

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 2013

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

NHS (Wales) Summarised Accounts 2012-13

Welsh Government

NHS Wales Summarised Accounts 2012-13

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 Government.
2. From the 1st 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. 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 Government for 2012-13 which include the results of the local health boards.
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 2012-13 and that all accounts received unqualified true and fair view and regularity opinions 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.

8. Two summarised accounts for NHS Wales have been prepared, one for the seven local health boards and one for the three NHS trusts.

(a) Local Health Boards

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 (AGW) for 2012-13. Two of the seven local health boards (Hywel Dda and Powys) were in receipt of resource brokerage from in-year surpluses generated by other NHS Wales organisations to meet their 2012-13 financial targets. The brokerage is repayable in 2013-14. The AGW has issued substantive reports on the accounts of these two health boards in respect of the circumstances that gave rise to the brokerage arrangements.

(b) NHS Trusts

11. NHS trusts were established under section 18 Schedule 3 of the National Health Service (Wales) Act 2006. They receive most of their income from the Welsh Government, the local health boards and the Welsh Health Specialised Services Committee (WHSSC) which is hosted by Cwm Taf Health Board.
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 view and regularity audit opinions from the Auditor General for Wales for 2012-13.

Performance against statutory financial duties

(a) Local Health Boards

13. In 2012-13, each of the seven local health boards met their statutory duty by keeping expenditure within allocated capital and revenue resource limits. The performance details for all seven local health boards are set out in Annex 2.
14. During the year it became apparent that, despite achieving £203 million of in-year financial savings whilst working hard to maintain performance and delivery levels, local health boards were facing significant financial pressures. The Minister for Health and Social Services asked the Director General for Health and Social Services on 26th September 2012 to undertake a

Mid-Year Stock Take & Review of the financial and non-financial performance of the NHS in 2012-13. The conclusions of the review evidenced that the level of demand for some services had grown more rapidly than anticipated. This was particularly prevalent within the unscheduled care system. The pressure placed by these demands on the local health boards was unprecedented, placing further pressure on the resources of the local health boards.

15. As a consequence of the Mid-Year Review the Minister announced on 5 December 2012 additional non-recurrent resource funding of £82 million for the local health boards to allow the NHS to manage current pressures and maintain quality of care. The Minister allocated the funding to Local Health Boards to meet specific identified pressures in the 2012-13 financial year on the basis of an assessment of where the greatest risks to services and financial balance lay.

(b) NHS Trusts

16. During 2012-13, all three trusts broke-even in year and met their financial break-even duties. The AGW issued unqualified true and fair view and regularity audit opinions on the accounts of all trusts in Wales in 2012-13.
17. The overall income and expenditure surplus of the three NHS trusts in Wales for 2012-13 was £0.109 million. (For 2011-12 the NHS Wales trusts also collectively reported a retained surplus of £0.109 million.)

External financing limit

18. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to local health boards.
19. In 2012-13, the overall external financing limit for NHS trusts was -£3.181 million and each of the trusts in Wales stayed within their individual external financing limits.

Prompt Payment Performance

20. Local health boards and NHS trusts are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay 95% of non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.

21. The performance of each local health board and NHS trust in Wales, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent, and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 4 to this Foreword. The number of non NHS invoices paid within 30 days ranged from 95.2% to 98.7% for NHS bodies, with an average for the year of 96.1% for local health boards and 97.3% for NHS trusts (2011-12 96.3% and 96.9%).

Summary of achievement of financial duties

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

- Annex 1 NHS Trust Performance against the Break-even and External Financing Limit Duties.
- Annex 2 Local Health Boards' Performance against Allocated Resource Limits.
- Annex 3 NHS Trust Surpluses.
- Annex 4 NHS Trust and Local Health Board Public Sector Payment Performance.

Statement of Financial Position Issues

Clinical Negligence Provisions

23. At 31 March 2013, known actual and anticipated liabilities for clinical negligence totalled £5.159 million (2011-12 £5.644 million) in NHS trusts and a further £320.054 million (2011-12 £291.064 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.

24. Excluded from the provisions calculations included within the summarised accounts is a further estimated £523.230 million (2011-12 £417.189 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities, as the likelihood of settlement is assessed as possible, rather than probable.

Establishment of NHS Wales Shared Services Partnership (NWSSP) as a Host Body

25. During 2011-12 the functions of Shared Services i.e. administrative professional and technical support services, were provided to the NHS in Wales by each individual NHS

organisation acting under a collaborative working arrangement, overseen by the Shared Services Partnership Committee whose members were drawn from each NHS organisation. In September 2011 the Minister for Health and Social Services gave authority to proceed with the transfer of responsibility for the provision of Shared Services from the current arrangement, to a single body hosted within NHS Wales. As a consequence, certain of these activities transferred from the LHBs to Velindre NHS Trust, and hence from one summarised NHS account to the other.

26. From 1 June 2012, the following business and professional services provided by NHS Wales Shared Services Partnership (NWSSP) were hosted by Velindre NHS Trust.
- Welsh Health Estates;
 - Welsh Health Legal Services;
 - Welsh Risk Pool;
 - Contractor Services;
 - Prescribing Services Unit;
 - Accounts Payable and Procurement Services ;
 - Internal Audit Services, including Capital and Private Finance Initiatives audit and consultancy services; and
 - Payroll and Recruitment Services.

Welsh Risk Pool (WRP)

27. 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.
28. In 2012-13 the Pool was operated by Betsi Cadwaladr University Local Health Board prior to the 1 June 2012 and, as noted above, from 1 June 2012 the WRP transferred to Velindre NHS Trust as part of the establishment of NHS Wales Shared Services Partnership (NWSSP). The reimbursement of claims by the Pool continues to be managed by an Advisory Board comprising representatives from NHS trusts, local health boards and the Welsh Government.
29. The Betsi Cadwaladr University Local Health Board's and Velindre NHS Trust'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 for claims less than £25,000 and by the Welsh Government underwriting the claims over £25,000 reimbursed by the Welsh Risk Pool. Only the healthcare activities of Betsi Cadwaladr University Local Health Board are included in the LHB summarised accounts consistent with previous years. The NHS trust summarised account includes the WRP activities from 1 June 2012 in the Velindre NHS Trust activities (amended for NHS Trust interparty trading), as part of the hosted NWSSP. The structured settlement liabilities are accounted for in the Welsh Government's Resource Accounts provision for the Welsh Risk Pool at 31 March 2013 of £521.030 million (2011-12 £439.239m).

30. During the year, the Pool made payments of £53.004 million (2011-12: £52.875 million) in relation to claims. Of this £51.649 million related to clinical negligence claims and £1.274 million related to personal injury claims (2011-12 £49.747 million and £2.924 million respectively).

Sustainability Reporting

31. The HMT Government Financial Reporting Manual (FReM) requires that entities falling within the scope of reporting under the Greening Government commitments and which are not exempted by de-minimis limit or other exemption under Greening Government (or other successor policy), shall produce a sustainability report in accordance with HM Treasury issued Sustainability Reporting in the Public Sector guidance.

32. This requirement is not applicable to Wales as a Devolved Government, however Wales is unique in the UK in having sustainable development as its central organising principle. Sustainable reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting. For 2012-13 public bodies in Wales that report under the FReM and meet the FReM de-minimis are required to produce a FReM sustainability report. This applies to the NHS organisations in Wales.

33. Full sustainability reports prepared in accordance with the 'Sustainability Reporting in the Public Sector' guidance are to be contained within the Annual Reports of the local health boards and trusts, these include details of significant achievements and key actions taken during 2012-13.

34. LHBs and Trusts submitted returns in respect of the CarDio Carbon Footprinting Tool in 2011-12. The returns submitted in 2011-12 will be used as the baseline for future years. The CarDio Tool will allow the bodies to measure and track their carbon footprint year on year and monitor carbon reduction against targets. The Tool utilises consumption data already collected.

35. All local health boards and trusts report to their Boards on Sustainability and Environmental issues and action plans, with an identified member of the Board as the lead or champion for sustainability or environmental issues, with Board Committees or Steering Groups responsible for the oversight of Sustainability and Environmental issues. Full details of the governance arrangements for Sustainability can be found in the Sustainability reports of the individual bodies.

36. The Climate Change Strategy Delivery Plan for Emission Reduction sets out Wales' target to reduce greenhouse gas emissions by 3% per year in areas of devolved competence. NHS organisations in Wales are required to contribute towards the achievement of this target. Details of how this translates into local targets for individual organisations and local targets relating to waste, energy consumption and water consumption as applicable are set out in the Sustainability reports of NHS organisations.

37. In November 2010 the Welsh Government issued a directive to all health boards in Wales to

achieve certification to BS ENISO 14001:2004 Environmental Management Systems for District General Hospital sites by December 2012, and all other sites by 2014. The implementation of Environmental Management Systems provides the framework for co-ordinating the environmental activities of the organisations and brings together the impacts of energy, waste, transport and sustainable procurement for management in a structured way linked to continuous improvement.

38. Five of the seven local health boards have achieved this accreditation in accordance with the target. The remaining two health boards are working towards the achievement of 50% estate certification by the end of 2013. Three local health boards have achieved accreditation across the health board, with all bodies working towards full certification by the end of 2014.
39. Of the three NHS trusts, all three are working towards ISO 14001 accreditation across their activities by December 2014, with the Velindre Cancer Centre having achieved accreditation in 2012-13.
40. All NHS organisations are supported in their monitoring of environmental and sustainability performance by the Estates and Facilities Performance Management system hosted by NWSSP Facilities Services which collates, quality assures, and provides reporting on performance and achievements across Estates and Facilities activities, including a range of sustainability reporting. In addition individual organisations have a range of additional data and reporting sources to inform sustainability actions, such as utility consumption monitoring and energy analysis.
41. NHS organisations have undertaken a range of actions in 2012-13 to improve energy consumption, emissions, waste management and water consumption. These include alternative energy generation arrangements, increases in recycling rates, sustainable procurement to avoid waste, energy efficiency schemes for office and operational equipment, energy efficient design for new estate, and training and awareness activities for staff. The individual Sustainability Reports discuss actions and achievements in detail.
42. Travel and transportation arrangements for staff are a significant contributor to the Sustainability agenda of NHS bodies as major employers. Five local health boards and one NHS trust have Sustainable Travel Action Plans in place, with other bodies having travel and transportation action plans as part of overall Sustainability strategies.

Annual Quality Statement

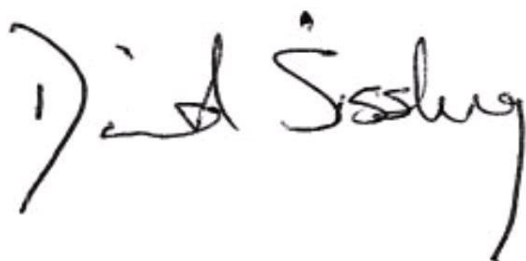
43. In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS organisations to publish an Annual Quality Statement, beginning in 2012-13. This will form part of the NHS organisations' annual reports.
44. The Annual Quality Statement will bring together each year, a summary highlighting how the

organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.

45. In 2012-13 the Annual Quality Statement should be published no later than 30 September 2013.

Events after the Reporting Period

46. Following a review of the National Leadership and Innovation Agency for Healthcare (NLIAH) functions, it has been agreed that from the 1st April 2013 the NLIAH functions and associated assets and liabilities will be transferred to Welsh Government, Public Health Wales NHS Trust and NHS Wales Shared Services Partnership (NWSSP) which is hosted by Velindre NHS Trust. In accordance with Treasury guidance the transfer of functions will be treated as an absorption of services into the transferee organisations.
47. The Wales Audit Office and Health Inspectorate Wales published a joint report on 27th June 2013 reviewing the effectiveness of the Board's governance arrangements at Betsi Cadwaladr University Health Board. The report 'An Overview of Governance Arrangements - Betsi Cadwaladr University Health Board' sets out the key challenges the Health Board needs to overcome to strengthen its governance arrangements and details 24 recommendations to be addressed. Further details of the issues and the report are noted in the LHB Summarised Account Annual Governance Statement.
48. Later this month, I anticipate that the Wales Audit Office will publish their Health Finances 2012-13 report, which will give a detailed assessment of the financial position across NHS Wales bodies and the continuing financial challenges that the NHS in Wales faces.



David Sissling
Director General, Department for Health Social Services and Children,
Chief Executive, NHS Wales
09 July 2013

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

	Achievement of Break-even Duty		External Financing
	Statutory Duty 1	Statutory Duty 2	Limit
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, in order to address the deficit position. Where a trust fails to achieve financial balance in a financial year and there is no approved recovery plan 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 recovery plan 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 recovery plan in order to show how the position is to be recovered. If the trust does not have a recovery plan that has been accepted by the Welsh Government it will have failed its duty under Part (1) of the Act.

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

Local Health Board Performance against Allocated Resource and Capital Limits

	Underspend / (overspend) against resource limit	Underspend / (overspend) against capital limit
	2012-13 £000	2012-13 £000
ABMU Local Health Board	141	55
Aneurin Bevan Local Health Board	34	46
Betsi Cadwaladr U Local Health Board	5	20
Cardiff and Vale U Local Health Board	66	66
Cwm Taf Local Health Board	17	50
Hywel Dda Local Health Board	56	39
Powys Local Health Board	6	4
All local health boards	325	280
Number of local health boards achieving resource limit	7	7
Percentage of local health boards achieving resource limit	100%	100%

NHS Wales Trust Surpluses and Deficits

Annex 3

	Surplus /(deficit)
	2012-13
	£000
Public Health Wales Trust	10
Velindre NHS Trust	50
Welsh Ambulance Services NHS Trust	49
All NHS trusts	<u><u>109</u></u>

Local Health Board Public Sector Payment Policy Performance

	Non NHS Value of bills 2012-13 %	Non NHS Number of bills 2012-13 %	Non NHS Value of bills 2011-12 %	Non NHS Number of bills 2011-12 %
ABMU Local Health Board	98.1	97.1	97.6	96.9
Aneurin Bevan Local Health Board	96.5	96.5	96.2	96.4
Betsi Cadwaladr U Local Health Board	96.1	95.7	97.1	96.6
Cardiff and Vale U Local Health Board	97.7	95.2	96.2	95.7
Cwm Taf Local Health Board	98.0	97.6	97.2	96.1
Hywel Dda Local Health Board	95.3	95.6	95.8	95.8
Powys Local Health Board	95.3	95.2	97.0	96.6
All local health boards	97.1	96.1	96.8	96.3

NHS Trust Public Sector Payment Policy Performance

	Non NHS Value of bills 2012-13 %	Non NHS Number of bills 2012-13 %	Non NHS Value of bills 2011-12 %	Non NHS Number of bills 2011-12 %
Public Health Wales Trust	98.6	96.2	96.3	95.6
Velindre NHS Trust	97.6	96.5	98.2	95.5
Welsh Ambulance Services NHS Trust	99.2	98.7	99.2	98.8
All NHS trusts	98.2	97.3	98.3	96.9

Local Health Boards in Wales

Statement of the Welsh Government and Accounting Officer's responsibilities

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

Under these arrangements, the Director General, Department for Health and Social Services, 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 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.

