

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

Summarised accounts of local health boards and NHS trusts in Wales for the year ended  
31 March 2010

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

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# **NHS (Wales) Summarised Accounts 2009-10**

Welsh Assembly Government

# **NHS Wales Summarised Accounts 2009-10**

## **FOREWORD**

### **Introduction**

1. Section 178, Schedule 9 Para5(2) of the National Health Service (NHS) Wales Act 2006 requires all NHS organisations in Wales to prepare annual accounts and to submit them to the Welsh Assembly Government.
2. From the 1<sup>st</sup> April 2005 under the Public Audit (Wales) Act 2004 the Auditor General for Wales (AGW) became the statutory external auditor for all NHS bodies in Wales. Under the Government of Wales Act 2006 all audits are undertaken by the Auditor General for Wales and reported to the National Assembly for Wales. In addition to these summarised accounts, the accounts for each NHS body must be laid before the National Assembly for Wales.
3. The Welsh Ministers are required to prepare, in such form as HM Treasury may direct, summarised accounts from the individual accounts of NHS Wales organisations. The Auditor General for Wales is required to examine, certify and report on the summarised accounts.
4. The annual accounts of all NHS Wales organisations have been audited and these summarised accounts are based on those audited figures. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Assembly Government for 2009-10.
5. In my capacity as Additional Accounting Officer for NHS Wales, I have financial responsibility for health service expenditure. Accordingly, I have signed the summarised accounts of the local health boards and NHS trusts. I am pleased to report the achievement of financial balance for all NHS organisations in Wales in 2009-10 and that all accounts received an unqualified true and fair and regularity opinion from the Auditor General for Wales.
6. The chief executives of individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.

### **Summarised Accounts**

7. HM Treasury have directed that the accounts of the central government departments and entities in the wider public sector, be produced using all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales from 2009-10 onwards. Prior year comparators have also been prepared on this basis.

8. Two summarised accounts for NHS Wales have been prepared, one for the seven local health boards and one for the three NHS trusts (see paras: 36 to 44 for restructuring details).

**(a) *Local Health Boards***

9. Local health boards were established under Welsh Statutory Instrument 2003 No. 150 (W.20) and the Local Health Boards (Functions) (Wales) Regulations 2003. Under these regulations the local health boards replaced the previous health authorities.
10. The summarised account for the local health boards in Wales is based on the audited accounts of the seven local health boards. All seven local health boards received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales for 2009-10.

**(b) *NHS Trusts***

11. NHS trusts established under section 18 Schedule 3 of the National Health Service (Wales) Act 2006. They receive most of their income from commissioners of health care, mainly the local health boards and Health Commission Wales (HCW) (Specialist Services), an executive agency of the Welsh Assembly Government (HCW ceased to exist on 31 March 2010, see para. 45 for restructuring details).
12. The summarised account for the NHS trusts in Wales is based on the audited accounts of the three Welsh NHS trusts. All three trusts received unqualified true and fair and regularity audit opinions from the Auditor General for Wales for 2009-10.

## **Performance against statutory financial duties**

**(a) *Local Health Boards***

13. The statutory financial duty of local health boards is set out in Part 11, Chapter 6 Para 175 of the National Health Service (Wales) Act 2006. Under the Act, local health boards have a statutory duty to ensure that net operating costs do not exceed the resources allocated to the Board by the Welsh Assembly Government.
14. Welsh Health Circular (WHC) (2007) 049 defines the statutory financial duties of local health boards and requires those that are forecasting overspends against resource limits to prepare a Financial Recovery Plan (FRP), which must be accepted by the Welsh Assembly Government. The circular also removed the obligation on the Welsh Assembly Government to provide resource cover in support of accepted FRPs.
15. In 2009-10, all local health boards met their statutory duty by keeping expenditure within allocated resource limits. The performance details for all seven local health boards

are set out in Annex 2.

16. Additional non-recurring non-repayable funding totalling £22 million was allocated to two local health boards in 2009-10 (Powys LHB £11 million; Hywel Dda LHB £11 million), as strategic financial support to enable these bodies to achieve operational financial balance.
17. The increasing costs of continuing healthcare for local health boards have been acknowledged and further funding was added recurrently to baselines from 2008-09. There is also a centrally held Welsh Assembly Government budget of £50 million, which is being directed strategically at schemes that are aimed at levering service change so that health communities (local health boards and local authorities) are better equipped to deal with future pressures of continuing healthcare.
18. The liabilities relating to continuing healthcare continue to be a significant financial issue for local health boards. The December 2009 deadline for citizens to reclaim pre 1 April 2003 care costs resulted in a large increase in the number of claims submitted to each Board. The individual 2009-10 accounts for local health boards include financial provisions and contingent liabilities for the backlog of claims.

**(b) NHS Trusts**

19. WHC (2007) 49 states the two statutory duties of NHS trusts in relation to breakeven. These are:
    1. Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.
    2. Each NHS trust must achieve such financial objectives as may from time to time be set by the Welsh Ministers with the consent of the Treasury and are applicable to it.
- The definitions of performance against these duties are set out in Annex 1.
20. WHC (2007) 049 requires trusts that are unable to meet their financial targets in-year to prepare a FRP. The circular removed the obligation on the Welsh Assembly Government to provide resource cover in support of accepted FRPs by amending a trust's breakeven target.
  21. During 2009-10, all three trusts broke even in year and met both of their financial breakeven duties as described above. The Auditor General for Wales (AGW) issued unqualified opinions to all trusts in Wales in 2009-10.
  22. The overall income and expenditure surplus of the three NHS trusts in Wales (under IFRS) for 2009-10 was £0.126 million, compared with a deficit of £0.992 million in 2008-09 (the 2008-09 surplus under UK GAAP was £0.091 million).

### ***Recovery of Accumulated Trust Deficits***

23. The Welsh Ambulance Services NHS Trust was due to repay £2.9 million strategic assistance in 2009-10. In December 2009, the Minister for Health & Social Services agreed to defer this repayment until 2010-11.

### ***External financing limit***

24. As part of the process of controlling public expenditure, the Welsh Assembly Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Assembly Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Assembly Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to local health boards.
25. In 2009-10, the overall external financing limit for NHS trusts was £5.915 million and all trusts in Wales stayed within their individual external financing limits.

### **Prompt Payment Performance**

26. Local health boards and NHS trusts are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay all non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
27. The performance of each local health board and NHS trust in Wales, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent, and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 5 to this Foreword. The number of non NHS invoices paid within 30 days ranged from 54.8% to 98.2% for NHS bodies, with an average for the year of 90.0% for local health boards and 96.8% (2008-09 92.7% for the equivalent trusts).

### **Summary of achievement of financial duties**

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

Annex 1	Trust Performance against the Break-even and External Financing Limit Duties.
Annex 2	Local Health Boards' Performance against Allocated Resource Limits.
Annex 3	Trust Surpluses and Deficits.
Annex 4	Recovery of Assistance in Relation to Accumulated Trust Deficits
Annex 5	Trust and Local Health Board Public Sector Payment Performance.

## **Statement of Financial Position Issues**

### **NHS Debt**

29. The cumulative debt outstanding at 31 March 2010 in the summarised NHS trust account is £8.141 million. Detail of the debt for each NHS organisation is provided in Annex 6.

### **Clinical Negligence Provisions**

30. At 31 March 2010, known actual and anticipated liabilities for clinical negligence totalled £0.542 million in NHS trusts and a further £291.955 million in local health boards. These provisions and creditors are calculated on the basis of claims against the organisation, where it is assessed that there is a probable chance of the claim being settled.
31. Excluded from the provisions calculations included within the summarised accounts is a further estimated £314.708 million for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities.

### **Welsh Risk Pool (WRP)**

32. The Welsh Risk Pool (the Pool) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The Pool is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.
33. In 2009-10 the Pool was operated by the North Wales NHS Trust until 30 September 2009 and Betsi Cadwaldr University Local Health Board from 1 October 2010. The Pool is managed by a Management Group comprising representatives from NHS trusts, local health boards and the Welsh Assembly Government.
34. The Betsi Cadwaladr University Local Health Board's liability was limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the Pool and was underwritten by the Welsh Assembly Government. Therefore, only the healthcare activities of Betsi Cadwaladr University Local Health Board are included in these summarised accounts. The structured settlements liabilities are accounted for in the Welsh Assembly Governments Resource Accounts as a debtor of last resort and a further provision of £84.147 million has been provided for centrally in 2009-10 (2008-09: £58.654 million).
35. During the year, the Pool incurred expenditure of £35.918 million (2008-09: £20.797 million) in relation to claims.

## Local Health Board and NHS Trust Mergers 2009-10

36. The NHS in Wales has been subject to major organisational change in the last two years. In 2008-09, the number of NHS trusts reduced from fourteen to nine. The second and final wave of this reorganisation was completed on 1 October 2009. Up to this date, the organisational structure of NHS Wales consisted of twenty two local health boards responsible for commissioning healthcare services and nine NHS trusts responsible for providing services.
37. From 1 October 2009, the functions of twenty one local health boards and seven NHS trusts merged on a regional basis to form six new local health boards which are responsible for both the commissioning and provision of NHS healthcare services. Powys Local Health Board remains unaffected by the merger process as it already has a commissioner and provider function.
38. Of the nine NHS trusts in Wales, seven were subject to the merger process. The remaining trusts are the Welsh Ambulance Services NHS Trust and Velindre NHS Trust. On 1 October 2009, part of the Velindre NHS Trust demerged and was transferred to a new body, Public Health Wales NHS Trust.
39. The dissolution of the old bodies and establishment of the new bodies was enacted by The NHS Trusts (Dissolution) (Wales) Order 2009 and The Local Health Boards (Establishment and Dissolution) (Wales) Order 2009.
40. The operational structure in place from the 1 October 2009 therefore consists of seven local health boards and three trusts. The bodies and, where applicable, their predecessor organisations are shown in the table attached below:

New bodies	- Dissolved bodies
- Abertawe and Bro Morgannwg University Local Health Board	- Abertawe and Bro Morgannwg University NHS Trust - Bridgend Local Health Board - Neath Port Talbot Local Health Board - Swansea Local Health Board
- Aneurin Bevan Local Health Board	- Gwent Healthcare NHS Trust - Blaenau Gwent Local Health Board - Caerphilly Local Health Board - Monmouthshire Local Health Board - Newport Local Health Board - Torfaen Local Health Board
- Betsi Cadwaladr University Local Health Board	- North Wales NHS Trust - North West Wales NHS Trust - Anglesey Local Health Board - Conwy Local Health Board - Denbighshire Local Health Board - Flintshire Local Health Board - Gwynedd Local Health Board - Wrexham Local Health Board

- Cardiff and Vale University Local Health Board	- Cardiff and Vale University NHS Trust - Cardiff Local Health Board - Vale of Glamorgan Local Health Board
- Cwm Taf Local Health Board	- Cwm Taf NHS Trust - Merthyr Tydfil Local Health Board - Rhondda Cynon Taff Local Health Board
- Hywel Dda Local Health Board	- Hywel Dda NHS Trust - Carmarthen Local Health Board - Ceredigion Local Health Board -Pembrokeshire Local Health Board
- Powys Local Health Board	Unchanged.
- Velindre NHS Trust	<p>On the 1 October the following functions transferred to Public Health Wales NHS Trust.</p> <ul style="list-style-type: none"> <li>- National Public Health Service; the Wales Cancer Intelligence and Surveillance Unit; the Congenital Anomaly Register and Information Service; and Screening Services Wales.</li> </ul> <p>The main function of Velindre NHS Trust from 1 October 2009 is to provide</p> <ul style="list-style-type: none"> <li>- regional non-surgical Cancer Services, mainly to the people of South East Wales, provided from Velindre Hospital and outreach clinics;</li> <li>- Welsh Blood Service (WBS), including Welsh Transplantation and Immunogenetics Laboratory (WTAI);</li> <li>- Information, Information Technology, Telecommunications and Consultancy services to NHS Wales through Health Solutions Wales (HSW).</li> </ul>
- Welsh Ambulance Services NHS Trust	Unchanged.
- Public Health Wales NHS Trust	Wales Centre for Health and the transferred functions from NHS Velindre NHS Trust.

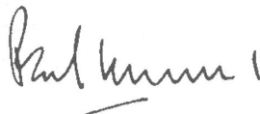
41. The demised NHS bodies produced accounts for the six month period to 30 September 2009, which are available on the Welsh Assembly Government website. These accounts all received unqualified true and fair and regularity opinions from the Auditor General for Wales.



42. The new local health boards were required to produce their first full year accounts under merger accounting principles. Therefore their 2009-10 accounts were prepared on the basis that the new organisation has been in existence from the 1 April 2009.
43. In April 2009, the National Advisory Board was established, and is responsible for providing independent advice to assist the Minister for Health and Social Services in discharging her functions and meeting her accountabilities for the performance of the NHS in Wales. Chaired by the Minister, this Board holds its meetings in public, with its board papers published on the Welsh Assembly Government website.
44. The National Delivery Group is responsible for providing strategic leadership and management of the NHS. Chaired by the Chief Executive, NHS Wales, it provides policy advice to the Minister and oversees the development and delivery of NHS services across Wales, in accordance with the direction set by the Minister. The Group is also responsible for planning and performance management of the NHS on behalf of Welsh Ministers.

## **2010-2011 Reconfiguration**

45. On 1 April 2010 two new NHS Wales entities were established
- Welsh Health Specialised Services Commission (WHSSC) is responsible for the joint planning of specialised and tertiary services on behalf of local health boards in Wales and is undertaking the work of the former Health Commission Wales. WHSCC is hosted by Cwm Taf LHB.
  - NHS Wales Informatics Service (NWIS) is an amalgamation of the Informing Healthcare Programme, the Business Service Centre's Information Management and Technology Division, the Health Solution Wales Division of Velindre NHS Trust, the Corporate Health Information Programme and the Primary Care Informatics Programme. NWIS is hosted by Velindre NHS Trust.



Paul Williams  
Director General, Health and Social Services,  
Chief Executive, NHS Wales  
19 August 2010

## Trust Performance against the Break-even and External Financing Limit duties

	Achievement of Break-even Duty		External Financing Limit
	Statutory Duty 1	Statutory Duty 2	
Public Health Wales Trust	✓	✓	✓
Velindre NHS Trust	✓	✓	✓
Welsh Ambulance Services NHS Trust	✓	✓	✓

A trust's in year break-even performance is subject to a materiality threshold of the lesser of 0.5% of total income or £500k.

WHC (2007) 049 sets down the two statutory duties of NHS trusts in relation to breakeven. These are

- (1) Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.
- (2) Each NHS trust must achieve such financial objectives as may from time to time be set by the Welsh Ministers with the consent of the Treasury and are applicable to it.

Where a trust is forecasting that it will be unable to meet this target in year, its Accountable Officer must prepare a recovery plan, to be known as a Financial Recovery Plan (FRP), in order to address the deficit position. Where a trust fails to achieve financial balance in a financial year and there is no approved FRP in place, the trust will be considered to have breached both of its statutory duties in relation to breakeven.

Where a trust fails to achieve financial balance in a financial year and an approved FRP is in place the trust will be considered to have met the first of its statutory duties. It will nevertheless have failed to meet its second statutory duty.

Where a trust has achieved financial balance in year but has cumulative deficits which it is expected to recover, the trust must produce a FRP in order to show how the position is to be recovered. If the trust does not have a FRP that has been accepted by the Welsh Assembly Government it will have failed its duty under Part (1) of the Act.

It will be regarded as more serious by the Welsh Assembly Government if both duties under the Act are breached than if just the second duty is breached.

## Local Health Board Performance against Allocated Resource Limits

### Underspend / (overspend) against resource limit

**2009-10**

**£000**

Abertawe Bro Morgannwg University Local Health Board	<b>68</b>
Aneurin Bevan Local Health Board	<b>80</b>
Betsi Cadwaladr University Local Health Board	<b>86</b>
Cardiff and Vale University Local Health Board	<b>48</b>
Cwm Taf Local Health Board	<b>18</b>
Hywel Dda Local Health Board	<b>138</b>
Powys Local Health Board	<b>13</b>
All Local Health Boards	<b>451</b>
Number of Local Health Boards achieving resource limit	<b>7</b>
Percentage of Local Health Boards achieving resource limit	<b>100%</b>

## NHS Wales Trust Surpluses and Deficits

	Surplus /(deficit)	Surplus/(deficit)
	2009-10	2008-09
	£000	£000
Public Health Wales Trust	18	-
Velindre NHS Trust	49	54
Welsh Ambulance Services NHS Trust	59	(1,046)
All NHS Trusts	126	(992)

For 2008/09 under UK GAAP the NHS Wales Trusts reported a retained surplus of £91k. The comparative figures for 2008/09 that are shown above have been restated under IFRS. This does not impact on the achievement of the Trusts' financial duties for 2008/09.

