

# Public Health Wales NHS Trust

## Foreword

These accounts for the period ended 31 March 2016 have been prepared to comply with International Financial Reporting Standards (IFRS) adopted by the European Union, in accordance with HM Treasury's FReM by Public Health Wales NHS Trust under schedule 9 section 178 Para 3 (1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers, with the approval of the Treasury, directed.

The establishment of Public Health Wales in 2009, created for the first time, an independent NHS body with a clear and specific public health focus, and a remit to act across all the domains of public health practice. The Minister for Health and Social Services confirmed Public Health Wales would provide the national resource for the effective delivery of public health services at national, local and community level.

Public Health Wales originally incorporated the functions and services previously provided by the National Public Health Service (NPHS), Wales Centre for Health (WCfH), Welsh Cancer Intelligence Surveillance Unit (WCISU), Congenital Anomaly Register and Information Service (CARIS) and Screening Services Wales.

Since 2009, we have continued to grow, taking on a range of additional functions and services from both the Welsh Government and NHS Wales, including several Health Improvement Programmes, Newborn Bloodspot Screening, Abdominal Aortic Aneurism Screening and the Wrexham Microbiology Laboratory. The Diabetic Retinopathy Screening Service for Wales (DRSSW) also transferred into Public Health Wales on 1st April 2016. In addition, the Trust hosts the NHS Wales Health Collaborative.

The overall income level for Public Health Wales has increased by 35 per cent over the last five years, from just over £80m in 2010/11 to £108m in 2015/16.

There was a change to the statutory and administrative targets for the Trust following the publication of the Welsh Health Circular (WHC) "WHC/2015/014 - Statutory and Administrative Financial Duties of Local Health Boards and NHS Trusts".

The annual financial duty has been revoked and the statutory breakeven duty has reverted to a three year duty, the first assessment of this duty will be in 2016-17. The Trust has however once again achieved financial balance in 2015/16 and the accounts that follow present a balanced position, with a small retained surplus of £17k.

The administrative targets of remaining within the EFL and the payment of 95% of all non-NHS invoices within 30 days (by number) were met in 2015/16.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2016

	Note	2015-16 £000	2014-15 £000
Revenue from patient care activities	2	85,975	84,843
Other operating revenue	3	22,836	22,894
Operating expenses	4	(108,772)	(107,676)
<b>Operating (deficit)/surplus</b>		<b>39</b>	<b>61</b>
Investment revenue	5	27	23
Other gains and losses	6	0	0
Finance costs	7	(49)	(49)
<b>Retained surplus</b>	<b>30.1</b>	<b>17</b>	<b>35</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to net operating costs:</b>			
Net gain/(loss) on revaluation of property, plant and equipment		101	189
Net gain/(loss) on revaluation of intangible assets		0	0
Net gain/(loss) on revaluation of financial assets		0	0
Net gain/(loss) on revaluation of PPE and Intangible assets held for sale		0	0
Net gain/(loss) on revaluation of financial assets held for sale		0	0
Impairments and reversals		0	0
Movements in other reserves		0	0
Transfers between reserves		0	0
Net gain/loss on Other Reserve		0	0
Reclassification adjustment on disposal of available for sale financial assets		0	0
<b>Sub total</b>		<b>101</b>	<b>189</b>
<b>Items that may be reclassified subsequently to net operating costs</b>			
Net gain/(loss) on revaluation of financial assets held for sale		0	0
<b>Sub total</b>		<b>0</b>	<b>0</b>
<b>Total other comprehensive income for the year</b>		<b>101</b>	<b>189</b>
<b>Total comprehensive income for the year</b>		<b>118</b>	<b>224</b>



## STATEMENT OF FINANCIAL POSITION AS AT 31 March 2016

	Note	31 March 2016 £000	31 March 2015 £000
<b>Non-current assets</b>			
Property, plant and equipment	12	13,442	14,981
Intangible assets	13	0	0
Trade and other receivables	18	0	0
Other financial assets	19	0	0
<b>Total non-current assets</b>		<b>13,442</b>	<b>14,981</b>
<b>Current assets</b>			
Inventories	17	121	85
Trade and other receivables	18	6,132	8,276
Other financial assets	19	0	0
Cash and cash equivalents	20	8,597	6,809
		<b>14,850</b>	<b>15,170</b>
Non-current assets held for sale	12.2	0	0
<b>Total current assets</b>		<b>14,850</b>	<b>15,170</b>
<b>Total assets</b>		<b>28,292</b>	<b>30,151</b>
<b>Current liabilities</b>			
Trade and other payables	21	(10,502)	(9,885)
Borrowings	22	0	0
Other financial liabilities	23	0	0
Provisions	24	(2,462)	(3,520)
<b>Total current liabilities</b>		<b>(12,964)</b>	<b>(13,405)</b>
<b>Net current assets/(liabilities)</b>		<b>1,886</b>	<b>1,765</b>
<b>Total assets less current liabilities</b>		<b>15,328</b>	<b>16,746</b>
<b>Non-current liabilities</b>			
Trade and other payables	21	(104)	(580)
Borrowings	22	0	0
Other financial liabilities	23	0	0
Provisions	24	(1,111)	(1,164)
<b>Total non-current liabilities</b>		<b>(1,215)</b>	<b>(1,744)</b>
<b>Total assets employed</b>		<b>14,113</b>	<b>15,002</b>
<b>Financed by Taxpayers' equity:</b>			
Public dividend capital		13,232	14,239
Retained earnings		535	518
Revaluation reserve		346	245
Other reserves		0	0
<b>Total taxpayers' equity</b>		<b>14,113</b>	<b>15,002</b>

The financial statements were approved by the Audit Committee on behalf of the Board on 2nd June 2016 and signed on behalf of the Board by:

Chief Executive.....

Date.....

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

2015-16	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Other reserves £000	Total £000
<b>Balance at 1 April 2015</b>	<b>14,239</b>	<b>518</b>	<b>245</b>	<b>0</b>	<b>15,002</b>
<b>Changes in taxpayers' equity for 2015-16</b>					
Retained surplus/(deficit) for the year		17			17
Net gain/(loss) on revaluation of property, plant and equipment		0	101	0	101
Net gain/(loss) on revaluation of intangible assets		0	0	0	0
Net gain/(loss) on revaluation of financial assets		0	0	0	0
Net gain/(loss) on revaluation of PPE and Intangible assets held for sale		0	0	0	0
Net gain/(loss) on revaluation of financial assets held for sale		0	0	0	0
Impairments and reversals		0	0	0	0
Movements in other reserves		0	0	0	0
Transfers between reserves		0	0	0	0
Net gain/loss on Other Reserve (specify)		0	0	0	0
Reclassification adjustment on disposal of available for sale financial assets		0	0	0	0
Reserves eliminated on dissolution	0				0
New Public Dividend Capital received	0				0
Public Dividend Capital repaid in year	(1,007)				(1,007)
Public Dividend Capital extinguished/written off	0				0
Other movements in PDC in year	0				0
<b>Balance at 31 March 2016</b>	<b>13,232</b>	<b>535</b>	<b>346</b>	<b>0</b>	<b>14,113</b>

The notes on pages 6 to 61 form part of these accounts.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

2014-15	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Other reserves £000	Total £000
<b>Balance at 1 April 2014</b>	12,660	483	56	0	13,199
Changes in taxpayers' equity for 2013-14					
Retained surplus/(deficit) for the year		35			35
Net gain/(loss) on revaluation of property, plant and equipment		0	189	0	189
Net gain/(loss) on revaluation of intangible assets		0	0	0	0
Net gain/(loss) on revaluation of financial assets		0	0	0	0
Net gain/(loss) on revaluation of PPE and Intangible assets held for sale		0	0	0	0
Net gain/(loss) on revaluation of financial assets held for sale		0	0	0	0
Impairments and reversals		0	0	0	0
Movements in other reserves		0	0	0	0
Transfers between reserves		0	0	0	0
Net gain/loss on Other Reserve (specify)		0	0	0	0
Reclassification adjustment on disposal of available for sale financial assets		0	0	0	0
Reserves eliminated on dissolution	0				0
New Public Dividend Capital received	1,579				1,579
Public Dividend Capital repaid in year	0				0
Public Dividend Capital extinguished/written off	0				0
Other movements in PDC in year	0				0
<b>Balance at 31 March 2015</b>	<b>14,239</b>	<b>518</b>	<b>245</b>	<b>0</b>	<b>15,002</b>