2012-13 Summarised Local Health Board Annual Governance Statement

1. Scope of responsibility

As Chief Executive NHS Wales and Additional Accounting Officer for the Department for Health and Social Services, I have responsibility for maintaining appropriate governance structures and procedures together with a sound system of internal control that supports the achievement of the Welsh Government policies, aims and objectives in accordance with the principles set out in Managing 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 his 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 the Local Health Boards (LHB) to serve as Accountable Officers. It is their responsibility to ensure that there are appropriate governance structures and procedures and effective system of internal control within their individual organisations.

2. Governance framework

The Welsh Government require that the LHBs in Wales operate within the wider governance framework set for the NHS in Wales and incorporating the standards of good governance set for the NHS in Wales, (as defined in the Citizen Centred Governance Principles and standards for Health Services in Wales), together with the planning and performance frameworks.

LHBs must agree standing orders for the regulation of proceedings and business. They are designed to translate the statutory requirements into day to day operating practice. Together with the adoption of a scheme of decisions reserved to the Board; a scheme of delegations to officers and others and Standing Financial Instructions they provide the regulatory framework for the business conduct of the LHB.

Details of the Board committee structure, attendance records, the coverage of the Board's work the data source and quality of data used by the Boards and details of any notable board committee reports are available in the published individual Annual Governance Statements of the LHBs.

The systems and internal controls used to underpin the data used by the LHB Boards are subject to independent internal and external scrutiny by organisations such as NHS Wales Shared Services Partnership Internal Audit, Wales Audit Office and Health Inspectorate Wales.

3. The purpose of the system of internal control

The LHB system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurances of effectiveness.

The LHBs systems of internal control are based on a continuing process designed to identify the principal risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

All seven LHBs have declared that the system of internal control has been in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

4. The risk and control framework

Guidance has been issued by the Welsh Government 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.

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.

Details of the LHBs risk management frameworks, their assessments of risk, the capacity to handle risk, significant risks considered by the Boards and actions to respond to assessments of risk are set out in the Annual Governance Statements of the LHBs.

Effective risk management is an essential element of good governance. To enhance the transparency of the management of risks within the LHBs the Minister for Health and Social Services requested in July 2012 that LHBs publish their risk registers after each review by the Board.

5. Financial Governance

The LHBs have identified in their Governance Statements the continuing financial challenges in the current economic climate. All LHBs met their financial targets for 2012-13, two of the seven local health boards (Hywel Dda and Powys) were in receipt of resource brokerage from surpluses generated by other NHS Wales organisations to meet their 2012-13 financial targets. The brokerage is repayable in 2013-14. The Governance Statements of the LHBs identify the financial situation for 2013-14 remains challenging with substantial savings plans required to deliver balanced financial plans.

6. 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;
- Clear policies for managing risk, to ensure and improve patient safety.

Details of LHB clinical governance frameworks, clinical governance assurance arrangements, the 1000 Lives Plus delivery and relevant actions are included in the underlying governance statements.

In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all LHBs to publish an Annual Quality Statement, beginning in 2012/13, which will form part of the LHBs' annual reports published in the Autumn.

The Boards are accountable for the LHB's Quality Statement and must therefore assure through their internal assurance mechanisms, including internal audit, that the information published is both an accurate and representative picture of the quality of services provided and the improvements they are committing to.

The final report into the care provided by Mid Staffordshire NHS Foundation Trust, the 'Francis Report' was published in February 2013. The Boards of the LHBs in Wales are reviewing and considering the implications of this significant report for their clinical governance frameworks. This will be considered more fully in the LHBs Quality Statements, however the Annual Governance Statements of some LHBs provide further details of actions undertaken as a consequence of the report.

7. Information Governance

The LHBs have established arrangements for Information Governance to ensure that information is managed in line with the relevant Information Governance law, regulations and Information Commissioners Office (ICO) guidance. Four of the LHBs (Betsi Cadwaladr University Health Board, Cardiff & Vale University Health Board, Hywel Dda Local Health Board, Powys Teaching Health Board) have reported lapses in data security requiring reporting to the ICO in their individual Annual Governance Statements, and one (Aneurin Bevan Health Board) has reported data lapses which did not require ICO reporting to Welsh Government.

Details of the data lapses, ICO reports and recommendations and actions taken in response to these information security lapses are contained within the Governance Statements of the individual organisations.

8. Head of Internal Audit Review

The role of Internal Audit is to provide an independent and objective opinion on the system of control. The opinion considers whether effective risk management, control and governance arrangements are in place in order to achieve the Board's objectives. The work of Internal Audit is undertaken in compliance with the NHS Internal Audit Standards, with the annual audit programme based on the outcomes from an audit risk assessment.

The assurance opinions for the Head of Internal Audit assessment on the overall adequacy of the organisations' governance, risk management and control processes range from 'No Assurance' to 'Substantial Assurance'. The Head of Internal audit assessments, details of significant Internal Audit issues, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual LHBs.

9. Review of effectiveness

As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and 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 Department's Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

LHB Chief Executives have each submitted an Annual Governance Statement for the year ending 31st March 2013. 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 and that they are being dealt with appropriately.

Five of the seven LHBs have declared their assessment that 'adequate' or 'generally sound' systems of internal control were in place to support the delivery of their policy aims and objectives for 2012-13. However in the assessment of effectiveness areas of weakness or improvements required are noted, full details are contained in the individual body's statements.

Cardiff & Vale University Health Board concluded that 'the University Health Board has a sound system of internal control in many areas, but there are some significant areas of weakness that are subject to focussed and urgent management attention to address the identified shortcomings'. Eight areas of concern are noted in the organisations' review of effectiveness, including concerns relating to Mortality Indices and Coroners Rule 43 notices. As Chief Executive NHS Wales I am assured actions are in place to address the areas of concern identified, full details of the concerns and the actions being taken to address the issues are set out in the UHB's Governance Statement.

Betsi Cadwaladr University Health Board concluded that 'the Board has demonstratively achieved many positive aspects of a sound system of internal control, however there are a number of areas where performance has been less strong which require, and are receiving, attention'. This is discussed further in 'Significant Matters' below.

Six of the seven LHBs have set out in their Annual Governance Statements that in their assessment they are complying with the main principles of the Corporate Governance Code and are following the spirit of the Code to good effect. Betsi Cadwaladr UHB does not make this specific declaration, although it has adopted the principles of the Code as part of its' governance framework. This is discussed further in the Significant Matters below.

10. Significant Matters

As a consequence of my review of effectiveness, the following requires comment as a significant matter in this Summarised Annual Governance Statement.

Betsi Cadwaladr University Health Board (BCUHB) has reported in its Annual Governance Statement that during the year the health board faced a number of significant challenges associated with service reconfiguration, the financial position and instability at a senior executive level, alongside questions over the fitness for purpose of the current organisational structure. These challenges have impacted upon governance, accountability and service delivery.

Work undertaken in the last 12 months by Wales Audit Office (WAO) and Health Inspectorate Wales (HIW) raised a number of significant concerns about the Health Boards governance arrangements and its managements and clinical leadership structures.

As a consequence, WAO and HIW agreed to work together to review the effectiveness of the Board's governance arrangements and present a single independent view of the areas the Health Board needs to address.

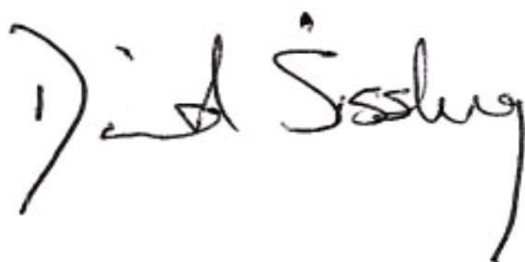
The joint report 'An Overview of Governance Arrangements – Betsi Cadwaladr Univeristy Health Board' presented on 27th June 2013 sets out the key challenges for the Health Board to overcome if it is to strengthen its governance arrangements;

- Effectiveness of the Board and its sub-committees
- Management and clinical leadership structures
- Quality and safety arrangements
- Financial Management and sustainability
- Strategic vision and service reconfiguration

The report details 24 recommendations to be addressed. Details of the issues can be found in the Annual Governance Statement of BCUHB, details of the issues and the recommendations for action can be found in the joint WAO / HIW report.

The joint report considers the significant concerns identified at BCUHB and states that 'at the time of writing we are not aware that they are replicated in other health board in Wales'.

As Chief Executive NHS Wales I will be working closely with the Wales Audit Office, Health Inspectorate Wales and Betsi Cadwaladr Health Board to address the recommendations set out in the report. I will also work with the other health boards to ensure they reflect upon the findings of the report, and seek to assure themselves that any relevant issues are being addressed within their own organisations.

A handwritten signature in black ink, reading "David Sissling". The signature is written in a cursive style with a large initial 'D' and a long, sweeping tail on the 'g'.

David Sissling
Director General, Department for Health and Social Services,
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

9 July 2013

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 2013 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

Respective responsibilities of the Additional Accounting Officer and Auditor

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

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

Scope of the audit of financial statements

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

I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards in Wales as at 31 March 2013 and of their net operating costs, their recognised gains and losses and cash flows for the year then ended; and

- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury.

Emphasis of Matter

Without qualifying my opinion, I draw attention to paragraph 10 of the Management Commentary, which refers to the substantive reports I placed on the 2012-13 financial statements of Hywel Dda and Powys Local Health Boards.

I issued substantive reports on those sets of financial statements because whilst both of the Health Boards had operated within their respective 2012-13 resource limits, to do so they had each received resource brokerage, which is repayable in 2013-14. As the resource brokerage had enabled the two LHBs to meet their 2012-13 resource limits, I did not qualify my regularity opinions on their financial statements. For the same reasons, this matter also has no impact on my regularity opinion on these financial statements.

Further information on this matter is set out within paragraph 10 of the Management Commentary, and the Financial Governance Section of the Annual Governance Statement.

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 and the financial transactions conform to the authorities which govern them.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
15 July 2013

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

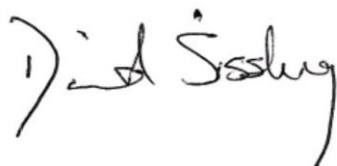
	Note	2012-13 £'000	2011-12 £'000
Expenditure on Primary Healthcare Services	2.1	1,324,225	1,344,006
Expenditure on healthcare from other providers	2.2	844,462	822,989
Expenditure on Hospital and Community Health Services	2.3	3,862,593	3,846,169
		6,031,280	6,013,164
Less: Miscellaneous Income	3	(480,630)	(505,157)
LHB net operating costs before interest and other gains and losses		5,550,650	5,508,007
Less :Investment Income	7	(26)	(31)
Other (Gains) / Losses	8	(38)	(41)
Finance costs	9	9,405	10,849
Net operating costs for the financial year		5,559,991	5,518,784
Other Comprehensive Net Expenditure			
Net gain / (loss) on revaluation of property, plant and equipment		8,860	(69,017)
Net gain / (loss) on revaluation of available for sale financial assets		(155)	(821)
Impairment and reversals		122,160	1,729
Other comprehensive net expenditure for the year		(130,865)	68,109

The notes on pages 17 to 57 form part of these accounts

Statement of Financial Position as at 31 March 2013

		31 March 2013 £'000	31 March 2012 £'000
	Notes		
Non-current assets			
Property, plant and equipment	10.1	2,484,223	2,734,565
Intangible assets	11	4,691	5,003
Trade and other receivables	14	158,898	123,110
Other financial assets	18	842	869
Total non-current assets		2,648,654	2,863,547
Current assets			
Inventories	13	57,440	53,122
Trade and other receivables	14	282,967	287,488
Other financial assets	18	27	27
Other current assets	19	-	47
Cash and cash equivalents	17	6,798	8,065
		347,232	348,749
Non-current assets classified as "Held for Sale"	10.2	5,817	8,282
Total current assets		353,049	357,031
Total assets		3,001,703	3,220,578
Current liabilities			
Trade and other payables	15	570,863	587,691
Provisions	16	228,622	227,537
Other liabilities	20	1,472	3,486
Total current liabilities		800,957	818,714
Net current assets/ (liabilities)		(447,908)	(461,683)
Non-current liabilities			
Trade and other payables	15	79,959	83,199
Provisions	16	189,908	162,161
Other liabilities	20	1,186	1,478
Total non-current liabilities		271,053	246,838
Total assets employed		1,929,693	2,155,026
Financed by :			
Taxpayers' equity			
General Fund		1,620,078	1,709,573
Revaluation reserve		309,615	445,453
Total taxpayers' equity		1,929,693	2,155,026

The notes on pages 17 to 57 form part of these accounts



David Sissling,
 Director General, Department for Health and Social Services, Chief Executive NHS Wales
 9th July 2013

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2013

	General Fund £'000	Revaluation reserve £'000	Total reserves £'000
Changes in taxpayers' equity for 2012-13			
Balance at 1 April 2012	1,709,573	445,453	2,155,026
Net operating cost for the year	(5,559,991)	-	(5,559,991)
Net gain/(loss) on revaluation of property, plant and equipment	-	(8,860)	(8,860)
Net gain/(loss) on revaluation of assets held for sale	-	155	155
Impairments and reversals	-	(122,160)	(122,160)
Transfers between reserves	4,973	(4,973)	-
Total recognised income and expense for 2012-13	(5,555,018)	(135,838)	(5,690,856)
Net Welsh Government funding	5,465,523	-	5,465,523
Balance at 31 March 2013	1,620,078	309,615	1,929,693

The notes on pages 17 to 57 form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2012

	General Fund £000	Revaluation reserve £000	Total reserves £000
Balance at 1 April 2011	1,764,359	374,543	2,138,902
Net operating cost for the year	(5,518,784)	-	(5,518,784)
Net gain/(loss) on revaluation of property, plant and equipment	-	69,017	69,017
Net gain/(loss) on revaluation of assets held for sale	-	821	821
Impairments and reversals	(18,606)	16,877	(1,729)
Transfers between reserves	15,805	(15,805)	-
Total recognised income and expense for 2011-12	(5,521,585)	70,910	(5,450,675)
Net Welsh Government funding	5,466,799	-	5,466,799
Balance at 31 March 2012	1,709,573	445,453	2,155,026

The notes on pages 17 to 57 form part of these accounts

Statement of Cash flows for year ended 31 March 2013

	2012-13	2011-12
	£'000	£'000
Cash Flows from operating activities		
Net operating costs for the financial year	(5,559,991)	(5,518,784)
Movements in Working Capital	31 (55,735)	33,778
Other cash flow adjustments	32 416,392	357,672
Provisions utilised	16 (77,532)	(69,118)
Net cash outflow from operating activities	(5,276,866)	(5,196,452)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(198,348)	(278,190)
Proceeds from disposal of property, plant and equipment	9,923	5,205
Purchase of intangible assets	(1,500)	(1,164)
Net cash outflow from investing activities	(189,925)	(274,149)
Net cash outflow before financing	(5,466,791)	(5,470,601)
Cash flows from financing activities		
Welsh Government funding (including capital)	5,465,524	5,466,799
Net financing	5,465,524	5,466,799
Net decrease in cash and cash equivalents	(1,267)	(3,802)
Cash and cash equivalents at 1 April 2012	8,065	11,867
Cash and cash equivalents at 31 March 2013	6,798	8,065

The notes on pages 17 to 57 form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2012-13 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Boards (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income and funding

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

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

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

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

1.4 Employee benefits

Short-term employee benefits

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

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

Retirement benefit costs

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

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

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

1.5 Other expenses

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

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

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

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

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

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

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 £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

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

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

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

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

1.9 Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity

and benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Donated assets

Following the accounting policy change outlined in the Tresasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

1.11 Government grants

Following the accounting policy change outlined in the Tresasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of government grant are credited directly to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the Government Grant preclude immediate recognition of the gain.