## Recovery of Trust Deficits and Strategic Assistance

	Deficit to be recovered @ 1 April 2009 £000	2009-10 Deficits £000	Deficit recovered £000	Deficit to be recovered @ 31 March 2010 £000
Welsh Ambulance Services NHS Trust	8,027	-	(59)	7,968
<b>All NHS Trusts</b>	<u>8,027</u>	<u>-</u>	<u>(59)</u>	<u>7,968</u>

	Strategic Assistance to be recovered @ 1 April 2009 £000	Strategic Assistance issued £000	Strategic Assistance repaid/ transferred £000	Strategic Assistance to be recovered @ 31 March 2010 £000
Welsh Ambulance Services NHS Trust	8,141	-	-	8,141
<b>All NHS Trusts</b>	<u>8,141</u>	<u>-</u>	<u>-</u>	<u>8,141</u>

## Local Health Board Public Sector Payment Policy Performance

2009-10

	Non NHS Value of bills %	Non NHS Number of bills %
Abertawe Bro Morgannwg University Local Health Board	96.8	98.0
Aneurin Bevan Local Health Board	95.5	92.1
Betsi Cadwaladr University Local Health Board	97.7	96.9
Cardiff and Vale University Local Health Board	71.9	54.8
Cwm Taf Local Health Board	97.6	96.2
Hywel Dda Local Health Board	97.4	97.5
Powys Local Health Board	97.3	95.7
<b>All Local Health Boards</b>	<b>92.7</b>	<b>90.0</b>

## NHS Trust Public Sector Payment Policy Performance

	Non NHS Value of bills 2009-10 %	Non NHS Number of bills 2009-10 %
Public Health Wales Trust	<b>97.7</b>	<b>96.6</b>
Velindre NHS Trust	<b>96.6</b>	<b>95.6</b>
Welsh Ambulance Services NHS Trust	<b>98.2</b>	<b>98.2</b>
All NHS Trusts	<b>97.4</b>	<b>96.8</b>

	Non NHS Value of bills 2008-09 %	Non NHS Number of bills 2008-09 %
Public Health Wales Trust	-	-
Velindre NHS Trust	91.9	89.3
Welsh Ambulance Services NHS Trust	98.6	97.7
All NHS Trusts	<b>94.3</b>	<b>92.7</b>

## **Local Health Boards in Wales**



## Statement of the Welsh Assembly Government and Accounting Officer's responsibilities

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

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

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

In preparing the accounts Welsh Ministers are required to:

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

## Statement on Internal Control

### 1. Scope of responsibility

As Chief Executive NHS Wales and Additional Accounting Officer for the NHS in Wales, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Welsh Assembly Government's policies, aims and objectives in accordance with the principles set out in Managing Welsh Public Money. I am also responsible for safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me by the Permanent Secretary in her role as Principal Accounting Officer under section 133(2) of the Government of Wales Act 2006.

I am responsible for the propriety and regularity of public finances for the NHS in Wales; for the keeping of proper records; the preparation of accounts; for prudent behaviour and economical administration; the avoidance of waste and extravagance; and for the efficient use of all resources.

To enable me to fulfil these responsibilities I appoint Chief Executives of Local Health Boards (LHBs), to serve as Accountable Officers. It is their responsibility to ensure that there is an effective system of internal control within their individual organisations. Regional Directors act as my agents on a day to day basis in holding to account Chief Executives of LHBs. I also lead an annual review process for which I receive support from my Regional Directors.

Within the Health and Social Services Directorate General (HSSDG) of the Welsh Assembly Government, I require Heads of Directorates to take responsibility for ensuring the effective, efficient and economic management of and proper accounting for the resources delegated to them within a robust internal control and risk management framework.

### 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 a continuing process designed to identify and prioritise the risks to the achievement of the Welsh Assembly Government's 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 for the year ended 31 March 2010 and up to the date of approval of the annual accounts, and accords with HM Treasury and Welsh Assembly Government guidance.

### 3. Capacity to handle risk

Guidance has been issued to each Accountable Officer regarding corporate governance, clinical governance, risk management and internal control systems.

I require the Board of each organisation to take overall responsibility for risk management and to have risk management, control and review processes in place. In 2009-10 LHB Boards were required to self assess against the Healthcare Standards, which incorporate the Welsh risk management standards across NHS Wales, as a toolkit to inform the LHB Boards of the significant risks within their organisations.

The standards assist Boards to identify risks, determine unacceptable levels of risk, and to then decide on where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff have the information, training and access to expert advice which they need to exercise their responsibilities effectively.

An agreement is in place with the Welsh Risk Pool that requires the Pool to support NHS organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good practice and lessons learnt. The Chief Executive of North Wales NHS Trust was accountable to me for the work of the Welsh Risk Pool up to 30 September 2009. From 1 October 2009 the responsibility transferred to the Chief Executive of Betsi Cadwaladr University Local Health Board.

#### **4. Healthcare Standards for Wales**

Healthcare Standards for Wales set out the Welsh Assembly Government's common framework of healthcare standards to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings. One of the key aims of the Healthcare Standards for Wales is to simplify and consolidate existing standards into one set of overarching standards for all healthcare organisations in Wales, including independent and voluntary healthcare providers. In line with these objectives, the system of self-assessment that has been developed to incorporate key elements from the Welsh Risk Management Standards (WRMS) for a single assessment process of assurance within NHS Wales.

2009-10 is the fourth year that Healthcare Standards for Wales have been used across Wales and this is the third year that they have been used to underpin the Statement of Internal Control (SIC).

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

I require all LHBs to have a risk management framework that ensures a systematic approach to internal control. LHBs are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances.

LHBs are required to link risk management to their key organisational objectives in order that objectives and their associated risks may form an integrated part of the organisation's management activity.

Objectives, at the strategic level include those linked to:

- "One Wales" - which aspires to provide a world-class health service that is available to everyone, irrespective of whom they are or where they live in Wales, and at the time when they need it.
- Designed for Life, the health and social care strategy for Wales for 2005-2015, which sets out a clear 10-year ambition, the start of a transformation in services and the first of a series of 3-year action plans based on tough targets to drive the improvements needed.
- "Improving Health in Wales", the response to the Review of Health and Social Care ('Wanless Report'),
- Welsh Priorities and Planning Guidance, Healthcare Standards, Annual Strategic and Financial Framework Guidance and the National Reporting Framework,

- National clinical quality improvement targets, and financial responsibilities;
- Public Service VFM agreements;
- Compliance with governance and risk management standards; and
- Health improvement and partnerships.
- 1000 Lives Campaign

The Continuous Improvement Framework forms the context for development for both LHBs and NHS Trusts. LHBs are responsible for developing local Health, Social Care and Wellbeing Strategies, which form the basis of their commissioning plans. These commissioning plans together with the Health Commission Wales (Specialist Services) Annual Commissioning Plan will help establish the planning context for NHS trusts and also to a more limited extent for local authorities. Each LHB's commissioning plan and the achievement of outcomes set out in those plans form an integral part of an organisation's objectives and as a result its risk management framework.

For 2009-10 LHBs were required to outline their 2009-10 self assessment of performance against the Healthcare Standards for Wales and in particular those that underpin the management of risk across all Standards:

- Healthcare standard 14 – Health & Safety of Patients, Staff and the Public.
- Healthcare standard 16 – A Learning Process from Incidents.
- Healthcare standard 27 – Best Practice Governance Arrangements.
- Healthcare standard 28 – High Quality Clinical Governance.

Performance against most, if not all healthcare standards contribute to overall good risk management across the range of the organisations' activities, therefore organisations should:

- Confirm that they have completed a self-assessment against all healthcare standards for 2009/10, to include a description of the process in place for completing the process, including Board engagement and sign off.
- Confirm that a healthcare standards improvement plan for the year is in place which has been agreed by the Board and how the Board is assured of progress against it
- Describe key ways in which healthcare standards are embedded in the activity of the organisation.

All LHBs were required to submit their Healthcare standard self-assessment scores to Health Inspectorate Wales (HIW).

Each of the 32 Healthcare Standards for Wales were assessed on the following matrix:

Maturity Level	1- Aware	2 - Responding	3 - Developing	4 - Practicing	5- Leading
Corporate					
Operational					
User Experience					
Overall					

On the 1 October 2009 7 NHS Wales trusts, merged with their regional local health boards to form 6 new health boards. As part of the transitional programme framework, a working group was established to review the existing risk management arrangements to ensure a corporate approach was being taken to risk management.

In 2009-10 the 7 LHBs achieved the following overall self assessment performance against the 4 Healthcare Standards for Wales that underpin the management of risk across all Standards. This performance has been compared with the relative self assessment performance of the merged former bodies.

2009-10	Standard 14	Standard 16	Standard 27	Standard 28
	%	%	%	%
3 - Developing	<b>71</b>	<b>86</b>	<b>100</b>	<b>71</b>
4 - Practising	<b>29</b>	<b>14</b>	<b>-</b>	<b>29</b>

2008-09	Standard 14	Standard 16	Standard 27	Standard 28
	%	%	%	%
2 - Responding	-	-	3	-
3 - Developing	41	48	28	24
4 - Practising	59	52	69	76

The decline in the split of performance from the practising to the developing level for the Healthcare Standards pertaining to risk, occurred as a result of the mid-year restructuring as policies and procedures are developed and integrated throughout the new organisation

### Clinical governance

LHBs and partner organisations are required to ensure that a framework is in place for continuously improving the quality and safeguarding high standards of care. Boards are required to take responsibility and account for:

- The overall quality and safety of care;
- Specification of standards and competencies;
- Participation in clinical audit, benchmarking activities and processes for monitoring clinical care;
- Strict adherence to the Complaints Procedure at all stages; and
- Clear policies for managing risk to ensure and improve patient safety.

### **Health and Social Services Directorate General - Risk Management**

The HSSDG is subject to the Welsh Assembly Government's Risk Management framework. Risks are controlled at both Executive Board and directorate level, with the bulk of the work to identify, evaluate and monitor the risks falling to individual Heads of Directorate. The main record for documenting the identification, assessment and management of risk is through the directorate risk register. The HSSDG Corporate Governance Committee continuously reviews the directorate risk registers and any associated action plans and report their findings to the Executive Board. Heads of Directorate, including Regional Directors, are responsible for ensuring that:

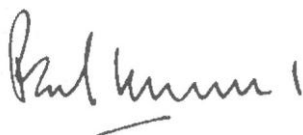
- systems are in place to enable them to be kept informed of new activities and other changes so that risk can be assessed; and
- there are performance indicators in place, which allow the monitoring of key business and financial activities and the directorate's progress towards its objectives.

For the 2009-10 financial year, each Head of Directorate within the HSSDG (including regional offices) has reviewed their process of internal control and completed a certificate of assurance, which underpins the departmental Internal Control Questionnaire and Statement on Internal Control.

### **6. Review of effectiveness**

As the Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system on internal control undertaken by the Department of Health and Social Services Resources Directorate is informed by the work of the internal auditors, the HSSDG Corporate Governance Committee, which oversees the work of the internal auditors, the reports submitted to the Executive Board by the HSSDG Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

LHB Chief Executives have each submitted a Statement on Internal Control for the year ending 31 March 2010. These statements and the associated audit reports are reviewed so that I can be satisfied that any issues raised by the Accountable Officers do not pose a significant threat to internal control and that they are being dealt with appropriately by Accountable Officers.



Paul Williams  
Director General, Health and Social Services,  
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales  
19 August 2010

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

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards in Wales for the year ended 31 March 2010 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Additional Accounting Officer and Auditor**

The Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006 and directions made by H M Treasury there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Additional Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements 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 have been properly prepared in accordance with paragraph 5 of schedule 9 of the National Health Service (Wales) Act 2006 and HM Treasury's directions made there under. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, the Welsh Assembly Government 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 relevant authorities regarding other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Additional Accounting Officer's and the Local Health Boards' 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 the Welsh Assembly Government's corporate governance procedures or its risk and control procedures.

### **Basis of audit opinions**

I conducted my audit in accordance with the National Health Service (Wales) Act 2006 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. It also includes an assessment of the significant estimates and judgements made by the Additional Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Local Health Boards' 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.

### **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 there under by HM Treasury of the state of affairs of the Local Health Boards in Wales as at 31 March 2010 and of their net operating costs, their recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury

### **Opinion on Regularity**

In my opinion in all material respects, the expenditure and income 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.

Gillian Body  
Auditor General for Wales  
26 August 2010

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ



## Operating Cost Statement for the year ended 31 March 2010

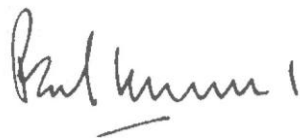
	Note	2009-10 £'000	2008-09 £'000
Expenditure on Primary Healthcare Services	2.1	1,306,261	1,274,824
Expenditure on healthcare from other providers	2.2	515,263	449,594
Expenditure on Hospital and Community Health Services	2.3	3,799,161	3,572,889
		<u>5,620,685</u>	<u>5,297,307</u>
Less: Miscellaneous Income	3	811,634	930,161
<b>LHB net operating costs before interest and other gains and losses</b>		<u>4,809,051</u>	<u>4,367,146</u>
Less :Investment Income	7	416	8,179
Other (Gains) / Losses	8	(138)	209
Finance costs	9	50,156	84,233
<b>Net operating costs for the financial year</b>		<u>4,858,653</u>	<u>4,443,409</u>

The notes on pages 15 to 54 form part of these accounts

## Statement of Financial Position as at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
<b>Non-current assets</b>				
Property, plant and equipment	10.1	2,616,608	2,631,081	2,555,116
Intangible assets	11	14,396	13,653	8,555
Trade and other receivables	13	121,262	67,995	71,665
Other financial assets	17	922	947	972
Other assets	18	-	1,225	-
<b>Total non-current assets</b>		<b>2,753,188</b>	<b>2,714,901</b>	<b>2,636,308</b>
<b>Current assets</b>				
Inventories	12	46,505	41,127	37,630
Trade and other receivables	13	285,047	277,500	241,718
Other financial assets	17	25	25	15,525
Other current assets	18	8,462	7,693	10,329
Cash and cash equivalents	16	16,330	60,308	63,701
		<b>356,369</b>	<b>386,653</b>	<b>368,903</b>
Non-current assets classified as "Held for Sale"	10.2	5,345	5,131	628
<b>Total current assets</b>		<b>361,714</b>	<b>391,784</b>	<b>369,531</b>
<b>Total assets</b>		<b>3,114,902</b>	<b>3,106,685</b>	<b>3,005,839</b>
<b>Current liabilities</b>				
Trade and other payables	14	556,692	516,951	471,141
Provisions	15	225,809	218,475	208,236
Other liabilities	19	3,268	3,173	24,776
<b>Total current liabilities</b>		<b>785,769</b>	<b>738,599</b>	<b>704,153</b>
<b>Net current assets/ (liabilities)</b>		<b>(424,055)</b>	<b>(346,815)</b>	<b>(334,622)</b>
<b>Non-current liabilities</b>				
Trade and other payables	14	91,660	96,945	97,727
Provisions	15	166,509	101,633	99,490
Other liabilities	19	2,061	2,354	3,156
<b>Total non-current liabilities</b>		<b>260,230</b>	<b>200,932</b>	<b>200,373</b>
<b>Total assets employed</b>		<b>2,068,903</b>	<b>2,167,154</b>	<b>2,101,313</b>
<b>Financed by :</b>				
<b>Taxpayers' equity</b>				
General Fund		1,633,346	1,594,069	1,519,673
Revaluation reserve		393,473	533,159	539,905
Donated asset reserve		41,606	39,835	41,122
Government grant reserve		478	91	613
<b>Total taxpayers' equity</b>		<b>2,068,903</b>	<b>2,167,154</b>	<b>2,101,313</b>

The notes on pages 15 to 54 form part of these accounts



Director General, Health and Social Services, Chief Executive NHS Wales  
19 August 2010

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2010

	General Fund £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Total reserves £000
<b>Changes in taxpayers' equity for 2009-10</b>					
<b>Balance at 1 April 2009</b>	1,594,069	533,159	39,835	91	2,167,154
Net operating cost for the year	(4,858,653)				(4,858,653)
Net gain/(loss) on revaluation of property, plant and equipment	-	(24,584)	2,485	-	(22,099)
Net gain/(loss) on revaluation of financial assets	-	-	-	9	9
Impairments and reversals	-	(60,885)	(580)	-	(61,465)
Receipt / (disposal) of donated or government granted assets	-	-	4,281	380	4,661
Movements in other reserves	(5)	-	-	-	(5)
Release of reserves to OCS	116	-	(4,476)	(2)	(4,362)
Non-cash charges - cost of capital	30,097				30,097
Transfers between reserves	54,156	(54,217)	61	-	-
Transfers to/(from) other bodies within the Resource Accounting boundary	(11)	-	-	-	(11)
<b>Total recognised income and expense for 2009-10</b>	<b>(4,774,300)</b>	<b>(139,686)</b>	<b>1,771</b>	<b>387</b>	<b>(4,911,828)</b>
Net Assembly funding	4,813,577				4,813,577
<b>Balance at 31 March 2010</b>	<b>1,633,346</b>	<b>393,473</b>	<b>41,606</b>	<b>478</b>	<b>2,068,903</b>

The notes on pages 15 to 54 form part of these accounts

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2009

	General Fund £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Total reserves £000
<b>Balance at 31 March 2008</b>	1,326,527	713,640	41,122	613	2,081,902
Changes in accounting policy	193,146	(173,735)	-	-	19,411
<b>Restated balance at 1 April 2008</b>	1,519,673	539,905	41,122	613	2,101,313
<b>Changes in taxpayers' equity for 2008-09</b>					
Net operating cost for the year	(4,443,410)	-	-	-	(4,443,410)
Net gain/(loss) on revaluation of property, plant and equipment	(790)	(5,446)	705	-	(5,531)
Net gain/(loss) on revaluation of intangible assets	-	418	-	-	418
Impairments and reversals	-	(729)	-	-	(729)
Receipt / (disposal) of donated or government granted assets	-	-	3,351	185	3,536
Movements in other reserves	80	-	-	-	80
Release of reserves to OCS	-	(9)	(5,342)	(707)	(6,058)
Non-cash charges - cost of capital	(3,803)	-	-	-	(3,803)
Transfers between reserves	981	(980)	(1)	-	-
Transfers to/(from) other bodies within the Resource Accounting boundary	2,823	-	-	-	2,823
<b>Total recognised income and expense for 2008-09</b>	(4,444,119)	(6,746)	(1,287)	(522)	(4,452,674)
Net Assembly funding	4,518,515				4,518,515
<b>Balance at 31 March 2009</b>	1,594,069	533,159	39,835	91	2,167,154

The notes on pages 15 to 54 form part of these accounts

## Statement of Cash flows for year ended 31 March 2010

	2009-10	2008-09
	£'000	£'000
<b>Cash Flows from operating activities</b>		
Net operating cost before interest	(4,809,050)	(4,367,147)
Movements in Working Capital	30 (28,344)	(8,747)
Other cash flow adjustments	31 407,662	178,949
Provisions utilised	15 (62,001)	(57,097)
Interest paid	(7,303)	(8,241)
<b>Net cash outflow from operating activities</b>	<b>(4,499,035)</b>	<b>(4,262,283)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(359,489)	(267,612)
Proceeds from disposal of property, plant and equipment	3,227	1,949
Purchase of intangible assets	(6,126)	(7,309)
Reclassification of National Loans Fund deposit to cash equivalent	(48,000)	(294,000)
Reclassification of National Loans Fund receipts to cash equivalent	52,540	298,000
Proceeds from disposal of other assets	-	4
Interest received	465	8,894
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(357,383)</b>	<b>(260,074)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(4,856,418)</b>	<b>(4,522,357)</b>
<b>Cash flows from financing activities</b>		
Welsh Assembly Government funding (including capital)	4,813,577	4,518,515
Capital receipts surrendered	(9)	(2)
Capital grants received	1,894	3,456
Capital element of payments in respect of finance leases and on-SoFP	(1,719)	(2,826)
Cash transferred (to)/ from other NHS bodies	-	-
<b>Net financing</b>	<b>4,813,743</b>	<b>4,519,143</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(42,675)</b>	<b>(3,214)</b>
<b>Cash and cash equivalents at 1 April 2009</b>	<b>59,005</b>	<b>62,220</b>
<b>Cash and cash equivalents at 31 March 2010</b>	<b>16,330</b>	<b>59,006</b>

The notes on pages 15 to 54 form part of these accounts

The cash figures for 2008-09 differ from the Statement of Financial Position due to the overdraft included in trade payables.

