0	64	61
Nursing, midwifery and health visiting staff	308	7	19	334	327
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	601	3	0	604	616
Social care staff	0	0	0	0	5
Other	1	3	2	6	11
Total	2,406	46	60	2,512	2,523

6.3 Employee benefits

The trust does not have an employee benefit scheme.

6.4 Trust management costs

		2007-08	
	£000	Percentage of total income	Percentage of total income
Trust management costs	6,203	3.6%	Restated 5,936
Income	173,009		164,146

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

6.5 Retirement costs due to ill-health

During 2008-09 (prior year 2007-08) there were 3 (2) 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 £103,237.78 (£129,949.62).

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

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

	Number	£000	2007-08 £000
NHS			
Total bills paid	2,147	20,451	14,915
Total bills paid within target	1,188	11,724	14,254
Percentage of bills paid within target	55.3%	57.3%	95.6%
Non-NHS			
Total bills paid	50,990	72,840	70,883
Total bills paid within target	45,511	66,952	69,476
Percentage of bills paid within target	89.3%	91.9%	98.0%
Total			
Total bills paid	53,137	93,291	85,798
Total bills paid within target	46,699	78,676	83,730
Percentage of bills paid within target	87.9%	84.3%	97.6%

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

	£	2007-08 £
Amounts included within Interest Payable (note 9) arising from claims made under this legislation and compensation paid to cover debt recovery costs.	0	0

8. Other Gains and Losses

	2007-08
	£000
Profit on disposal of land and buildings	0
Loss on disposal of land and buildings	0
Profit on disposal of plant and equipment	0
Loss on disposal of plant and equipment	(66)
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
Gain/(loss) on foreign exchange	0
Change in fair value of financial assets carried at FV through profit & loss	0
Change in fair value of financial liabilities carried at FV through profit & loss	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0
	<u>(66)</u>

9. Finance Costs

	2007-08
	£000
Interest payable:	
Government borrowing	26
Bank loans and overdrafts	0
Late payment of commercial debt	0
Finance leases and PFI schemes	0
Other	0
Interest payable total	<u>26</u>
Interest revenue:	
Bank accounts	267
Impaired financial assets	0
Other financial assets	0
Interest revenue total	<u>267</u>

10. Intangible fixed assets

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

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	dwellings	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	18,660	33,955	140	4,765	23,434	1,096	6,431	1,284	89,765
Indexation	(2,799)	1,018	4	143	703	33	0	38	(860)
Additions									
- purchased	0	1,329	0	4,427	1,598	53	1,870	316	9,593
- donated	0	60	0	0	8	0	0	0	68
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	2,248	0	(3,397)	1,149	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(2,228)	(27)	(336)	(35)	(2,626)
At 31 March 2009	15,861	38,610	144	5,938	24,664	1,155	7,965	1,603	95,940
Depreciation									
At 1 April 2008		1,505	6	0	14,538	921	3,340	1,069	21,379
Indexation		45	0	0	436	27	0	32	540
Reclassifications		0	0	0	0	0	0	0	0
Impairments		0	0	0	0	0	0	0	0
Reversal of impairments		0	0	0	0	0	0	0	0
Other in-year revaluations		0	0	0	0	0	0	0	0
Disposals		0	0	0	(2,179)	(27)	(330)	(24)	(2,560)
Provided during the year		1,435	3	0	1,777	54	990	74	4,333
At 31 March 2009		2,985	9	0	14,572	975	4,000	1,151	23,692
Net book value at 1 April 2008	18,660	32,450	134	4,765	8,896	175	3,091	215	68,386
Net book value at 31 March 2009	15,861	35,625	135	5,938	10,092	180	3,965	452	72,248
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0

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

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

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

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

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2009	0	0	0	0	0	0	0	0	0

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

	£000	31 March 2008 £000
Freehold	50,248	50,330
Long leasehold	1,373	914
Short leasehold	0	0
Total	51,621	51,244

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

The Trust has no fixed asset investments.