1.12 Non-current assets held for sale

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

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

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

1.13 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 SoCNE.

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

1.13.2 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. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.16 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 Statement of Financial Position date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

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

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

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

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

1.17 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 Government. The Welsh Risk Pool was hosted by Betsi Cadwaladr University Local Health Board until 31 May 2012 and from 1 June by Velindre NHS Trust, as a consequence of the transfer as part of the establishment of NHS Wales Shared Services Partnership.

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 SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1.18.2 Financial assets at fair value through SoCNE

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

1.18.3 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 SoCNE 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 SoCNE and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

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

1.19 Financial liabilities

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

1.19.1 Financial liabilities are initially recognised at fair value.

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

1.19.2 Financial liabilities at fair value through SoCNE

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

1.19.3 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 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.

1.21 Foreign currencies

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

1.22 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHBs have no beneficial interest in them. Details of third party assets are given in note 23 to the accounts.

1.23 Losses and Special Payments

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

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

1.24 Pooled budgets

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

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

1.25 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI assets

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17.

Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

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

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

Other assets contributed by the LHB to the operator

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

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

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

1.27 Contingencies

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

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

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

1.28 Carbon Reduction Commitment Scheme

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

1.29 Absorption accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. The FReM was amended in 2012-13 to provide for transfer by absorption accounting, it does not require retrospective adoption so prior year transactions have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

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

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

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

IFRS 9 Financial Instruments - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

1.31 Accounting standards that have been adopted early

No accounting standards issued have been adopted early.

For 2012-13 the LHBs have not consolidated the NHS charitable funds for which they are the corporate trustees.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2012-13 Total £'000	2011-12 £'000
General Medical Services	464,302	-	464,302	459,324
Pharmaceutical Services	147,901	4,824	152,725	154,094
General Dental Services	168,346	-	168,346	165,364
General Ophthalmic Services	-	30,541	30,541	30,722
Other Primary Health Care expenditure	19,944	-	19,944	24,767
Prescribed drugs and appliances	488,367	-	488,367	509,735
Total	1,288,860	35,365	1,324,225	1,344,006

2.2 Expenditure on healthcare from other providers

	2012-13 £'000	2011-12 £'000
Goods and services from other NHS Wales Trusts	207,886	203,012
Goods and services from other non Welsh NHS bodies	223,844	220,135
Local Authorities	22,707	20,475
Voluntary organisations	28,546	26,149
NHS Funded Nursing Care	34,567	35,837
Continuing Care	280,974	269,778
Private providers	33,801	35,711
Specific projects funded by the Welsh Government	-	3
Public Health Wales	11,537	10,992
NWSSP -Business Services Centre / Business Support Partnership	7	-
Other	593	897
Total	844,462	822,989

2.3 Expenditure on Hospital and Community Health Services

	2012-13 £'000	2011-12 £'000
Directors' costs	12,747	11,993
Staff costs	2,700,662	2,693,368
Supplies and services - clinical	456,679	446,024
Supplies and services - general	44,665	43,437
Consultancy Services	4,567	3,800
Establishment	67,428	66,672
Transport	11,582	11,400
Premises	121,433	118,724
External Contractors	780	1,027
Depreciation	122,498	134,811
Amortisation	1,741	1,640
Fixed asset impairments and reversals (Property, plant & equipment)	191,284	185,507
Impairments & reversals of non-current assets held for sale	70	2,452
Audit fees	3,192	3,374
Other auditors' remuneration	6	-
Losses, special payments and irrecoverable debts	16,133	16,963
Research and Development	465	554
Other operating expenses	106,661	104,423
Total	3,862,593	3,846,169

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

	2012-13 £'000	2011-12 £'000
Increase/(decrease) in provision for future payments:		
Clinical negligence	85,743	29,516
Personal injury	9,220	5,553
All other losses and special payments	4,552	7,762
Defence legal fees and other administrative costs	1,485	3,480
Gross increase/(decrease) in provision for future payments	101,000	46,311
Premium for other insurance arrangements	550	505
Irrecoverable debts	(62)	44
Less: income received/ due from Welsh Risk Pool	(85,298)	(29,897)
Total	16,190	16,963

Personal injury includes £2,444,243 (2011-12: £1,135,337) in respect of permanent injury benefits.

Payments in respect of clinical redress were £732,648 (2011-12: £368,884).

3. Miscellaneous Income

	2012-13 £'000	2011-12 £'000
NHS trusts	27,450	24,587
Strategic health authorities and primary care trusts	27,539	25,860
Foundation Trusts	762	732
Local authorities	34,659	28,737
Welsh Assembly Government	143,173	143,624
Non NHS:		
Prescription charge income	83	72
Dental fee income	28,758	28,693
Private patient income	6,156	6,602
Overseas patients (non-reciprocal)	622	558
Injury Costs Recovery (ICR) Scheme	12,688	14,084
Other income from activities	12,218	12,206
Education, training and research	110,500	141,465
Charitable and other contributions to expenditure	7,233	7,539
Receipt of donated assets	6,810	2,794
Receipt of government grant assets	107	329
Non-patient care income generation schemes	2,992	6,032
Business Services Centre / Business Services Partnership	58	-
Deferred income released to revenue	208	323
Rental income from operating leases	921	862
Other income:		
Provision of laundry, pathology, payroll services	5,102	3,194
Accommodation and catering charges	14,276	14,036
Mortuary fees	1,379	1,250
Staff payments for use of cars	3,277	3,208
Business units	2,626	7,653
Other	31,033	30,717
Total	480,630	505,157

ICR income is subject to a provision for impairment of 12.6% to reflect expected rates of collection.

4. Employee benefits and staff numbers

4.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12
	£'000	£'000	£'000	£'000	£'000
Salaries and wages	2,250,579	6,758	47,389	2,304,726	2,304,526
Social security costs	171,717	39	-	171,756	167,922
Employer contributions to NHS Pension Scheme	272,038	56	-	272,094	271,043
Other pension costs	57	-	-	57	218
Termination benefits	2,606	-	-	2,606	3,471
Total	2,696,997	6,853	47,389	2,751,239	2,747,180
Charged to capital				4,983	4,971
Charged to revenue				2,746,256	2,742,907
				2,751,239	2,747,878

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

4.2 Average number of employees	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2011-12
	Number	Number	Number	Number	Number
Medical and dental	6,010	41	239	6,290	6,152
Administrative and estates	11,943	34	57	12,034	12,971
Healthcare assistants and other support staff	11,543	-	41	11,584	11,841
Nursing, midwifery and health visiting staff	26,132	10	178	26,320	26,345
Nursing, midwifery and health visiting learners	17	-	-	17	22
Scientific, therapeutic and technical staff	9,629	6	15	9,650	9,533
Social care staff	-	9	-	9	5
Other	56	1	3	60	56
Total	65,330	101	533	65,964	66,925

4.3. Retirements due to ill-health

During 2012-13 there were 137 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 £6,974,403.

4.4 Employee benefits

There were no employee benefit schemes operating in 2012-13.

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.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations, using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013 is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

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

The next formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

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. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

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 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 employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

5. Operating leases

LHB as lessee

Detailed disclosures are made in the individual LHB accounts.

Payments recognised as an expense	2012-13	2011-12
	£'000	£'000
Minimum lease payments	20,151	20,750
Total	20,151	20,750

Total future minimum lease payments

Payable	£'000	£'000
Not later than one year	14,966	15,666
Between one and five years	29,770	30,093
After 5 years	33,830	35,026
Total	78,566	80,785

LHB as lessor

Rental revenue	£'000	£'000
Rent	634	626
Total revenue rental	634	626

Total future minimum lease payments

Receivable	£'000	£'000
Not later than one year	537	545
Between one and five years	737	633
After 5 years	1,208	1,184
Total	2,482	2,362

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

	2012-13	2011-12
	£	£
Amounts included within finance costs from claims made under this legislation	1,946	99
Compensation paid to cover debt recovery costs under this legislation	1,226	659
Total	3,172	758

7. Investment Income

	2012-13	2011-12
	£'000	£'000
Interest revenue :		
Bank accounts	1	5
Other financial assets	25	26
Total	26	31

8. Other gains and losses

	2012-13	2011-12
	£'000	£'000
Gain/(loss) on disposal of property, plant and equipment	40	41
Gain/(loss) on disposal of intangible assets	(2)	-
Total	38	41

9. Finance costs

	2012-13	2011-12
	£'000	£'000
Interest on obligations under finance leases	149	173
Interest on obligations under PFI contracts		
main finance cost	5,626	5,776
contingent finance cost	1,642	1,461
Other interest expense	1	-
Total interest expense	7,418	7,410
Provisions unwinding of discount	1,987	2,218
Other finance costs	-	1,221
Total	9,405	10,849

10.1 Property, plant and equipment

	Land £'000	Buildings, excluding dwellings £'000	Dwellings £'000	Assets under construction & payments on account £'000	Plant and machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Cost or valuation at 1 April 2012	375,879	2,224,519	55,869	215,208	483,329	7,314	95,619	23,021	3,480,758
Additions - purchased	638	31,464	122	121,266	23,713	29	14,639	2,868	194,739
Additions - donated	-	3,480	-	712	2,410	-	147	40	6,789
Additions - government granted	-	-	-	-	77	-	30	-	107
Reclassifications	-	181,119	85	(182,152)	563	146	182	(26)	(83)
Revaluations	12,696	(280,722)	(3,468)	(46)	(248)	-	-	-	(271,788)
Impairments	(23,922)	(339,077)	(5,229)	(8,442)	(146)	-	(4)	-	(376,820)
Reclassified as held for sale	(2,986)	(2,965)	(623)	-	-	-	(203)	-	(6,777)
Disposals	(73)	(2,542)	-	-	(27,144)	(940)	(8,902)	(1,112)	(40,713)
At 31 March 2013	362,232	1,815,276	46,756	146,546	482,554	6,549	101,508	24,791	2,986,212
Depreciation at 1 April 2012	-	348,632	5,495	1,888	313,474	5,367	61,389	9,948	746,193
Reclassifications	-	9	-	-	(8)	58	(64)	(54)	(59)
Revaluations	-	(296,541)	(4,386)	-	(246)	-	-	-	(301,173)
Impairments	-	(24,419)	(862)	(9)	(39)	-	-	-	(25,329)
Reclassified as held for sale	-	(757)	(1)	-	-	-	(187)	-	(945)
Disposals	-	(1,707)	-	-	(27,015)	(891)	(8,737)	(846)	(39,196)
Provided during the year	-	64,773	1,649	-	41,676	559	11,590	2,251	122,498
At 31 March 2013	-	89,990	1,895	1,879	327,842	5,093	63,991	11,299	501,989
Net book value at 1 April 2012	375,879	1,875,887	50,374	213,320	169,855	1,947	34,230	13,073	2,734,565
Net book value at 31 March 2013	362,232	1,725,286	44,861	144,667	154,712	1,456	37,517	13,492	2,484,223
Net book value at 31 March 2013 comprises :									
Purchased	358,651	1,695,513	44,861	144,667	145,423	1,399	37,106	13,178	2,440,798
Donated	3,581	28,905	-	-	9,212	57	259	264	42,278
Government Granted	-	868	-	-	77	-	152	50	1,147
	362,232	1,725,286	44,861	144,667	154,712	1,456	37,517	13,492	2,484,223
Asset financing :									
Owned	351,177	1,634,767	42,677	144,667	153,855	1,456	37,517	13,492	2,379,608
Held on finance lease	-	1,542	-	-	419	-	-	-	1,961
On-SoFP PFI contracts	11,055	88,977	2,184	-	438	-	-	-	102,654
Total	362,232	1,725,286	44,861	144,667	154,712	1,456	37,517	13,492	2,484,223

The net book value of land, buildings and dwellings at 31 March 2013 comprises :

	£'000
Freehold	2,025,906
Long Leasehold	84,478
Short Leasehold	21,995
	2,132,379

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

10.1 Property, plant and equipment

	Land £'000	Buildings, excluding dwellings £'000	Dwellings £'000	Assets under construction on account £'000	Plant and machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Cost or valuation at 1 April 2011	391,724	1,921,878	54,732	448,151	466,048	7,303	86,163	18,595	3,394,594
Indexation	-	77,168	2,178	-	-	-	-	-	79,346
Additions - purchased	235	39,327	111	178,185	32,008	291	12,478	4,209	266,844
Additions - donated	21	226	-	30	2,449	-	69	6	2,801
Additions - government granted	-	-	-	303	-	-	26	-	329
Reclassifications	-	394,034	(44)	(411,461)	16,492	67	290	407	(215)
Revaluations	886	(175)	(23)	-	-	-	-	-	688
Impairments	(3,765)	(172,254)	(193)	-	(91)	-	(9)	-	(176,312)
Reclassified as held for sale	(13,219)	(28,031)	(892)	-	-	-	-	-	(42,142)
Disposals	(3)	(7,654)	-	-	(33,577)	(347)	(3,398)	(196)	(45,175)
At 31 March 2012	375,879	2,224,519	55,869	215,208	483,329	7,314	95,619	23,021	3,480,758
Depreciation at 1 April 2011	-	258,071	3,883	28,578	305,217	5,172	54,120	8,239	663,280
Indexation	-	10,526	148	-	-	-	-	-	10,674
Reclassifications	-	26,959	(224)	(26,690)	278	(51)	(341)	62	(7)
Revaluations	-	(573)	(30)	-	-	-	-	-	(603)
Impairments	-	9,449	(22)	-	(25)	-	(2)	-	9,400
Reclassified as held for sale	-	(26,450)	(48)	-	-	-	-	-	(26,498)
Disposals	-	(7,606)	-	-	(33,333)	(346)	(3,389)	(190)	(44,864)
Provided during the year	-	78,256	1,788	-	41,337	592	11,001	1,837	134,811
At 31 March 2012	-	348,632	5,495	1,888	313,474	5,367	61,389	9,948	746,193
Net book value at 1 April 2011	391,724	1,663,807	50,849	419,573	160,831	2,131	32,043	10,356	2,731,314
Net book value at 31 March 2012	375,879	1,875,887	50,374	213,320	169,855	1,947	34,230	13,073	2,734,565
Net book value at 31 March 2012 comprises :									
Purchased	371,319	1,846,449	50,374	213,290	160,527	1,858	33,886	12,711	2,690,414
Donated	4,560	28,200	-	30	9,328	89	207	312	42,726
Government Granted	-	1,238	-	-	-	-	137	50	1,425
	375,879	1,875,887	50,374	213,320	169,855	1,947	34,230	13,073	2,734,565
Asset financing :									
Owned	362,543	1,768,763	46,162	213,320	168,414	1,947	34,228	13,073	2,608,450
Held on finance lease	1	1,595	-	-	713	-	2	-	2,311
On-SoFP PFI contracts	13,335	105,529	4,212	-	728	-	-	-	123,804
Total	375,879	1,875,887	50,374	213,320	169,855	1,947	34,230	13,073	2,734,565