The notes on pages 6 to 61 form part of these accounts.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2015-16 £000	2014-15 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)	SOCI	39	61
Depreciation and amortisation	4	3,337	2,812
Impairments and reversals	4	(61)	(31)
Release of PFI deferred credits		0	0
Donated Assets received credited to revenue but non-cash	3	0	0
Government Granted Assets received credited to revenue but non-cash	3	0	0
Interest paid		(49)	(49)
(Increase)/decrease in inventories		(36)	(7)
(Increase)/decrease in trade and other receivables		2,144	(451)
Increase/(decrease) in trade and other payables		(81)	3,823
Increase/(decrease) in provisions		(1,111)	551
<b>Net cash inflow from operating activities</b>		<b>4,182</b>	<b>6,709</b>
<b>Cash flows from investing activities</b>			
Interest received		27	23
(Payments) for property, plant and equipment		(794)	(3,385)
Proceeds from disposal of property, plant and equipment		0	0
(Payments) for intangible assets		0	0
Proceeds from disposal of intangible assets		0	0
(Payments) for investments with Welsh Government		0	0
Proceeds from disposal of investments with Welsh Government		0	0
(Payments) for financial assets.		0	0
Proceeds from disposal of financial assets.		0	0
Rental proceeds		0	0
<b>Net cash (outflow) from investing activities</b>		<b>(767)</b>	<b>(3,362)</b>
<b>Net cash (outflow)/inflow before financing</b>		<b>3,415</b>	<b>3,347</b>
<b>Cash flows from financing activities</b>			
Public Dividend Capital received		0	1,579
Public Dividend Capital repaid		(1,007)	0
Loans received from Welsh Government		0	0
Other loans received		0	0
Loans repaid to Welsh Government		0	0
Other loans repaid		0	0
Other capital receipts		0	0
Capital elements of finance leases and on-SOFP PFI		(620)	(664)
Cash transferred (to)/from other NHS Wales bodies		0	0
<b>Net cash (outflow) from financing activities</b>		<b>(1,627)</b>	<b>915</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>1,788</b>	<b>4,262</b>
<b>Cash [and] cash equivalents at the beginning of the financial year</b>	20	<b>6,809</b>	<b>2,547</b>
<b>Cash [and] cash equivalents at the end of the financial year</b>	20	<b>8,597</b>	<b>6,809</b>

The notes on pages 6 to 61 form part of these accounts.

## Notes to the Accounts

### Accounting policies

#### 1. Accounting policies

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

#### 1.1 Accounting convention and basis of consolidation

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 Pooled budgets

The trust has not entered into any pooled budget arrangements with Local Authorities.

#### 1.4 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from the Welsh Government, Health Boards and WHSSC. This 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 Trust receives no income under the NHS Injury Cost Recovery Scheme.



### 1.5 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 yet 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 trust commits itself to the retirement, regardless of the method of payment.

#### NEST Pension Scheme

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

### 1.6 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.

### 1.7 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 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 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 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 trust's services or for administrative purposes are stated in the balance sheet at their revalued amounts 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

From 1 April 2009 the depreciated replacement cost valuation applies the Modern Equivalent Asset (MEA) cost basis of estimation to arrive at the cost of replacing the capacity and utility of a building rather than a like for like replacement cost.

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.

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

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

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

For 2012-13 a formal revaluation exercise by the District Valuation Office was applied to the Land and Properties of NHS Wales Trusts from 1 April 2012. In 2015-16 indexation has been applied to property plant and equipment based on indices supplied by the District Valuation Office. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and



equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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

### **Subsequent expenditure**

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

## **1.8 Intangible assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's 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,

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.

### **1.9 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 SOCNI on a systematic basis over the period expected to benefit from the project.

### **1.10 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 Trust expects 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 trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

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

### **1.11 Borrowing costs**

Borrowing costs are recognised as expenses as they are incurred.

### **1.12 Donated assets**

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 Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

### **1.13 Government grants**

A government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

### **1.14 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 Statement of Comprehensive Net Income. On disposal, the balance for the asset on the revaluation reserve is 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.

#### **1.15 Other financial assets**

Listed investments are stated at market value. Unlisted investments are included at cost as an approximation to market value. Quoted stocks are included in the balance sheet at mid-market price, and where holdings are subject to bid / offer pricing their valuations are shown on a bid price. The shares are not held for trading and accordingly are classified as available for sale. Other financial assets are classified as available for sale investments carried at fair value within the financial statements.

#### **1.16 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 trust 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 on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's 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 trust as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the trust's 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 trust'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.

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

The Trust has no PFI arrangements.

**1.18 Inventories**

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

**1.19 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 trust's cash management.

**1.20 Provisions**

Provisions are recognised when the trust has a present legal or constructive obligation as a result of a past event, it is probable that the trust 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 discount rates 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 trust 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 trust 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.

**1.21 Clinical Negligence Costs**

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

**1.22 Carbon Reduction Commitment Scheme**

The trust is not a member of the Carbon Reduction Commitment Scheme.

### 1.23 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 trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

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

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

Remote contingent liabilities are those that are disclosed under Parliamentary reporting requirements and not under IAS 37 and, where practical, an estimate of their financial effect is required.

### 1.24 Financial assets

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

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNI'; '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 SoCNI

The Trust has no embedded derivatives.

#### Held to maturity investments

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

#### Available for sale financial assets

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



**Loans and receivables**

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

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

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

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

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

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

**1.25 Financial liabilities**

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

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

**Financial guarantee contract liabilities**

Financial guarantee contract liabilities are subsequently measured at the higher of:

- the premium received (or imputed) for entering into the guarantee less cumulative amortisation;
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Financial liabilities at fair value through SoCNI**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

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

**Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from the 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.

**1.26 Value Added Tax**

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

**1.27 Foreign currencies**

The trust's 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. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

**1.28 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. The Trust does not own any Third party assets.

**1.29 Public Dividend Capital (PDC) and PDC dividend**

Public Dividend Capital represents taxpayers equity in the NHS Trust. 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 Trust. 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.

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

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

### **1.31 Critical Accounting Judgements and key sources of estimation uncertainty**

In the application of the trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

### **1.32 Critical Judgements in applying accounting policies**

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

### **1.33 Key sources of estimation uncertainty**

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

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

### **1.34 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'

**Charity not consolidated as NHS Trust is not corporate trustee**

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, Public Health Wales NHS trust has established that as the trust is not the corporate trustee of the linked charitable funds, it is considered for accounting standards compliance to not have control of Velindre Charitable funds as a subsidiary and therefore is not required to consolidate the results of Velindre Charitable funds within the statutory accounts of the trust. Details of the transactions with the charity are included in the related parties' notes.

**1.35 Absorption Accounting**

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

**1.36 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

IPSAS 32 Service Concession Arrangements - subject to consultation.

**1.37 Accounting standards issued that have been adopted early**

There are no accounting standards in issue which have been adopted early.