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2009-10 Financial Reporting Manual (FRoM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income and funding

The main source of funding for the LHBs are allocations (Assembly Funding) from the Welsh Assembly Government within an approved cash limit, which is credited to the General Fund of the LHBs. Assembly funding is recognised in the financial period in which the cash is received.

Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Assembly Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

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

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

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

#### 1.4 Employee benefits

##### Short-term employee benefits

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

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

## Retirement benefit costs

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

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

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

## 1.5 Other expenses

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

## 1.6 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised if:

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

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

### Valuation

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

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

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

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

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

For 2009-10 no indexation is applied to the land and properties of NHS Wales bodies because they have been subject to a MEA revaluation exercise. The equipment of NHS Wales LHBs is subject to indexation. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

### **Subsequent expenditure**

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

## **1.7 Intangible assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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



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

### **Measurement**

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

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

### **1.8 Depreciation, amortisation and impairments**

Freehold land and properties under construction are not depreciated.

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

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### **1.9 Borrowing costs**

Borrowing costs are recognised as expenses as they are incurred.

### **1.10 Donated assets**

Donated assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. Donated assets are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the operating cost statement. On sale of donated assets the net book value is transferred from the donated asset reserve to the general fund.

### **1.11 Government grants**

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by the Welsh Assembly Government. Revenue grants are treated as deferred income initially and credited to the operating cost statement to match the expenditure to which it relates. Capital grants are credited to the government grant reserve. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the operating cost statement.

### **1.12 Non-current assets held for sale**

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

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

### **1.13 Leases**

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

#### **1.13.1 The Local Health Board as lessee**

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

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

#### **1.13.2 The health board as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHBs

net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

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

#### **1.14 Inventories**

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

#### **1.15 Cash and cash equivalents**

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

#### **1.16 Provisions**

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

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

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

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

#### **1.17 Clinical negligence costs**

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Assembly Government. The Welsh Risk Pool is hosted by Betsi Cadwaladr University Local Health Board.

## **1.18 Financial assets**

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

### **1.18.1 Financial assets are initially recognised at fair value.**

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

### **1.18.2 Financial assets at fair value through OCS**

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

### **1.18.3 Held to maturity investments**

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

### **1.18.4 Available for sale financial assets**

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

### **1.18.5 Loans and receivables**

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

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

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

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

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

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

### **1.19 Financial liabilities**

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

#### **1.19.1 Financial liabilities are initially recognised at fair value.**

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

#### **1.19.2 Financial liabilities at fair value through OCS**

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

#### **1.19.3 Other financial liabilities**

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

### **1.20 Cost of Capital**

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the Office of the Paymaster General and donated assets. The charge rate applied to capital charges in the 2009-10 financial year was 3.5% (2008-09: 3.5%)

### **1.21 Value Added Tax**

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

### **1.22 Foreign currencies**

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

### **1.23 Third party assets**

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

### **1.24 Losses and Special Payments**

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

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

### **1.25 Pooled budget**

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

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

### **1.26 Key sources of estimation uncertainty**

These are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **1.27 Private Finance Initiative (PFI) transactions**

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

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

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

#### **Services received**

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

#### **PFI asset**

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

#### **PFI liability**

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

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

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

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

#### **Lifecycle replacement**

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

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

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

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

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

**Other assets contributed by the LHB to the operator**

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

**1.28 Contingencies**

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

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

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



**1.29 EU Emissions Trading Scheme**

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the LHB 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 asset, provision and government grant reserve are valued at fair value at the end of the reporting period.

## 2. Analysis of gross operating costs

### 2.1 Expenditure on Primary Healthcare Services

	<b>Cash limited £'000</b>	<b>Non-cash limited £'000</b>	<b>2009-10 Total £'000</b>	2008-09 £'000
General Medical Services	452,313	-	<b>452,313</b>	437,392
Pharmaceutical Services	137,823	504	<b>138,327</b>	136,348
General Dental Services	153,732	-	<b>153,732</b>	153,933
General Ophthalmic Services	13	30,103	<b>30,116</b>	26,669
Other Primary Health Care expenditure	23,751	-	<b>23,751</b>	20,995
Prescribed drugs and appliances	508,022	-	<b>508,022</b>	499,487
<b>Total</b>	<b>1,275,654</b>	<b>30,607</b>	<b>1,306,261</b>	1,274,824

### 2.2 Expenditure on healthcare from other providers

	<b>2009-10 £'000</b>	2008-09 £'000
Goods and services from other NHS Wales Trusts	<b>25,463</b>	15,568
Goods and services from other non Welsh NHS bodies	<b>103,796</b>	86,466
Local Authorities	<b>20,485</b>	17,878
Voluntary organisations	<b>14,277</b>	14,739
NHS Funded Nursing Care	<b>33,599</b>	36,050
Continuing Care	<b>286,699</b>	233,602
Private providers	<b>9,521</b>	11,674
Specific projects funded by the Welsh Assembly Government	<b>3,990</b>	5,706
National Public Health Service / Public Health Wales	<b>15,040</b>	18,682
Business Services Centre / Business Support Partnership	<b>953</b>	-
Other	<b>1,440</b>	9,229
<b>Total</b>	<b>515,263</b>	449,594

**2.3 Expenditure on Hospital and Community Health Services**

	<b>2009-10</b>	2008-09
	<b>£'000</b>	£'000
Goods and services from other NHS bodies	59,353	46,136
Goods and services from other NHS Foundation Trusts	3,055	405
Goods and services from non-NHS bodies	12,585	9,136
Directors' costs	15,699	17,436
Staff costs	2,601,534	2,510,597
Supplies and services - clinical	423,165	425,094
Supplies and services - general	37,708	46,611
Consultancy Services	7,595	8,866
Establishment	69,387	69,341
Transport	13,118	15,497
Premises	121,906	121,812
External Contractors	701	972
Depreciation	131,481	137,601
Amortisation	5,372	3,592
Fixed asset impairments and reversals (Property, plant & equipment)	152,152	53,142
Capital charge interest	30,097	(3,803)
Audit fees	6,890	4,616
Other auditors' remuneration	78	34
Losses, special payments and irrecoverable debts	14,278	12,030
Other operating expenses	93,007	93,774
<b>Total</b>	<b>3,799,161</b>	<b>3,572,889</b>

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

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	106,288	47,275
Personal injury	6,104	5,287
All other losses and special payments	1,239	841
Defence legal fees and other administrative costs	4,373	3,487
Gross increase/(decrease) in provision for future payments	<b>118,004</b>	56,890
Premium for other insurance arrangements	25	21
	927	873
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(104,678)</b>	(45,754)
<b>Total</b>	<b>14,278</b>	<b>12,030</b>

Personal injury includes £1,491,801 (2008-09 £1,507,305) in respect of permanent injury benefits

### 3. Miscellaneous Income

	2009-10	2008-09
	£'000	£'000
Health Commission Wales	302,742	289,888
NHS trusts	21,386	24,169
Strategic health authorities and primary care trusts	24,083	25,208
Foundation Trusts	32	33
Local authorities	30,382	25,598
Welsh Assembly Government	163,045	234,397
Non NHS:		
Prescription charge income	1,376	839
Dental fee income	27,024	27,835
Private patient income	6,951	8,117
Overseas patients (non-reciprocal)	173	426
Injury Costs Recovery (ICR) Scheme	15,002	15,170
Other income from activities	22,482	28,231
Patient transport services	76	40
Education, training and research	144,326	153,530
Charitable and other contributions to expenditure	7,219	9,935
Transfer from the donated asset reserve	4,476	5,342
Transfer from the government grant reserve	2	707
Non-patient care income generation schemes	9,484	8,979
Deferred income released to revenue	266	69
Rental income from operating leases	508	325
Other income:		
Accommodation and catering charges	14,714	15,357
Mortuary fees	1,243	1,181
Staff payments for use of cars	2,381	1,918
Other	12,261	52,867
<b>Total</b>	<b>811,634</b>	<b>930,161</b>

**4. Employee benefits and staff numbers**

<b>4.1 Employee costs</b>	<b>Permanent Staff</b>	<b>Staff on Inward Secondment</b>	<b>Agency Staff</b>	<b>Total</b>	<b>2008-09</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries and wages	2,175,630	4,174	53,786	<b>2,233,590</b>	2,140,585
Social security costs	159,806	85	165	<b>160,056</b>	155,770
Employer contributions to NHS Pension Scheme	259,149	87	280	<b>259,516</b>	252,058
Other pension costs	1,192	15	-	<b>1,207</b>	312
Termination benefits	1,269	-	-	<b>1,269</b>	-
<b>Total</b>	<b>2,597,046</b>	<b>4,361</b>	<b>54,231</b>	<b>2,655,638</b>	<b>2,548,725</b>

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

**4.2 Average number of employees**

	<b>Permanent Staff</b>	<b>Staff on Inward Secondment</b>	<b>Agency Staff</b>	<b>Total</b>	<b>2008-09</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Medical and dental	6,105	11	252	<b>6,368</b>	6,240
Administrative and estates	15,008	56	102	<b>15,166</b>	14,488
Healthcare assistants and other support staff	12,286	-	62	<b>12,348</b>	12,100
Nursing, midwifery and health visiting staff	25,138	2	229	<b>25,369</b>	25,643
Nursing, midwifery and health visiting learners	32	-	-	<b>32</b>	34
Scientific, therapeutic and technical staff	9,250	1	30	<b>9,281</b>	9,408
Social care staff	2	2	-	<b>4</b>	4
Other	13	-	8	<b>21</b>	50
<b>Total</b>	<b>67,834</b>	<b>72</b>	<b>683</b>	<b>68,589</b>	<b>67,967</b>

**4.3. Retirements due to ill-health**

During 2009-10 there were 27 early retirements from LHBs agreed on the grounds of ill-health.

The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £8,151,406.

**4.4 Employee benefits**

There were no employee benefit schemes operating in 2009-10.

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#### 4.5 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](http://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, every five years) and an 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) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period 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.

##### c) Scheme provisions

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 statement of comprehensive income 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

## 5. Operating leases

### LHB as lessee

<b>Payments recognised as an expense</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Minimum lease payments	<b>19,612</b>	16,523
<b>Total</b>	<b>19,612</b>	16,523

### Total future minimum lease payments

<b>Payable</b>	<b>£000</b>	£000
Not later than one year	<b>11,180</b>	11,885
Between one and five years	<b>22,074</b>	18,989
After 5 years	<b>21,932</b>	12,087
<b>Total</b>	<b>55,186</b>	42,961

### LHB as lessor

<b>Rental revenue</b>	<b>£000</b>	£000
Rent	<b>749</b>	533
<b>Total revenue rental</b>	<b>749</b>	533

### Total future minimum lease payments

<b>Receivable</b>	<b>£000</b>	£000
Not later than one year	<b>349</b>	174
Between one and five years	<b>948</b>	152
After 5 years	<b>1,953</b>	486
<b>Total</b>	<b>3,250</b>	812

## 6.1 The Late Payment of Commercial Debts (Interest) Act 1998

	2009-10	2008-09
	£	£
Amounts included within finance costs (note 10) from claims made under this legislation	-	732
Compensation paid to cover debt recovery costs under this legislation	-	210
<b>Total</b>	<b>-</b>	<b>942</b>



**7. Investment Income**

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
<b>Interest revenue :</b>		
Bank accounts	<b>363</b>	7,692
Other financial assets	<b>53</b>	487
<b>Total</b>	<b>416</b>	8,179

**8. Other gains and losses**

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Gain/(loss) on disposal of property, plant and equipment	<b>148</b>	(209)
Gain/(loss) on disposal of intangible assets	<b>(10)</b>	-
<b>Total</b>	<b>138</b>	(209)

**9. Finance costs**

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Interest on obligations under finance leases	<b>472</b>	491
Interest on obligations under PFI contracts		
main finance cost	<b>6,104</b>	6,108
contingent finance cost	<b>1,240</b>	1,067
Provisions unwinding of discount	<b>1,288</b>	696
<b>Total interest expense</b>	<b>9,104</b>	8,362
PDC dividends payable	<b>40,882</b>	74,721
Other finance costs	<b>170</b>	1,150
<b>Total</b>	<b>50,156</b>	84,233

10.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2009</b>	503,223	1,885,576	62,483	232,510	434,370	7,131	72,279	13,642	3,211,214
Indexation	(5)	12	-	7	8,110	132	1	266	8,523
Additions - purchased	115	26,161	41	282,443	29,306	446	11,279	2,064	351,855
Additions - donated	-	222	-	1,462	2,406	122	40	6	4,258
Additions - government granted	-	30	-	122	-	-	87	22	261
Transfer from/into other NHS bodies	36	(1,280)	330	(50)	302	(252)	-	-	(914)
Reclassifications	(96)	141,657	(1,144)	(142,961)	1,224	(1)	1,142	(174)	(353)
Revaluations	(24,834)	(47,254)	286	(27)	(42)	-	-	-	(71,871)
Impairments	(72,917)	(147,585)	(4,089)	(2,784)	(167)	-	-	-	(227,542)
Reversal of impairments	-	-	-	-	-	-	-	-	-
Other in-year revaluations	(9,742)	(41,378)	(2,686)	-	(569)	-	(59)	(15)	(54,449)
Reclassified as held for sale	(3,299)	(836)	(1,289)	-	-	-	-	-	(5,424)
Disposals	(234)	(938)	-	-	(26,585)	(384)	(5,191)	(921)	(34,253)
<b>At 31 March 2010</b>	<b>392,247</b>	<b>1,814,387</b>	<b>53,932</b>	<b>370,722</b>	<b>448,355</b>	<b>7,194</b>	<b>79,578</b>	<b>14,890</b>	<b>3,181,305</b>
<b>Depreciation at 1 April 2009</b>	-	243,537	4,838	101	275,824	4,796	43,537	7,500	580,133
Indexation	-	-	-	-	5,011	87	1	135	5,234
Transfer from/into other NHS bodies	-	(914)	-	-	-	-	-	-	(914)
Reclassifications	-	179	(25)	(101)	(102)	-	102	(53)	-
Revaluations	-	(97,639)	(2,218)	-	(526)	-	-	(7)	(100,390)
Impairments	-	(18,410)	(643)	1,793	-	-	-	-	(17,260)
Reversal of impairments	-	(1)	-	-	-	-	-	-	(1)
Other in-year revaluations	-	(272)	(6)	-	-	-	(59)	-	(337)
Reclassified as held for sale	-	-	-	-	-	-	-	-	-
Disposals	-	(482)	-	-	(26,295)	(382)	(5,170)	(920)	(33,249)
Provided during the year	-	79,077	1,537	-	39,872	488	9,389	1,118	131,481
<b>At 31 March 2010</b>	<b>-</b>	<b>205,075</b>	<b>3,483</b>	<b>1,793</b>	<b>293,784</b>	<b>4,989</b>	<b>47,800</b>	<b>7,773</b>	<b>564,698</b>
<b>Net book value at 1 April 2009</b>	<b>503,223</b>	<b>1,642,039</b>	<b>57,645</b>	<b>232,409</b>	<b>158,546</b>	<b>2,335</b>	<b>28,742</b>	<b>6,142</b>	<b>2,631,081</b>
<b>Net book value at 31 March 2010</b>	<b>392,247</b>	<b>1,609,312</b>	<b>50,449</b>	<b>368,929</b>	<b>154,571</b>	<b>2,205</b>	<b>31,778</b>	<b>7,117</b>	<b>2,616,608</b>
<b>Net book value at 31 March 2010 comprises :</b>									
Purchased	390,258	1,581,807	50,449	367,510	144,012	2,043	31,411	6,681	2,574,171
Donated	1,989	27,417	-	1,297	10,559	162	282	425	42,131
Government Granted	-	88	-	122	-	-	85	11	306
	<b>392,247</b>	<b>1,609,312</b>	<b>50,449</b>	<b>368,929</b>	<b>154,571</b>	<b>2,205</b>	<b>31,778</b>	<b>7,117</b>	<b>2,616,608</b>
<b>Asset financing :</b>									
Owned	378,111	1,492,853	46,212	368,929	148,256	2,205	31,506	7,117	2,475,189
Held on finance lease	801	9,753	-	-	5,034	-	272	-	15,860
On-SoFP PFI contracts	13,335	106,706	4,237	-	1,281	-	-	-	125,559
PFI residual interests	-	-	-	-	-	-	-	-	-
	<b>392,247</b>	<b>1,609,312</b>	<b>50,449</b>	<b>368,929</b>	<b>154,571</b>	<b>2,205</b>	<b>31,778</b>	<b>7,117</b>	<b>2,616,608</b>
<b>The net book value of land, buildings and dwellings at 31 March 2010 comprises :</b>									
									<b>£000</b>
Freehold									<b>1,922,381</b>
Long Leasehold									<b>128,043</b>
Short Leasehold									<b>1,584</b>
									<b>2,052,008</b>