The net book value of land, buildings and dwellings at 31 March 2012 comprises :

	£'000
Freehold	2,171,956
Long Leasehold	128,927
Short Leasehold	1,257
	2,302,140

10. Property, plant and equipment (continued)

10.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Total
	£'000	£'000	£'000	£'000
Balance brought forward 1 April 2012	7,322	960	-	8,282
Plus assets classified as held for sale in the year	3,088	2,858	15	5,961
Revaluation	155	165	-	320
Less assets sold in the year	(6,233)	(1,936)	(15)	(8,184)
Less impairment of assets held for sale	(57)	(376)	-	(433)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(102)	(27)	-	(129)
Balance carried forward 31 March 2013	4,173	1,644	-	5,817
Balance brought forward 1 April 2011	1,156	434	-	1,590
Plus assets classified as held for sale in the year	13,219	2,426	-	15,645
Less assets sold in the year	(3,846)	(1,007)	-	(4,853)
Less impairment of assets held for sale	(3,207)	(893)	-	(4,100)
Balance carried forward 31 March 2012	7,322	960	-	8,282

11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2012	11,324	11	-	11,335
Revaluation	-	-	21	21
Reclassifications	61	22	47	130
Additions- purchased	1,475	6	19	1,500
Additions- donated	21	-	-	21
Disposals	(874)	-	-	(874)
Gross cost at 31 March 2013	12,007	39	87	12,133
Amortisation at 1 April 2012	6,321	11	-	6,332
Reclassifications	59	-	-	59
Provided during the year	1,740	1	-	1,741
Disposals	(690)	-	-	(690)
Amortisation at 31 March 2013	7,430	12	-	7,442
Net book value at 1 April 2012	5,003	-	-	5,003
Net book value at 31 March 2013	4,577	27	87	4,691
At 31 March 2013				
Purchased	4,508	27	87	4,622
Donated	65	-	-	65
Government Granted	4	-	-	4
Total at 31 March 2013	4,577	27	87	4,691

11. Intangible non-current assets (continued)

	Software (purchased)	Licences and trademarks	Total
	£'000	£'000	£'000
Cost or valuation at 1 April 2011	10,004	11	10,015
Reclassifications	215	-	215
Additions- purchased	1,164	-	1,164
Additions- donated	32	-	32
Disposals	(91)	-	(91)
Gross cost at 31 March 2012	11,324	11	11,335
Amortisation at 1 April 2011	4,767	9	4,776
Reclassifications	7	-	7
Provided during the year	1,638	2	1,640
Disposals	(91)	-	(91)
Amortisation at 31 March 2012	6,321	11	6,332
Net book value at 1 April 2011	5,237	2	5,239
Net book value at 31 March 2012	5,003	-	5,003
At 31 March 2012			
Purchased	4,933	-	4,933
Donated	64	-	64
Government Granted	6	-	6
Total at 31 March 2012	5,003	-	5,003

12. Impairments

	2012-13	2011-12
	Property, plant & equipment £'000	Property, plant & equipment £'000
Impairments arising from :		
Loss or damage from normal operations	172	2,958
Abandonment in the course of construction	646	129
Changes in market price	66,255	2,432
Others (specify)	367,753	184,294
Total of all impairments	434,826	189,813
Analysis of impairments charged to reserves in year :		
Charged to the Statement of Comprehensive Net Expenditure	191,354	187,959
Charged to Revaluation Reserve	243,472	1,854
	434,826	189,813

13.1 Inventories

	31 March	31 March
	2013	2012
	£'000	£'000
Drugs	18,399	17,241
Consumables	37,788	34,556
Energy	1,224	1,294
Other	29	31
Total	57,440	53,122
Of which held at realisable value	-	-

13.2 Inventories recognised in expenses

Inventories recognised as an expense in the period	153,159	133,625
Write-down of inventories (including losses)	483	516
Total	153,642	134,141

14. Trade and other receivables

Current	31 March 2013 £'000	31 March 2012 £'000
Welsh Government	7,894	8,834
Welsh NHS Trusts	3,961	4,728
Non - Welsh Trusts	4,884	5,236
Other NHS	157	16
Welsh Risk Pool	188,266	191,825
Local Authorities	12,179	9,794
Other debtors	49,401	48,849
Provision for irrecoverable debts	(6,700)	(6,944)
Other prepayments and accrued income	22,925	25,150
Sub total	282,967	287,488
Non-current		
Welsh Risk Pool	151,997	116,627
Other debtors	6,000	5,420
Provision for irrecoverable debts	(481)	(352)
Other prepayments and accrued income	1,382	1,415
Sub total	158,898	123,110
Total	441,865	410,598
 Receivables past their due date but not impaired		
By up to three months	12,189	12,537
By three to six months	1,903	1,637
By more than six months	6,913	6,954
	21,005	21,128
 Provision for impairment of receivables		
Balance at 1 April	(7,296)	(7,115)
Amount written off during the year	382	318
Amount recovered during the year	171	256
(Increase) / decrease in receivables impaired	(437)	(755)
Balance at 31 March	(7,180)	(7,296)

15. Trade and other payables

Current	31 March 2013 £'000	31 March 2012 £'000
Welsh Government	553	203
Welsh NHS Trusts	12,236	8,819
Other NHS	45,256	44,460
Income tax and social security	55,167	54,003
Non-NHS creditors	103,787	108,854
Local authorities	24,052	17,924
Capital Creditors	42,009	43,915
Rentals due under operating leases	1	-
Obligations under finance leases, HP contracts and PFI contracts	3,196	3,258
Pensions: staff	18,910	17,582
Accruals	247,990	261,261
Deferred Income	1,386	1,684
Other creditors	16,320	25,728
Sub-total	570,863	587,691
Non-current		
Obligations under finance leases, HP contracts and PFI contracts	79,959	83,199
Sub-total	79,959	83,199
Total	650,822	670,890

16. Provisions

	At 1 April 2012	Transfer of provisions to creditors	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current								
Clinical negligence	175,931	(2,663)	2,145	146,386	(49,080)	(102,288)	880	171,311
Personal injury	8,930	-	5	9,808	(4,769)	(2,038)	418	12,354
All other losses and special payments	597	(58)	-	4,253	(4,745)	(47)	-	-
Defence legal fees and other administration	9,128	-	660	6,558	(2,329)	(6,095)	-	7,922
Pensions relating to former directors	8	-	6	1	(9)	-	2	8
Pensions relating to other staff	2,089	-	1,097	494	(2,048)	(11)	455	2,076
Other	30,854	(134)	4,595	16,338	(7,565)	(9,137)	-	34,951
Total	227,537	(2,855)	8,508	183,838	(70,545)	(119,616)	1,755	228,622
Non Current								
Clinical negligence	115,133	-	(2,145)	49,897	(5,998)	(8,252)	108	148,743
Personal injury	14,526	-	(5)	2,450	(336)	(961)	63	15,737
All other losses and special payments	-	-	-	346	-	-	-	346
Defence legal fees and other administration	4,464	-	(660)	1,566	(345)	(523)	-	4,502
Pensions relating to former directors	63	-	(6)	4	-	(32)	-	29
Pensions relating to other staff	16,354	-	(1,097)	1,026	-	(823)	38	15,498
Other	11,621	-	(4,595)	2,834	(308)	(4,499)	-	5,053
Total	162,161	-	(8,508)	58,123	(6,987)	(15,090)	209	189,908
TOTAL								
Clinical negligence	291,064	(2,663)	-	196,283	(55,078)	(110,540)	988	320,054
Personal injury	23,456	-	-	12,258	(5,105)	(2,999)	481	28,091
All other losses and special payments	597	(58)	-	4,599	(4,745)	(47)	-	346
Defence legal fees and other administration	13,592	-	-	8,124	(2,674)	(6,618)	-	12,424
Pensions relating to former directors	71	-	-	5	(9)	(32)	2	37
Pensions relating to other staff	18,443	-	-	1,520	(2,048)	(834)	493	17,574
Other	42,475	(134)	-	19,172	(7,873)	(13,636)	-	40,004
Total	389,698	(2,855)	-	241,961	(77,532)	(134,706)	1,964	418,530

Expected timing of cash flows:

	In the remainder of spending period March 2014	Between 1 April 2014- 31 March 2019	Between 1 April 2019- 31 March 2024	Thereafter	Total £000
Clinical negligence	190,734	128,066	1,255	-	320,055
Personal injury	14,871	4,424	4,510	4,285	28,090
All other losses and special payments	-	346	-	-	346
Defence legal fees and other administration	9,507	2,916	-	-	12,423
Pensions relating to former directors	8	17	12	-	37
Pensions relating to other staff	2,076	8,394	5,474	1,631	17,575
Other	38,647	1,357	-	-	40,004
Total	255,843	145,520	11,251	5,916	418,530

The format of the expected timing of the cashflows has been amended in line with Welsh Government instructions.

16. Provisions (continued)

	At 1 April 2011	Transfer of provision s to creditors	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current								
Clinical negligence	165,541	(5,800)	47,387	92,604	(43,145)	(81,273)	617	175,931
Personal injury	6,229	-	2,663	8,457	(5,752)	(3,055)	388	8,930
All other losses and special payments	223	(521)	-	8,663	(7,267)	(501)	-	597
Defence legal fees and other administration	8,707	-	914	5,902	(2,274)	(4,121)	-	9,128
Pensions relating to former directors	8	-	7	-	(8)	-	1	8
Pensions relating to other staff	2,178	-	1,059	323	(1,789)	(124)	442	2,089
Other	39,847	-	(2,530)	13,543	(4,396)	(15,610)	-	30,854
Total	222,733	(6,321)	49,500	129,492	(64,631)	(104,684)	1,448	227,537
Non Current								
Clinical negligence	147,143	-	(47,387)	36,472	(3,454)	(18,287)	646	115,133
Personal injury	17,458	-	(2,663)	1,163	(472)	(1,012)	52	14,526
Defence legal fees and other administration	4,019	-	(914)	1,989	(340)	(290)	-	4,464
Pensions relating to former directors	64	-	(7)	26	-	(20)	-	63
Pensions relating to other staff	17,795	-	(1,059)	377	(221)	(582)	44	16,354
Other	10,375	-	2,530	1,927	-	(3,211)	-	11,621
Total	196,854	-	(49,500)	41,954	(4,487)	(23,402)	742	162,161
TOTAL								
Clinical negligence	312,684	(5,800)	-	129,076	(46,599)	(99,560)	1,263	291,064
Personal injury	23,687	-	-	9,620	(6,224)	(4,067)	440	23,456
All other losses and special payments	223	(521)	-	8,663	(7,267)	(501)	-	597
Defence legal fees and other administration	12,726	-	-	7,891	(2,614)	(4,411)	-	13,592
Pensions relating to former directors	72	-	-	26	(8)	(20)	1	71
Pensions relating to other staff	19,973	-	-	700	(2,010)	(706)	486	18,443
Other	50,222	-	-	15,470	(4,396)	(18,821)	-	42,475
Total	419,587	(6,321)	-	171,446	(69,118)	(128,086)	2,190	389,698

17. Cash and cash equivalents

	2012-13 £'000	2011-12 £'000
Balance at 1 April	8,065	11,867
Net change in cash and cash equivalent balances	(1,267)	(3,802)
Balance at 31 March	6,798	8,065
Made up of:		
Cash held at Office of HM Paymaster General / GBS	5,545	8,762
Commercial banks and cash in hand	1,253	(697)
Cash and cash equivalents as in Statement of Financial Position	6,798	8,065
Cash and cash equivalents as in Statement of Cash Flows	6,798	8,065

18. Other Financial Assets

	Current		Non-current	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
Financial assets				
Loans carried at amortised cost	27	27	842	869
	27	27	842	869

19. Other assets

	Current		Non-current	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
Carbon Reduction Commitment Scheme	-	47	-	-
	-	47	-	-

20. Other liabilities

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
PFI asset -deferred credit	292	292	1,186	1,478
Other	1,180	3,194	-	-
	1,472	3,486	1,186	1,478

21. Other financial liabilities

No other financial liabilities were reported by LHBs.

22. Related Party Transactions

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

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

23. Third Party Assets

LHB's held £2,247,125 cash at bank and in hand at 31 March 2013 (31 March 2012: £2,196,877) which relates to monies held by the LHB on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

24. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2013		Approved to write-off to 31 March 2013	
	Number	£	Number	£
Clinical negligence	601	60,760,109	232	43,405,343
Personal injury	439	4,631,031	188	2,909,716
All other losses and special payments	1,613	5,618,900	1,604	5,521,270
Total	2,653	71,010,040	2,024	51,836,329

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	49	44,532,740	113	128,702,721
Personal injury	1	315,081	3	1,132,756
All other losses and special payments	1	2,306,097	2	6,423,592
Total	51	47,153,918	118	136,259,069

25. Contingencies

25.1 Contingent liabilities

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

	2012-13	2011-12
	£'000	£'000
Legal claims for alleged medical or employer negligence	518,345	411,417
Defence costs	9,588	6,362
Continuing Care health costs	58,520	41,336
Other	2,536	1,971
Total value of disputed claims	588,989	461,086
Less amounts recovered in the event of claims being successful	469,660	365,009
Net contingent liability	119,329	96,077

25.2 Contingent assets

The LHBs have no contingent assets disclosures.

26. Capital commitments

Contracted capital commitments at 31 March 2013 for	2012-13	2011-12
	£'000	£'000
Property, plant and equipment	171,376	166,308
	171,376	166,308

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

Buildings	31 March 2013 £000	31 March 2012 £000
Minimum lease payments	£000	£000
Within one year	277	279
Between one and five years	954	995
After five years	35	273
Less finance charges allocated to future periods	(89)	(129)
Minimum lease payments	1,177	1,418
Included in:		
Current borrowings	243	240
Non-current borrowings	934	1,178
	1,177	1,418
Present value of minimum lease payments		
Within one year	232	231
Between one and five years	729	782
After five years	30	201
Present value of minimum lease payments	991	1,214
Included in:		
Current borrowings	16	16
Non-current borrowings	17	33
	33	49
Other	31 March 2013 £000	31 March 2012 £000
Minimum lease payments	£000	£000
Within one year	404	531
Between one and five years	1,251	1,371
After five years	782	1,066
Less finance charges allocated to future periods	(363)	(473)
Minimum lease payments	2,074	2,495
Included in:		
Current borrowings	314	422
Non-current borrowings	1,760	2,073
	2,074	2,495
Present value of minimum lease payments		
Within one year	307	413
Between one and five years	1,007	1,059
After five years	739	984
Less finance charges allocated to future periods	2,053	2,456
Present value of minimum lease payments	4,106	4,912
Included in:		
Current borrowings	196	186
Non-current borrowings	1,647	1,842
	1,843	2,028

28. Private Finance Initiative contracts

At the start of the year five of the seven Local Health Boards disclosed private finance transactions: Abertawe Bro Morgannwg LHB, Aneurin Bevan LHB, Betsi Cadwaladr LHB, Cardiff and Vale LHB, and Cwm Taf LHB . These health boards reported ten Private Finance Initiatives (PFI) and five Public Private Partnerships (PPP) schemes.