**Public Health Wales NHS Trust Annual Accounts 2015-16**

<b>2. Revenue from patient care activities</b>	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Welsh Government	<b>85,975</b>	84,843
Welsh Government Welsh Risk Pool Reimbursements	<b>0</b>	0
Welsh Health Specialised & Emergency Ambulance Services Committees (WHSSC & EASC)	<b>0</b>	0
Local health boards	<b>0</b>	0
Welsh NHS Trusts	<b>0</b>	0
Other NHS trusts	<b>0</b>	0
Other NHS England bodies	<b>0</b>	0
Foundation Trusts	<b>0</b>	0
Welsh Local Authorities	<b>0</b>	0
Local authorities	<b>0</b>	0
Non NHS:		
Private patient income	<b>0</b>	0
Overseas patients (non-reciprocal)	<b>0</b>	0
Injury Costs Recovery (ICR) Scheme	<b>0</b>	0
Other revenue from activities	<b>0</b>	0
<b>Total</b>	<b>85,975</b>	<b>84,843</b>

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

<b>3. Other operating revenue</b>	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Patient transport services	<b>0</b>	0
Education, training and research	<b>1,502</b>	2,006
Charitable and other contributions to expenditure	<b>0</b>	0
Receipt of donations for capital acquisitions	<b>0</b>	0
Receipt of government grants for capital acquisitions	<b>0</b>	0
Non-patient care services to other bodies	<b>0</b>	0
Income generation	<b>25</b>	39
Rental revenue from finance leases	<b>0</b>	0
Rental revenue from operating leases	<b>0</b>	0
Other revenue:		
Provision of laundry, pathology, payroll services	<b>14,418</b>	14,294
Accommodation and catering charges	<b>0</b>	0
Mortuary fees	<b>0</b>	0
Staff payments for use of cars	<b>0</b>	0
Business unit	<b>0</b>	0
Other	<b>6,891</b>	6,555
<b>Total</b>	<b>22,836</b>	<b>22,894</b>
<b>Other revenue of £6,891 (2014-2015 £6,555) comprises</b>		
Excellence Awards	<b>276</b>	<b>292</b>
Grants - LA	<b>186</b>	<b>196</b>
Grants - other	<b>39</b>	<b>52</b>
LHBs - Non core Income	<b>1,005</b>	<b>562</b>
WG - Non core income	<b>2,295</b>	<b>3,148</b>
Staff recharge	<b>2,250</b>	<b>2,031</b>
Other	<b>840</b>	<b>274</b>
<b>Total</b>	<b>6,891</b>	<b>6,555</b>

<b>4. Operating expenses</b>	<b>2015-16</b>	2014-15
<b>4.1 Operating expenses</b>	<b>£000</b>	£000
Welsh Government	3	68
WHSSC & EASC	0	0
Local Health Boards	13,019	12,996
Welsh NHS Trusts	759	1,264
Other NHS Trusts	116	67
Goods and services from other NHS bodies	0	0
Purchase of healthcare from non-NHS bodies	0	0
Welsh Local Authorities	4,493	4,573
Other Local Authorities	0	0
Directors' costs	1,346	1,319
Staff costs	63,724	62,661
Supplies and services - clinical	8,287	8,378
Supplies and services - general	442	633
Consultancy Services	648	664
Establishment	6,782	6,713
Transport	466	510
Premises	4,027	3,426
Impairments and Reversals of Receivables	0	0
Depreciation	3,337	2,812
Amortisation	0	0
Impairments and reversals of property, plant and equipment	(61)	(31)
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets	0	0
Impairments and reversals of non current assets held for sale	0	0
Audit fees	151	151
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	251	238
Research and development	0	0
Other operating expenses	982	1,234
<b>Total</b>	<b>108,772</b>	<b>107,676</b>

4. Operating expenses (continued)

4.2 Losses, special payments and irrecoverable debts:

Charges to operating expenses	2015-16	2014-15
Increase/(decrease) in provision for future payments:	£000	£000
Clinical negligence	(795)	798
Personal injury	(48)	122
All other losses and special payments	207	0
Defence legal fees and other administrative costs	(160)	91
Gross increase/(decrease) in provision for future payments	(796)	1,011
Contribution to Welsh Risk Pool	0	0
Welsh Risk Pool creditor movement	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	(1)	(11)
Less: income received/ due from Welsh Risk Pool	1,048	(762)
<b>Total charge</b>	<b>251</b>	<b>238</b>

Personal injury includes £17k in respect of permanent injury benefits (2014-15 £120k).

<b>5. Investment revenue</b>	<b>2015-16</b>	2014-15
<b>Rental revenue :</b>	<b>£000</b>	£000
PFI finance lease revenue:		
Planned	0	0
Contingent	0	0
Other finance lease revenue	0	0
<b>Interest revenue:</b>		
Bank accounts	27	23
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>27</b>	<b>23</b>

<b>6. Other gains and losses</b>	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Gain/(loss) on disposal of property, plant and equipment	0	0
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of assets held for sale	0	0
Gain/(loss) on disposal of financial assets	0	0
Gains/(loss) on foreign exchange	0	0
Change in fair value of financial assets at fair value through income statement	0	0
Change in fair value of financial liabilities at fair value through income statement	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

<b>7. Finance costs</b>	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	49	49
Interest on obligations under PFI contracts:		
Main finance cost	0	0
Contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>49</b>	<b>49</b>
Provisions unwinding of discount	0	0
Other finance costs	0	0
<b>Total</b>	<b>49</b>	<b>49</b>



## 8. Operating leases

### 8.1 Trust as lessee

There are some significant leasing arrangements where the Trust is the lessee; the trust leases a number of buildings where the lease agreement exceeds 5 years.

In 2016/17 the Trust will relocate a number of its staff into a new office building, which will be acquired through an operating lease for a period of 12 years. These costs are included in the figures below.

<b>Payments recognised as an expense</b>	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Minimum lease payments	1,001	953
Contingent rents	0	0
Sub-lease payments	0	0
<b>Total</b>	<b>1,001</b>	<b>953</b>

<b>Total future minimum lease payments</b>	<b>2015-16</b>	2014-15
Payable:	<b>£000</b>	£000
Not later than one year	1,624	722
Between one and five years	5,018	750
After 5 years	7,512	0
<b>Total</b>	<b>14,154</b>	<b>1,472</b>
Total future sublease payments expected to be received	0	0

8. Operating leases (continued)

8.2 Trust as lessor

There are no significant leasing arrangement where the Trust is the lessor.

Receipts recognised as income	2015-16 £000	2014-15 £000
Rent	0	0
Contingent rent	0	0
Other	0	0
<b>Total rental revenue</b>	<b>0</b>	<b>0</b>

Total future minimum lease payments	2015-16 £000	2014-15 £000
Receivable:		
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 9. Employee costs and numbers

9.1 Employee costs	Permanently employed staff	Agency Staff	Staff on Inward Secondment	2015-16	2014-15
				£000	£000
	£000	£000	£000	£000	£000
Salaries and wages	49,787	1,042	3,654	54,483	53,747
Social security costs	3,898	0	0	3,898	3,855
Employer contributions to NHS Pensions Scheme	6,595	0	0	6,595	6,291
Other pension costs	0	0	0	0	0
Other post-employment benefits	0	0	0	0	0
Termination benefits	0	0	0	0	0
<b>Total</b>	<b>60,280</b>	<b>1,042</b>	<b>3,654</b>	<b>64,976</b>	<b>63,893</b>
<b>Of the total above:</b>					
Charged to capital				0	0
Charged to revenue				64,976	63,893
<b>Total</b>				<b>64,976</b>	<b>63,893</b>

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

(10) 24

## 9.2 Average number of employees

9.2 Average number of employees	Permanently Employed	Agency Staff	Staff on Inward Secondment	2015-16	2014-15
				Total	(Restated) Total
	Number	Number	Number	Number	Number
Administrative, clerical and board members	731	20	17	768	736
Ambulance staff	0	0	0	0	0
Medical and dental	76	1	26	103	122
Nursing, midwifery registered	53	0	4	57	50
Professional, scientific and technical staff	421	2	1	424	426
Additional Clinical Services	0	0	0	0	0
Allied Health Professions	0	0	0	0	0
Healthcare scientists	0	0	0	0	0
Estates and Ancillary	0	0	0	0	0
Students	0	0	0	0	0
<b>Total</b>	<b>1,281</b>	<b>23</b>	<b>48</b>	<b>1,352</b>	<b>1,334</b>

## 9.3 Employee benefits

The Trust operates a lease car scheme and three salary sacrifice schemes (childcare, bikes and computer scheme) for employees.

## 9.4 Reporting of other compensation schemes - exit packages

Exit packages cost band (including any special payment element)	2015-16	2015-16	2015-16	2015-16	2014-15
	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made	Total number of exit packages
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	2
£25,000 to £50,000	1	2	3	0	2
£50,000 to £100,000	0	0	0	0	2
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>6</b>

Exit packages cost band (including any special payment element)	2015-16	2015-16	2015-16	2015-16	2014-15
	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages	Total cost of exit packages
	£	£	£	£	£
less than £10,000	0	0	0	0	0
£10,000 to £25,000	0	0	0	0	40,344
£25,000 to £50,000	34,875	68,054	102,929	0	78,023
£50,000 to £100,000	0	0	0	0	126,650
£100,000 to £150,000	0	0	0	0	0
£150,000 to £200,000	0	0	0	0	0
more than £200,000	0	0	0	0	0
<b>Total</b>	<b>34,875</b>	<b>68,054</b>	<b>102,929</b>	<b>0</b>	<b>245,017</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Where the Trust has agreed early retirements or compulsory redundancies, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table (see note 10.1 for details of ill health retirement costs).