12. Stocks and work-in-progress

	£000	31 March 2008 £000
Raw materials and consumables	2,062	1,931
Work-in-progress	0	0
Finished processed goods	0	0
Total	2,062	1,931

13. Debtors

31 March

2008

Amounts falling due within one year:	£000	£000
Welsh Risk Pool	788	1,790
NHS debtors	6,147	4,484
Non-NHS trade debtors	1,909	0
PDC dividend debtors	17	0
Other debtors	963	3,454
Provision for irrecoverable debts	(112)	(87)
Other prepayments and accrued income	1,378	2,678
Sub-total	11,090	12,319
Amounts falling due after more than one year:		
Welsh Risk Pool	0	0
NHS debtors	0	0
Non-NHS trade debtors	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub-total	0	0
Total	11,090	12,319

Provision for irrecoverable debts (impairment of receivables):

Balance at 1 April	-87	-74
Provided in year	-39	-28
Written-off in year	14	15
Recovered during year	0	0
Balance at 31 March	-112	-87

Debtors past due date but not impaired:

Up to 3 months	1967	0
3 to 6 months	307	0
More than 6 months	598	0
Total	2872	0

Non NHS Trade Debtors are a new classification this year and prior period figures are not available

Other debtors include NIL prepaid pension contributions 2008-09 £0 (2007-08 £0)

14. Current Asset Investments

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

Other financial asset investments**Current**

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

Non current

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

15. Creditors

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

31 March
2008

Amounts falling due within one year:	£000	£000
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	32	0
NHS creditors	1,967	3,499
Non-NHS trade creditors - revenue	1,485	2,973
Non-NHS trade creditors - capital	215	187
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	1,967	7
VAT	0	0
PDC dividend payable	0	81
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	1,241	1,137
Other creditors - all other creditors	500	0
Accruals	4,051	4,208
Deferred income	1,105	299
Sub-total	12,563	12,391
Amounts falling due after more than one year:		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	169	0
Sub-total	169	0
Total	12,732	12,391

The deferred income includes £781,000 for Retained Clinical Trials where Velindre NHS Trust continues to be the sponsor of trials undertaken through the Welsh Cancer Trials Unit. As per the Transfer agreement between the Trust and Cardiff University the sponsorship of these Retained Clinical Trials did not transfer with Welsh Cancer Trials Unit in August 2008.

15.2 Loan advance(strategic assistance funding)31 March
2008

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

Other financial liabilities

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

15.3 Finance lease obligations

	Total	31 March
Payable:	£000	2008 £000
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
In more than 2 years but no longer than 5	0	0
After five years	0	0
Sub-total	0	0
Less finance charges allocated to future periods	0	0
Total Net Obligations	0	0

15.4 Finance lease commitments

Velindre NHS Trust has not entered into any new contracts to lease (building assets) under finance leases during the period 1 April 2008 to 31 March 2009.

16. Provisions for liabilities and charges

	At 1 April 2008 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 30 March 2009 £000
Clinical negligence	1,665	0	0	505	(1,362)	(762)	0	46
Personal injury	91	0	0	126	(49)	(79)	0	89
All other losses and special payments	0	0	0	15	0	(15)	0	0
Defence legal fees and other administration	56	0	0	44	(24)	(21)		55
Sub-total	1,812	0	0	690	(1,435)	(877)	0	190
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	406			39	0	(31)	0	414
Restructurings	0			0	0	0		0
Other	1,003			267	(57)	0		1,213
Total	3,221	0	0	996	(1,492)	(908)	0	1,817

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	46	0	0	46
Personal injury	89	0	0	89
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	55	0	0	55
Pensions - former directors	0	0	0	0
Pensions - other staff	32	128	254	414
Restructuring	0	0	0	0
Other	1,107	106	0	1,213
Total	1,329	234	254	1,817

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

Other provisions include:

£213,775 for Agenda for Change

£139,775 for Jenkins Review

£106,000 decommissioning caesium source

£753,000 for Permanent Injury Benefit

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2008 as previously stated	27,626	4,348	0	0	2,316	34,290
Prior period adjustment	0				0	0
At 1 April 2008 as restated	27,626	4,348	0	0	2,316	34,290
Transfer from income and expenditure account					39	39
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	(1,530)	130	0			(1,400)
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		68	0			68
Depreciation, impairment and disposal of donated/government granted assets		(283)	0			(283)
Reserves eliminated on dissolution	0			0	0	0
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2009	26,096	4,263	0	0	2,355	32,714