Eight of the PFI schemes were on Statement of Financial Position and two were off -Statement of Financial Position. The total obligation for on-Statement of Financial Position PFI contracts was £209.877 million. The LHB total annual charge commitment was £18.804 million.

There were five PPP schemes on Statement of Financial Position during 2012-13. Further details are given in the individual health board accounts.

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 LHBs are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHBs have limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs in undertaking their activities.

Currency risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

30. Financial Instruments

Financial assets	At "fair value" through SoCNE £'000	Loans and receivables £'000	Available for sale £'000	Total £'000
NHS receivables	123,146	151,574	-	274,720
Cash at bank and in hand	5,461	1,337	-	6,798
Other financial assets	100,412	56,812	748	157,972
Total at 31 March 2013	229,019	209,723	748	439,490

Financial liabilities	At "fair value" through SoCNE £'000	Other £'000	Total £'000
PFI and finance lease obligations	63,412	9,289	72,701
Other financial liabilities	326,441	273,828	600,269
Total at 31 March 2013	389,853	283,117	672,970

Financial assets	At "fair value" through SoCNE £'000	Loans and receivables £'000	Available for sale £'000	Total £'000
NHS receivables	98,473	104,276	-	202,749
Cash at bank and in hand	6,237	1,828	-	8,065
Other financial assets	125,798	66,746	366	192,910
Total at 31 March 2012	230,508	172,850	366	403,724

Financial liabilities	At "fair value" through SoCNE £'000	Other £'000	Total £'000
PFI and finance lease obligations	68,248	10,011	78,259
Other financial liabilities	330,400	289,203	619,603
Total at 31 March 2012	398,648	299,214	697,862

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The LHB has no power 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 the LHB in undertaking its activities.

31. Movements in working capital

	2012-13	2011-12
	£'000	£'000
(Increase)/decrease in inventories	(4,318)	(3,958)
(Increase)/decrease in trade and other receivables - non-current	(35,788)	34,114
(Increase)/decrease in trade and other receivables -current	4,521	(14,056)
(Increase)/decrease in other assets	26	129
Increase/(decrease) in trade and other payables- non-current	(3,240)	(3,090)
Increase/(decrease) in trade and other payables- current	(16,828)	6,830
Increase/(decrease) in other liabilities	(2,306)	(299)
Total	(57,933)	19,670
Adjustment for accrual movements in fixed assets -creditors	1,906	13,942
Adjustment for accrual movements in fixed assets -debtors	-	(124)
Other adjustments	292	290
Total	(55,735)	33,778

32. Other cash flow adjustments

	2012-13	2011-12
	£'000	£'000
Depreciation	122,498	134,811
Amortisation	1,741	1,640
(Gains)/Loss on Disposal	(38)	(41)
Impairments and reversals	191,354	187,959
Release of PFI deferred credits and CRC deferred credits	(313)	(292)
Donated assets received credited to revenue but non-cash	(6,810)	(2,833)
Government Grant assets received credited to revenue but non-cash	(107)	(329)
Non-cash movements in provisions	108,067	36,757
Total	416,392	357,672

33. Events after the reporting period

At 1st April 2013, the functions and associated assets and liabilities of the National Leadership and Innovation Agency for Health (NLIAH) will transfer from Abertawe Bro Morgannwg University Health Board to the Welsh Government, Public Health Wales NHS Trust and Velindre NHS Trust. The transfer of functions will be treated as an absorption of services into the new organisations.

The transactions and balances related to NLIAH will be shown from 2013-14 in the financial statements of the Welsh Government, Public Health Wales NHS Trust and Velindre NHS Trust.

34. Transfer of assets and liabilities from Local Health Boards

At 1 June 2012 the following functions:

- Welsh Health Estates
- Welsh Health Legal Services and the Welsh Risk Pool
- Contractor Services
- Prescribing Services Unit
- Capital and PFI audit and consultancy services
- Welsh Health Supplies
- Procure to Pay Services comprising Accounts Payable and Procurement Services
- Payroll and Recruitment Services
- Internal Audit Services

and their associated asset and liabilities were transferred to Velindre NHS Trust to form NHS Wales Shared Services. In accordance with the FReM, the transfer of functions were treated using absorption accounting, adapted for the issue of PDC. All transactions and balances related to those functions pre 1 June 2012 are included in the transferor accounts and post 1 June 2012 these are included in Velindre NHS Trust's financial statements.

The assets and liabilities transferred were as follows :

	£'000
Property, plant and equipment	1,762
Intangible assets	182
Total PPE and intangible assets	1,944
Non-current assets	13
Current assets	489
Liabilities	(382)
Total working capital transferred	120

**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 an account summarised by consolidation shall be prepared for the financial year ended 31 March 2012, and subsequent financial years, 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 all 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 HM Treasury which is in force for the financial year, but specifically excluding a Statement of Parliamentary Supply and any other divergences as have been formally agreed for that year by HM Treasury.

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

a) give a true and fair view of the state of affairs as at 31 March 2012, and subsequent financial year-ends, and of the Statement of Comprehensive Net Expenditure, Statement of Changes in Taxpayers' Equity and Statement of Cash Flows for the financial year then ended; and

b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

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

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to

devise an appropriate alternative treatment that should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Welsh Government.

7. This direction supersedes the direction dated 15 July 2010

Chris Wobschall
Deputy Director, Assurance and Financial Reporting Policy
HM Treasury
19 May 2012

SCHEDULE 1

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

Companies Act

8. The disclosure exemptions permitted by the Companies Act shall not apply to the LHBs unless specifically approved by the Treasury.

9. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the LHBs, the information relating to LHBs shall be contained in the foreword.

Accounting Standards

10. LHBs 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 LHBs 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

Statement of the Welsh Government and Accounting Officer's responsibilities

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

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

Section 178, Schedule 9, Para 5(2) of the National Health Service (Wales) Act 2006 requires the Welsh Government to prepare a statement of accounts for each financial year in the form and on the basis directed by 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 NHS trusts in Wales at the year end and their income and expenditure 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.

2012-13 Summarised NHS Trusts Annual Governance Statement

1. Scope of responsibility

As Chief Executive NHS Wales and Additional Accounting Officer for the Department for Health and Social Services, I have responsibility for maintaining appropriate governance structures and procedures together with a sound system of internal control that supports the achievement of the Welsh Government policies, aims and objectives in accordance with the principles set out in Managing 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 his 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 the NHS trusts to serve as Accountable Officers. It is their responsibility to ensure that there are appropriate governance structures and procedures and effective systems of internal control within their individual organisations.

2. Governance framework

The Welsh Government require that the NHS trusts in Wales operate within the wider governance framework set for the NHS in Wales and incorporating the standards of good governance set for the NHS in Wales, (as defined in the Citizen Centred Governance Principles and standards for Health Services in Wales), together with the planning and performance frameworks.

NHS trusts must agree standing orders for the regulation of proceedings and business. They are designed to translate the statutory requirements into day to day operating practice. Together with the adoption of a scheme of decisions reserved to the Board; a scheme of delegations to officers and others and Standing Financial Instructions they provide the regulatory framework for the business conduct of the NHS trust.

Details of the Board committee structure, attendance records, the coverage of the Board's work the data source and quality of data used by the Boards and details of any notable board committee reports are available in the published individual Annual Governance Statements of the NHS trusts.

The systems and internal controls used to underpin the data used by the NHS trusts Boards are subject to independent internal and external scrutiny by organisations such as NHS Wales Shared Services Partnership Internal Audit, Wales Audit Office and Health Inspectorate Wales.

3. The purpose of the system of internal control

The NHS trust system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurances of effectiveness.

The NHS trusts systems of internal control are based on a continuing process designed to identify the principal risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

All three NHS trusts have declared that the system of internal control has been in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

4. The risk and control framework

Guidance has been issued by the Welsh Government 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.

I require all NHS trusts to have a risk management framework that ensures a systematic approach to internal control. NHS 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.

Details of the NHS trusts risk management frameworks, their assessments of risk, the capacity to handle risk, significant risks considered by the Boards and actions to respond to assessments of risk are set out in the Annual Governance Statements of the NHS trusts.

Effective risk management is an essential element of good governance. To enhance the transparency of the management of risks within the NHS trusts the Minister for Health and Social Services requested in July 2012 that NHS trusts publish their risk registers after each review by the Board.

5. Financial Governance

During 2012-13, all three trusts broke even in year and met their financial breakeven duties. All three trusts also achieved their External Financing Limits.

6. Clinical Governance

NHS 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.

Details of NHS trusts clinical governance frameworks, clinical governance assurance arrangements, the 1000 Lives Plus delivery and relevant actions are included in the underlying governance statements.

In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS trusts to publish an Annual Quality Statement, beginning in 2012/13, which will form part of the NHS trusts' annual reports published in the Autumn.

The Boards are accountable for the trust's Quality Statement and must therefore assure through their internal assurance mechanisms, including internal audit, that the information published is both an accurate and representative picture of the quality of services provided and the improvements they are committing to.

The final report into the care provided by Mid Staffordshire NHS Foundation Trust, the 'Francis Report' was published in February 2013. The Boards of the NHS trusts in Wales are reviewing and considering the implications of this significant report for their clinical governance frameworks. This will be considered more fully in the NHS trusts' Quality Statements, however the Annual Governance Statements of some NHS trusts provide further details of actions undertaken as a consequence of the report.

7. Information Governance

The NHS trusts have established arrangements for Information Governance to ensure that information is managed in line with the relevant Information Governance law, regulations and Information Commissioners Office (ICO) guidance. One of the NHS trusts (Public Health Wales) has reported lapses in data security in their individual Annual Governance Statement, one incident reported to the ICO, the other a complaint from the ICO.

Details of the data lapses, ICO reports and recommendations and actions taken in response to these information security lapses are contained within the Governance Statements of the individual organisation.

8. Head of Internal Audit Review

The role of Internal Audit is to provide an independent and objective opinion on the system of control. The opinion considers whether effective risk management, control and governance arrangements are in place in order to achieve the Board's objectives. The work of Internal Audit is undertaken in compliance with the NHS Internal Audit Standards, with the annual audit programme based on the outcomes from an audit risk assessment.

The assurance opinions for the Head of Internal Audit assessment on the overall adequacy of the organisations' governance, risk management and control processes range from 'No Assurance' to 'Substantial Assurance'. The Head of Internal audit assessments, details of significant Internal Audit issues, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS trusts.

9. Review of effectiveness

As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and 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 Department's Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

NHS trust Chief Executives have each submitted an Annual Governance Statement for the year ending 31st March 2013. 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 and that they are being dealt with appropriately.

All three NHS trusts have assessed that 'adequate' or 'generally sound' systems of internal control were in place to support the delivery of their policy aims and objectives for 2012-13. However, in the assessment of effectiveness areas of weakness or improvements required are noted, full details are contained in the individual body's statements.

All three NHS trusts have set out in their Annual Governance Statements that in their assessment they are complying with the main principles of the Corporate Governance Code and are following the spirit of the Code to good effect.

In 2012-13 two of the three NHS trusts have reported no significant governance issues, the Welsh Ambulance Services NHS Trust has reported five issues considered to be significant governance issues. These include infection control audit findings, the receipt of Rule 43 Coroners notices by the trust and handover issues.

The handover issues are noted as a governance issue not just for the Welsh Ambulance Services Trust, but for NHS Wales as a whole, as the degree to which handover delays have escalated presents a significant clinical governance issue with associated risk to patient safety. The Trust notes that it is working closely with Health Board colleagues to address this issue.

10. Significant Matters

There are no significant governance or internal control matters in relation to the NHS trusts Annual Governance Statements that would be material to the Summarised Account of the NHS Trusts in Wales other than as noted above.

A handwritten signature in black ink, appearing to read 'David Sissling'. The signature is written in a cursive style with a large initial 'D' and a long, sweeping tail.

David Sissling
Director General, Department for Health and Social Services,
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

9 July 2013

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 2013 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

Respective responsibilities of the Additional Accounting Officer and Auditor

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

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

Scope of the audit of financial statements

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

I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Opinion on the financial statements

In my opinion the financial statements:

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 and the financial transactions conform to the authorities which govern them.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
15 July 2013

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2013**

		2012-13	2011-12
	Note	£000	£000
Revenue from patient care activities	2	407,958	274,820
Other operating revenue	3	133,331	97,516
Operating expenses	4	(539,416)	(371,806)
Operating surplus		1,873	530
Investment revenue	5	135	123
Other gains and losses	6	394	20
Finance costs	7	(2,293)	(564)
Retained surplus/(deficit)		109	109
Other Comprehensive Income			
Net gain/(loss) on revaluation of property, plant and equipment		(4,809)	2,070
Impairments and reversals		(187)	-
Total other comprehensive income for the year		(4,996)	2,070

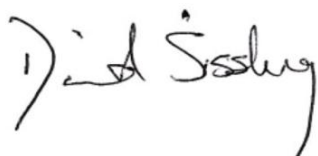
NHS Wales Shared Services Partnership was transferred into Velindre NHS Trust from 1st June 2012. Transactions and balances related to the NWSSP functions amended for interparty activity are included within the summarised account.

The notes on pages 15 to 58 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	Note	31 March 2013 £000	31 March 2012 £000
Non-current assets			
Property, plant and equipment	12	156,811	166,475
Intangible assets	13	16,886	15,275
Trade and other receivables	20	334,169	-
Total non-current assets		507,866	181,750
Current assets			
Inventories	19	4,373	2,997
Trade and other receivables	20	228,709	27,118
Cash and cash equivalents	21	29,420	40,325
		262,502	70,440
Non-current assets held for sale	12	630	170
Total current assets		263,132	70,610
Total assets		770,998	252,360
Current liabilities			
Trade and other payables	22	(71,511)	(52,471)
Borrowings	23	(1,387)	(3,611)
Other financial liabilities	24	(623)	(450)
Provisions	26	(183,166)	(8,369)
Other liabilities	25	-	(2)
Total current liabilities		(256,687)	(64,903)
Net current assets/(liabilities)		6,445	5,707
Total assets less current liabilities		514,311	187,457
Non-current liabilities			
Trade and other payables	22	(177,361)	-
Borrowings	23	(8,117)	(9,488)
Other financial liabilities	24	(1,713)	(1,663)
Provisions	26	(163,718)	(6,308)
Other liabilities	25	-	-
Total non-current liabilities		(350,909)	(17,459)
Total assets employed		163,402	169,998
Financed by:			
Taxpayers' equity			
Public dividend capital		131,602	133,311
Retained earnings		1,910	1,307
Revaluation reserve		29,890	35,380
Total taxpayers' equity		163,402	169,998

The notes on pages 15 to 58 form part of these accounts.