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

## **9.5 Remuneration Relationship**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Public Health Wales NHS Trust in the financial year 2015-16 was £175k to £180k (2014-15, £155k - £160k). This was 5.9 times (2014-15, 5.30) the median remuneration of the workforce, which was £30,057 (2014-15, £29,760).

The increase in the highest paid director is a result of a new board director joining the organisation in 2015/16. The salary of the highest paid director includes an excellence award.

In 2015-16, 0 (2014-15, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £15,350 to £177,899 (2014-15 £14,292 -£157,899).

The banded remuneration of the Chief Executive is £150k to £155k (2014-15 £150k-£155k). This is 5.0 times (2014-15, 5.0) the median remuneration of the workforce.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Overtime payments are included for the calculation of both elements of the relationship.

In establishing the highest paid Director (Chief Executive) the Trust has taken into account the proportion of remuneration received by Directors for Clinical and Director responsibilities.

## **10. Pensions**

### **Pension costs**

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

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

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

#### **a) Accounting valuation**

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

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

#### **b) Full actuarial (funding) valuation**

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

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

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

**c) National Employment Savings Trust (NEST)**

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

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

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

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

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

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

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

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

During 2015-16 there were 0 (2014-15 3) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements is £0 (2014-15 £105,416). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

**11. Public Sector Payment Policy**

**11.1 Prompt payment code - measure of compliance**

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

	<b>2015-16</b>	<b>2015-16</b>	2014-15	2014-15
	<b>Number</b>	<b>£000</b>	Number	£000
<b>NHS</b>				
Total bills paid in year	<b>2,075</b>	<b>19,412</b>	1,985	21,885
Total bills paid within target	<b>1,829</b>	<b>17,405</b>	1,588	18,060
Percentage of bills paid within target	<b>88.1%</b>	<b>89.7%</b>	80.0%	82.5%
<b>Non-NHS</b>				
Total bills paid in year	<b>22,357</b>	<b>25,979</b>	22,475	28,892
Total bills paid within target	<b>21,327</b>	<b>24,535</b>	20,675	26,264
Percentage of bills paid within target	<b>95.4%</b>	<b>94.4%</b>	92.0%	90.9%
<b>Total</b>				
Total bills paid in year	<b>24,432</b>	<b>45,391</b>	24,460	50,777
Total bills paid within target	<b>23,156</b>	<b>41,940</b>	22,263	44,324
Percentage of bills paid within target	<b>94.8%</b>	<b>92.4%</b>	91.0%	87.3%

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

	<b>2015-16</b>	2014-15
	<b>£</b>	£
Amounts included within finance costs from claims made under legislation	<b>0</b>	0
Compensation paid to cover debt recovery costs under legislation	<b>0</b>	0
<b>Total</b>	<b>0</b>	<b>0</b>



## 12. Property, plant and equipment :

## 2015-16

	Land	Buildings, excluding dwellings	Dwellings	Assets under construc-tion and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2015</b>	<b>954</b>	<b>4,039</b>	<b>0</b>	<b>0</b>	<b>12,815</b>	<b>70</b>	<b>8,235</b>	<b>518</b>	<b>26,631</b>
Indexation	19	167	0	0	0	0	0	0	186
Revaluation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	0	0	405	71	639	521	0	1,636
Additions - donated	0	0	0	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfers from/(into) other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(49)	0	(286)	0	(335)
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	61	0	0	0	0	0	0	61
<b>At 31 March 2016</b>	<b>973</b>	<b>4,267</b>	<b>0</b>	<b>405</b>	<b>12,837</b>	<b>709</b>	<b>8,470</b>	<b>518</b>	<b>28,179</b>
<b>Depreciation</b>									
<b>At 1 April 2015</b>	<b>0</b>	<b>1,531</b>	<b>0</b>	<b>0</b>	<b>5,450</b>	<b>14</b>	<b>4,186</b>	<b>469</b>	<b>11,650</b>
Indexation	0	85	0	0	0	0	0	0	85
Revaluation	0	0	0	0	0	0	0	0	0
Transfers from/(into) other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(49)	0	(286)	0	(335)
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	286	0	0	1,630	14	1,383	24	3,337
<b>At 31 March 2016</b>	<b>0</b>	<b>1,902</b>	<b>0</b>	<b>0</b>	<b>7,031</b>	<b>28</b>	<b>5,283</b>	<b>493</b>	<b>14,737</b>
<b>Net book value</b>									
At 1 April 2015	954	2,508	0	0	7,365	56	4,049	49	14,981
<b>Net book value</b>									
<b>At 31 March 2016</b>	<b>973</b>	<b>2,365</b>	<b>0</b>	<b>405</b>	<b>5,806</b>	<b>681</b>	<b>3,187</b>	<b>25</b>	<b>13,442</b>
<b>Net book value at 31 March 2016 comprises :</b>									
Purchased	973	2,302	0	405	5,806	681	3,187	25	13,379
Donated	0	63	0	0	0	0	0	0	63
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>973</b>	<b>2,365</b>	<b>0</b>	<b>405</b>	<b>5,806</b>	<b>681</b>	<b>3,187</b>	<b>25</b>	<b>13,442</b>
<b>Asset Financing:</b>									
Owned	973	2,365	0	405	5,806	681	2,533	25	12,788
Held on finance lease	0	0	0	0	0	0	654	0	654
On-SoFP PFI contract	0	0	0	0	0	0	0	0	0
PFI residual interest	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>973</b>	<b>2,365</b>	<b>0</b>	<b>405</b>	<b>5,806</b>	<b>681</b>	<b>3,187</b>	<b>25</b>	<b>13,442</b>

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

	£000
Freehold	2,523
Long Leasehold	247
Short Leasehold	568
<b>Total</b>	<b>3,338</b>

Land buildings and equipment have all been revalued using indices published by the the District Valuation (DV) Office. The price index are as follows:

104 for Land (1.96%)  
111 for buildings (5.71%)  
101 for equipment (0%)



12. Property, plant and equipment :

2014-15

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2014</b>	935	3,841	0	0	11,083	57	6,614	523	23,053
Indexation	19	192	0	0	102	0	0	2	315
Revaluation	0	0	0	0	0	0	0	0	0
Additions - purchased	0	6	0	0	1,794	36	1,824	0	3,660
Additions - donated	0	0	0	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0	0	0	0
Transfers from/(into) other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(164)	(23)	(203)	(7)	(397)
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>954</b>	<b>4,039</b>	<b>0</b>	<b>0</b>	<b>12,815</b>	<b>70</b>	<b>8,235</b>	<b>518</b>	<b>26,631</b>
<b>Depreciation</b>									
<b>At 1 April 2014</b>	0	1,192	0	0	4,225	32	3,252	440	9,141
Indexation	0	59	0	0	33	0	0	1	93
Revaluation	0	0	0	0	0	0	0	0	0
Transfers from/(into) other NHS bodies	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(164)	(23)	(202)	(7)	(396)
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	280	0	0	1,356	5	1,136	35	2,812
<b>At 31 March 2015</b>	<b>0</b>	<b>1,531</b>	<b>0</b>	<b>0</b>	<b>5,450</b>	<b>14</b>	<b>4,186</b>	<b>469</b>	<b>11,650</b>
<b>Net book value</b>									
At 1 April 2014	935	2,649	0	0	6,858	25	3,362	83	13,912
<b>Net book value</b>									
<b>At 31 March 2015</b>	<b>954</b>	<b>2,508</b>	<b>0</b>	<b>0</b>	<b>7,365</b>	<b>56</b>	<b>4,049</b>	<b>49</b>	<b>14,981</b>
<b>Net book value at 31 March 2015 comprises :</b>									
Purchased	954	2,394	0	0	7,365	56	4,049	49	14,867
Donated	0	114	0	0	0	0	0	0	114
Government Granted	0	0	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>954</b>	<b>2,508</b>	<b>0</b>	<b>0</b>	<b>7,365</b>	<b>56</b>	<b>4,049</b>	<b>49</b>	<b>14,981</b>
<b>Asset Financing:</b>									
Owned	954	2,508	0	0	7,365	56	2,845	49	13,777
Held on finance lease	0	0	0	0	0	0	1,204	0	1,204
On-SoFP PFI contract	0	0	0	0	0	0	0	0	0
PFI residual interest	0	0	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>954</b>	<b>2,508</b>	<b>0</b>	<b>0</b>	<b>7,365</b>	<b>56</b>	<b>4,049</b>	<b>49</b>	<b>14,981</b>

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

	£000
Freehold	2,457
Long Leasehold	290
Short Leasehold	715
<b>Total</b>	<b>3,462</b>

Land buildings and equipment have all been revalued using indices published by the the District Valuation (DV) Office. The price index are as follows:

- 102 for Land (2%)
- 105 for buildings (5%)
- 101 for equipment (1%)



**12. Property, plant and equipment :**

**Disclosures:**

**i) Donated Assets**

Public Health Wales NHS Trust did not receive any donated assets during the year.