## 10.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2008</b>	590,449	1,744,099	59,103	138,620	405,490	6,678	63,469	11,666	3,019,574
Indexation	(76,106)	51,931	1,794	4,882	11,219	183	18	321	(5,758)
Additions - purchased	5,315	66,592	342	155,969	36,443	519	9,468	1,412	276,060
Additions - donated	-	472	-	1,958	836	261	50	97	3,674
Additions - government granted	-	-	-	-	-	-	-	-	-
Transfer from/into other NHS bodies	-	-	-	-	-	-	-	-	-
Reclassifications	298	56,776	232	(65,921)	6,356	-	1,178	190	(891)
Revaluations	273	2,162	1	(1,587)	-	-	-	-	849
Impairments	(11,709)	(33,018)	(88)	(1,411)	(211)	-	(9)	-	(46,446)
Reversal of impairments	-	-	-	-	-	-	-	-	-
Other in-year revaluations	(1,300)	2,945	1,463	-	-	-	(432)	-	2,676
Reclassified as held for sale	(3,833)	(2,486)	(127)	-	-	-	0	-	(6,446)
Disposals	(164)	(3,897)	(237)	-	(25,763)	(510)	(1,463)	(44)	(32,078)
<b>At 31 March 2009</b>	<b>503,223</b>	<b>1,885,576</b>	<b>62,483</b>	<b>232,510</b>	<b>434,370</b>	<b>7,131</b>	<b>72,279</b>	<b>13,642</b>	<b>3,211,214</b>
<b>Depreciation at 1 April 2008</b>	-	157,172	2,963	133	255,360	4,640	37,837	6,353	464,458
Indexation	-	3,596	67	1	6,769	86	4	159	10,682
Indexation	-	-	-	-	-	-	-	-	-
Reclassifications	-	214	-	(7)	2	-	(209)	-	-
Revaluations	-	(377)	(12)	0	-	34	41	-	(314)
Impairments	-	(318)	(26)	(26)	-	-	-	-	(370)
Reversal of impairments	-	-	-	-	-	-	(12)	-	(12)
Other in-year revaluations	-	(168)	-	-	-	-	-	-	(168)
Reclassified as held for sale	-	(1,828)	-	-	-	-	-	-	(1,828)
Disposals	-	(2,784)	(4)	-	(25,140)	(495)	(1,450)	(44)	(29,916)
Provided during the year	-	88,029	1,850	-	38,833	531	7,326	1,032	137,601
<b>At 31 March 2009</b>	<b>-</b>	<b>243,537</b>	<b>4,838</b>	<b>101</b>	<b>275,824</b>	<b>4,796</b>	<b>43,537</b>	<b>7,500</b>	<b>580,133</b>
<b>Net book value at 1 April 2008</b>	<b>590,449</b>	<b>1,586,927</b>	<b>56,140</b>	<b>138,487</b>	<b>150,130</b>	<b>2,038</b>	<b>25,632</b>	<b>5,313</b>	<b>2,555,116</b>
<b>Net book value at 31 March 2009</b>	<b>503,223</b>	<b>1,642,039</b>	<b>57,645</b>	<b>232,409</b>	<b>158,546</b>	<b>2,335</b>	<b>28,742</b>	<b>6,142</b>	<b>2,631,081</b>
<b>Net book value at 31 March 2009 comprises :</b>									
Purchased	500,839	1,615,146	57,645	232,149	147,786	2,033	28,239	5,769	2,589,605
Donated	2,384	26,895	-	260	10,755	306	503	373	41,476
Government Granted	-	-	-	-	-	-	-	-	-
	503,223	1,642,041	57,645	232,409	158,541	2,339	28,742	6,142	2,631,081
<b>Asset financing :</b>									
Owned	484,454	1,524,354	52,858	232,409	151,523	2,339	28,288	6,142	2,482,366
Held on finance lease	1	2,548	-	-	6,253	-	454	-	9,256
On-SoFP PFI contracts	18,768	115,139	4,787	-	765	-	-	-	139,459
PFI residual interests	-	-	-	-	-	-	-	-	-
	503,223	1,642,041	57,645	232,409	158,541	2,339	28,742	6,142	2,631,081

## The net book value of land, buildings and dwellings at 31 March 2009 comprises :

Freehold									£000
Long Leasehold									1,922,381
Short Leasehold									141,091
									3,050
									<u>2,066,522</u>

**10. Property, plant and equipment (continued)**

**10.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Total
	£000	£000	£000
<b>Balance brought forward 1 April 2009</b>	4,163	968	<b>5,131</b>
Plus assets classified as held for sale in the year	3,298	2,126	<b>5,424</b>
Less assets sold in the year	(1,622)	(453)	<b>(2,075)</b>
Less impairment of assets held for sale	(2,572)	(794)	<b>(3,366)</b>
Plus reversal of impairment of assets held for sale	92	175	<b>267</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(36)	-	<b>(36)</b>
<b>Balance carried forward 31 March 2010</b>	<b>3,323</b>	<b>2,022</b>	<b>5,345</b>
<b>Balance brought forward 1 April 2008</b>	445	183	<b>628</b>
Plus assets classified as held for sale in the year	3,833	785	<b>4,618</b>
Less assets sold in the year	-	-	-
Less impairment of assets held for sale	(115)	-	<b>(115)</b>
Plus reversal of impairment of assets held for sale	-	-	-
Less assets no longer classified as held for sale, for reasons other than disposal by sale	-	-	-
<b>Balance carried forward 31 March 2009</b>	<b>4,163</b>	<b>968</b>	<b>5,131</b>

**11. Intangible non-current assets**

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	2009-10 Total
	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2009</b>	23,696	1,642	11	-	<b>25,349</b>
Additions- purchased	4,730	657	-	690	<b>6,077</b>
Additions- donated	38	-	-	-	<b>38</b>
Additions- government granted	11	-	-	-	<b>11</b>
Disposals	(1,655)	-	-	-	<b>(1,655)</b>
<b>Gross cost at 31 March 2010</b>	<b>26,820</b>	<b>2,299</b>	<b>11</b>	<b>690</b>	<b>29,820</b>
<b>Amortisation at 1 April 2009</b>	11,630	63	4	-	<b>11,697</b>
Provided during the year	5,041	328	3	-	<b>5,372</b>
Disposals	(1,645)	-	-	-	<b>(1,645)</b>
<b>Amortisation at 31 March 2010</b>	<b>15,026</b>	<b>391</b>	<b>7</b>	<b>-</b>	<b>15,424</b>
<b>Net book value at 1 April 2009</b>	<b>12,066</b>	<b>1,579</b>	<b>7</b>	<b>-</b>	<b>13,652</b>
<b>Net book value at 31 March 2010</b>	<b>11,794</b>	<b>1,908</b>	<b>4</b>	<b>690</b>	<b>14,396</b>
<b>At 31 March 2010</b>					
Purchased	11,731	1,912	-	690	<b>14,333</b>
Donated	52	-	-	-	<b>52</b>
Government Granted	11	-	-	-	<b>11</b>
<b>Total at 31 March 2010</b>	<b>11,794</b>	<b>1,912</b>	<b>-</b>	<b>690</b>	<b>14,396</b>

**11. Intangible non-current assets (continued)**

	Software (purchased)	Software (internally generated)	Licences and trademarks	2008-09 Total
	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2008</b>	16,196	489	11	<b>16,696</b>
Revaluation	430	-	-	<b>430</b>
Reclassifications	963	-	-	<b>963</b>
Additions- purchased	6,156	1,153	-	<b>7,309</b>
Disposals	(49)	-	-	<b>(49)</b>
<b>Gross cost at 31 March 2009</b>	<b>23,696</b>	<b>1,642</b>	<b>11</b>	<b>25,349</b>
<b>Amortisation at 1 April 2008</b>	8,139	-	2	<b>8,141</b>
Revaluation	12	-	-	<b>12</b>
Provided during the year	3,527	63	2	<b>3,592</b>
Disposals	(49)	-	-	<b>(49)</b>
<b>Amortisation at 31 March 2009</b>	<b>11,629</b>	<b>63</b>	<b>4</b>	<b>11,696</b>
<b>Net book value at 1 April 2008</b>	<b>8,057</b>	<b>489</b>	<b>9</b>	<b>8,555</b>
<b>Net book value at 31 March 2009</b>	<b>12,067</b>	<b>1,579</b>	<b>7</b>	<b>13,653</b>
<b>At 31 March 2009</b>				
Purchased	12,556	1,090	7	<b>13,653</b>
Donated	-	-	-	-
Government Granted	-	-	-	-
<b>Total at 31 March 2009</b>	<b>12,556</b>	<b>1,090</b>	<b>7</b>	<b>13,653</b>

## 12. Inventories

	<b>31 March</b>	31 March	1 April
	<b>2010</b>	2009	2008
	<b>£000</b>	£000	£000
Drugs	<b>16,797</b>	15,003	13,798
Consumables	<b>28,601</b>	25,160	22,712
Energy	<b>1,088</b>	929	1,096
Other	<b>19</b>	35	24
<b>Total</b>	<b>46,505</b>	41,127	37,630

### 13. Trade and other Receivables

<b>Current</b>	<b>31 March 2010 £000</b>	31 March 2009 £000	1 April 2008 £000
Welsh Assembly Government	9,649	24,158	14,150
Welsh NHS Trusts	5,241	5,573	5,916
Non - Welsh Trusts	6,355	5,504	3,366
Other NHS	503	550	(257)
Welsh Risk Pool	194,931	174,086	143,528
Capital debtors	1,833	1,367	465
Other debtors	59,865	60,551	60,694
Provision for irrecoverable debts	(8,637)	(8,095)	(9,300)
Other prepayments and accrued income	15,307	13,806	23,156
<b>Sub total</b>	<b>285,047</b>	<b>277,500</b>	<b>241,718</b>
<b>Non-current</b>			
Non - Welsh Trusts	3	-	-
Welsh Risk Pool	113,972	62,212	66,536
Other debtors	7,369	5,504	4,835
Provision for irrecoverable debts	(323)	-	-
Other prepayments and accrued income	241	279	294
<b>Sub total</b>	<b>121,262</b>	<b>67,995</b>	<b>71,665</b>
<b>Total</b>	<b>406,309</b>	<b>345,495</b>	<b>313,383</b>
<b>Receivables past their due date but not impaired</b>			
By up to three months	20,234	13,505	9,643
By three to six months	3,207	2,205	2,869
By more than six months	9,723	6,530	5,106
	<b>33,164</b>	<b>22,240</b>	<b>17,618</b>
<b>Provision for impairment of receivables</b>			
Balance at 1 April	(8,095)	(9,300)	(7,914)
Amount written off during the year	983	1,592	746
Amount recovered during the year	471	424	-
(Increase) / decrease in receivables impaired	(2,319)	(811)	(2,132)
Balance at 31 March	<b>(8,960)</b>	<b>(8,095)</b>	<b>(9,300)</b>



## 14. Trade and other payables

<b>Current</b>	<b>31 March</b>	31 March	1 April
	<b>2010</b>	2009	2008
	<b>£000</b>	£000	£000
Welsh Assembly Government	<b>3,589</b>	5,286	11,466
Welsh NHS Trusts	<b>10,180</b>	4,824	14,049
Other NHS	<b>40,570</b>	19,989	15,794
Income tax and social security	<b>49,086</b>	34,190	30,988
Non-NHS creditors	<b>164,699</b>	167,524	180,874
Capital Creditors	<b>35,236</b>	37,321	24,614
Overdraft	-	1,303	1,481
Obligations under finance leases, HP contracts and PFI contracts	<b>5,548</b>	4,581	4,362
Pensions: staff	<b>17,697</b>	12,573	15,142
Accruals	<b>201,157</b>	201,377	162,666
Deferred Income	<b>2,796</b>	1,455	1,487
Other creditors	<b>26,134</b>	26,528	8,218
<b>Total</b>	<b>556,692</b>	516,951	471,141
<b>Non-current</b>			
Non-NHS creditors	<b>194</b>	-	-
Capital Creditors	<b>454</b>	1,018	701
Obligations under finance leases, HP contracts and PFI contracts	<b>90,684</b>	95,598	96,073
Pensions: staff	<b>328</b>	329	331
Other creditors	-	-	622
<b>Total</b>	<b>91,660</b>	96,945	97,727

15. Provisions

	At 1 April 2009	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors and between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>								
Clinical negligence	161,666	-	6,316	81,978	(34,340)	(47,312)	558	168,866
Personal injury	7,150	-	274	6,843	(4,667)	(2,458)	162	7,304
All other losses and special payments	109	-	(372)	1,239	(910)	-	-	66
Defence legal fees and other administration	7,655	-	850	6,136	(2,741)	(3,512)	-	8,388
Pensions relating to former directors	7	-	-	-	-	-	1	8
Pensions relating to other staff	2,942	-	589	659	(1,612)	52	416	3,046
Other	38,946	-	-	26,003	(13,327)	(13,491)	-	38,131
<b>Total</b>	<b>218,475</b>	<b>-</b>	<b>7,657</b>	<b>122,858</b>	<b>(57,597)</b>	<b>(66,721)</b>	<b>1,137</b>	<b>225,809</b>
<b>Non Current</b>								
Clinical negligence	60,691	-	(6,316)	80,419	(3,012)	(8,797)	104	123,089
Personal injury	15,570	-	(274)	2,107	(680)	(387)	165	16,501
All other losses and special payments	-	-	-	-	-	-	-	-
Defence legal fees and other administration	2,264	-	(850)	1,918	(166)	(169)	-	2,997
Pensions relating to former directors	81	-	-	-	(8)	(6)	1	68
Pensions relating to other staff	19,484	-	(796)	990	(375)	(904)	53	18,452
Other	3,543	-	-	2,935	(163)	(913)	-	5,402
<b>Total</b>	<b>101,633</b>	<b>-</b>	<b>(8,236)</b>	<b>88,369</b>	<b>(4,404)</b>	<b>(11,176)</b>	<b>323</b>	<b>166,509</b>
<b>TOTAL</b>								
Clinical negligence	222,357	-	-	162,397	(37,352)	(56,109)	662	291,955
Personal injury	22,720	-	-	8,950	(5,347)	(2,845)	327	23,805
All other losses and special payments	109	-	(372)	1,239	(910)	-	-	66
Defence legal fees and other administration	9,919	-	-	8,054	(2,907)	(3,681)	-	11,385
Pensions relating to former directors	88	-	-	-	(8)	(6)	2	76
Pensions relating to other staff	22,426	-	(207)	1,649	(1,987)	(852)	469	21,498
Other	42,489	-	-	28,938	(13,490)	(14,404)	-	43,533
<b>Total</b>	<b>320,108</b>	<b>-</b>	<b>(579)</b>	<b>211,227</b>	<b>(62,001)</b>	<b>(77,897)</b>	<b>1,460</b>	<b>392,318</b>
<b>Expected timing of cash flows:</b>								
		<b>Within 1 year</b>	<b>2 and 5 years</b>	<b>6 and 10 years</b>	<b>After 10 years</b>	<b>After 50 years</b>	<b>After 75 years</b>	<b>Total</b>
		£000	£000	£000	£000	£000	£000	£000
Clinical negligence	168,866	123,091	-	-	-	-	-	291,957
Personal injury	7,304	4,506	7,413	4,582	-	-	-	23,805
All other losses and special payments	66	-	-	-	-	-	-	66
Defence legal fees and other administration	8,388	2,996	-	-	-	-	-	11,384
Pensions relating to former directors	8	30	20	18	-	-	-	76
Pensions relating to other staff	3,046	7,783	8,398	2,270	-	-	-	21,497
Restructuring	-	-	-	-	-	-	-	-
Other	38,131	5,402	-	-	-	-	-	43,533
<b>Total</b>	<b>225,809</b>	<b>143,808</b>	<b>15,831</b>	<b>6,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>392,318</b>

**15. Provisions (continued)**

	At 1 April 2008	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors and between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>								
Clinical negligence	134,387	5	273	98,678	(24,559)	(47,118)	-	161,666
Personal injury	11,219	-	(3,125)	6,123	(5,007)	(2,229)	169	7,150
All other losses and special payments	139	-	-	754	(783)	(1)	-	109
Defence legal fees and other administration	7,451	(19)	(148)	6,618	(2,463)	(3,784)	-	7,655
Pensions relating to former directors	90	-	0	4	(8)	(81)	2	7
Pensions relating to other staff	3,932	-	431	711	(1,819)	(911)	598	2,942
Other	51,018	-	-	23,527	(21,743)	(13,856)	-	38,946
<b>Total</b>	<b>208,236</b>	<b>(14)</b>	<b>(2,569)</b>	<b>136,415</b>	<b>(56,382)</b>	<b>(67,980)</b>	<b>769</b>	<b>218,475</b>
<b>Non Current</b>								
Clinical negligence	65,902	-	(273)	19,123	(652)	(23,409)	-	60,691
Personal injury	10,467	-	3,125	1,540	427	(148)	160	15,571
All other losses and special payments	43	-	-	-	(43)	-	-	-
Defence legal fees and other administration	1,633	-	148	1,302	(169)	(650)	-	2,264
Pensions relating to former directors	-	-	-	-	-	81	-	81
Pensions relating to other staff	19,247	-	(630)	796	164	(93)	-	19,484
Other	2,198	-	-	1,786	(442)	-	-	3,542
<b>Total</b>	<b>99,490</b>	<b>-</b>	<b>2,370</b>	<b>24,547</b>	<b>(715)</b>	<b>(24,219)</b>	<b>160</b>	<b>101,633</b>
<b>TOTAL</b>								
Clinical negligence	200,289	5	-	117,801	(25,211)	(70,527)	-	222,357
Personal injury	21,686	-	-	7,663	(4,580)	(2,377)	329	22,721
All other losses and special payments	182	-	-	754	(826)	(1)	-	109
Defence legal fees and other administration	9,084	(19)	-	7,920	(2,632)	(4,434)	-	9,919
Pensions relating to former directors	90	-	-	4	(8)	0	2	88
Pensions relating to other staff	23,179	-	(199)	1,507	(1,655)	(1,004)	598	22,426
Other	53,216	-	-	25,313	(22,185)	(13,856)	-	42,488
<b>Total</b>	<b>307,726</b>	<b>(14)</b>	<b>(199)</b>	<b>160,962</b>	<b>(57,097)</b>	<b>(92,199)</b>	<b>929</b>	<b>320,108</b>