David Sissling, Director General, Department for Health and Social Services, Chief Executive NHS Wales.
9 July 2013

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2013

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance as at 1 April 2012	133,311	1,307	35,380	169,998
Changes in taxpayers' equity for 2012-13				
Retained surplus/(deficit) for the year		109	-	109
Net gain on revaluation of property, plant and equipment		-	(4,809)	(4,809)
Impairments and reversals		-	(187)	(187)
Transfers between reserves		494	(494)	-
New Public Dividend Capital received	6,338			6,338
Public Dividend Capital repaid in year	(8,109)			(8,109)
Other movements in PDC in year	62			62
Balance at 31 March 2013	131,602	1,910	29,890	163,402

The notes on pages 15 to 58 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2012

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance at 1 April 2011	123,219	(96)	34,604	157,727
Changes in taxpayers' equity for 2011-12				
Retained surplus/(deficit) for the year		109	-	109
Net gain on revaluation of property, plant and equipment		-	2,070	2,070
Transfers between reserves		1,294	(1,294)	-
New Public Dividend Capital received	12,821			12,821
Public Dividend Capital repaid in year	(743)			(743)
Other movements in PDC in year	(1,986)			(1,986)
Balance at 31 March 2012	133,311	1,307	35,380	169,998

The notes on pages 15 to 58 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2012-13 £000	2011-12 £000
Cash flows from operating activities			
Operating surplus/(deficit)	SoI&E	1,873	530
Depreciation and amortisation		23,904	20,871
Impairments and reversals		8,096	2,736
Interest paid		(421)	(450)
(Increase)/decrease in inventories		(1,376)	402
(Increase)/decrease in trade and other receivables		(536,724)	(1,406)
Increase/(decrease) in trade and other payables		192,538	3,131
Increase/(decrease) in other current liabilities		147	2,111
Increase/(decrease) in provisions		332,207	4,794
Net cash inflow/(outflow) from operating activities		20,244	32,719
Cash flows from investing activities			
Interest received		137	120
(Payments) for property, plant and equipment		(22,781)	(23,314)
Proceeds from disposal of property, plant and equipment		682	82
(Payments) for intangible assets		(3,920)	(5,962)
Net cash inflow/(outflow) from investing activities		(25,882)	(29,074)
Net cash inflow/(outflow) before financing		(5,638)	3,645
Cash flows from financing activities			
Public Dividend Capital received		3,938	12,821
Public Dividend Capital repaid		(5,709)	(743)
Capital elements of finance leases and on SoFP PFI		(1,472)	(1,633)
Net cash inflow/(outflow) from financing activities		(3,243)	10,445
Net increase/(decrease) in cash and cash equivalents		(8,881)	14,090
Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year	21	38,301	24,211
Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year	21	29,420	38,301

The notes on pages 15 to 58 form part of these 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 2012/13 NHS Trusts' Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts' Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS trusts are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Revenue

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

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

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

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

1.4 Employee Benefits

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

Retirement benefit costs

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

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

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

1.5 Other expenses

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

1.6 Property, plant and equipment

Property, plant and equipment is capitalised if:

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

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

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

Valuation

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

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

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

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

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This was a change in accounting policy introduced in 2010-11 where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to retained earnings.

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 £5,000.

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

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

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

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

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

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

1.9 Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.10 Donated assets

Following the accounting policy change outlined in the Treasury FReM in 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their face value on receipt, with a matching credit to miscellaneous income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

1.11 Government grants

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of government grant are credited directly to miscellaneous income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the government grant preclude immediate recognition of the gain.

1.12 Non-current assets held for sale

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

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

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

1.13 Leases

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

The trusts as lessee

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

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

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

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

The trusts as lessor

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

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

1.14 Private Finance Initiative (PFI) transactions

The NHS trusts have no PFI arrangements.

1.15 Inventories

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

1.16 Cash and cash equivalents

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

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

1.17 Provisions

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

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

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

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

1.18 Clinical Negligence Costs

The Welsh Risk Pool operates a risk pooling scheme which is currently funded by the Welsh Government. The WRP was hosted by Betsi Cadwaladr University LHB to 1 June 2012. From 1 June 2012 the hosting arrangements transferred to Velindre NHS Trust as part of the NWSSP transfer. The WRP accounts from 1 June 2012 are consolidated into the summarised NHS trust account.

1.19 CRC Trading Scheme

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

1.20 Contingencies

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

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

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

1.21 Financial assets

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

Financial assets are initially recognised at fair value.

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

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

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

Held to maturity investments

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

Available for sale financial assets

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

Loans and receivables

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

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 Government are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

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

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

1.23 Value Added Tax

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

1.24 Foreign currencies

The NHS trusts' functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March 2012. 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)

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

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

1.27 Losses and Special Payments

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

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

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

1.28 Absorption Accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. The FReM was amended in 2012-13 to provide for transfer by absorption accounting, it does not require retrospective adoption so prior year transactions have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

1.29 Subsidiaries

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

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

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

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

IFRS 9 Financial Instruments - subject to consultation - subject to consultation.

IFRS 10 Consolidated Financial Statements - subject to consultation.

IFRS 11 Joint Arrangements - subject to consultation.

IFRS 12 Disclosure of Interests in Other Entities - subject to consultation.

IFRS 13 Fair Value Measurement - subject to consultation.

IPSAS 32 Service Concession Arrangements - subject to consultation.

1.31 Accounting standards issued that have been adopted early

No accounting standards issued have been adopted early

For 2012-13 the trusts have not consolidated the NHS charitable funds for which they are the corporate trustee.

Summarised Accounts of NHS Trusts in Wales 2012-13

2. Revenue from patient care activities	2012-13	2011-12
	£000	£000
Welsh Government	198,640	68,241
Welsh Health Specialised Services Committee (WHSSC)	141,744	139,059
Local health boards	63,887	63,412
Other NHS trusts	538	656
Strategic health authorities and primary care trusts	171	62
Foundation Trusts	182	229
Welsh Local Authorities	41	-
Private patient income	987	1,049
Injury Costs Recovery (ICR) Scheme	531	637
Other revenue from activities	1,237	1,475
Total	407,958	274,820

ICR income is subject to a provision for impairment of 12.6% to reflect expected rates of collection.

3. Other operating revenue	2012-13	2011-12
	£000	£000
Education, training and research	5,000	4,742
Charitable and other contributions to expenditure	2,213	1,953
Income generation	1,035	966
Rental revenue from operating leases	73	88
Other revenue:		
Provision of laundry, pathology, payroll services	12,397	11,771
Accommodation and catering charges	155	157
Staff payments for use of cars	263	253
Other	112,195	77,586
Total	133,331	97,516

Other revenue includes:

NHS Wales Informatics Service (NWIS)	44,166	43,488
NHS Wales Shared Services Partnership (NWSSP)	39,841	-
Non-ambulance transport for other NHS bodies	3,820	3,861
Ambulance Radio Replacement Programme (ARRP)	3,295	3,394
Hazardous Area Response Team (HART)	2,199	2,385
Staff Recharges	2,065	1,803
Personal injury benefit scheme (PIBS)	2,000	2,000
Air Ambulance paramedic funding	597	597
Other	14,212	20,058
Total	112,195	77,586

There has been a significant movement in revenue between years which is due to the transfer of functions of NHS Wales Shared Services Partnership (NWSSP) including the Welsh Risk Pool (WRP) into Velindre NHS Trust.

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

During the year the trusts had no income generation activities whose full cost exceeded £1m or were otherwise material.

4. Operating expenses

	2012-13	2011-12
4.1 Operating expenses	£000	£000
Welsh Government	49	-
Local Health Boards	16,114	15,988
Other NHS Trusts	517	450
Goods and services from other NHS bodies	710	1,141
Purchase of healthcare from non-NHS bodies	434	133
Welsh Local Authorities	4,914	91
Directors' costs	3,007	2,979
Staff costs	257,840	221,224
Supplies and services - clinical	41,186	39,613
Supplies and services - general	1,754	2,037
Consultancy Services	3,609	4,951
Establishment	23,419	13,608
Transport	15,606	15,297
Premises	18,621	17,924
Impairments and Reversals of Receivables	-	40
Depreciation	20,443	17,357
Amortisation	3,461	3,514
Impairments and reversals of property, plant and equipment	8,082	2,736
Impairments and reversals of intangible assets	14	-
Audit fees	516	523
Losses, special payments and irrecoverable debts	112,843	6,791
Other operating expenses	6,277	5,409
Total	539,416	371,806

There has been a significant increase in expenditure in 2012-13 for the following:
 Welsh Local Authorities - as a result of the realigned programmes transferring from Welsh Government to Public Health Wales. Many of the programmes are delivered in partnership with Welsh Local Authorities and payments are therefore made for service provision.

Staff costs, Establishment and Losses, special payments and irrecoverable debts - as a result of the transfer of functions of NHS Wales Shared Services Partnership (NWSSP) including the Welsh Risk Pool (WRP) into Velindre NHS Trust.

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

	2012-13	2011-12
Increase/(decrease) in provision for future payments:	£000	£000
Clinical negligence	60,621	5,086
Personal injury	4,442	1,354
All other losses and special payments	30	129
Defence legal fees and other administrative costs	(84)	193
Gross increase/(decrease) in provision for future payments	65,009	6,762
Welsh Risk Pool creditors structured settlements	47,830	-
Irrecoverable debts	4	29
Total charge	112,843	6,791

Summarised Accounts of NHS Trusts in Wales 2012-13

5. Investment revenue	2012-13	2011-12
	£000	£000
Interest revenue:		
Bank accounts	<u>135</u>	<u>123</u>
Total	<u>135</u>	<u>123</u>

6. Other gains and losses	2012-13	2011-12
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	<u>394</u>	<u>20</u>
Total	<u>394</u>	<u>20</u>

7. Finance costs	2012-13	2011-12
	£000	£000
Interest on obligations under finance leases	<u>451</u>	<u>452</u>
Total interest expense	<u>451</u>	<u>452</u>
Provisions unwinding of discount	<u>1,842</u>	<u>112</u>
Total	<u>2,293</u>	<u>564</u>

The finance costs of £2,293k includes £1,696k which relates to the Welsh Risk Pool provision unwinding of discount on structured settlement claims.

8. Operating leases

As lessee

Detailed disclosures are included within the individual NHS trust accounts. On the 1st of June all leases held by NWSSP transferred from all other Welsh LHBs and Trusts to Velindre NHS Trust.

Payments recognised as an expense	2012-13	2011-12
	£000	£000
Minimum lease payments	5,533	4,142
Total	5,533	4,142

Total future minimum lease payments	2012-13	2011-12
	£000	£000
Payable:		
Not later than one year	4,994	3,727
Between one and five years	9,352	8,731
After 5 years	8,413	6,176
Total	22,759	18,634

As lessor

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

Rental revenue	2012-13	2011-12
	£000	£000
Other	71	88
Total rental revenue	71	88

Total future minimum lease payments	2012-13	2011-12
	£000	£000
Receivable:		
Not later than one year	73	73
Between one and five years	294	292
After 5 years	160	232
Total	527	597

9. Employee costs and numbers

9.1 Employee costs	Permanently	Agency	Staff on	2012-13	2011-12
	Employed	Staff	Inward	£000	£000
	£000	£000	Secondment £000	Total £000	Total £000
Salaries and wages	211,750	1,238	6,017	219,005	188,040
Social security costs	16,244	-	58	16,302	14,173
Employer contributions to Pensions Schemes	26,125	-	76	26,201	22,711
Other pension costs	5	-	-	5	170
Total	254,124	1,238	6,151	261,513	225,094
Of the total above:					
Charged to capital				937	1,110
Charged to revenue				260,576	223,984
				261,513	225,094

9.2 Average number of employees

9.2 Average number of employees	Permanently	Agency	Staff on	2012-13	2011-12
	Employed	Staff	Inward	Total	Total
	Number	Number	Secondment Number	Number	Number
Medical and dental	170	-	29	199	190
Ambulance staff	2,248	-	-	2,248	2,191
Administrative and estates	2,747	36	50	2,833	1,942
Healthcare assistants and other support staff	258	6	-	264	187
Nursing, midwifery and health visiting staff	443	-	24	467	434
Scientific, therapeutic and technical staff	714	2	2	718	694
Other	2	-	1	3	-
Total	6,582	44	106	6,732	5,638

9.3 Employee benefits

One of the three NHS Wales trusts operates a lease car policy and childcare voucher (salary sacrifice) scheme for employees.

10. Pension and Retirement Costs Due to Ill Health

10.1 Pension Costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations, using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013 is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

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

The next formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

10.1 Pension Costs (continued)

The Scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as “pension commutation”.

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. From 2011-12 the Consumer Price Index (CPI) is used to replace the Retail Prices Index (RPI).