**ii) Valuations**

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 Institute of Chartered Surveyors' Valuation Standards, 6th edition.

The Trust is 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 operation.

**iii) Asset Lives**

Land is not depreciated.

Buildings as determined by the District Valuation Service  
Equipment 4-20 years.

**iv) Compensation**

There has been no compensation received from third parties for assets impaired, lost or given up, that is included in the income statement.

**v) Write Downs**

There have been no write downs.

**vi)** The trust does not hold any property where the value is materially different from its open market value.

**vii) Assets Held for Sale or sold in the period.**

There are no assets held for sale or sold in the period.

**Gain/(Loss) on Sale**

Asset description	Reason for sale	Gain/(Loss) on sale £000
		0

## 12.2 Non-current assets held for sale

	Land	Buildings, including dwellings	Other property plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance b/f 1 April 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Plus assets classified as held for sale in year	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in year	0	0	0	0	0	0
Less impairment for assets held for sale	0	0	0	0	0	0
Plus reversal of impairments	0	0	0	0	0	0
Less assets no longer classified as held for sale for reasons other than disposal by sale	0	0	0	0	0	0
<b>Balance c/f 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Balance b/f 1 April 2014	0	0	0	0	0	0
Plus assets classified as held for sale in year	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in year	0	0	0	0	0	0
Less impairment for assets held for sale	0	0	0	0	0	0
Plus reversal of impairments	0	0	0	0	0	0
Less assets no longer classified as held for sale for reasons other than disposal by sale	0	0	0	0	0	0
Balance c/f 31 March 2015	0	0	0	0	0	0



## 13. Intangible assets

2015-16	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Patents	Development expenditure internally generated	CRC Emission Trading Scheme	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2015</b>	0	0	0	0	0	0	0
Revaluation		0			0	0	0
Additions							
- purchased	0	0	0	0	0	0	0
- internally generated	0	0	0	0	0	0	0
- donated	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0
Transfers from/(into) other NHS bodies	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation</b>							
<b>Accumulated amortisation at 1 April 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Revaluation		0			0	0	0
Transfers from/(into) other NHS bodies	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Charged during the year	0	0	0	0	0	0	0
<b>Accumulated amortisation at 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net book value at 1 April 2015	0	0	0	0	0	0	0
<b>Net book value at 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>							
Purchased	0	0	0	0	0	0	0
Internally Generated	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government granted	0	0	0	0	0	0	0
<b>Total at 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## 13. Intangible assets

2014-15	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Patents	Development expenditure internally generated	CRC Emission Trading Scheme	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2014</b>	0	0	0	0	0	0	0
Revaluation		0			0	0	0
Additions							
- purchased	0	0	0	0	0	0	0
- internally generated	0	0	0	0	0	0	0
- donated	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0
Transfers from/(into) other NHS bodies	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
<b>Gross cost at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amortisation</b>							
<b>Accumulated amortisation at 1 April 2014</b>	0	0	0	0	0	0	0
Revaluation		0			0	0	0
Transfers from/(into) other NHS bodies	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
Charged during the year	0	0	0	0	0	0	0
<b>Accumulated amortisation at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net book value at 1 April 2014	0	0	0	0	0	0	0
<b>Net book value at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net book value							
Purchased	0	0	0	0	0	0	0
Internally Generated	0	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0
Government granted	0	0	0	0	0	0	0
<b>Total at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**13. Intangible assets**

Public Health Wales has no intangible assets.

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

	<b>2015-16</b>	2014-15
	£000	£000
	<b>NHS Trust</b>	
At 1 April	<b>0</b>	0
Changes	<b>0</b>	0
At 31 March	<b>0</b>	0

## 15. Impairments

Impairments in the period arose from:	2015-16		2014-15	
	Property, plant & equipment	Intangible assets	Property, plant & equipment	Intangible assets
	£000	£000	£000	£000
Loss or damage from normal operations	0	0	0	0
Abandonment of assets in the course of construction	0	0	0	0
Over specification of assets (Gold Plating)	0	0	0	0
Loss as a result of a catastrophe	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Changes in market price	0	0	(31)	0
Reversal of impairment	(61)	0	0	0
<b>Impairments charged to operating expenses</b>	<b>(61)</b>	<b>0</b>	<b>(31)</b>	<b>0</b>
<b>Revaluations charged in the year to</b>				
Operating expenses in Statement of Comprehensive Income	(61)	0	(31)	0
<b>Total</b>	<b>(61)</b>	<b>0</b>	<b>(31)</b>	<b>0</b>

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

## 16. Capital commitments

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

	31 March	31 March
	2016	2015
	£000	£000
Property, plant and equipment	506	0
Intangible assets	0	0
<b>Total</b>	<b>506</b>	<b>0</b>

17. Inventories

17.1 Inventories

	<b>31 March 2016 £000</b>	31 March 2015 £000
Drugs	0	0
Consumables	121	85
Energy	0	0
Work in progress	0	0
Other	0	0
<b>Total</b>	<b>121</b>	<b>85</b>
<b>Of which held at net realisable value:</b>	<b>0</b>	<b>0</b>

17.2 Inventories recognised in expenses

	<b>31 March 2016 £000</b>	31 March 2015 £000
Inventories recognised as an expense in the period	36	7
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>36</b>	<b>7</b>

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**18. Trade and other receivables**

**18.1 Trade and other receivables**

	<b>31 March</b>	31 March
	<b>2016</b>	2015
<b>Current</b>	<b>£000</b>	£000
Welsh Government	326	722
WHSSC & EASC	12	5
Welsh Health Boards	1,706	2,500
Welsh NHS Trusts	73	87
Non - Welsh Trusts	17	15
Other NHS	0	0
Welsh Risk Pool	2,363	3,584
Welsh Local Authorities	43	90
Other Local Authorities	0	0
Capital debtors	0	0
Other debtors	987	766
Provision for impairment of trade receivables	(12)	(8)
Pension Prepayments		
NHS Pensions Agency	0	0
NEST	0	0
Other prepayments	543	515
Accrued income	74	0
Sub-total	<u>6,132</u>	<u>8,276</u>
<b>Non-current</b>		
Welsh Government	0	0
WHSSC & EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Non - Welsh Trusts	0	0
Other NHS	0	0
Welsh Risk Pool	0	0
Welsh Local Authorities	0	0
Other Local Authorities	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for impairment of trade receivables	0	0
Pension Prepayments		
NHS Pensions Agency	0	0
NEST	0	0
Other prepayments	0	0
Accrued income	0	0
Sub-total	<u>0</u>	<u>0</u>
<b>Total trade and other receivables</b>	<u><u>6,132</u></u>	<u><u>8,276</u></u>

The great majority of trade is with other NHS bodies. As NHS bodies are funded by Welsh Government, no credit scoring of them is considered necessary.

The value of trade receivables that are past their due payment date but not impaired is £85k (£155k in 2014/15).