**Expected timing of cash flows:**

	Within 1 year £000	2 and 5 years £000	6 and 10 years £000	After 10 years £000	After 50 years £000	After 75 years £000	Totals £000
Clinical negligence	161,666	60,691	-	-	-	-	222,357
Personal injury	7,150	8,201	5,366	2,004	-	-	22,721
All other losses and special payments	109	-	-	-	-	-	109
Defence legal fees and other administration	7,655	2,264	-	-	-	-	9,919
Pensions relating to former directors	7	27	39	15	-	-	88
Pensions relating to other staff	2,942	7,247	10,384	1,853	-	-	22,426
Restructuring	-	-	-	-	-	-	-
Other	38,946	3,542	-	-	-	-	42,488
<b>Total</b>	<b>218,475</b>	<b>81,972</b>	<b>15,789</b>	<b>3,872</b>	<b>-</b>	<b>-</b>	<b>320,108</b>

## 16. Cash and cash equivalents

	2009-10 £000	2008-09 £000
Balance at 1 April	59,005	62,220
Net change in cash and cash equivalent balances	<u>(42,675)</u>	<u>(3,215)</u>
Balance at 31 March	<u>16,330</u>	<u>59,005</u>
Made up of:		
Cash held at Office of HM Paymaster General / GBS	24,472	13,302
Commercial banks and cash in hand	(8,142)	(2,034)
Investments in National Loan Fund	-	49,040
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<u>16,330</u>	<u>60,308</u>
Bank overdraft - Commercial banks	-	(1,303)
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<u>16,330</u>	<u>59,005</u>

## 17. Other Financial Assets

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
<b>Financial assets</b>				
Loans carried at amortised cost	25	25	922	947
	<u>25</u>	<u>25</u>	<u>922</u>	<u>947</u>

## 18. Other assets

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
EU Emissions Trading Scheme Allowance	145	91	-	-
Prepayments	8,317	7,510	-	1,225
Other assets	-	92	-	-
	<u>8462</u>	<u>7693</u>	<u>-</u>	<u>1225</u>

**19. Other liabilities**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>£000</b>	£000	<b>£000</b>	£000
PFI asset -deferred credit	<b>292</b>	292	<b>2,061</b>	2,354
Other	<b>2,976</b>	2,881	-	-
	<b>3,268</b>	3,173	<b>2,061</b>	2,354

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**20. Other financial liabilities**

No other financial liabilities were reported by LHBs.

## **21. Related Party Transactions**

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

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

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## **22. Third Party Assets**

LHBs held £2,960,769 cash at bank and in hand at 31 March 2010 (31 March 2009: £3,074,787) which relates to monies held by the LHB on behalf of patients. This has been excluded from cash and cash equivalents figure reported in the accounts.

## 23. Losses and special payments

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

### Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2010		Approved to write-off to 31 March 2010	
	Number	£	Number	£
Clinical negligence	441	37,347,437	168	12,490,845
Personal injury	435	4,982,797	196	2,964,771
All other losses and special payments	1,823	1,689,047	1,897	1,776,215
<b>Total</b>	<b>2,699</b>	<b>44,019,281</b>	<b>2,261</b>	<b>17,231,831</b>

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

	Cases over £250,000, paid out during the year		Cumulative interim payments over £250,000	
	Number	£	Number	£
Clinical negligence	34	25,028,514	65	67,475,133
Personal injury	-	-	2	2,063,417
All other losses and special payments	-	-	1	393,487
<b>Total</b>	<b>34</b>	<b>25,028,514</b>	<b>68</b>	<b>69,932,037</b>

## 24. Contingencies

### 24.1 Contingent liabilities

	<b>2009-10</b>	2008-09
	<b>£'000</b>	£'000
Continuing healthcare	47,673	19,459
Learning disability placements	3,079	2,017
Legal claims for alleged medical or employer negligence	315,902	290,715
Defence costs	2,767	1,962
Amounts recovered under insurance arrangements in event of success	(245,371)	(223,544)
Other	-	359
	<hr/>	<hr/>
	<b>124,050</b>	90,968
	<hr/>	<hr/>

## 25. Capital commitments

<b>Contracted capital commitments at 31 March 2010 for</b>	<b>2009-10</b>	2008-09
	<b>£'000</b>	£'000
Property, plant and equipment	<b>211,032</b>	239,155
	<hr/>	<hr/>
	<b>211,032</b>	239,155
	<hr/>	<hr/>



**26. Finance leases obligations (as lessee)**

**Amounts payable under finance leases:**

<b>Buildings</b>	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>1 April 2008</b>
<b>Minimum lease payments</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	265	294	136
Between one and five years	1,037	900	450
After five years	732	834	247
Less finance charges allocated to future periods	(214)	(188)	(204)
<b>Minimum lease payments</b>	<b>1,820</b>	<b>1,840</b>	<b>629</b>
Included in:			
Current borrowings	220	196	90
Non-current borrowings	1,600	1,581	539
	<b>1,820</b>	<b>1,777</b>	<b>629</b>
<b>Present value of minimum lease payments</b>			
Within one year	222	268	89
Between one and five years	751	695	289
After five years	445	522	177
Less finance charges allocated to future periods	(62)	(82)	(9)
<b>Present value of minimum lease payments</b>	<b>1,356</b>	<b>1,403</b>	<b>546</b>
Included in:			
Current borrowings	15	15	57
Non-current borrowings	65	0	290
	<b>80</b>	<b>15</b>	<b>347</b>
<b>Other</b>	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>1 April 2008</b>
<b>Minimum lease payments</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	2,465	1,576	978
Between one and five years	3,076	5,195	5,529
After five years	1,639	1,994	2,234
Less finance charges allocated to future periods	(998)	(1,451)	(1,878)
<b>Minimum lease payments</b>	<b>6,182</b>	<b>7,314</b>	<b>6,863</b>
Included in:			
Current borrowings	1,934	840	901
Non-current borrowings	4,080	6,012	5,962
	<b>6,014</b>	<b>6,852</b>	<b>6,863</b>
<b>Present value of minimum lease payments</b>			
Within one year	2,156	1,317	816
	2,385	4,224	4,407
After five years	1,441	1,699	1,843
Less finance charges allocated to future periods	(272)	(555)	(718)
<b>Present value of minimum lease payments</b>	<b>5,710</b>	<b>6,685</b>	<b>6,348</b>
Included in:			
Current borrowings	505	586	713
Non-current borrowings	2,367	2,872	3,364
	<b>2,872</b>	<b>3,458</b>	<b>4,077</b>

## **27. Private Finance Initiative contracts**

During 2009-10, 6 of the 7 health boards disclosed private finance transactions: ABM UHB, Aneurin Bevan HB, Betsi Cadwaladr UHB, Cardiff and Vale UHB, Cwm Taf HB and Hywel Dda HB. These health boards reported 11 Private Finance Initiatives (PFI) and 6 Public Private Partnerships (PPP) schemes.

Nine PFI schemes were on balance sheet and 2 were off balance sheet. The total obligation for on-Statement of Financial Position PFI contracts was £87,561k. The HB total annual charge commitment was £13,735k.

The total charged in year to expenditure in respect of off-SoFP PFI contracts and the service element of on-SoFP PFI contracts was £9,297k.

There were 6 PPP schemes on balance sheet at the start of 2009-10 however one expired in year. Further details are given in the individual trust accounts.

**28. Transition to IFRS**

	<b>General Fund £000</b>	<b>Revaluation reserve £000</b>	<b>Donation reserve £000</b>	<b>Government grant reserve £000</b>	<b>Total reserves £000</b>
<b>Taxpayers equity at 31 March 2009 under UKGAAP</b>	1,674,809	469,234	39,835	91	2,183,969
Adjustment to remove negative balances on revaluation reserves	(26,566)	26,566	-	-	-
<b>Adjusted Taxpayers equity at 31 March 2009</b>	<b>1,648,243</b>	<b>495,800</b>	<b>39,835</b>	<b>91</b>	<b>2,183,969</b>
<b>Adjustments for IFRS changes</b>					
PFI	(44,297)	41,465	-	-	(2,832)
Leases	(848)	(1,204)	-	-	(2,052)
Holiday pay	(10,289)	-	-	-	(10,289)
Other employment benefits	(4,458)	-	-	-	(4,458)
Impact on PDC dividend payable	398	-	-	-	398
Matched funding	5,780	-	-	-	5,780
Others	(460)	(2,902)	-	-	(3,362)
<b>Taxpayers equity at 31 March 2009 under IFRS</b>	<b>1,594,069</b>	<b>533,159</b>	<b>39,835</b>	<b>91</b>	<b>2,167,154</b>
<b>Net operating costs for 2008-09 under UKGAAP</b>	<b>4,420,572</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,420,572</b>
Adjustments for IFRS changes :					
PFI	2,355	-	-	-	2,355
Leases	578	-	-	-	578
Holiday Pay	3,490	-	-	-	3,490
Other Employment Benefits	(94)	-	-	-	(94)
Impact on PDC Dividend payable	(398)	-	-	-	(398)
Impact of removing negative balances on reserves	14,966	-	-	-	14,966
Matched Funding	(1,861)	-	-	-	(1,861)
Others	3,801	-	-	-	3,801
<b>Net operating costs for 2008-09 under IFRS</b>	<b>4,443,409</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,443,409</b>

## **29. Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHB is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHB has limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

### **Currency risk**

The LHB is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHB has no overseas operations. The LHB therefore has low exposure to currency rate fluctuations.

### **Interest rate risk**

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

### **Credit risk**

Because the majority of the LHB's funding derives from funds voted by the Assembly the LHB has low exposure to credit risk.

### **Liquidity risk**

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

### 30. Movements in working capital

	2009-10 £000	2008-09 £000
(Increase)/decrease in inventories	(5,378)	(3,497)
(Increase)/decrease in trade and other receivables	(60,348)	(31,210)
(Increase)/decrease in other current assets	481	16,936
Increase/(decrease) in trade and other payables	36,865	31,429
Increase/(decrease) in other current liabilities	36	(22,405)
<b>Total</b>	<b>(28,344)</b>	<b>(8,747)</b>

### Movements in capital adjustments

Movement on capital debtors	(466)	(902)
Movement on capital creditors	(2,649)	3,024
Other movements in non-operating costs	2,889	(2,449)

### 31. Other cash flow adjustments

	2009-10 £000	2008-09 £000
Depreciation	131,481	137,601
Amortisation	5,372	3,592
Impairments and reversals	152,152	53,142
Cost of Capital Charge	(10,785)	(78,524)
Release of PFI deferred credits	(292)	(292)
Transfer from donated asset reserve	(4,476)	(5,342)
Transfer from government grant reserve	(2)	(707)
Non-cash movements in provisions	134,211	69,479
<b>Total</b>	<b>407,662</b>	<b>178,949</b>

The cost of capital charge is made up as follows :

Non-cash Cost of Capital Charge	30,097	(3,803)
PDC dividend	(40,882)	(74,721)
	<b>(10,785)</b>	<b>(78,524)</b>

## **THE NATIONAL HEALTH SERVICE IN WALES - LOCAL HEALTH BOARDS IN WALES**

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

1. HM Treasury directs that a summarised account shall be prepared for the financial year ended 31 March 2010 in respect of the Local Health Boards in Wales. The basis of preparation and form and content shall be as set out in the following paragraphs and schedules.

#### **BASIS OF PREPARATION**

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

#### **FORM AND CONTENT**

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

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

- a) give a true and fair view of the state of affairs as at 31 March 2010 and of net operating costs, and cash flows for the financial year(s) then ended; and
- b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.

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

#### **MISCELLANEOUS**

6. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

7. This direction shall be reproduced as an appendix to the published accounts.

8. This direction supersedes the direction dated 22 July 2009

Chris Wobschall  
Head, Assurance and Financial Reporting Policy  
HM Treasury  
15 July 2010

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

**Companies Act**

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

**Accounting Standards**

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

**SCHEDULE 2  
ADDITIONAL REQUIREMENTS**

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (4) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS bodies to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.



# NHS Trusts in Wales

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## Statement of the Welsh Assembly Government and Accounting Officer's responsibilities

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

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

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

In preparing the accounts the Welsh Assembly Government is required to:

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

## Statement on Internal Control

### 1. Scope of responsibility

As Chief Executive NHS Wales and Additional Accounting Officer for the NHS in Wales, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Welsh Assembly Government's policies, aims and objectives in accordance with the principles set out in Managing Welsh Public Money. I am also responsible for safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me by the Permanent Secretary in her role as Principal Accounting Officer under section 133(2) of the Government of Wales Act 2006.

I am responsible for the propriety and regularity of public finances for the NHS in Wales; for the keeping of proper records; the preparation of accounts; for prudent behaviour and economical administration; the avoidance of waste and extravagance; and for the efficient use of all resources.

To enable me to fulfil these responsibilities I appoint Chief Executives of NHS trusts to serve as Accountable Officers. It is their responsibility to ensure that there is an effective system of internal control within their individual organisations. Regional Directors acted as my agents on a day to day basis in holding to account Chief Executives of NHS trusts. I also lead an annual review process for which I receive support from my Regional Directors.

Within the Health and Social Services Directorate General (HSSDG) of the Welsh Assembly Government, I require Heads of Directorates to take responsibility for ensuring the effective, efficient and economic management of and proper accounting for the resources delegated to them within a robust internal control and risk management framework.

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

The system of internal control is designed to manage rather than eliminate the 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 a continuing process designed to identify the principal risks to the achievement of the Assembly's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury and Welsh Assembly Government guidance.

### 3. Capacity to handle risk

Guidance has been issued over a number of years to each Accountable Officer regarding corporate governance, clinical governance, risk management and internal control systems.

I require the Board of each organisation to take overall responsibility for risk management and to have risk management, control and review processes in place. In 2009-10 trust Boards were required to self assess against the Healthcare Standards, which incorporate the Welsh risk management standards across NHS Wales, as a toolkit to inform NHS trust Boards of the significant risks within their organisations. The standards assist Boards to identify risks, determine unacceptable levels of risk, and to then decide on where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff have the information, training and access to expert advice which they need to exercise their responsibilities effectively.

An agreement is in place with the Welsh Risk Pool that requires the Pool to support NHS organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good practice and lessons learnt. The Chief Executive of North Wales NHS Trust was accountable to me for the work of the Welsh Risk Pool up to 30 September 2009. From 1 October 2009 the responsibility transferred to the Chief Executive of Betsi Cadwaladr University Local Health Board.

#### **4. Healthcare Standards for Wales**

Healthcare Standards for Wales set out the Welsh Assembly Government's common framework of healthcare standards to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings. One of the key aims of the Healthcare Standards for Wales is to simplify and consolidate existing standards into one set of overarching standards for all healthcare organisations in Wales, including independent and voluntary healthcare providers. In line with these objectives, the system of self-assessment that has been developed to incorporate key elements from the Welsh Risk Management Standards (WRMS) for a single assessment process of assurance within NHS Wales.

2009-10 is the fourth year that Healthcare Standards for Wales have been used across Wales and this is the third year that they have been used to underpin the Statement of Internal Control (SIC).

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

I require all NHS trusts to have a risk management framework that ensures a systematic approach to internal control. Trusts are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances.

Supplementary Guidance on the Statement on Internal Control proforma and the elements relevant in considering whether appropriate risk management, control, and review processes are in place to support the SIC was issued to all trusts in September 2003 and is extant for 2009-10.

Trusts are required to link risk management to their key organisational objectives in order that objectives and their associated risks may form an integrated part of the organisation's management activity.

Objectives, at the strategic level include those linked to:

- "One Wales" - which aspires to provide a world-class health service that is available to everyone, irrespective of whom they are or where they live in Wales, and at the time when they need it.
- Designed for Life, the health and social care strategy for Wales for 2005-2015, which sets out a clear 10-year ambition, the start of a transformation in services and the first of a series of 3-year action plans based on tough targets to drive the improvements needed.
- "Improving Health in Wales", the response to the Review of Health and Social Care ('Wanless Report'),
- Welsh Priorities and Planning Guidance, Healthcare Standards, Annual Strategic and Financial Framework Guidance and the National Reporting Framework,
- Compliance with governance and risk management standards,
- Health improvement and partnerships.

- National clinical quality improvement targets, and financial responsibilities,
- Public Service VFM agreements,

The Continuous Improvement framework forms the context for development for both local health boards (LHBs) and NHS trusts. LHBs are responsible for developing local Health, Social Care and Wellbeing Strategies, which form the basis of their commissioning plans. These commissioning plans together with the Health Commission Wales (Specialist Services) Annual Commissioning Plan will help establish the planning context for NHS trusts and also to a more limited extent for local authorities, with which trusts will need to co-ordinate their service delivery. Each trusts' Local Delivery Plan and the achievement of outcomes set in those plans form an integral part of an organisation's objectives and as a result its risk management framework.

For 2009-10 NHS trusts were required to outline their self assessment of performance against the Healthcare Standards for Wales and in particular those that underpin the management of risk across all Standards:

- Healthcare standard 14 – Health & Safety of Patients, Staff and the Public.
- Healthcare standard 16 – A Learning Process from Incidents.
- Healthcare standard 27 – Best Practice Governance Arrangements.
- Healthcare standard 28 – High Quality Clinical Governance.

Performance against most, if not all healthcare standards contribute to overall good risk management across the range of the organisations' activities, therefore organisations should:

- Confirm that they have completed a self-assessment against all healthcare standards for 2009/10, to include a description of the process in place for completing the process, including Board engagement and sign off.
- Confirm that a healthcare standards improvement plan for the year is in place which has been agreed by the Board and how the Board is assured of progress against it.
- Describe key ways in which healthcare standards are embedded in the activity of the organisation.