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2007-08 £000
Total operating surplus/(deficit)	2,114	1,284
Depreciation and amortisation charge	4,333	4,419
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	(283)	(310)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(131)	(289)
(Increase)/decrease in debtors	1,210	1,244
Increase/(decrease) in creditors	394	953
Increase/(decrease) in provisions	<u>(1,404)</u>	<u>(1,416)</u>
Net cash inflow from operating activities before restructuring costs	6,233	5,885
Payments in respect of fundamental reorganisation/restructuring	<u>0</u>	<u>0</u>
Net cash inflow from operating activities	<u>6,233</u>	<u>5,885</u>

18.2 Reconciliation of net cash flow to movement in net debt	£000	2007-08 £000
Increase/(decrease) in cash in the period	1	1
Cash inflow from new debt	(1,500)	0
Cash inflow from loan advance/brokerage	0	0
Cash outflow from debt repaid and finance lease capital payments	1,500	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<u>0</u>	<u>0</u>
Change in net debt resulting from cash flows	1	1
Non-cash changes in debt	0	0
Net debt at 1 April	<u>2,110</u>	2,109
Net debt at 31 March	<u>2,111</u>	<u>2,110</u>

18.3 Analysis of changes in net debt

	At 1 April 2008 £000	Cash flows £000	Non-cash changes £000	At 31 March 2009 £000
Cash at OPG	2,071	756	[REDACTED]	2,827
Cash at commercial bank and in hand	39	(755)	[REDACTED]	(716)
Bank overdrafts	0	0	[REDACTED]	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	0	0	0
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	<u>2,110</u>	<u>1</u>	<u>0</u>	<u>2,111</u>

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £185,475 (and in 2007-08 were £1,129,730).

20. Post balance sheet events

The Trust had no post balance sheet events having a material effect on the accounts.

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2008-09 accounts for the following amounts:	31 March 2008 £000	£000
Legal claims for alleged medical or employer negligence	203	164
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	<u>203</u>	<u>164</u>
Amount recovered under insurance arrangements in the event of these claims being successful	0	0
Net contingent liability	<u>203</u>	<u>164</u>

Equal Pay Claims:

Velindre NHS Trust has 3 claims from staff under equal pay legislation. The process of assessing these claims is ongoing and as a result there is significant uncertainty over both the likelihood of their success and any additional costs that Velindre NHS Trust might incur. It is unlikely that the equal pay cases will be concluded in 2009/2010. As a result, no provision has been made for any potential costs which might arise.

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.

Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents.

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	6	762,065	4	1,017,007
Personal injury	6	78,502	3	110,144
All other losses and special payments	11	15,389	11	15,389
Total	23	855,956	18	1,142,540

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

	<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
	£	£	£
Cases exceeding £250,000			
Include case reference	0	0	0
05RQFMN0001	0	390,900	390,900
05RQFMN0009	0	365,000	365,000
05RQFMN0011	360,284	405,284	0
07RQFMN0001	366,305	376,305	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
Sub-total	726,589	1,537,489	755,900
All other cases	129,367	456,265	386,640
Total cases	855,956	1,993,754	1,142,540

23.1 Movements in Government funds

2007-08

	£000	£000
Surplus/(deficit) for the financial year	2,289	1,700
Public dividend capital dividends	(2,250)	(2,097)
Subtotal	39	(397)
Gains/(losses) from revaluation/indexation of purchased fixed assets	(1,530)	2,090
Impairment of fixed assets	0	(128)
New public dividend capital	5,404	3,818
Public dividend capital repaid	0	0
Public dividend capital repayable	0	0
Public dividend capital extinguished	0	0
New loans from Government	1,500	0
Government loans repaid	(1,500)	0
Government loans extinguished	0	0
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	3,913	5,383
Opening Government funds at 1 April	64,786	59,403
Before deducting prior period adjustment of	0	0
Closing Government funds	68,699	64,786