18.2 Receivables VAT	31 March	31 March
	2016	2015
	£000	£000
Trade receivables	400	209
Other	0	0
<b>Total</b>	<b>400</b>	<b>209</b>

18.3 Receivables past their due date but not impaired

	31 March	31 March
	2016	2015
	£000	£000
By up to 3 months	62	64
By 3 to 6 months	9	59
By more than 6 months	14	32
<b>Balance at end of financial year</b>	<b>85</b>	<b>155</b>

18.4 Allowance for bad and doubtful debts

	31 March	31 March
	2016	2015
	£000	£000
Balance at beginning of the year	(8)	(49)
Transfer to other NHS Wales body	0	0
Provision utilised (Amount written off during the year)	0	30
Provision written back during the year no longer required	0	0
(Increase)/Decrease in provision during year	(4)	11
Bad debts recovered during year	0	0
<b>Balance at end of financial year</b>	<b>(12)</b>	<b>(8)</b>

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.

**19. Other financial assets**

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Current</b>		
Shares and equity type investments		
Held to maturity investments at amortised costs	0	0
At fair value through SOCI	0	0
Available for sale at FV	0	0
Deposits	0	0
Loans	0	0
Derivatives	0	0
Other (Specify)		
Held to maturity investments at amortised costs	0	0
At fair value through SOCI	0	0
Available for sale at FV	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Non-Current</b>		
Shares and equity type investments		
Held to maturity investments at amortised costs	0	0
At fair value through SOCI	0	0
Available for sale at FV	0	0
Deposits	0	0
Loans	0	0
Derivatives	0	0
Other (Specify)		
Held to maturity investments at amortised costs	0	0
At fair value through SOCI	0	0
Available for sale at FV	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**20. Cash and cash equivalents**

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
Opening Balance	<b>6,809</b>	2,547
Net change in year	<b>1,788</b>	4,262
<b>Closing Balance</b>	<b>8,597</b>	6,809
<b>Made up of:</b>		
Cash with Government Banking Service (GBS)	<b>3,082</b>	2,794
Cash with Commercial banks	<b>0</b>	0
Cash in hand	<b>15</b>	15
<b>Total cash</b>	<b>3,097</b>	2,809
Current investments	<b>5,500</b>	4,000
<b>Cash and cash equivalents as in SoFP</b>	<b>8,597</b>	6,809
Bank overdraft - GBS	<b>0</b>	0
Bank overdraft - Commercial banks	<b>0</b>	0
<b>Cash &amp; cash equivalents as in Statement of Cash Flows</b>	<b>8,597</b>	6,809



21. Trade and other payables at the SoFP Date	31 March 2016 £000	31 March 2015 £000
<b>Current</b>		
Welsh Government	1	71
WHSSC & EASC	0	0
Welsh Health Boards	2,361	2,284
Welsh NHS Trusts	73	568
Other NHS	43	47
Welsh Local Authorities	968	929
Other Local Authorities	0	0
Taxation and social security payable / refunds:		
Refunds of taxation by HMRC	(2)	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	1
National Insurance contributions payable to HMRC	8	0
Non-NHS trade payables - revenue	4,794	4,491
Non-NHS trade payables - capital	1,212	370
Rentals due under operating leases	34	41
Obligations due under finance leases and HP contracts	481	625
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	0	1
Accruals	434	357
Deferred Income:		
Deferred income brought forward	100	67
Deferred income additions	0	33
Transfer to/from current/non current deferred income	0	0
Released to the Income Statement	(5)	0
Other liabilities - all other payables	0	0
PFI assets – deferred credits	0	0
Payments on account	0	0
<b>Sub-total</b>	<b>10,502</b>	<b>9,885</b>

In respect of the Pensions figure shown above, £0 relates to the NHS Pension scheme (2014-15 £1k) and £0 to the NEST pension scheme (2014-15 £0k).

21. Trade and other payables at the SoFP Date (cont)

	<b>31 March 2016 £000</b>	31 March 2015 £000
<b>Non-current</b>		
Welsh Government	0	0
WHSSC & EASC	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Other NHS	0	0
Welsh Local Authorities	0	0
Other Local Authorities	0	0
Taxation and social security payable / refunds:		
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
National Insurance contributions payable to HMRC	0	0
Non-NHS trade payables - revenue	0	0
Non-NHS trade payables - capital	0	0
Rentals due under operating leases	0	0
Obligations due under finance leases and HP contracts	104	580
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	0	0
Accruals	0	0
Deferred Income:		
Deferred income brought forward	0	0
Deferred income additions	0	0
Transfer to/from current/non current deferred income	0	0
Released to the Income Statement	0	0
Other liabilities - all other payables	0	0
PFI assets – deferred credits	0	0
Payments on account	0	0
Sub-total	<u>104</u>	<u>580</u>
<b>Total</b>	<u><b>10,606</b></u>	<u><b>10,465</b></u>

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

<b>22. Borrowings</b>	<b>31 March</b>	<b>31 March</b>
<b>Current</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Bank overdraft - GBS	0	0
Bank overdraft - Commercial bank	0	0
Loans from:		
Welsh Government	0	0
Other entities	0	0
PFI liabilities:		
Main liability	0	0
Lifecycle replacement received in advance	0	0
Finance lease liabilities	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Non-current</b>		
Bank overdraft - OPG	0	0
Bank overdraft - Commercial bank	0	0
Loans from:		
Welsh Government	0	0
Other entities	0	0
PFI liabilities:		
Main liability	0	0
Lifecycle replacement received in advance	0	0
Finance lease liabilities	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 22.2 Loan advance/strategic assistance funding

The NHS Trust has received no loan advance or strategic funding from the Welsh Government.

**23. Other financial liabilities**

	<b>31 March 2016 £000</b>	31 March 2015 £000
<b>Current</b>		
<b>Financial Guarantees</b>		
At amortised cost	0	0
At fair value through SoCI	0	0
Derivatives at fair value through SoCI	0	0
<b>Other</b>		
At amortised cost	0	0
At fair value through SoCI	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

	<b>31 March 2016</b>	31 March 2015
<b>Non-current</b>		
<b>Financial Guarantees</b>		
At amortised cost	0	0
At fair value through SoCI	0	0
Derivatives at fair value through SoCI	0	0
<b>Other</b>		
At amortised cost	0	0
At fair value through SoCI	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

## 24. Provisions

2015-16

## 24.1 NHS Trust and Welsh Risk Pool

	At 1 April 2015	Structured settlement cases transferred to Risk Pool	Transfers to creditors	Transfers between current and non current	Transfers (to)/from other NHS body	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>										
Clinical negligence	3,123	0	0	0	0	376	(26)	(1,171)	0	2,302
Personal injury	133	0	0	0	0	0	0	(65)	0	68
All other losses and special payments	0	0	0	0	0	207	(207)	0	0	0
Defence legal fees and other administration	264	0	0	0	0	23	(12)	(183)	0	92
Pensions relating to: former directors	0		0	0	0	0	0	0	0	0
Pensions relating to: other staff	0		0	0	0	0	0	0	0	0
Restructurings	0		0	0	0	0	0	0		0
Other	0		0	0	0	0	0	0		0
<b>Total</b>	<b>3,520</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>606</b>	<b>(245)</b>	<b>(1,419)</b>	<b>0</b>	<b>2,462</b>
<b>Non Current</b>										
Clinical negligence	0	0	0	0	0	0	0	0	0	0
Personal injury	1,164	0	0	0	0	17	(70)	0	0	1,111
All other losses and special payments	0	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	0	0	0	0	0	0
Pensions relating to: former directors	0		0	0	0	0	0	0	0	0
Pensions relating to: other staff	0		0	0	0	0	0	0	0	0
Restructurings	0		0	0	0	0	0	0		0
Other	0		0	0	0	0	0	0		0
<b>Total</b>	<b>1,164</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>(70)</b>	<b>0</b>	<b>0</b>	<b>1,111</b>
<b>TOTAL</b>										
Clinical negligence	3,123	0	0	0	0	376	(26)	(1,171)	0	2,302
Personal injury	1,297	0	0	0	0	17	(70)	(65)	0	1,179
All other losses and special payments	0	0	0	0	0	207	(207)	0	0	0
Defence legal fees and other administration	264	0	0	0	0	23	(12)	(183)	0	92
Pensions relating to: former directors	0		0	0	0	0	0	0	0	0
Pensions relating to: other staff	0		0	0	0	0	0	0	0	0
Restructurings	0		0	0	0	0	0	0		0
Other	0		0	0	0	0	0	0		0
<b>Total</b>	<b>4,684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>623</b>	<b>(315)</b>	<b>(1,419)</b>	<b>0</b>	<b>3,573</b>

## Expected timing of cash flows:

	In year to 31 March 2017	Between 1 April 2017 31 March 2022	Between 1 April 2022 31 March 2027	Thereafter	Totals
	£000	£000	£000	£000	£000
Clinical negligence	2,302	0	0	0	2,302
Personal injury	68	329	308	474	1,179
All other losses and special payments	0	0	0	0	0
Defence legal fees and other administration	92	0	0	0	92
Pensions - former directors	0	0	0	0	0
Pensions - other staff	0	0	0	0	0
Restructuring	0	0	0	0	0
Other	0	0	0	0	0
<b>Total</b>	<b>2,462</b>	<b>329</b>	<b>308</b>	<b>474</b>	<b>3,573</b>

The expected timing of cashflows is based on best available information; but could change depending on the circumstances of the individual cases.