Each of the 32 Healthcare Standards for Wales was assessed on the following matrix:

Maturity Level	1- Aware	2 - Responding	3 - Developing	4 - Practicing	5- Leading
Corporate					
Operational					
User Experience					
Overall					

All trusts were required to submit their Healthcare standard self-assessment scores to Health Inspectorate Wales( HIW).

On the 1 October 2009 7 NHS Wales trusts, merged with their regional local health boards to form 6 new local health boards. Public Health Wales NHS Trust was also established. As part of the transitional programme framework, a working group was established to review the existing risk management arrangements to ensure a corporate approach was being taken to risk management. In 2009-10 the three NHS Wales Trusts achieved the following self assessment overall performance against the 4 Healthcare Standards for Wales that underpin the management of risk across all Standards. This performance has been compared with the relative self assessment performance of the two former NHS trusts in 2008-09.

<b>2009-10</b>	Standard 14	Standard 16	Standard 27	Standard 28
	%	%	%	%
3 - Developing	<b>100</b>	<b>67</b>	<b>33</b>	<b>33</b>
4 - Practising	-	<b>33</b>	<b>67</b>	<b>67</b>

2008-09	Standard 14	Standard 16	Standard 27	Standard 28
	%	%	%	%
3 - Developing	100	50	-	50
4 - Practising	-	50	100	50

The decline in the split of performance from the practising to the developing level for the Healthcare standards pertaining to risk, occurred as a result of the establishment of the new NHS Trust. The June 2009 announcement that the Public Health Wales NHS Trust was to be established on 1 October 2009 gave limited time to ensure that appropriate arrangements were in place for the transfer of the significant range of services and that the potential significant internal control issues were addressed. As a consequence of the limited time available to establish the new Trust, the migration to Oracle and the changes to the Government Banking system the new NHS trust operated within the Velindre NHS Trust ledger system and bank accounts.

The mid year restructuring led to a challenging operating environment in the first year of operations. However, the reporting arrangements and structures for Risk Management continued to evolve and develop throughout the year, to combine the systems and polices of the previous organisations and to ensure that best practice are adopted in the new Trusts.

### **Clinical governance**

Trusts and partner organisations are required to ensure that a framework is in place for continuously improving the quality and safeguarding high standards of care. Boards are required to take responsibility and account for:

- The overall quality and safety of care;
- Specification of standards and competencies;
- Participation in clinical audit, benchmarking activities and processes for monitoring clinical care;
- Strict adherence to the Complaints Procedure at all stages;
- Clear policies for managing risk to ensure and improve patient safety.

### Public Sector Payment Policy

The prompt payment performance of the NHS Wales Trusts improved to 96.8% (2008-09: 92.7%). However it should be noted that Public Health Wales and Velindre NHS Trusts were reported on a combined basis.

### Health and Social Services Directorate General - Risk Management

The HSSDG is subject to the Assembly Government's Risk Management framework. Risks are controlled at both Executive Board and directorate level, with the bulk of the work to identify, evaluate and monitor the risks falling to individual Heads of Directorate. The main record for documenting the identification, assessment and management of risk is through the directorate risk register. The HSSDG Corporate Governance Committee continuously reviews the directorate risk registers and any associated action plans and report their findings to the Executive Board. Heads of Directorate, including Regional Directors, are responsible for ensuring that:

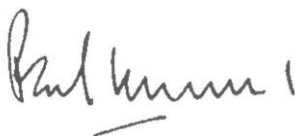
- systems are in place to enable them to be kept informed of new activities and other changes so that risk can be assessed; and
- there are performance indicators in place, which allow the monitoring of key business and financial activities and the directorate's progress towards its objectives.

For the 2009-10 financial year, each Head of Directorate within the HSSDG (including regional offices) have reviewed their process of internal control and completed a certificate of assurance, which underpins the directorate Internal Control Questionnaire and Statement on Internal Control.

### 6. Review of effectiveness

As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system on internal control is informed by the work of the internal auditors, the Assembly's Corporate Governance Committee, which oversees the work of the internal auditors, the reports submitted to the Executive Board by the HSSDG Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

NHS Trust Chief Executives have each submitted a Statement on Internal Control for the year ending 31<sup>st</sup> March 2010. These statements and the associated audit reports are reviewed so that I can be satisfied that any issues raised by the Accountable Officers do not pose a significant threat to internal control and that they are being dealt with appropriately.



Paul Williams  
Director General, Health and Social Services,  
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

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

I certify that I have audited the financial statements of the Summarised Accounts of the NHS Trusts in Wales for the year ended 31 March 2010 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Additional Accounting Officer and Auditor**

The Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006 and directions made by H M Treasury there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Additional Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements 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 have been properly prepared in accordance with paragraph 5 of schedule 9 of the National Health Service (Wales) Act 2006 and HM Treasury's directions made there under. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, the Welsh Assembly Government 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 relevant authorities regarding other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Additional Accounting Officer's and the NHS Trusts in Wales' 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 the Welsh Assembly Government's corporate governance procedures or its risk and control procedures.

### **Basis of audit opinions**

I conducted my audit in accordance with the National Health Service (Wales) Act 2006 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. It also includes an assessment of the significant estimates and judgements made by the Additional Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the NHS Trusts in Wales' 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.

### **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 there under by HM Treasury of the state of affairs of the NHS Trusts in Wales as at 31 March 2010 and of their net operating costs, their recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury

### **Opinion on Regularity**

In my opinion in all material respects, the expenditure and income 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.

Gillian Body  
Auditor General for Wales  
26 August 2010

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2010

	Note	2009-10 £000	2008-09 £000
Revenue from patient care activities	2	256,798	240,222
Other operating revenue	3	80,089	70,013
Operating expenses	4	<u>(332,417)</u>	<u>(307,499)</u>
<b>Operating surplus</b>		<b>4,470</b>	<b>2,736</b>
Investment revenue	5	42	624
Other gains and losses	6	(47)	76
Finance costs	7	<u>(703)</u>	<u>(702)</u>
<b>Surplus</b>		<b>3,762</b>	<b>2,734</b>
Dividends payable on Public Dividend Capital		<u>(3,636)</u>	<u>(3,726)</u>
<b>Retained surplus/(deficit)</b>		<b>126</b>	<b>(992)</b>

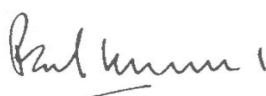
The notes on pages 15 to 53 form part of these accounts.

For 2008/09 under UK GAAP the NHS Wales trusts reported a retained surplus of £91k. The comparative figures for 2008/09 that are shown above have been restated under IFRS. This does not impact on the achievement of the trusts' financial duties for 2008/09.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

		31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
	Note			
<b>Non-current assets</b>				
Property, plant and equipment	12	150,156	149,164	148,682
Intangible assets	13	130	166	211
<b>Total non-current assets</b>		<b>150,286</b>	149,330	148,893
<b>Current assets</b>				
Inventories	19	2,625	2,234	2,173
Trade and other receivables	20	20,170	17,340	25,261
Other financial assets	17	8,500	7,850	2,150
Cash and cash equivalents	21	3,545	3,153	2,436
		<b>34,840</b>	30,577	32,020
Non-current assets held for sale	12	-	-	-
<b>Total current assets</b>		<b>34,840</b>	30,577	32,020
<b>Total assets</b>		<b>185,126</b>	179,907	180,913
<b>Current liabilities</b>				
Trade and other payables	22	(31,800)	(26,555)	(28,011)
Borrowings	23	(1,405)	(3,015)	(293)
Provisions	26	(3,394)	(4,955)	(12,738)
<b>Total current liabilities</b>		<b>(36,599)</b>	(34,525)	(41,042)
<b>Net current assets/(liabilities)</b>		<b>(1,759)</b>	(3,948)	(9,022)
<b>Total assets less current liabilities</b>		<b>148,527</b>	145,382	139,871
<b>Non-current liabilities</b>				
Trade and other payables	22	-	(169)	-
Borrowings	23	(21,059)	(22,251)	(18,637)
Provisions	26	(5,647)	(4,664)	(4,189)
<b>Total non-current liabilities</b>		<b>(26,706)</b>	(27,084)	(22,826)
<b>Total assets employed</b>		<b>121,821</b>	118,298	117,045
<b>Financed by:</b>				
<b>Taxpayers' equity</b>				
Public dividend capital		88,604	83,558	79,065
Retained earnings		(12,306)	(12,432)	(10,986)
Revaluation reserve		38,898	42,909	44,618
Donated asset reserve		6,625	4,263	4,348
<b>Total taxpayers' equity</b>		<b>121,821</b>	118,298	117,045

The notes on pages 15 to 53 form part of these accounts.



Paul Williams

Date 19 August 2010

Director General, Health & Social Services, Chief Executive NHS Wales.

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	ment Grant Reserve £000	Other reserves £000	Total £000
<b>Balance at 31 March 2009</b>							
As previously stated	83,558	(11,856)	42,909	4,263	-	-	118,874
Prior Period Adjustment	-	(576)	-	-	-	-	(576)
Establishment of PHW NHS Trust 1 October 2009	7,489			363			7,852
<b>Restated balance</b>	<b>91,047</b>	<b>(12,432)</b>	<b>42,909</b>	<b>4,626</b>	<b>-</b>	<b>-</b>	<b>126,150</b>
<b>Changes in taxpayers' equity for 2009-10</b>							
Net gain/(loss) on revaluation of property, plant and equipment		-	(4,011)	2,646	-	-	(1,365)
Receipt/(disposal) of donated/government granted assets		-	-	(350)	-	-	(350)
Release of reserves to the income statement		-	-	(297)	-	-	(297)
Retained surplus/(deficit) for the year		126	-	-	-	-	126
New Public Dividend Capital received	4,804						4,804
Public Dividend Capital extinguished/written off	(7,247)						(7,247)
<b>Balance at 31 March 2010</b>	<b>88,604</b>	<b>(12,306)</b>	<b>38,898</b>	<b>6,625</b>	<b>-</b>	<b>-</b>	<b>121,821</b>

The notes on pages 15 to 53 form part of these accounts.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	ment Grant Reserve £000	Other reserves £000	Total £000
<b>Balance at 31 March 2008</b>							
As previously stated	79,065	(10,395)	44,618	4,348	-	-	117,636
Prior Period Adjustment	-	(591)	-	-	-	-	(591)
<b>Restated balance at 1 April 2008</b>	<b>79,065</b>	<b>(10,986)</b>	<b>44,618</b>	<b>4,348</b>	<b>-</b>	<b>-</b>	<b>117,045</b>
<b>Changes in taxpayers' equity for 2008</b>							
Net gain/(loss) on revaluation of property, plant and equipment		-	(2,123)	130	-	-	(1,993)
Receipt/(disposal) of donated/government granted assets		-	-	(215)	-	-	(215)
Movements on other reserves (specify)		(40)	-	-	-	-	(40)
Transfers between reserves		(414)	414	-	-	-	-
Retained surplus/(deficit) for the year		(992)	-	-	-	-	(992)
New Public Dividend Capital received	7,118						7,118
Public Dividend Capital repaid in year	(2,625)						(2,625)
<b>Balance at 31 March 2009</b>	<b>83,558</b>	<b>(12,432)</b>	<b>42,909</b>	<b>4,263</b>	<b>-</b>	<b>-</b>	<b>118,298</b>

The notes on pages 15 to 53 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	Note	2009-10 £000	2008-09 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)	I&E	4,470	2,736
Depreciation and amortisation		13,189	14,047
Impairments and reversals		5,226	2,282
Transfer from donated asset reserve		(295)	(283)
Interest paid		(603)	(609)
Dividend paid		(2,554)	(3,617)
(Increase)/decrease in inventories		(391)	(61)
(Increase)/decrease in trade and other receivables		(2,579)	7,761
Increase/(decrease) in trade and other payables		984	379
Increase/(decrease) in provisions		234	(7,308)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>17,681</b>	<b>15,327</b>
<b>Cash flows from investing activities</b>			
Interest received		47	661
(Payments) for property, plant and equipment		(18,826)	(19,917)
Proceeds from disposal of property, plant and equipment		70	183
(Payments) for financial assets.		(8,500)	(7,850)
Proceeds from disposal of financial assets.		7,850	2,150
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(19,359)</b>	<b>(24,773)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(1,678)</b>	<b>(9,446)</b>
<b>Cash flows from financing activities</b>			
Public Dividend Capital received		4,804	7,118
Public Dividend Capital repaid		-	(2,625)
Loans received from WAG		-	6,141
Loans repaid to WAG		-	(1,500)
Other capital receipts		12	67
Capital elements of finance leases and on-balance sheet PFI		(2,751)	285
Cash transferred (to)/from other NHS Wales bodies		51	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>2,116</b>	<b>9,486</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>438</b>	<b>40</b>
<b>Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year</b>	21	<b>2,437</b>	<b>2,397</b>
<b>Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year</b>	21	<b>2,875</b>	<b>2,437</b>

The notes on pages 15 to 53 form part of these accounts.

## Notes to the Accounts

### Accounting policies

1. The Welsh Minister for Health and Social Services has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS Trusts' Manual for Accounts. Consequently, the underlying financial statements have been prepared in accordance with the 2009/10 NHS Trusts' Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts' Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS trusts are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Revenue

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

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

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

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

#### **1.4 Employee Benefits**

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

##### **Retirement benefit costs**

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

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

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

#### **1.5 Other expenses**

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

#### **1.6 Property, plant and equipment**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;



- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

### **Valuation**

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

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

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

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

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

For 2009-10 no indexation is applied to the Land and Properties of NHS Wales trusts because they have been subject to a Modern Equivalent Asset (MEA) revaluation exercise. The equipment of NHS Wales t

rusts is subject to indexation. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

### **Subsequent expenditure**

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

## **1.7 Intangible assets**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trusts' business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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

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

### **Measurement**

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

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

### **1.8 Depreciation, amortisation and impairments**

Freehold land and properties under construction are not depreciated.

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

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### **1.9 Borrowing costs**

Borrowing costs are recognised as expenses as they are incurred.

### **1.10 Donated assets**

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

### **1.11 Government grants**

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate. Capital grants are credited to the government grant

reserve and released to operating revenue over the life of the asset in a manner consistent with the depreciation and impairment charges for that asset. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the offset the expenditure.

### **1.12 Non-current assets held for sale**

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

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

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

### **1.13 Leases**

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

#### **The trusts as lessee**

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

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

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

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

**The trusts as lessor**

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

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

**1.14 Private Finance Initiative (PFI) transactions**

The NHS trusts have no PFI arrangements.

**1.15 Inventories**

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

**1.16 Cash and cash equivalents**

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

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

**1.17 Provisions**

Provisions are recognised when the NHS trusts have a present legal or constructive obligation as a result of a past event, it is probable that the NHS trusts will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

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

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

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

### **1.18 Clinical Negligence Costs**

The Welsh Risk Pool operates a risk pooling scheme which is currently funded by the Welsh Assembly Government. The WRP is hosted by Betsi Cadwaladr University LHB.

### **1.19 EU Emissions Trading Scheme**

The NHS trusts are not members of the EU Emission Trading Scheme.

### **1.20 Contingencies**

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

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

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

### **1.21 Financial assets**

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

Financial assets are initially recognised at fair value.

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

**Financial assets at fair value through profit and loss**

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

**Held to maturity investments**

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

**Available for sale financial assets**

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

**Loans and receivables**

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

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

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

**1.22 Financial liabilities**

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

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

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

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

### **1.23 Value Added Tax**

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

### **1.24 Foreign currencies**

The NHS trusts' functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March 2010. Resulting exchange gains and losses for either of these are recognised in the trusts' surplus/deficit in the period in which they arise.

### **1.25 Third party assets**

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

### **1.26 Public Dividend Capital (PDC) and PDC dividend**

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

A charge, reflecting the cost of capital utilised by the NHS trusts, 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 average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General and the National Loans Fund. The average carrying amount of assets is calculated as



a simple average of opening and closing relevant net assets.

### **1.27 Losses and Special Payments**

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

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

The trusts account for all losses and special payments gross (including assistance from the Welsh Risk Pool). The trusts accrue or provide for the best estimate of its future 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%. 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.