23.2 Movements in public dividend capital

2007-08

	£000	£000
At 1 April 2008	34,844	31,026
New PDC issued in year	5,404	3,818
PDC due but not issued	0	0
PDC repaid in year	0	0
PDC repayable	0	0
Public dividend capital extinguished	0	0
At 31 March 2009	40,248	34,844

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	39
Variance	<u>(39)</u>

The Trust has met the breakeven duty in full.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2008		
	£000	£000	£000
External financing limit set by the Assembly		5,404	3,873
Cash flow financing	5,470		5,669
Finance leases taken out in the year	0		0
Other capital receipts	<u>(67)</u>		<u>(1,797)</u>
External financing requirement		<u>5,403</u>	<u>3,872</u>
Undershoot (overshoot)		<u>1</u>	<u>1</u>

The Trust has achieved its external financing limit.

24.3 Creditor payment

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

Total number of non-NHS bills paid	2008-09 50,990
Total number of non-NHS bills paid within target	45,511
Percentage of non-NHS bills paid within target	89.3%

The Trust has not met the target.

Details on Trust actions to address this performance is contained within the Statement On Internal Control in Section 6 "Significant Internal Control problems"

25. Related Party transactions

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

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

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

	INCOME RECEIVED/DUE £000 2008-09	INCOME RECEIVED/DUE £000 2007-08	PAYMENT PAID/PAYBLE £000 2008-09	PAYMENT PAID/PAYBLE £000 2007-08
Welsh Assembly Government	32,003	30,436	0	2,436
Health Commission Wales	58,056	53,446	0	0
Cardiff LHB	9,092	8,755	8	12
RCT LHB	5,937	5,981	12	47
Caerphilly LHB	4,303	4,082	46	49
Vale of Glamorgan LHB	3,031	2,946	5	5
Bridgend LHB	3,217	3,258	9	9
Newport LHB	3,354	3,147	45	23
Torfaen LHB	2,496	2,371	62	50
Monmouthshire LHB	2,284	2,211	14	24
Blaenau Gwent LHB	3,555	3,600	15	0
Cardiff & Vale NHS Trust	9,621	9,321	4,528	4,181
Gwent Healthcare NHS Trust	1,444	1,529	4,419	4,334
Abertawe NHS Trust	7,153	5,868	4,901	4,137
Cardiff University	5,734	2,184	1,493	1,465
Velindre NHS Trust Charitable Funds	775	1,872	0	0
TOTAL	152,055	141,007	15,557	16,772

26. Other/ Private finance transactions

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

26. Other/ Private finance transactions continued

26. Other/ Private finance transactions continued

27. Third party assets

The Trust has no Third Party Assets.

28. Financial instruments

28.1 Financial Risk Management

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

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

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

Credit risk

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

Liquidity Risk

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

Interest-rate risks

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

Foreign currency risk

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

28.2 Financial Assets

	At fair value through Profit & Loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	2111	0	0	2111
Other financial assets	0	0	0	0
At 31 March 2009	2111	0	0	2111
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	2110	0	0	2110
Other financial assets	0	0	0	0
At 31 March 2008 (Prior year)	2110	0	0	2110

28.3 Financial liabilities

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

29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
2008-09				
Welsh Assembly Government	2,688	0	0	0
Welsh Local Health Boards	657	0	280	0
Welsh NHS Trusts	3,084	0	1,616	0
Health Commission Wales	279	0	0	0
All English Health Bodies	182	0	65	0
All N. Ireland Health Bodies	5	0	0	0
All Scottish Health Bodies	40	0	6	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	6,935	0	1,967	0
Other Central Government Bodies				
Other Government Departments*	0	0	1,241	0
Revenue & Customs	0	0	1,967	0
Local Authorities	0	0	0	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	4,155	0	7,388	169
TOTAL	11,090	0	12,563	169
2007-08				
Welsh Assembly Government	558	0	291	0
Welsh Local Health Boards	1,094	0	306	0
Welsh NHS Trusts	3,625	0	2,827	0
Health Commission Wales	800	0	0	0
All English Health Bodies	153	0	73	0
All N. Ireland Health Bodies	43	0	0	0
All Scottish Health Bodies	1	0	2	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	6,274	0	3,499	0
Other Central Government Bodies				
Other Government Departments*	0	0	1,137	0
Revenue & Customs	0	0	10	0
Local Authorities	0	0	0	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	6,045	0	7,745	0
TOTAL	12,319	0	12,391	0

30. Pooled budgets

The Trust has no pooled budgets.