In addition to the provision shown above, contingent liabilities are shown in note 25.

There are no clinical negligence provision arising from Redress included in the above.

## 24. Provisions (continued)

2014-15

## 24.4 NHS Trust and Welsh Risk Pool

	At 1 April 2014	Structured settlement cases transferred to Risk Pool	Transfers to creditors	Transfers between current and non current	Transfers (to)/from other NHS body	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2015
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>										
Clinical negligence	2,643	0	0	0	0	798	(318)	0	0	3,123
Personal injury	184	0	0	0	0	2	(53)	0	0	133
All other losses and special payments	0	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	191	0	0	0	0	127	(18)	(36)	0	264
Pensions relating to: former directors	0		0	0	0	0	0	0	0	0
Pensions relating to: other staff	0		0	0	0	0	0	0	0	0
Restructurings	0		0	0	0	0	0	0		0
Other	0		0	0	0	0	0	0		0
<b>Total</b>	<b>3,018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>927</b>	<b>(389)</b>	<b>(36)</b>	<b>0</b>	<b>3,520</b>
<b>Non Current</b>										
Clinical negligence	0	0	0	0	0	0	0	0	0	0
Personal injury	1,115	0	0	0	0	120	(71)	0	0	1,164
All other losses and special payments	0	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	0	0	0	0	0	0
Pensions relating to: former directors	0		0	0	0	0	0	0	0	0
Pensions relating to: other staff	0		0	0	0	0	0	0	0	0
Restructurings	0		0	0	0	0	0	0		0
Other	0		0	0	0	0	0	0		0
<b>Total</b>	<b>1,115</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>120</b>	<b>(71)</b>	<b>0</b>	<b>0</b>	<b>1,164</b>
<b>TOTAL</b>										
Clinical negligence	2,643	0	0	0	0	798	(318)	0	0	3,123
Personal injury	1,299	0	0	0	0	122	(124)	0	0	1,297
All other losses and special payments	0	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	191	0	0	0	0	127	(18)	(36)	0	264
Pensions relating to: former directors	0		0	0	0	0	0	0	0	0
Pensions relating to: other staff	0		0	0	0	0	0	0	0	0
Restructurings	0		0	0	0	0	0	0		0
Other	0		0	0	0	0	0	0		0
<b>Total</b>	<b>4,133</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,047</b>	<b>(460)</b>	<b>(36)</b>	<b>0</b>	<b>4,684</b>

**25. Contingencies**

**25.1 Contingent liabilities**

Provision has not been made in these accounts for the following amounts:

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
Legal claims for alleged medical or employer negligence	<b>1,051</b>	768
Doubtful debts	<b>0</b>	0
Equal pay cases	<b>0</b>	0
Defence costs	<b>0</b>	0
Other (Please specify)	<b>0</b>	0
Total value of disputed claims	<b>1,051</b>	768
Amount recovered under insurance arrangements in the event of these claims being successful	<b>0</b>	0
Net contingent liability	<b>1,051</b>	768

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them.

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

**25.2. Remote contingent liabilities**

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
Guarantees	<b>0</b>	0
Indemnities	<b>0</b>	0
Letters of comfort	<b>0</b>	0
Total	<b>0</b>	0

**25.3 Contingent assets**

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
	<b>0</b>	0
	<b>0</b>	0
	<b>0</b>	0
	<b>0</b>	0

The Trust has no contingent assets.

## 26. Losses and special payments

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

### Gross loss to the Exchequer

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

	Amounts paid out during year to 31 March 2016		Approved to write-off year to 31 March 2016	
	Number	£	Number	£
Clinical negligence	8	37,976	0	0
Personal injury	3	5,765	0	0
All other losses and special payments	0	0	0	0
<b>Total</b>	<b>11</b>	<b>43,741</b>	<b>0</b>	<b>0</b>

Analysis of cases:

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases where cumulative amount exceeds £300,000</b>			
Case reference	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>	11	43,741	0
<b>Total cases</b>	11	43,741	0



**27. Finance leases**

**27.1 Finance leases obligations (as lessee)**

The Trust has a finance lease for the Picture Archive Computer System (PACS).

The inherent interest rate has been calculated at 2.77%. This has been used to discount the total future minimum lease payments of £629k to their present value of £585k.

Maintenance costs are charged directly to SOCI and are not included as part of the lease value.

**Amounts payable under finance leases:**

<b>LAND</b>	<b>31 March 2016 £000</b>	31 March 2015 £000
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
<b>Minimum lease payments</b>	<b>0</b>	<b>0</b>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
<b>Total present value of minimum lease payments</b>	<b>0</b>	<b>0</b>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

27.1 Finance leases obligations (as lessee) continued

Amounts payable under finance leases:

<b>BUILDINGS</b>	<b>31 March 2016 £000</b>	31 March 2015 £000
<b>Minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
<b>Minimum lease payments</b>	<b>0</b>	<b>0</b>
Included in: Current borrowings	0	0
Non-current borrowings	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
<b>Total present value of minimum lease payments</b>	<b>0</b>	<b>0</b>
Included in: Current borrowings	0	0
Non-current borrowings	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>OTHER</b>	<b>31 March 2016 £000</b>	31 March 2015 £000
<b>Minimum lease payments</b>		
Within one year	518	673
Between one and five years	111	624
After five years	0	0
Less finance charges allocated to future periods	0	0
<b>Minimum lease payments</b>	<b>629</b>	<b>1,297</b>
Included in: Current borrowings	0	0
Non-current borrowings	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Present value of minimum lease payments</b>		
Within one year	481	625
Between one and five years	104	579
After five years	0	0
<b>Total present value of minimum lease payments</b>	<b>585</b>	<b>1,204</b>
Included in: Current borrowings	481	625
Non-current borrowings	104	579
<b>Total</b>	<b>585</b>	<b>1,204</b>

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

There are no finance lease receivables.

**Amounts receivable under finance leases:**

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Gross investment in leases</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Less finance charges allocated to future periods	0	0
<b>Present value of minimum lease payments</b>	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
<b>Total</b>	<u>0</u>	<u>0</u>
<b>Present value of minimum lease payments</b>		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
<b>Total present value of minimum lease payments</b>	<u>0</u>	<u>0</u>
Included in:		
Current borrowings	0	0
Non-current borrowings	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

27.3 Rental Revenue	31 March	31 March
	2016	2015
	£000	£000
Contingent rent	0	0
Other	0	0
<b>Total rental revenue</b>	<b>0</b>	<b>0</b>

#### 27.4 Finance Lease Commitment

Public Health Wales NHS Trust has not entered into any new contracts to lease (building assets) under finance leases during 2015-16.

#### 28. Private finance transactions

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

The Trust has no PFI or PPP schemes deemed to be "on or off SoFP."

## 29. Financial risk Management

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.

NHS Trusts are not exposed to the degree of financial risk faced by business entities. 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 Trust's treasury management operations are carried out by the finance department within parameters defined formally within the NHS Trust's standing financial instructions and policies agreed by the board of directors. NHS Trust treasury activity is subject to review by the NHS Trust's internal auditors.

### Liquidity risk

NHS Trust's 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 the Welsh Government under agreed borrowing limits. NHS Trusts are not, therefore, exposed to significant liquidity risks.