## Summarised Accounts of NHS Trusts in Wales 2009-10

<b>2. Revenue from patient care activities</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Local health boards	<b>74,752</b>	67,364
Health Commission Wales	<b>164,088</b>	159,403
Strategic health authorities and primary care trusts	<b>47</b>	-
Foundation trusts	<b>327</b>	165
Welsh Assembly Government	<b>14,584</b>	10,108
Non NHS:		
Private patient income	<b>1,087</b>	1,431
Injury Costs Recovery (ICR) Scheme	<b>529</b>	845
Other revenue from activities	<b>1,384</b>	906
<b>Total</b>	<b>256,798</b>	240,222

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

<b>3. Other operating revenue</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Education, training and research	<b>7,752</b>	6,606
Charitable and other contributions to expenditure	<b>4,907</b>	4,783
Transfer from the donated asset reserve	<b>295</b>	283
Non-patient care services to other bodies	<b>-</b>	109
Income generation	<b>808</b>	894
Rental revenue	<b>174</b>	-
Other revenue:		
Accommodation and catering charges	<b>140</b>	164
Staff payments for use of cars	<b>376</b>	383
Other	<b>65,637</b>	56,791
<b>Total</b>	<b>80,089</b>	70,013

Other revenue of £65,637k includes:

National Public Health Service	23,802
Health Solutions Wales	17,357
Ambulance Radio Replacement Programme (ARRP)	7,853
Other	7,398
Non-ambulance transport for other NHS trusts	3,611
Wales Centre for Health	1,298
Welsh Cancer Intelligence Surveillance Unit	1,074
National Collaborating Centre for Cancer	1,006
Cancer Network	948
Coronary Heart Disease	668
Cancer Services Coordinating Group	622

<b>Total</b>	<b>65,637</b>
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## Summarised Accounts of NHS Trusts in Wales 2009-10

### 4. Operating expenses

	2009-10	2008-09
	£000	£000
4.1 Operating expenses		
Goods and services from other NHS Wales bodies	18,472	16,542
Purchase of healthcare from non-NHS bodies	1,512	660
Directors' costs	1,700	1,324
Staff costs	202,953	191,490
Supplies and services - clinical	35,731	34,121
Supplies and services - general	1,274	1,569
Consultancy Services	668	676
Establishment	13,293	13,231
Transport	15,514	16,094
Premises	15,999	16,127
Depreciation	13,153	14,002
Amortisation	36	45
Impairments and reversals of property, plant and equipment	5,226	2,282
Audit fees	498	362
Losses, special payments and irrecoverable debts	2,231	(3,627)
Other operating expenses	4,157	2,601
<b>Total</b>	<b>332,417</b>	<b>307,499</b>

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

	2009-10	2008-09
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence	676	(4,833)
Personal injury	1,250	1,125
All other losses and special payments	196	134
Defence legal fees and other administrative costs	117	(73)
Gross increase/(decrease) in provision for future payments	2,239	(3,647)
Irrecoverable debts	(8)	20
<b>Total charge</b>	<b>2,231</b>	<b>(3,627)</b>

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**Summarised Accounts of NHS Trusts in Wales 2009-10**

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<b>5. Investment revenue</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Bank accounts	42	624
<b>Total</b>	<b>42</b>	<b>624</b>

<b>6. Other gains and losses</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Gain/(loss) on disposal of property, plant and equipment	(47)	76
<b>Total</b>	<b>(47)</b>	<b>76</b>

<b>7. Finance costs</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Interest on loans	-	26
Interest on obligations under finance leases	605	583
Total interest expense	605	609
Other finance costs	98	93
<b>Total</b>	<b>703</b>	<b>702</b>

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**8. Operating leases**

**As lessee**

Detailed disclosures are included within the individual NHS trust accounts.

<b>Payments recognised as an expense</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Minimum lease payments	<b>4,793</b>	5,760
Contingent rents	<b>816</b>	1,002
<b>Total</b>	<b>5,609</b>	6,762

<b>Total future minimum lease payments</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Payable:		
Not later than one year	<b>2,054</b>	3,544
Between one and five years	<b>3,609</b>	9,995
After 5 years	<b>7,568</b>	17,947
<b>Total</b>	<b>13,231</b>	31,486

**As lessor**

<b>Rental revenue</b>	<b>£000</b>	£000
Other	<b>174</b>	-
<b>Total rental revenue</b>	<b>174</b>	-

<b>Total future minimum lease payments</b>	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Receivable:		
Not later than one year	<b>80</b>	-
Between one and five years	<b>320</b>	-
After 5 years	<b>420</b>	-
<b>Total</b>	<b>820</b>	-

9. Employee costs and numbers

9.1 Employee costs	Permanently	Agency	Staff on	2009-10	2008-09
	Employed	Staff	Inward Secondment	£000	£000
	£000	£000	£000	£000	£000
Salaries and wages	166,452	3,134	1,966	171,552	160,707
Social security costs	12,601	12	78	12,691	12,205
Employer contributions to Pensions Schemes	20,473	18	120	20,611	19,538
Other pension costs	172	-	-	172	177
Termination benefits	192	-	-	192	-
<b>Total</b>	<b>199,890</b>	<b>3,164</b>	<b>2,164</b>	<b>205,218</b>	<b>192,627</b>
<b>Of the total above:</b>					
Charged to capital				1,052	1,218
Charged to revenue				204,166	191,409
				<b>205,218</b>	<b>192,627</b>

9.2 Average number of employees

9.2 Average number of employees	Permanently	Agency	Staff on	Total	Total
	Employed	Staff	Inward Secondment	Number	Number
	Number		Number	Number	Number
Medical and dental	161	1	15	177	179
Ambulance staff	2,148	-	-	2,148	2,157
Administrative and estates	1,726	46	7	1,779	1,675
Healthcare assistants and other support staff	176	-	-	176	166
Nursing, midwifery and health visiting staff	370	39	3	412	447
Nursing, midwifery and health visiting learners	43	-	-	43	-
Scientific, therapeutic and technical staff	649	2	-	651	614
Other	-	-	6	6	6
<b>Total</b>	<b>5,273</b>	<b>88</b>	<b>31</b>	<b>5,392</b>	<b>5,244</b>

9.3 Employee benefits

The trusts do not have an employee benefit scheme.

## **10. Pension and Retirement Costs Due to Ill Health**

### **10.1 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 <http://www.nhsbsa.nhs.uk/pensions>. 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, every five years) and an 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) Accounting valuation**

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period 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.

#### **c) Scheme provisions**

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.

## 10.1 Pension Costs (continued)

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 statement of comprehensive income 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.

## 10.2 Retirement costs due to ill-health

During 2009-10 there were 14 (2008-09 7) early retirements from the trusts agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements will be £790k (2008-09 £741). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

## 11. Public Sector Payment Policy - Measure of Compliance

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

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



12. Property, plant and equipment :

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2009</b>	27,469	62,590	144	9,265	44,282	36,603	29,228	2,431	<b>212,012</b>
Indexation	-	-	-	139	774	706	-	29	<b>1,648</b>
Revaluation	(3,866)	4,809	(4)	-	-	-	-	-	<b>939</b>
Additions - purchased	-	1,417	-	17,095	966	-	1,074	10	<b>20,562</b>
Additions - donated	-	-	-	-	12	-	-	-	<b>12</b>
Transfers from/into other NHS Wales bodies	60	179	-	-	(1)	-	-	-	<b>238</b>
Transfers from non NHS Wales body	-	-	-	-	-	-	2	11	<b>13</b>
Reclassifications	-	1,367	-	(4,907)	1,377	638	1,525	-	<b>-</b>
Reclassified as held for sale	-	-	-	(30)	-	(187)	-	-	<b>(217)</b>
Disposals	-	-	-	-	(1,118)	-	-	-	<b>(1,118)</b>
Impairments	(2,763)	(3,293)	-	-	(146)	-	-	-	<b>(6,202)</b>
<b>At 31 March 2010</b>	<b>20,900</b>	<b>67,069</b>	<b>140</b>	<b>21,562</b>	<b>46,146</b>	<b>37,760</b>	<b>31,829</b>	<b>2,481</b>	<b>227,887</b>
<b>Depreciation</b>									
<b>At 1 April 2009</b>	-	7,639	9	-	28,610	16,330	8,928	1,332	<b>62,848</b>
Indexation	-	-	-	-	525	314	-	15	<b>854</b>
Revaluation	-	(2,985)	(9)	-	-	-	-	-	<b>(2,994)</b>
Reclassified as held for sale	-	-	-	-	-	(156)	-	-	<b>(156)</b>
Disposals	-	-	-	-	(1,078)	-	-	-	<b>(1,078)</b>
Impairments	33	5,193	-	-	(122)	-	-	-	<b>5,104</b>
Charged during the year	-	2,004	9	-	3,212	4,506	3,152	270	<b>13,153</b>
<b>At 31 March 2010</b>	<b>33</b>	<b>11,851</b>	<b>9</b>	<b>-</b>	<b>31,147</b>	<b>20,994</b>	<b>12,080</b>	<b>1,617</b>	<b>77,731</b>
<b>Net book value at 1 April 2009</b>	<b>27,469</b>	<b>54,951</b>	<b>135</b>	<b>9,265</b>	<b>15,672</b>	<b>20,273</b>	<b>20,300</b>	<b>1,099</b>	<b>149,164</b>
<b>Net book value at 31 March 2010</b>	<b>20,867</b>	<b>55,218</b>	<b>131</b>	<b>21,562</b>	<b>14,999</b>	<b>16,766</b>	<b>19,749</b>	<b>864</b>	<b>150,156</b>
<b>Net book value at 31 March 2010 comprises :</b>									
<b>Purchased</b>	20,867	48,824	131	21,326	14,629	16,766	20,125	864	<b>143,532</b>
<b>Donated</b>	-	6,393	-	-	231	-	-	-	<b>6,624</b>
<b>Total 31 March 2010</b>	<b>20,867</b>	<b>55,217</b>	<b>131</b>	<b>21,326</b>	<b>14,860</b>	<b>16,766</b>	<b>20,125</b>	<b>864</b>	<b>150,156</b>
<b>Asset Financing:</b>									
<b>Owned</b>	20,867	53,808	131	21,326	14,860	16,766	9,405	854	<b>138,017</b>
<b>Held on finance lease</b>	-	1,409	-	-	-	-	10,720	10	<b>12,139</b>
<b>Total 31 March 2010</b>	<b>20,867</b>	<b>55,217</b>	<b>131</b>	<b>21,326</b>	<b>14,860</b>	<b>16,766</b>	<b>20,125</b>	<b>864</b>	<b>150,156</b>

The net book value of land, buildings and dwellings at 31 March 2010 comprises :

	£000
Freehold	73,352
Long Leasehold	1,838
Short Leasehold	1,025
	<b>76,215</b>

In addition to the in year transfer of £8,044k property, plant and equipment assets from Velindre NHS Trust to Public Health Wales NHS Trust there is £14k creditor relating to assets under construction.

Summarised Accounts of NHS Trusts in Wales 2009-10

12. Property, plant and equipment (continued):

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2008</b>	32,897	52,690	140	13,411	42,091	34,739	24,352	1,454	<b>201,774</b>
Indexation	(4,934)	1,576	4	402	1,262	1,042	-	43	<b>(605)</b>
Additions - purchased	-	1,329	-	13,529	1,620	53	1,870	316	<b>18,717</b>
Additions - donated	-	60	-	-	8	-	-	-	<b>68</b>
Reclassifications	-	9,255	-	(17,997)	1,837	2,910	3,342	653	<b>-</b>
Reclassified as held for sale	(26)	-	-	-	(308)	(2,114)	-	-	<b>(2,448)</b>
Disposals	-	-	-	-	(2,228)	(27)	(336)	(35)	<b>(2,626)</b>
Impairments	(468)	(2,320)	-	(80)	-	-	-	-	<b>(2,868)</b>
<b>At 31 March 2009</b>	<b>27,469</b>	<b>62,590</b>	<b>144</b>	<b>9,265</b>	<b>44,282</b>	<b>36,603</b>	<b>29,228</b>	<b>2,431</b>	<b>212,012</b>
<b>Depreciation</b>									
<b>At 1 April 2008</b>	-	5,919	6	-	27,119	12,212	6,647	1,189	<b>53,092</b>
Indexation	-	174	-	-	813	366	-	35	<b>1,388</b>
Reclassified as held for sale	-	-	-	-	(308)	(2,099)	-	-	<b>(2,407)</b>
Disposals	-	-	-	-	(2,179)	(27)	(330)	(24)	<b>(2,560)</b>
Impairments	-	(667)	-	-	-	-	-	-	<b>(667)</b>
Charged during the year	-	2,213	3	-	3,165	5,878	2,611	132	<b>14,002</b>
<b>At 31 March 2009</b>	<b>-</b>	<b>7,639</b>	<b>9</b>	<b>-</b>	<b>28,610</b>	<b>16,330</b>	<b>8,928</b>	<b>1,332</b>	<b>62,848</b>
<b>Net book value</b>									
<b>at 1 April 2008</b>	32,897	46,771	134	13,411	14,972	22,527	17,705	265	<b>148,682</b>
<b>Net book value at 31 March 2009</b>	<b>27,469</b>	<b>54,951</b>	<b>135</b>	<b>9,265</b>	<b>15,672</b>	<b>20,273</b>	<b>20,300</b>	<b>1,099</b>	<b>149,164</b>
<b>Net book value at 31 March 2009 comprises :</b>									
<b>Purchased</b>	27,469	50,984	135	9,265	15,373	20,273	20,300	1,099	<b>144,898</b>
<b>Donated</b>	-	3,967	-	-	299	-	-	-	<b>4,266</b>
	<b>27,469</b>	<b>54,951</b>	<b>135</b>	<b>9,265</b>	<b>15,672</b>	<b>20,273</b>	<b>20,300</b>	<b>1,099</b>	<b>149,164</b>
<b>Asset Financing</b>									
<b>Owned</b>	27,469	53,257	135	9,265	15,655	20,273	8,508	1,099	<b>135,661</b>
<b>Held on finance lease</b>	-	1,694	-	-	17	-	11,792	-	<b>13,503</b>
	<b>27,469</b>	<b>54,951</b>	<b>135</b>	<b>9,265</b>	<b>15,672</b>	<b>20,273</b>	<b>20,300</b>	<b>1,099</b>	<b>149,164</b>

The net book value of land, buildings and dwellings at 31 March 2009 comprises :

	£000
<b>Freehold</b>	79,488
<b>Long Leasehold</b>	3,067
<b>Short Leasehold</b>	-
	<b>82,555</b>

12.2 Non-current assets held for sale

	Land	Buildings, including dwellings	Other property plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance b/f 1 April 2009</b>	-	-	-	-	-	-
Plus assets classified as held for sale in year	-	-	(61)	-	-	(61)
Less assets sold in year	-	-	61	-	-	61
<b>Balance c/f 31 March 2010</b>	-	-	-	-	-	-
Balance b/f 1 April 2008	-	-	-	-	-	-
Plus assets classified as held for sale in year	(26)	-	(15)	-	-	(41)
Less assets sold in year	26	-	15	-	-	41
Balance c/f 31 March 2009	-	-	-	-	-	-

13. Intangible assets

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Patents	Development expenditure internally generated	EU Emissions trading scheme allowances	Total
Cost or valuation	£000	£000	£000	£000	£000		£000
At 1 April 2009	227	-	-	-	-	-	227
Gross cost at 31 March 2010	227	-	-	-	-	-	227
<b>Amortisation</b>							
Accumulated amortisation at 1 April 2009	61	-	-	-	-	-	61
Charged during the year	36	-	-	-	-	-	36
Accumulated amortisation at 31 March 2010	97	-	-	-	-	-	97
Net book value at 1 April 2009	166	-	-	-	-	-	166
<b>Net book value at 31 March 2010</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>
<b>Net book value</b>							
Purchased	130	-	-	-	-	-	130
<b>Total at 31 March 2010</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>

**13. Intangible assets**  
(continued)

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Patents	Development expenditure internally generated	EU Emissions trading scheme allowances	Total
<b>Cost or valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>
At 1 April 2008	227	-	-	-	-	-	227
Gross cost at 31 March 2009	227	-	-	-	-	-	227
<b>Amortisation</b>							
Accumulated amortisation at 1 April 2008	16	-	-	-	-	-	16
Charged during the year	45	-	-	-	-	-	45
Accumulated amortisation at 31 March 2009	61	-	-	-	-	-	61
Net book value at 1 April 2008	211	-	-	-	-	-	211
<b>Net book value at 31 March 2009</b>	<b>166</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166</b>
<b>Net book value</b>							
Purchased	166	-	-	-	-	-	166
<b>Total at 31 March 2009</b>	<b>166</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166</b>

**14. Revaluation reserve balance for intangible assets**

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

**15. Impairments**

Impairments in the period arose from:	2009-10		2008-09	
	Property, plant & equipment	Intangible assets	Property, plant & equipment	Intangible assets
	£000	£000	£000	£000
Loss or damage from normal operations	14	-	-	-
Unforeseen obsolescence	-	-	80	-
Changes in market price	4,670	-	-	-
Other	556	-	2,202	-
<b>Total</b>	<b>5,240</b>	<b>-</b>	<b>2,282</b>	<b>-</b>

**Impairments charged in the year to the revaluation reserve**

Charged to revaluation reserve	5,371	-	1,009	-
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**16. Capital commitments**

Commitments under capital expenditure contracts at the Statement of Financial Position sheet date were:

	31 March	31 March	01 April
	2010	2009	2008
	£000	£000	£000
Property, plant and equipment	2,367	203	1,500
<b>Total</b>	<b>2,367</b>	<b>203</b>	<b>1,500</b>

**17. Other financial assets**

	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>1 April 2008</b>
<b>Current</b>			
Financial assets carried at fair value through income statement	<b>8,500</b>	7,850	2,150
<b>Total</b>	<b>8,500</b>	7,850	2,150

**18. Other assets**

The NHS trusts have no disclosures for other assets.

19. Inventories

19.1 Inventories

	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Drugs	328	320	464
Consumables	1,137	858	877
Energy	2	1	5
Other	1,158	1,055	827
<b>Total</b>	<b>2,625</b>	<b>2,234</b>	<b>2,173</b>

£431k of inventories were transferred from Velindre NHS Trust on the establishment of PHW NHS Trust on 1 October 2009.

19.2 Inventories recognised in expenses

	31 March 2010 £000	31 March 2009 £000
Inventories recognised as an expense in the period	-	70
<b>Total</b>	<b>-</b>	<b>70</b>

20. Trade and other receivables

20.1 Trade and other receivables

	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
<b>Current</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Welsh Assembly Government	1,669	3,389	3,179
Welsh Health Boards	10,155	4,898	6,569
Non - Welsh trusts	526	378	374
Other NHS	912	1,361	6,099
Other debtors	4,495	4,921	4,995
Provision for irrecoverable debts	(503)	(438)	(385)
PDC dividend	-	17	156
Other prepayments and accrued income	2,916	2,814	4,274
<b>Total trade and other receivables</b>	<b>20,170</b>	<b>17,340</b>	<b>25,261</b>

The transfer of trade receivables on the establishment of PHW NHS Trust on 1 October 2009 consisted of

- \* £357k of current trade receivables transferred from Wales Centre for Health a Non NHS Wales Organisation and
- \* £5,698k of current trade receivables transferred from Velindre NHS Trust a NHS Wales body.

As a result of the latter transfer £15k of intra -trust debtors were eliminated, contra entries were

- \* £7k intra NHS trust payables, and,
- \* £8k cash in transit.