31. Other

	Segment Income £000	Costs Attributable to Segment £000	Surplus/ (Deficit) £000
Cancer Services	45,063	(45,287)	(224)
Screening Services	29,108	(29,111)	(3)
Welsh Blood Services	30,296	(30,224)	72
WCISU	1,008	(1,008)	0
CSCG and Cancer Network	1,736	(1,734)	2
Health Solution Wales	16,604	(16,529)	75
Corporate Services	426	(426)	0
Wales Cancer Trials Network	1,575	(1,574)	1
Wales Cancer Trials Unit	251	(251)	0
Coronary Heart Disease	766	(766)	0
NPHS	44,128	(44,010)	118
NCCC	960	(963)	(3)
CRCC	1,355	(1,354)	1
Total	173,276	(173,237)	39

The above income includes income from activities, other operating income and interest receivable
The above costs include operating expenses, PDC dividends and losses on disposal of fixed assets.

**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: 11th June 2009

..... Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Date: 11th June 2009

Chairman:

Date: 11th June 2009

Chief Executive:

Date: 11th June 2009

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.

The Trust's Chief Executive's performance in the discharge of these personal responsibilities is assessed by the Director NHS Wales. In addition, the Trust's performance across a range of associated areas, including the management of risk, governance, financial and non-financial control, balanced scorecard and Assembly targets are monitored by the South East Regional Office of the Welsh Assembly Government. Internally the performance is assessed by the Trust's Planning and Performance Management Advisory Group, clinical and service risk is monitored through the Trust's Clinical Governance and Risk Management Committee while business risk is monitored through the Trust's Audit Committee. All three groups are Board sub committees, chaired by non executive directors, and report to the Trust Board.

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 March 2009 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 overall responsibility for the management of risk across the Trust lies with myself, as Chief Executive. Operational responsibility has been delegated at a strategic level to the Clinical Governance and Risk Management Committee, chaired by a non executive director and comprising a number of both non-executive and executive directors, plus representatives from each division plus a lay representative.

The Trust's Risk Management Policy reinforces the principle that effective risk management practice is dependent upon ownership of the management of risks throughout the whole of the organisation. Staff are encouraged to take a proactive role in the identification and reporting of risks, with an emphasis on not apportioning blame, but rather to promote a learning culture within the Trust. The Policy clearly defines the respective roles and responsibilities of the Trust Board, sub-committees, managers and staff.

Staff awareness of the need to manage risks is encouraged through the provision of regular and on-going training programmes, which are supported by the issue of a Risk Management Handbook to all staff attending the courses.

4. The risk and control framework

The results of the current year's self-assessment of the four Healthcare Standards core standards are consistent with prior years Healthcare Standards, and are a reflection of the Trust's continuing compliance with best practice. The self assessment scores, as reviewed by Internal Audit, are as follows:

	2007/08	2008/09
• Standard 14 Health & Safety	Level 3 Developing	Level 3 Developing
• Standard 16 Risk Management/Incident Reporting	Level 3 Developing	Level 3 Developing
• Standard 27 Governance	Level 4 Performing	Level 4 Performing
• Standard 28 Clinical Governance	Level 4 Performing	Level 4 Performing

The above scores for 2008/09 have been validated by Internal Audit on behalf of Healthcare Inspectorate Wales

The Trust has in place an approved Healthcare Standards for Wales Improvement Plan (HCSiP). The plan was agreed by the Board and made available to the public on the Trust internet site. Performance monitoring of the plan has been via the Trust Board and the South East Wales Regional Office. The plan for 2009/10 is currently under development and will be in place for the July 2009 target date.

The Internal Audit review found that Velindre NHS Trust has satisfactory central processes and review mechanisms in place for the Self Assessment of Healthcare Standards and the monitoring of the Healthcare Standards Improvement Action Plan. Both the Self Assessment and Action Plan were also found to involve the direct participation and scrutiny of Trust Executive and Non Executive Board Members. However improvements are required to the current processes in place within the individual Divisions of the Trust. The level of assurance given as to the effectiveness of the system of internal control in place for the management of Healthcare Standards is moderate assurance. Feedback from Internal Audit confirms that the four core HCS in the Statement of Internal Control have been assessed as Level 3 – developing or above in each of the standards.