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 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 employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC’s run by the Scheme’s approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

10.2 Retirement costs due to ill-health

During 2012-13 there were 10 (2011-12 10) early retirements from the trusts agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements will be £488k (2011-12 £502k). 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 :
2012-13**

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2012	18,545	73,446	145	25,070	55,128	48,461	54,612	2,292	277,699
Revaluation	(562)	(10,055)	(8)	-	-	-	-	-	(10,625)
Additions - purchased	-	1,694	-	15,944	1,011	491	3,606	130	22,876
Transfers from/into other NHS Wales bodies	65	1,684	-	-	109	174	630	236	2,898
Reclassifications	856	11,659	-	(26,514)	6,345	6,987	655	12	-
Reclassified as held for sale	(615)	(486)	-	-	-	(3,261)	-	-	(4,362)
Disposals other than by sale	-	-	-	-	(3,878)	(155)	(1,573)	(289)	(5,895)
Impairments	(633)	(9,002)	-	-	-	-	(128)	-	(9,763)
At 31 March 2013	17,656	68,940	137	14,500	58,715	52,697	57,802	2,381	272,828
Depreciation									
At 1 April 2012	-	21,125	27	-	37,242	28,315	22,780	1,735	111,224
Revaluation	-	(11,456)	(27)	-	-	-	-	-	(11,483)
Transfers from/into other NHS Wales bodies	-	361	-	-	75	123	471	108	1,138
Reclassified as held for sale	-	(486)	-	-	-	(3,223)	-	-	(3,709)
Disposals other than by sale	-	-	-	-	(3,762)	(155)	(1,562)	(289)	(5,768)
Impairments	-	4,207	-	-	68	-	(103)	-	4,172
Charged during the year	-	1,916	10	-	4,172	7,186	6,919	240	20,443
At 31 March 2013	-	15,667	10	-	37,795	32,246	28,505	1,794	116,017
Net book value at 1 April 2012	18,545	52,321	118	25,070	17,886	20,146	31,832	557	166,475
Net book value at 31 March 2013	17,656	53,273	127	14,500	20,920	20,451	29,297	587	156,811
Net book value at 31 March 2013 comprises :									
Purchased	17,656	47,708	127	14,500	20,805	20,451	29,297	587	151,131
Donated	-	5,565	-	-	115	-	-	-	5,680
Total 31 March 2013	17,656	53,273	127	14,500	20,920	20,451	29,297	587	156,811
Asset Financing:									
Owned	17,656	53,273	127	14,500	20,763	20,451	21,793	567	149,130
Held on finance lease	-	-	-	-	157	-	7,504	20	7,681
Total 31 March 2013	17,656	53,273	127	14,500	20,920	20,451	29,297	587	156,811

The net book value of land, buildings and dwellings at 31 March 2013 comprises :

	£000
Freehold	67,618
Long Leasehold	849
Short Leasehold	2,589
	71,056

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

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties, including surplus land, the valuations are carried out at fair value. Fair value is defined by IAS16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

**12. Property, plant and equipment (continued):
2011-12**

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2011	19,393	68,117	140	29,600	47,206	42,292	47,928	2,753	257,429
Indexation	-	2,746	5	-	-	-	-	-	2,751
Revaluation	-	480	-	-	1,804	(173)	(168)	(390)	1,553
Additions - purchased	-	1,485	-	13,741	1,780	394	5,222	65	22,687
Reclassifications	-	618	-	(17,827)	7,052	8,258	1,890	9	-
Reclassified as held for sale	-	-	-	-	-	(2,301)	-	-	(2,301)
Disposals other than by sale	-	-	-	-	(2,629)	(9)	(260)	(145)	(3,043)
Impairments	(848)	-	-	(444)	(85)	-	-	-	(1,377)
At 31 March 2012	18,545	73,446	145	25,070	55,128	48,461	54,612	2,292	277,699
Depreciation									
At 1 April 2011	-	16,410	17	-	34,862	24,864	17,368	2,050	95,571
Indexation	-	676	1	-	-	-	-	-	677
Revaluation	-	480	-	-	1,804	(173)	(168)	(390)	1,553
Reclassifications	-	12	-	-	(15)	-	(3)	6	-
Reclassified as held for sale	-	-	-	-	-	(2,280)	-	-	(2,280)
Disposals other than by sale	-	-	-	-	(2,599)	(9)	(260)	(145)	(3,013)
Impairments	-	1,359	-	-	-	-	-	-	1,359
Charged during the year	-	2,188	9	-	3,190	5,913	5,843	214	17,357
At 31 March 2012	-	21,125	27	-	37,242	28,315	22,780	1,735	111,224
Net book value									
at 1 April 2011	19,393	51,707	123	29,600	12,344	17,428	30,560	703	161,858
Net book value									
at 31 March 2012	18,545	52,321	118	25,070	17,886	20,146	31,832	557	166,475
Net book value at 31 March 2012 comprises :									
Purchased	18,545	46,125	118	25,070	17,669	20,146	31,832	557	160,062
Donated	-	6,196	-	-	217	-	-	-	6,413
Total 31 March 2012	18,545	52,321	118	25,070	17,886	20,146	31,832	557	166,475
Asset Financing:									
Owned	18,545	51,238	118	25,070	17,683	20,146	21,143	534	154,477
Held on finance lease	-	1,083	-	-	203	-	10,689	23	11,998
Total 31 March 2012	18,545	52,321	118	25,070	17,886	20,146	31,832	557	166,475
The net book value of land, buildings and dwellings at 31 March 2012 comprises :									
									£000
Freehold									67,631
Long Leasehold									1,083
Short Leasehold									2,270
									<u>70,984</u>

£1,553k included within revaluation relates to an adjustment to account for the value of second hand assets purchased in 2011 /12 and previous years.

12.2 Non-current assets held for sale

	Land	Other property plant and equipment	Total
	£000	£000	£000
Balance b/f 1 April 2012	170	-	170
Plus assets classified as held for sale in year	755	38	793
Less assets sold in year	(155)	(38)	(193)
Less assets no longer classified as held for sale for reasons other than disposal by sale	(140)	-	(140)
Balance c/f 31 March 2013	630	-	630
Balance b/f 1 April 2011	175	-	175
Plus assets classified as held for sale in year	-	21	21
Less assets sold in year	(5)	(21)	(26)
Balance c/f 31 March 2012	170	-	170

Abergwili Ambulance Control has been removed from this category during the year as plans to dispose of this property have now been placed on hold. Plans are now being considered to re-utilise the old control room.

During the year seven further Ambulance Stations were identified as being held for sale within one calendar year. Of these stations, two, namely Queensferry and Mold were disposed of during the year.

There are six stations remaining as due for sale as at 31 March 2013.

Summarised Accounts of NHS Trusts in Wales 2012-13

13. Intangible assets

2012-13

	Computer software purchased	Computer software internally developed	Total
Cost or valuation	£000	£000	£000
At 1 April 2012	27,806	4,472	32,278
Additions			
- purchased	3,675	1,229	4,904
Transfers from/(into) other NHS Wales bodies	388	-	388
Disposals other than by sale	(1,296)	-	(1,296)
Impairments	(37)	-	(37)
Gross cost at 31 March 2013	30,536	5,701	36,237
Amortisation			
Accumulated amortisation at 1 April 2012	15,222	1,781	17,003
Transfers from/(into) other NHS Wales bodies	205	-	205
Disposals other than by sale	(1,295)	-	(1,295)
Impairments	(23)	-	(23)
Charged during the year	2,570	891	3,461
Accumulated amortisation at 31 March 2013	16,679	2,672	19,351
 Net book value at 1 April 2012	 12,584	 2,691	 15,275
 Net book value at 31 March 2013	 13,857	 3,029	 16,886
 Net book value			
Purchased	13,857	-	13,857
Internally generated	-	3,029	3,029
Total at 31 March 2013	13,857	3,029	16,886

13. Intangible assets (continued)

2011-12

	Computer software purchased	Computer software internally developed	Total
Cost or valuation	£000	£000	£000
At 1 April 2011	21,729	4,015	25,744
Additions			
- purchased	9,059	457	9,516
Disposals other than by sale	(2,982)	-	(2,982)
Gross cost at 31 March 2012	27,806	4,472	32,278
Amortisation			
Accumulated amortisation at 1 April 2011	15,488	971	16,459
Revaluation			-
Disposals other than by sale	(2,970)	-	(2,970)
Charged during the year	2,704	810	3,514
Accumulated amortisation at 31 March 2012	15,222	1,781	17,003
Net book value at 1 April 2011	6,241	3,044	9,285
Net book value at 31 March 2012	12,584	2,691	15,275
Net book value			
Purchased	12,584	-	12,584
Internally Generated	-	2,691	2,691
Total at 31 March 2012	12,584	2,691	15,275

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:	2012-13		2011-12
	Property, plant & equipment	Intangible assets	Property, plant & equipment
	£000	£000	£000
Abandonment of assets in the course of construction	-	-	29
Unforeseen obsolescence	25	14	85
Changes in market price	1,963	-	415
Other (specify)	6,094	-	2,207
Total	8,082	14	2,736
Operating expenses in Statement of Comprehensive Income	8,082	14	2,736
Impairments charged in the year to the revaluation reserve	187	-	-
Total	8,269	14	2,736

Major building work has been undertaken at Velindre Cancer centre over the last 4 years to site 2 new Linacs. As part of this exercise the District Valuers Office has reviewed the value of this building as a IFRS Modern equivalent assets Value. As a result of these valuations an additional impairment of £287,000 was required.

Two Welsh Ambulance Services NHS Trust buildings became operational during the year, the Make Ready Depot (MRD) at Dobshill (this was a new build) and the Hazardous Area Response Team (HART) building (this was a refurbishment of a building purchased). Following appraisal by the District Valuer £1,054k was written off the cost of the MRD building and £2,764k was written off the cost of the HART building. A further £785k was written off other Trust properties that have been identified within the Estates Strategy as properties that will be disposed of within the next two years.

The remainder of the movement was related to the revaluation of land and buildings undertaken by the district valuer during 2012/13.

16. Capital commitments

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

	31 March	31 March
	2013	2012
	£000	£000
Property, plant and equipment	1,717	1,988
Intangible assets	4,727	7,682
Total	6,444	9,670

17. Other financial assets

The NHS trusts have no Other Financial Assets.

18. Other assets

The NHS trusts have no Other Assets.

19. Inventories

19.1 Inventories

	31 March 2013 £000	31 March 2012 £000
Drugs	971	606
Consumables	1,558	1,495
Other	1,844	896
Total	4,373	2,997

19.2 Inventories recognised in expenses

	31 March 2013 £000	31 March 2012 £000
Inventories recognised as an expense in the period	25	-
Total	25	-

20. Trade and other receivables

20.1 Trade and other receivables

	31 March 2013 £000	31 March 2012 £000
Current		
Welsh Government	203,979	1,133
Welsh Health Specialised Services Committee	1,666	45
Welsh Health Boards	10,660	8,794
Non - Welsh Trusts	745	677
Other NHS	20	6,415
Welsh Local Authorities	260	325
Capital Debtors	62	-
Other debtors	5,085	5,452
Provision for impairment of trade receivables	(391)	(407)
Other prepayments and accrued income	6,623	4,684
Sub-total	228,709	27,118
Non-current		
Welsh Government	334,169	-
Sub-total	334,169	-
Total trade and other receivables	562,878	27,118

The increase in Welsh Government current and non current receivables relates to the consolidation of the Welsh Risk Pool in the summarised account, due to the Welsh Risk Pool "Welsh Government debtor of last resort".

20.2 Receivables past their due date but not impaired

	31 March	31 March
	2013	2012
	£000	£000
By up to 3 months	1,071	1,695
By 3 to 6 months	187	484
By more than 6 months	749	720
Balance at end of financial year/period	<u>2,007</u>	<u>2,899</u>

20.3 Provision for the impairment of receivables

	31 March	31 March
	2013	2012
	£000	£000
Balance at beginning of the year	(407)	(370)
Amount written off during the year	11	17
Amount recovered during the year	-	12
(Increase)/decrease in receivables impaired	5	(66)
Balance at 31 March	<u>(391)</u>	<u>(407)</u>

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

21. Cash and cash equivalents

	31 March 2013 £000	31 March 2012 £000
Opening Balance	38,301	24,211
Net change in year	(18,146)	(1,210)
Closing Balance	20,155	23,001
Made up of:		
Cash with Government Banking Service (GBS)	9,176	11,148
Commercial banks	61	52
Cash in hand	18	25
Current investments	20,165	29,100
Cash and cash equivalents as in Statement of Financial Position	29,420	40,325
Bank overdraft - GBS	-	(2,024)
Cash & cash equivalents as in Statement of Cash Flows	29,420	38,301

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

22. Trade and other payables

22.1 Trade and other payables at the

Statement of Financial Position date consist of:

	31 March	31 March
	2013	2012
	£000	£000
Current		
Welsh Government	6,248	10,972
Welsh Health Specialised Services Committee	8	212
Welsh Health Boards	19,771	4,535
Other NHS	548	5,040
Welsh Local Authorities	445	126
Income tax and social security	4,080	1,753
Non-NHS trade payables - revenue	10,815	6,596
Non-NHS trade payables - capital	15,412	12,359
Rentals due under operating leases	74	106
Pensions: staff	2,727	1,275
Accruals	8,395	7,508
Deferred Income	2,052	1,173
Other liabilities - all other payables	936	816
Sub-total	71,511	52,471
Non-current		
Non-NHS trade payables - revenue	177,361	-
Sub-total	177,361	-
Total	248,872	52,471

The non current Non-NHS trade payables - revenue £177,361 relates to the WRP periodical payment order.

Summarised Accounts of NHS Trusts in Wales 2012-13

23. Borrowings

Current	31 March	31 March
	2013	2012
	£000	£000
Bank overdraft - GBS	-	2,024
Finance lease liabilities	1,387	1,587
Total	1,387	3,611
Non-current		
Finance lease liabilities	8,117	9,488
Total	8,117	9,488

23.2 Loan advance/strategic assistance funding

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

24. Other financial liabilities

	31 March 2013 £000	31 March 2012 £000
Current		
Financial liabilities carried at fair value through the income statement.	623	450
Non-current		
Financial liabilities carried at fair value through the income statement.	1,713	1,663

25. Other liabilities

	31 March 2013 £000	31 March 2012 £000
Current		
Lease incentives	-	2
	<u>-</u>	<u>2</u>

Summarised Accounts of NHS Trusts in Wales 2012-13

26. Provisions

2012-13

NHS Trusts including Welsh Risk Pool

	At 1 April 2012	Transfer of provisions between Current and Non Current	Transfer of provisions (to)/from other NHS Wales Bodies	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2013
	£000	£000	£000	£000	£000	£000	£000	£000
Current								
Clinical negligence	5,644	(17,225)	195,221	95,598	(33,608)	(72,242)	-	173,388
Personal injury	1,664	(93)	4,101	4,940	(2,218)	(1,630)	142	6,906
All other losses and special payments	-	-	-	30	(30)	-	-	-
Defence legal fees and other administration	299	310	2,343	674	(677)	(816)		2,133
Pensions relating to: other staff	41	1	-	38	(37)	(3)	4	44
Other	721	-	-	118	(49)	(95)		695
Total	8,369	(17,007)	201,665	101,398	(36,619)	(74,786)	146	183,166
Non Current								
Clinical negligence	-	17,305	106,074	49,135	(5,545)	(11,870)	-	155,099
Personal injury	5,882	93	-	1,320	(35)	(188)	-	7,072
Defence legal fees and other administration	-	(390)	1,359	79	(41)	(21)		986
Pensions relating to: other staff	309	(1)	-	-	-	(13)	-	295
Other	117	-	-	149	-	-		266
Total	6,308	17,007	107,433	50,683	(5,621)	(12,092)	-	163,718
TOTAL								
Clinical negligence	5,644	80	301,295	144,733	(39,153)	(84,112)	-	328,487
Personal injury	7,546	-	4,101	6,260	(2,253)	(1,818)	142	13,978
All other losses and special payments	-	-	-	30	(30)	-	-	-
Defence legal fees and other administration	299	(80)	3,702	753	(718)	(837)		3,119
Pensions relating to: other staff	350	-	-	38	(37)	(16)	4	339
Other	838	-	-	267	(49)	(95)		961
Total	14,677	-	309,098	152,081	(42,240)	(86,878)	146	346,884

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2014	Between 1 Apr 2014 to 31 March 2019	Between 1 Apr 2019 to 31 March 2024	Thereafter	Total
	£000	£000	£000	£000	£000
Clinical negligence	173,388	155,099	-	-	328,487
Personal injury	6,906	2,708	1,745	2,619	13,978
Defence legal fees and other administration	2,133	986	-	-	3,119
Pensions - other staff	44	170	106	19	339
Other	695	266	-	-	961
Total	183,166	159,229	1,851	2,638	346,884

The significant movement between years is due to the transfer of the WRP as part of the NHS Wales Shared Services Partnership (NWSSP) transfer of functions into Velindre NHS Trust.