**20.2 Receivables past their due date but not impaired**

	<b>31-Mar</b>	<b>31 March</b>	<b>1 April</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
By up to 3 months	1,449	2,471	163
By 3 to 6 months	943	426	58
By more than 6 months	405	613	3
<b>Balance at end of financial year/period</b>	<b>2,797</b>	<b>3,510</b>	<b>224</b>

**20.3 Provision for the impairment of receivables**

	<b>31 March</b>	<b>31 March</b>	<b>1 April</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at beginning of the year	(438)	(385)	(212)
Transfer to PHW NHS Trust on 1 October 2009	49	-	-
Amount written off during the year	40	(36)	(21)
Amount recovered during the year	131	-	-
(Increase)/decrease in receivables impaired	(236)	(17)	(152)
<b>Balance at 31 March</b>	<b>(454)</b>	<b>(438)</b>	<b>(385)</b>

**21. Cash and cash equivalents**

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
Opening Balance	2,437	2,436	2,397
Transfer to PHW NHS Trust on 1 October 2009	519	-	-
Net change in year	<b>(81)</b>	1	39
<b>Closing Balance</b>	<b>2,875</b>	2,437	2,436
<b>Made up of:</b>			
Cash with Office of Paymaster General	3,117	3,022	2,419
Commercial banks	400	95	<b>(13)</b>
Cash in hand	28	36	30
<b>Cash and cash equivalents as in Statement of Financial Positio</b>	<b>3,545</b>	3,153	2,436
Bank overdraft - Commercial	<b>(670)</b>	<b>(716)</b>	-
<b>Cash &amp; cash equivalents as in Statement of Cash Flows</b>	<b>2,875</b>	2,437	2,436

The transfer of cash on the 1 October 2009 establishment of PHW NHS Trust consisted of :

- \* £51k cash transferred from Wales Centre for Health a Non NHS Wales Organisation and
- \* £468k transferred from Velindre NHS Trust a NHS Wales body.

As a result of the latter transfer £15k of intra-trust debtors were eliminated, contra entries were

- \* £7k intra NHS trust payables, and,
- \* £8k cash in transit.

**22. Trade and other payables**

**22.1 Trade and other payables at the**

**Statement of Financial Position date consist of:**

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
<b>Current</b>			
Welsh Assembly Government	386	231	291
Welsh Health Boards	5,394	2,423	3,400
Other NHS	252	699	918
Income tax and social security	2,838	3,817	1,504
Non-NHS trade payables - revenue	4,605	4,304	6,236
Non-NHS trade payables - capital	5,484	3,489	5,329
Pensions: staff	2,540	2,395	2,235
Accruals	8,003	6,496	7,013
Public Dividend Capital dividend payable	1,238	172	81
Deferred Income	79	1,105	299
Other liabilities - all other payables	981	1,424	705
Sub-total	<u>31,800</u>	<u>26,555</u>	<u>28,011</u>
<b>Non-current</b>			
Other liabilities - all other payables	-	169	-
Sub-total	<u>-</u>	<u>169</u>	<u>-</u>
<b>Total</b>	<u><b>31,800</b></u>	<u><b>26,724</b></u>	<u><b>28,011</b></u>

The transfer of trade payables on the establishment of PHW NHS Trust on 1 October 2009 consisted of

- \* £179k of trade payables transferred from Wales Centre for Health a Non NHS Wales Organisation and
- \* £6,498k of trade payables, which includes a £14k capital creditor and £1,266 of "other liabilities - all other payables", transferred from Velindre NHS Trust, a NHS Wales body.

As a result of the latter transfer £15k of intra-trust debtors were eliminated, contra entries were

- \* £7k intra NHS trust payables, and,
- \* £8k cash in transit.

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**Summarised Accounts of NHS Trusts in Wales 2009-10**

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**23. Borrowings**

<b>Current</b>	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
Finance lease liabilities	<u>1,405</u>	3,015	<u>293</u>
<b>Total</b>	<b><u>1,405</u></b>	<b>3,015</b>	<b><u>293</u></b>
<b>Non-current</b>			
Bank overdraft - Commercial bank	670	716	-
Loans from:			
Welsh Assembly Government	8,141	8,141	3,500
Finance lease liabilities	<u>12,248</u>	13,394	<u>15,137</u>
<b>Total</b>	<b><u>21,059</u></b>	<b>22,251</b>	<b><u>18,637</u></b>

**23.2 Loan advance/strategic assistance funding**

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
<b>Amounts falling due:</b>			
Between two and five years	<u>8,141</u>	8,141	<u>3,500</u>
Sub-total	<b><u>8,141</u></b>	<b>8,141</b>	<b><u>3,500</u></b>
Wholly repayable within five years	<u>8,141</u>	8,141	<u>3,500</u>
Sub-total	<b><u>8,141</u></b>	<b>8,141</b>	<b><u>3,500</u></b>

**24. Other financial liabilities**

The trusts have no current or non-current financial liabilities carried at fair value through income and expenditure.

**25. Other liabilities**

The trusts have no current or non-current other liabilities.

Summarised Accounts of NHS Trusts in Wales 2009-10

26. Provisions

	At 1 April 2009	Transfer of provisions to PHW NHS Trust from Non NHS Body	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>							
Clinical negligence	112	-	904	(246)	(228)	-	542
Personal injury	1,184	-	1,732	(759)	(1,067)	94	1,184
All other losses and special payments	-	-	236	(185)	(40)	-	11
Defence legal fees and other administration	173	-	218	(76)	(101)		214
Pensions relating to: other staff	51		(17)	1	-	4	39
Other	3,434	50	679	(2,296)	(463)		1,404
<b>Total</b>	<b>4,954</b>	<b>50</b>	<b>3,752</b>	<b>(3,561)</b>	<b>(1,899)</b>	<b>98</b>	<b>3,394</b>
<b>Non Current</b>							
Personal injury	4,018	-	585	-	-	-	4,603
Pensions relating to: other staff	540		(187)	-	-	-	353
Other	106	647	31	-	(93)		691
<b>Total</b>	<b>4,664</b>	<b>647</b>	<b>429</b>	<b>-</b>	<b>(93)</b>	<b>-</b>	<b>5,647</b>
<b>TOTAL</b>							
Clinical negligence	112	-	904	(246)	(228)	-	542
Personal injury	5,202	-	2,317	(759)	(1,067)	94	5,787
All other losses and special payments	-	-	236	(185)	(40)	-	11
Defence legal fees and other administration	173	-	218	(76)	(101)		214
Pensions relating to: other staff	591		(204)	1	-	4	392
Other	3,540	697	710	(2,296)	(556)		2,095
<b>Total</b>	<b>9,618</b>	<b>697</b>	<b>4,181</b>	<b>(3,561)</b>	<b>(1,992)</b>	<b>98</b>	<b>9,041</b>

Expected timing of cash flows:

	Within 1 year	2 and 5 years	6 and 10 years	After 10 years	After 50 years	Totals
				£000	£000	£000
Clinical negligence	542	-	-	-	-	542
Personal injury	1,184	1,080	1,272	2,251	-	5,787
All other losses and special payments	11	-	-	-	-	11
Defence legal fees and other administration	214	-	-	-	-	214
Pensions - other staff	39	150	167	36	-	392
Other	1,404	66	196	429	-	2,095
<b>Total</b>	<b>3,394</b>	<b>1,296</b>	<b>1,635</b>	<b>2,716</b>	<b>-</b>	<b>9,041</b>

Included within "Other" Provisions are:-

£793k (2008-09 £820k) which relates to the provision of unpaid annual leave entitlement to staff in respect of frozen holiday leave entitlement agreed a number of years ago for a proportion of trusts' employees. The whole of this provision is included within 1 year as this could be paid out at any time.

£10k (2008-09 £334k) which relates to the expected costs relating to the Agenda for Change initiative.

£204k (2008-09 £0k) which relates to the provision for Voluntary Early Release.

£160k (2008-09 £576k) which relates to the provision in respect of the trusts' obligations as a tenant for building dilapidations (the cost of undertaking all work necessary to bring the building up to the required standard).

Other provisions of £106,000 relates to Decommissioning Caesium Source (2008-09 £106,000).

26. Provisions (continued)

	At 1 April 2008	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000
<b>Current</b>						
Clinical negligence	6,411	1,093	(1,466)	(5,926)	-	112
Personal injury	1,534	1,905	(1,580)	(764)	89	1,184
All other losses and special payments	-	141	(134)	(7)	-	-
Defence legal fees and other administration	405	213	(158)	(286)		174
Pensions relating to: other staff	424	(327)	(50)	-	4	51
Other	3,964	2,047	(2,399)	(178)		3,434
<b>Total</b>	<b>12,738</b>	<b>5,072</b>	<b>(5,787)</b>	<b>(7,161)</b>	<b>93</b>	<b>4,955</b>
<b>Non Current</b>						
Personal injury	4,034	(16)	-	-	-	4,018
Pensions relating to: other staff	155	385	-	-	-	540
Other	-	106	-	-		106
<b>Total</b>	<b>4,189</b>	<b>475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,664</b>
<b>TOTAL</b>						
Clinical negligence	6,411	1,093	(1,466)	(5,926)	-	112
Personal injury	5,568	1,889	(1,580)	(764)	89	5,202
All other losses and special payments	-	141	(134)	(7)	-	-
Defence legal fees and other administration	405	213	(158)	(286)		174
Pensions relating to: other staff	579	58	(50)	-	4	591
Other	3,964	2,153	(2,399)	(178)		3,540
<b>Total</b>	<b>16,927</b>	<b>5,547</b>	<b>(5,787)</b>	<b>(7,161)</b>	<b>93</b>	<b>9,619</b>
<b>Expected timing of cash flows:</b>						
	Within 1 year	2 and 5 years	6 and 10 years	After 10 years	After 50 years	Totals
				£000	£000	£000
Clinical negligence	100	-	-	-	-	100
Personal injury	1,182	940	1,124	1,954	-	5,200
Defence legal fees and other administration	188	-	-	-	-	188
Pensions - other staff	51	199	234	107	-	591
Other	3,434	106	-	-	-	3,540
<b>Total</b>	<b>4,955</b>	<b>1,245</b>	<b>1,358</b>	<b>2,061</b>	<b>-</b>	<b>9,619</b>

Summarised Accounts of NHS Trusts in Wales 2009-10

27.1 Finance lease obligations (as lessee) continued

Amounts payable under finance leases:

LAND

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

<b>BUILDINGS</b>	<b>31 March</b>	<b>31 March</b>	<b>1 April</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Minimum lease payments</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	391	390	175
Between one and five years	880	1,270	934
After five years	-	-	58
Less finance charges allocated to future periods	(145)	(195)	(161)
Minimum lease payments	<u>1,126</u>	<u>1,465</u>	<u>1,006</u>
Included in:			
Current borrowings	331	310	156
Non-current borrowings	795	1,155	850
	<u>1,126</u>	<u>1,465</u>	<u>1,006</u>
<b>Present value of minimum lease payments</b>			
Within one year	331	310	155
Between one and five years	795	1,155	851
Present value of minimum lease payments	<u>1,126</u>	<u>1,465</u>	<u>1,006</u>
Included in:			
Current borrowings	331	310	155
Non-current borrowings	795	1,155	851
	<u>1,126</u>	<u>1,465</u>	<u>1,006</u>
<b>OTHER</b>	<b>31 March</b>	<b>31 March</b>	<b>1 April</b>
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Minimum lease payments</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	1,511	3,230	-
Between one and five years	6,126	6,055	7,450
After five years	7,351	8,522	10,471
Less finance charges allocated to future periods	(2,461)	(2,872)	(3,497)
Minimum lease payments	<u>12,527</u>	<u>14,935</u>	<u>14,424</u>
Included in:			
Current borrowings	1,074	2,711	-
Non-current borrowings	11,453	12,224	14,424
	<u>12,527</u>	<u>14,935</u>	<u>14,424</u>
<b>Present value of minimum lease payments</b>			
Within one year	1,074	2,707	-
Between one and five years	4,762	4,585	5,222
After five years	6,691	7,654	9,202
Present value of minimum lease payments	<u>12,527</u>	<u>14,946</u>	<u>14,424</u>
Included in:			
Current borrowings	1,074	2,707	-
Non-current borrowings	11,453	12,239	14,424
	<u>12,527</u>	<u>14,946</u>	<u>14,424</u>

**27.2 Finance lease receivables (as lessor)**

The NHS trusts have no finance lease receivables as lessor.

**27.3 Finance Lease Rental Revenue**

The NHS trusts have no finance lease rental revenue.

**28. Finance lease commitments**

The NHS trusts have not entered into any new contracts to lease (building assets) under finance leases during 2009-10.

**29. Private finance transactions**

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

The NHS trusts have no PFI or PPP schemes deemed to be "on or off balance sheet."



**30. Financial risk**

IFRS 7, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationships that the NHS trusts have previously had with health authorities and 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 IFRS 7 mainly applies. NHS trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing NHS trusts in undertaking its activities.

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

**Liquidity risk**

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

**Interest-rate risks**

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

**Foreign currency risk**

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

**Credit Risk**

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

**General**

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

### 31. Contingencies

#### 31.1 Contingent liabilities

Provision has not been made in these accounts for the following amounts:	<b>31 March</b> <b>2010</b> <b>£000</b>
Legal claims for alleged medical or employer negligence	<b>8,446</b>
Other	<b>1,000</b>
Total value of disputed claims	<b>9,446</b>
Amount recovered under insurance arrangements in the event of these claims being successful	<b>(7,454)</b>
Net contingent liability	<b>1,992</b>

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.

#### 31.2 Contingent assets

The NHS trusts have no contingent assets.

### 32. Third party assets

The NHS trusts have no Third Party Assets.

**33. Events after reporting period**

On 1st April 2010 Velindre NHS Trust became the hosting body for the NHS Wales Informatics Service (NWIS). NWIS is an amalgamation of the Informing Healthcare Programme, the Business Service Centre's Information Management and Technology division, the Health Solutions Wales division of Velindre NHS Trust, the Corporate Health Information Programme and the Primary Care Informatics Programme.

The Welsh Ambulance Services NHS Trust's Chief Executive Mr Alan Murray terminated his employment with the Trust on 30 April 2010 under the Trust's Voluntary Early Release programme.

Mr Elwyn Price-Morris was appointed as interim Chief Executive with effect from 1 April 2010.

**34. Related Party Transactions**

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

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

### 35. Losses and special payments

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

#### Gross loss to the Exchequer

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

	Amounts paid out during year to 31 March 2010		Approved to write-off to 31 March 2010	
	Number	£	Number	£
Clinical negligence	9	246,147	6	886,121
Personal injury	105	760,048	13	90,698
All other losses and special payments	117	184,773	2	600
<b>Total</b>	<b>231</b>	<b>1,190,968</b>	<b>21</b>	<b>977,419</b>

In 2009-10 there were no cases where the in year payment exceeded £250,000.

Cases paid in 2009-10 where the cumulative sum exceeded £250,000 are as follows:

	No of cases	2009-10 Value £
Clinical Negligence	4	2,174,366
Personal Injury	2	3,104,401
<b>Total</b>	<b>6</b>	<b>5,278,767</b>

**36. Transition to IFRS**

The previous financial statements were presented under UKGAAP and the following table sets out the adjustments made to restate the position in accordance with International Financial Reporting Standards

	<b>Retained earnings</b>	<b>Revaluation reserve</b>	<b>Donated asset reserve</b>	<b>Govt grant reserve</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Taxpayers' equity at 31/03/09 under UK GAAP	(6,218)	41,294	4,263	-
Adjustment to remove negative revaluation reserve balances	(1,474)	1,474	-	-
Adjusted taxpayers' equity at 31/03/09	<b>(7,692)</b>	<b>42,768</b>	<b>4,263</b>	<b>-</b>
Adjustments for IFRS changes:				
Leases	(3,090)	141	-	-
Compensated absence	(576)	-	-	-
Employee Holiday pay accrual	(1,074)	-	-	-
Taxpayers' equity at 31/03/09 under IFRS	<b>(12,432)</b>	<b>42,909</b>	<b>4,263</b>	<b>-</b>
Surplus for 2008-09 under UK GAAP	91			
<b>Adjustments for:</b>				
Leases	(1,678)	-	-	-
Compensated absence	15	-	-	-
Employee Holiday pay accrual	459	-	-	-
Reduction in PDC charge	121	-	-	-
(Deficit) for 2008-09 under IFRS	<b>(992)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **THE NATIONAL HEALTH SERVICE – NHS TRUSTS IN WALES**

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

1. H M Treasury directs that an account, summarised by consolidation, of the NHS Trusts in Wales shall be prepared in respect of the financial year ended 31 March 2010. The basis of preparation and form of accounts shall be set out in the following paragraphs and Schedules.

2. In this direction, unless the context otherwise requires, “the NHS Trusts” means each and every NHS Trust in Wales.

#### **BASIS OF PREPARATION**

3. The consolidated account of the NHS Trusts shall be prepared from the audited accounts of the NHS Trusts to which it relates and shall comply with:

- a) generally accepted accounting practice ( GAAP);
- b) the accounting and disclosure requirements of the Companies Act 2006;
- c) all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales and are in force for the financial year for which the accounts are to be prepared;
- d) all relevant guidance given in the NHS Trust Accounts (Wales) – Manual for accounts;
- e) the historical cost convention modified by the inclusion of non-current assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

#### **FORM AND CONTENT**

4. The consolidated account of NHS Trusts shall comprise a foreword, an income statement, a statement of financial position, and a cash flow statement, including such notes as are necessary to ensure a proper understanding of the accounts.

5. The consolidated account of NHS Trusts shall give a true and fair view of the state of affairs as at the end of the financial year and of its income and expenditure, gains and losses, and cashflows during the year.

6. The foreword and statement of financial position shall be signed by the Accounting Officer and dated.

#### **MISCELLANEOUS**

7. The direction shall be reproduced as an appendix to the published accounts.

8. This direction supersedes the direction dated 21 July 2009.

Chris Wobschall  
Head, Assurance and Financial Reporting Policy  
HM Treasury  
15 July 2010

**SCHEDULE 1**

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

**Companies Act**

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

**Accounting Standards**

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

**SCHEDULE 2**

**ADDITIONAL REQUIREMENTS**

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