Internal Audit also confirmed that Standards 11, 12, 20, 21 and 22 had also been assessed at Level 3-developing.

The Trust can confirm that all Standards have been self assessed.

The Trust is committed to ensuring that risk management forms an integral part of the philosophy, practices and business planning and that responsibility for its implementation is accepted at all levels of the organisation. The Risk Policy clarifies the accountability and responsibility arrangements for risk management within the Trust and the risk management processes to be used by Trust employees.

These include the following specific measures:

- Divisional leads for risk management and clinical governance have been appointed and attend both the Clinical Governance and Risk Management Committee, and the separate Clinical Governance and Risk Management Working Group;
- Risk Registers are documented and maintained at Divisions and Corporate Departments, and are updated and monitored by relevant Divisional groups and by the Trust Executive Board. The risk registers are routinely reported to the Trust Clinical Governance and Risk Management Committee;
- Action plans are developed at departmental, divisional and Trust level to allocate responsibility and resources for improving controls and reducing risks;
- Progress against risk management action plans and the Healthcare Standards Improvement Plan are regularly reviewed and risk profiles revised accordingly;
- The Clinical Governance and Risk Management Committee receive an annual report charting the progress made during the year in the management of risks; and
- The operational approach to risk management is supported by appropriate training and guidance for all staff.

The process outlined in the Risk Policy is applied to a broad spectrum of risk including corporate, clinical and health & safety related risks.

Datix Risk Management System

Extensive development of the Datix system has been undertaken during the year. The Datix user group remains proactive with the implementation of the modules within Datix, and in identifying any areas of good practice/problems. The complaints module has been rolled out across the Trust which has improved the reporting function for complaints management. Additionally, the Trust has developed the web reporting function in Datix which improves front end user access, and the overall management/investigation of incidents

Incident Investigation and Reporting

The National Patient Safety Agency's (NPSA) have worked in partnership with the Trust to develop and improve its incident coding structure. A number of workshops were facilitated by the NPSA in order to develop a clearly defined incident coding structure, which will improve the categorisation and trend analysis of incident data. The revised system is being tested and will be operational for June 2009

Stress Management

Stress management continues to be a particular risk facing the Trust and is indicated in the Divisions' risk registers. Stress management initiatives have taken place throughout the year and in particular the Trust provided funding for 13 members of staff from across all divisions of the Trust to take part in an IOSH accredited 'Stress Management Train the Trainer' programme, all staff have successfully completed the course. The Trust Stress Management Group have developed a standardised Stress Management training package for managers, which will be rolled out across the organisation. A standardised training package is also being developed for stress awareness for all employees.

A Trust wide stress management action plan has been developed and the divisions are in the process of reviewing their local plans

Information Governance

The Trust has a well established arrangements for Information Governance to ensure that information is managed in line with the relevant Information Governance law, regulations and Information Commissioners Office guidance. This is essential for the Trust given its multiple role in the collation and use of all Wales patient identifiable data for both primary and secondary uses within Health Solutions Wales (HSW), Welsh Cancer Intelligence and Surveillance Unit (WCISU), National Public Health Service for Wales (NPHS), Screening Services and the Welsh Blood Service (WBS) Divisions. The arrangements include a Trustwide Information Governance Committee, Trust and Divisional Caldicott Guardians, a Caldicott Guardian for the National Database and Divisional Information Governance

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 Risk Committee, if appropriate) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

The scrutiny of these arrangements is in part informed through the internal mechanisms already referred to, such as the Trust Board, Audit Committee, Clinical Governance and Risk Management Committee and Planning and Performance Management Advisory Group, but also through the independent and impartial views and opinions expressed by a range of bodies which are external to the Trust. These include:

- Welsh Assembly Government;
- External Audit;
- Welsh Risk Pool;
- Health Inspectorate Wales
- Accredited Bodies;
- Health & Safety Executive;
- Medicines and Healthcare products Regulatory Agency (MHRA); and
- Royal Colleges and other Academic bodies.