The expected timing of cashflows format is in line with Welsh Government Central Guidance the values are based on best available information; but they could change on the basis of individual case changes.

Included within "Other" Provisions are:-

- the cost of decommissioning of caesium sources £146,000 and a provision for the dilapidations on building leases £178,000
- £577k (11-12 £626k) 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 Trust's employees (the whole of this provision is included within 1 year as it could be paid out at any time)
- £60k (11-12 £95k) which relates to the provision in respect of the Trust's obligations as a tenant for building dilapidations (the cost of undertaking all work necessary to bring the building up to the required standard).

Summarised Accounts of NHS Trusts in Wales 2012-13

26. Provisions

2012-13

NHS Trusts excluding Welsh Risk Pool

	At 1 April 2012	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
Current							
Clinical negligence	5,644	-	1,200	(934)	(751)	-	5,159
Personal injury	1,664	92	1,633	(1,150)	(771)	142	1,610
All other losses and special payments	-	-	30	(30)	-	-	-
Defence legal fees and other administration	299	-	211	(82)	(112)		316
Pensions relating to: other staff	41	1	38	(37)	(3)	4	44
Other	721	-	118	(49)	(95)		695
Total	8,369	93	3,230	(2,282)	(1,732)	146	7,824
Non Current							
Personal injury	5,882	(92)	544	15	-	-	6,349
Pensions relating to: other staff	309	(1)	-	-	(13)	-	295
Other	117	-	149	-	-		266
Total	6,308	(93)	693	15	(13)	-	6,910
TOTAL							
Clinical negligence	5,644	-	1,200	(934)	(751)	-	5,159
Personal injury	7,546	-	2,177	(1,135)	(771)	142	7,959
All other losses and special payments	-	-	30	(30)	-	-	-
Defence legal fees and other administration	299	-	211	(82)	(112)		316
Pensions relating to: other staff	350	-	38	(37)	(16)	4	339
Other	838	-	267	(49)	(95)		961
Total	14,677	-	3,923	(2,267)	(1,745)	146	14,734

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2014	Between 1 Apr 2014 to 31 March 2019	Between 1 Apr 2019 to 31 March 2024	Thereafter	Total
	£000	£000	£000	£000	£000
Clinical negligence	5,159	-	-	-	5,159
Personal injury	1,610	1,985	1,745	2,619	7,959
Defence legal fees and other administration	316	-	-	-	316
Pensions - other staff	44	170	106	19	339
Other	695	266	-	-	961
Total	7,824	2,421	1,851	2,638	14,734

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

26. Provisions

2012-13

Welsh Risk Pool

	At 1 June 2012	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	At 31 March 2013
	£000	£000	£000	£000	£000	£000
Current						
Clinical negligence	201,050	(17,225)	95,049	(33,395)	(72,213)	173,266
Personal injury	4,479	(185)	3,826	(1,118)	(1,214)	5,788
Defence legal fees and other administration	2,358	310	499	(612)	(704)	1,851
Total	207,887	(17,100)	99,374	(35,125)	(74,131)	180,905
Non Current						
Clinical negligence	106,074	17,305	49,135	(5,545)	(11,870)	155,099
Personal injury	-	185	776	(50)	(188)	723
Defence legal fees and other administration	1,359	(390)	79	(41)	(21)	986
Total	107,433	17,100	49,990	(5,636)	(12,079)	156,808
TOTAL						
Clinical negligence	307,124	80	144,184	(38,940)	(84,083)	328,365
Personal injury	4,479	-	4,602	(1,168)	(1,402)	6,511
Defence legal fees and other administration	3,717	(80)	578	(653)	(725)	2,837
Total	315,320	-	149,364	(40,761)	(86,210)	337,713

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2014	Between 1 April 2015- 31 March 2019	Total
	£000	£000	£000
Clinical negligence	173,266	155,099	328,365
Personal injury	5,788	723	6,511
Defence legal fees and other administration	1,851	986	2,837
Total	180,905	156,808	337,713

The provisions relate to the amounts over £25,000 in respect of ongoing claims against the NHS in Wales, the outcome of which will not be determined until the case has been finalised. To enable the reader of the accounts to compare the movement in the WRP provision there has been no elimination for interparty transactions between the WRP and the NHS Trusts.

Summarised Accounts of NHS Trusts in Wales 2012-13

26. Provisions

2011-12

	At 1 April 2011	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Current							
Clinical negligence	1,003	-	6,218	(445)	(1,132)	-	5,644
Personal injury	1,165	1	1,845	(846)	(609)	108	1,664
All other losses and special payments	16	-	237	(145)	(108)	-	-
Defence legal fees and other administration	185	-	311	(79)	(118)		299
Pensions relating to: other staff	40	18	21	(42)	-	4	41
Other	1,270	-	95	(644)	-		721
Total	3,679	19	8,727	(2,201)	(1,967)	112	8,369
Non Current							
Personal injury	5,765	(1)	135	-	(17)	-	5,882
Pensions relating to: other staff	333	(18)	-	-	(6)	-	309
Other	106	-	11	-	-		117
Total	6,204	(19)	146	-	(23)	-	6,308
TOTAL							
Clinical negligence	1,003	-	6,218	(445)	(1,132)	-	5,644
Personal injury	6,930	-	1,980	(846)	(626)	108	7,546
All other losses and special payments	16	-	237	(145)	(108)	-	-
Defence legal fees and other administration	185	-	311	(79)	(118)		299
Pensions relating to: other staff	373	-	21	(42)	(6)	4	350
Other	1,376	-	106	(644)	-		838
Total	9,883	-	8,873	(2,201)	(1,990)	112	14,677

Included within "Other" Provisions are:-

- £117k of decommissioning of Cesium sources.
- £626k 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 Trust's employees (the whole of this provision is included within one year as it could be paid out at any time).
- £95k which relates to the provision in respect of the Trust's obligations as a tenant for building dilapidations (the cost of undertaking all work necessary to bring the building up to the required standard).

Summarised Accounts of NHS Trusts in Wales 2012-13

27.1 Finance lease obligations (as lessee)

Amounts payable under finance leases:

LAND

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

BUILDINGS	31 March	31 March
	2013	2012
	£000	£000
Minimum lease payments		
Within one year	98	391
Between one and five years	-	98
Less finance charges allocated to future periods	(1)	(48)
Minimum lease payments	<u>97</u>	<u>441</u>
Included in:		
Current borrowings	97	374
Non-current borrowings	-	67
	<u>97</u>	<u>441</u>
Present value of minimum lease payments		
Within one year	97	374
Between one and five years	-	67
Present value of minimum lease payments	<u>97</u>	<u>441</u>
Included in:		
Current borrowings	97	374
Non-current borrowings	-	67
	<u>97</u>	<u>441</u>
OTHER	31 March	31 March
	2013	2012
	£000	£000
Minimum lease payments		
Within one year	2,283	2,182
Between one and five years	8,441	8,332
After five years	2,434	4,105
Less finance charges allocated to future periods	(1,229)	(1,584)
Minimum lease payments	<u>11,929</u>	<u>13,035</u>
Included in:		
Current borrowings	1,290	1,213
Non-current borrowings	8,117	9,421
	<u>9,407</u>	<u>10,634</u>
Present value of minimum lease payments		
Within one year	1,913	1,663
Between one and five years	7,468	7,179
After five years	2,362	3,905
Present value of minimum lease payments	<u>11,743</u>	<u>12,747</u>
Included in:		
Current borrowings	1,913	1,663
Non-current borrowings	9,830	11,084
	<u>11,743</u>	<u>12,747</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 2012-13.

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 the Statement of Financial Position.

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 Health Commission Wales and with Welsh Health Specialised Services Committee and local health boards, and the way those health bodies are financed, NHS trusts are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. NHS trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing NHS trusts in undertaking its activities.

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

Liquidity risk

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

Interest-rate risks

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

Foreign currency risk

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

Credit Risk

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

General

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

31. Financial Instruments

Financial assets	At "fair value" through I&E £000	Loans and receivables £000	Total £000
NHS receivables	551,140	3,324	554,464
Cash at bank and in hand	29,420	-	29,420
Other financial assets	2,249	-	2,249
Total at 31 March 2013	<u>582,809</u>	<u>3,324</u>	<u>586,133</u>

Financial liabilities	At "fair value" through I&E £000	Total £000
PFI and finance lease obligations	11,840	11,840
Other financial liabilities	227,623	227,623
Total at 31 March 2013	<u>239,463</u>	<u>239,463</u>

Financial assets	At "fair value" through I&E £000	Loans and receivables £000	Total £000
NHS receivables	10,847	2,675	13,522
Cash at bank and in hand	38,301	-	38,301
Other financial assets	2,533	-	2,533
Total at 31 March 2012	<u>51,681</u>	<u>2,675</u>	<u>54,356</u>

Financial liabilities	At "fair value" through I&E £000	Total £000
PFI and finance lease obligations	13,188	13,188
Other financial liabilities	35,040	35,040
Total at 31 March 2012	<u>48,228</u>	<u>48,228</u>

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The 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 the NHS trusts in undertaking their activities.

32. Contingencies

32.1 Contingent liabilities

	31 March 2013 £000	31 March 2012 £000
Provision has not been made in these accounts for the following amounts:		
Legal claims for alleged medical or employer negligence	4,885	5,772
Total value of disputed claims	4,885	5,772
Amount recovered under insurance arrangements in the event of these claims being successful	(3,935)	(4,813)
Net contingent liability	<u>950</u>	<u>959</u>

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them. Legal claims are provided in the accounts on the basis of settlement probability assessed by the Trust's independent legal advisors. The amount disclosed in respect of contingent liabilities relates to outstanding cases with a probability of settlement that has been classified as either 'possible' or 'remote'.

32.2 Contingent assets

The NHS trusts have no contingent assets.

33. Third party assets

The NHS trusts have no third party assets.

34. Events after reporting period

Following a review of the National Leadership and Innovation Agency for Healthcare (NLIAH) functions, it has been agreed that from the 1st April 2013 the NLIAH functions and associated assets and liabilities will be transferred to Welsh Government, Public Health Wales NHS Trust and NHS Wales Shared Services Partnership (NWSSP) which is hosted by Velindre NHS Trust. The transfer of functions will be treated as an absorption of services into the transferee organisations.

35. Related Party Transactions

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

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

36. Losses and special payments

36.1 NHS trusts excluding Welsh Risk Pool

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

Gross loss to the Exchequer

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

	Amounts paid out during year to 31 March 2013		Approved to write-off year to 31 March 2013	
	Number	£	Number	£
Clinical negligence	10	934,450	6	2,211,033
Personal injury	132	1,011,573	45	3,282,494
All other losses and special payments	136	290,031	20	57,663
Total	278	2,236,054	71	5,551,190

	No of cases	Amounts paid out in year	Cumulative amount	Approved to write-off in year
		£	£	£
Cases paid in 2012-13 where the cumulative sum exceeded £250,000 are as follows:				
2012-13				
Clinical Negligence	3	838,086	1,386,652	983,737
Sub-total	3	838,086	1,386,652	983,737
All other losses and payments		1,397,968	5,546,007	4,567,453
Total		2,236,054	6,932,659	5,551,190

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

36. Losses and special payments

36.2 Welsh Risk Pool

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

	Amounts paid out during period 1 June 2012 to 31 March 2013		Approved to write-off period 1 June 2012 to 31 March 2013	
	Number	£	Number	£
Clinical negligence	274	49,741,143	274	49,741,143
Personal injury	43	1,243,804	43	1,243,804
All other losses and special payments	2	80,930	2	80,930
Total	319	51,065,877	319	51,065,877

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

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000				
ABMU	7	5,650,453	9,607,898	5,650,453
Aneurin Bevan	6	8,649,524	9,012,183	8,649,524
BCU	4	3,480,250	3,612,495	3,480,250
Cardiff and Vale	10	10,902,699	11,765,316	10,902,699
Cwm Taf	6	4,414,432	5,145,635	4,414,432
Hywel Dda	5	3,202,009	4,379,417	3,202,009
Public Health Wales	1	425,991	641,184	425,991
Sub-total	39	36,725,358	44,164,128	36,725,358
All other cases	280	14,340,519	78,257,815	14,340,519
Total cases	319	51,065,877	122,421,942	51,065,877

The WRP losses and special payments note has been prepared for 10 months from the 1 June 2012 the date of the transfer of NWSSP to Velindre NHS Trust.

37. Transfer of NHS Wales Shared Services Partnership (NWSSP) to Velindre NHS Trust

From the 1 June 2012 the following functions and their associated assets and liabilities were transferred to Velindre NHS Trust under the Velindre NHS Trust and NWSSP hosting arrangement.

Welsh Health Estates
Welsh Health Legal Services
Welsh Risk Pool
Contractor Services
Prescribing Services
Capital and PFI Audit and Consultancy Services.
Welsh Health Supplies.
Procure to Pay Services comprising Accounts Payable and Procurement Services.
Payroll and Recruitment Services.
Internal Audit Services.

In accordance with the FReM, the transfers of functions were treated using absorption accounting adapted for the issue of PDC. All transactions and balances relating to the above functions before the 1 June 2012 are included in the transferor financial statements and from the 1 June 2012 these are included in Velindre NHS Trust's financial statements. The assets and liabilities recognised by Velindre NHS Trust as host of NWSSP were as follows:

	£000
Property plant and equipment	1,760
Intangible assets	183
Total PPE and Intangible assets	1,943
Non-current assets	13
Current assets	489
Liabilities	(382)
Total working capital	120

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

1. HM Treasury directs that an account, summarised by consolidation, of the NHS Trusts in Wales shall be prepared in respect of the financial year ended 31 March 2012, and subsequent financial years. 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 summarised account of the NHS Trusts shall be prepared from the audited accounts of the NHS Trusts to which it relates and shall comply with:

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

FORM AND CONTENT

4. The summarised account of NHS Trusts shall be prepared so as to:

- a) give a true and fair view of the state of affairs as at 31 March 2012, and subsequent financial year-ends, and of the Statement of Comprehensive Net Income, Statement of Changes in Taxpayers’ Equity and Statement of Cash Flows for the financial year then ended; and
- b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

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

6. Compliance with the reporting requirements set out in paragraph 3 a-d above will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with these reporting requirements is inconsistent with the requirement to give a true and fair view, the requirements set out in paragraph 3 a-d above should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment that should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the reporting requirements. Any material departure from the requirements set out in paragraph 3 a-d should be discussed in the first instance with the Welsh Assembly Government.

7. This direction supersedes all previous directions.

Chris Wobschall
Deputy Director, Assurance and Financial Reporting Policy
HM Treasury
29 May 2012

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

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS Trusts unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS Trusts shall be contained in the foreword.
Accounting Standards
3. NHS Trusts are not required to include a note showing the historical cost profits and losses.

**SCHEDULE 2
ADDITIONAL REQUIREMENTS**

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