The Trust Board is informed on the effectiveness of the systems of internal control by its Executive and Divisional Directors and formal committees, and in particular the Clinical Governance and Risk Management Committee. The Board takes additional assurance from the detailed scrutiny undertaken by its Audit Committee, which is in turn advised by both internal and external audit. I am satisfied that the organisation has had in place a sound system of internal control during 2008/09 as evidenced by performance against the HIW standards all exceeding the baseline requirements.

The Internal Audit Annual Report 2008/09 includes the following overall opinion:

"The systems of internal control operating within Velindre NHS Trust, covered by the plan, are in general soundly based and adequate.

The review found that Velindre NHS Trust has satisfactory central processes and review mechanisms in place for the Self Assessment of Healthcare Standards and the monitoring of the Healthcare Standards Improvement Action Plan. Both the Self Assessment and Action Plan were also found to involve the direct participation and scrutiny of Trust Executive and Non Executive Board Members. However improvements are required to the current processes in place within the individual Divisions of the Trust. The level of assurance given as to the effectiveness of the system of internal control in place for the management of Healthcare Standards is moderate assurance."

6. Significant internal control problems

Note 24 of the Accounts highlights the Trust's performance against the 3 key financial targets. The Creditor Payment target is defined as:

"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, by achieving only 89% did not achieve this financial target.

This underperformance was highlighted in the June Finance Report to the Trust Board and became apparent with the rollout of the new e-procurement system. In light of this procedures were reviewed in July to identify any potential blockages in the processes and system. Following this review the Director of Finance issued a letter to all Managers, Budget Holders and Finance Managers identifying a number of requirements and actions to support the Trust to improve performance and to aim to achieve the financial target. While performance initially improved the actions did not deliver the full expected benefits.

A further review was undertaken in December involving wider consideration of the end to end process. Additionally the benefit of the new e-procurement system was to provide additional management information to focus the analysis on the more significant delays between goods received, invoice matching and payments. Finance Managers and devolved staff were included to ensure that relevant lessons were applied both centrally and in the devolved parts of the Trust.

One specific issue highlighted in these reviews has been the way the performance against the target has been measured. Prior to the review the system was configured in such a way that the only date recorded was the date that the invoice was generated by the supplier and not when it was received in the Trust. In some cases the differential impact was significant, where certain suppliers were submitting invoices in batches, which contributed to the non-compliance being overstated.

Since the review a number of amendments have been made to the system:-

- (1) system setup has been altered to allow both invoice date and date of receipt of invoice to be recorded
- (2) the field for goods received has been amended to actual date as opposed to default date

Following the change in the system a manual exercise has been undertaken to review and reassess the performance using a more appropriate measure. On the payments processed via the e-procurement system this has demonstrated a restatement of 12% from 77% to 89%.

Overall the performance has improved 3% between the first half year and the second half year.

The next stage, as part of improving the Procurement To Payment (P2P) process will be to engage a professional process mapping facilitator to support the further required improvement in performance.

7. Future Internal Control Issues

The NHS reorganisation, creating the Public Health Wales NHS Trust, presents a potential significant internal control issue in 2009/10. The announcement on 2nd June 2009 only provides limited time to ensure that appropriate arrangements are in place for the creation of the new Public Health Wales NHS Trust and the transfer of significant range of services from the Trust. The Trust has been running a Trust Restructure Project since November 2008 to support these revised arrangements

Signed:.....
Chief Executive
(on behalf of board)

Date: 11th June 2009

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

NHS TRUSTS

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

BASIS OF PREPARATION

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

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

FORM AND CONTENT

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

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

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

MISCELLANEOUS

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

Signed by the authority of Welsh Ministers

Signed :

Dated :

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

Respective responsibilities of Directors, the Chief Executive and the Auditor

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

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

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

In addition I report to you if in my opinion, Velindre 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 Velindre NHS Trust's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Velindre NHS Trust's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinions

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and the Interim Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Velindre 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 Velindre NHS Trust as at 31 March 2009 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made 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 Velindre NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
22 June 2009

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