### Interest-rate risks

The great majority of NHS Trust's 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 Trust's income comes from contracts with other public sector bodies, the Trust has 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 Trust to invest and borrow are limited. The Board has determined that in order to maximise income from cash balances held, any balance of cash which is not required will be invested. The Trust does not borrow from the private sector. All other financial instruments are held for the sole purpose of managing the cash flow of the Trust on a day to day basis or arise from the operating activities of the Trust. The management of risks around these financial instruments therefore relates primarily to the Trust's overall arrangements for managing risks to their financial position, rather than the Trust's treasury management procedures.

**30. Financial Performance****30.1 FINANCIAL DUTIES****30.1.1 Annual Surplus/Deficit**

Under the National Health Services (Wales) Act 2006 the financial obligations of the NHS Trust Schedule 4 2(1).

Each NHS trust must ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to the revenue account.

Subsequent to the issue of **WHC/2015/014** the annual financial duty has been revoked and the interpretation of the breakeven duty has reverted to a three year duty, the first assessment of this duty will be in 2016-17. From 2014-15 the following annual disclosure applies:

	<b>2015-16</b> <b>£000</b>	<b>2014-15</b> <b>£000</b>
Retained surplus	17	35
Less Donated asset / grant funded revenue adjustment	<b>0</b>	<b>0</b>
Adjusted surplus	<u>17</u>	<u>35</u>

The above surplus of £17k was achieved after planned Trust brokerage to Welsh Government of £300k.

**30.2 ADMINISTRATIVE REQUIREMENTS****30.2.1 Integrated Medium Term Plan**

The NHS Wales Planning Framework for the period 2015-16 to 2017-18 issued to NHS Trusts placed a requirement upon NHS Trusts to prepare and submit Integrated Medium Term Plans to the Welsh Government.

The Trust submitted an Integrated Medium Term Plan for the period 2015-16 to 2017-18 in accordance with NHS Wales Planning Framework.

	<b>2015-16</b> <b>to</b> <b>2017-18</b>	<b>2014-15</b> <b>to</b> <b>2016-17</b>
The Minister for Health and Social Services approval status	Approved	Not Approved

**30.2.2. External financing****The Trust is given an external financing limit which it is permitted to undershoot**

	<b>£000</b>	31 March 2016 <b>£000</b>	31 March 2015 <b>£000</b>
External financing limit set by the Welsh Government		<b>(1,607)</b>	979
Cash flow financing	<b>(1,915)</b>		653
Finance leases taken out in the year	<b>0</b>		0
Other capital receipts	<b>0</b>		0
External financing requirement		<u><b>(1,915)</b></u>	<u>653</u>
Undershoot (overshoot)		<u><b>308</b></u>	<u>326</u>

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

**30.2.3. Creditor payment**

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

Total number of non-NHS bills paid 2015-16	<b>22,357</b>
Total number of non-NHS bills paid within target	<b>21,327</b>
Percentage of non-NHS bills paid within target	<b>95.4%</b>

**The Trust has met the target.**

**31. Third party assets**

	<b>31 March 2016 £000</b>	31 March 2015 £000
Investments	<b>0</b>	0
Monetary Assets	<b>0</b>	0
<b>Total</b>	<b>0</b>	0

The Trust has no Third Party Assets.

**32. Events after reporting period**

There are no events after the reporting period that need to be disclosed in the financial statements.

### 33. Related Party transactions

The Trust is a body corporate established by order of the Welsh Minister for Health and Social Services.

During the year, other than transactions with the Welsh Government bodies identified in the table below, there were no material transactions involving board members or members of the key management staff or parties related to them.

The Welsh Government is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body, as disclosed below:

	Expenditure with related party	Income from related party	Amounts owed to related party	Amounts due from related party
	£000	£000	£000	£000
Welsh Government	1,083	89,449	1	326
WHSSC/EASC	0	51	0	12
Abertawe Bro Morgannwg UHB	2,945	3,789	126	399
Aneurin Bevan	2,998	946	77	19
Betsi Cadwaladr	3,470	3,847	602	343
Cardiff & Vale	3,251	5,522	257	894
Cwm Taff	1,667	354	1,134	57
Hywel Dda	1,622	1,668	138	(17)
Powys	174	147	23	10
Velindre NHS Trust	1,758	460	73	52
Welsh Ambulance Service Trust	23	99	0	21
Welsh Risk Pool	0	0	0	645
Welsh Local Authorities	4,963	208	968	43
Cardiff University	877	869	149	358
Bangor University	295	0	150	0
Swansea University	325	30	39	18
<b>TOTAL</b>	<b>25,451</b>	<b>107,439</b>	<b>3,737</b>	<b>3,180</b>

The Welsh Government payments include £1,007k that relate to PDC capital repayment during 2015-16.



**34. Pooled budgets**

Public Health Wales NHS Trust has no pooled budgets.

### **35. Operating Segments**

The Trust's primary remit is the provision of public health services throughout Wales and this is viewed as the only segment that is recognisable under this legislation.

The Chief Operating Decision Maker (CODM) is considered to be the Trust Board. The CODM receives a variety of information dealing with various aspects of the Trust's performance, however considers the provision of public health services to be ultimately generic, in terms of geography and service.

The Trust therefore is deemed to operate as one segment.

The Bevan Commission is hosted by Public Health Wales NHS Trust and directly accountable to the Minister for Health and Social Services. The Hosting Agreement runs until 30th June 2016. In 2015/16 the total expenditure and income of the Commission was £176k (£103k in 2014/15).

The NHS Wales Health Collaborative is also hosted by Public Health Wales. The total expenditure and income for the Collaborative in 2015/16 was £2.1m.

36. Other

**Statement of the Chief Executive's responsibilities as Accountable Officer of the Trust**

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

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

Date: 06 June 2016 .....Chief Executive

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

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

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

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

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

**By Order of the Board**

**Signed:**

Date: 06 June 2016

Chairman: Mansel Aylward

Date: 06 June 2016

Chief Executive: Tracey Cooper

Date: 06 June 2016

Director of Finance: Huw George

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

**NHS TRUSTS**

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2010 and subsequent financial years in respect of the NHS Wales Trusts in the form specified in paragraphs [2] to [7] below.

**BASIS OF PREPARATION**

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

(a) the accounting guidance of the Government Financial Reporting Manual (FReM), which is in force for the financial year for which the accounts are being prepared, as detailed in the NHS Wales Trust Manual for Accounts;

(b) any other specific guidance or disclosures required by the Welsh Government.

**FORM AND CONTENT**

3. The account of the Trust for the year ended 31 March 2010 and subsequent years shall comprise a foreword, an income statement, a statement of financial position, a statement of cash flows and a statement of changes in taxpayers' equity as long as these statements are required by the FReM and applied to the NHS Wales Manual for Accounts, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2010 and subsequent years, the account of the Trust shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, changes in taxpayers' equity and cash flows during the year.

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

**MISCELLANEOUS**

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

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

Signed by the authority of Welsh Ministers

Signed : Chris Hurst

Dated : 17.06.2010

1 Please see regulation 3 of the 2009 No 1558(W.153); NATIONAL HEALTH SERVICE, WALES; The National Health Service Trusts (Transfer of Staff, Property Rights and Liabilities) (Wales) Order 2009

## Annual Governance Statement

### 1. Scope of Responsibility

Public Health Wales exists to protect and improve health and wellbeing and to reduce inequalities for people in Wales.

We have a clear purpose from which our strategic aim and commitments have been developed. Our vision is to: *achieve a healthier, happier and fairer Wales.*

The Board is accountable for setting the strategic direction, ensuring that effective governance and risk management arrangements are in place and holding the Executives to account in the effective delivery of the strategic plan for the organisation. As Chief Executive of the Board, I have responsibility for maintaining appropriate governance structures and procedures as well as a sound system of internal control that supports the achievement of the organisation's mission, aims and objectives, whilst safeguarding the public funds and the organisation's assets. These are carried out in accordance with the responsibilities assigned by the Accountable Officer of NHS Wales.

As Chief Executive and Accountable Officer, I have personal overall responsibility for the management and staffing of the organisation. I am required to assure myself, and therefore the Board, that the organisation's executive management arrangements are fit for purpose and enable effective leadership. The following statement demonstrates the mechanisms and methods used to enable me to gain that assurance.

### 2. Governance Framework

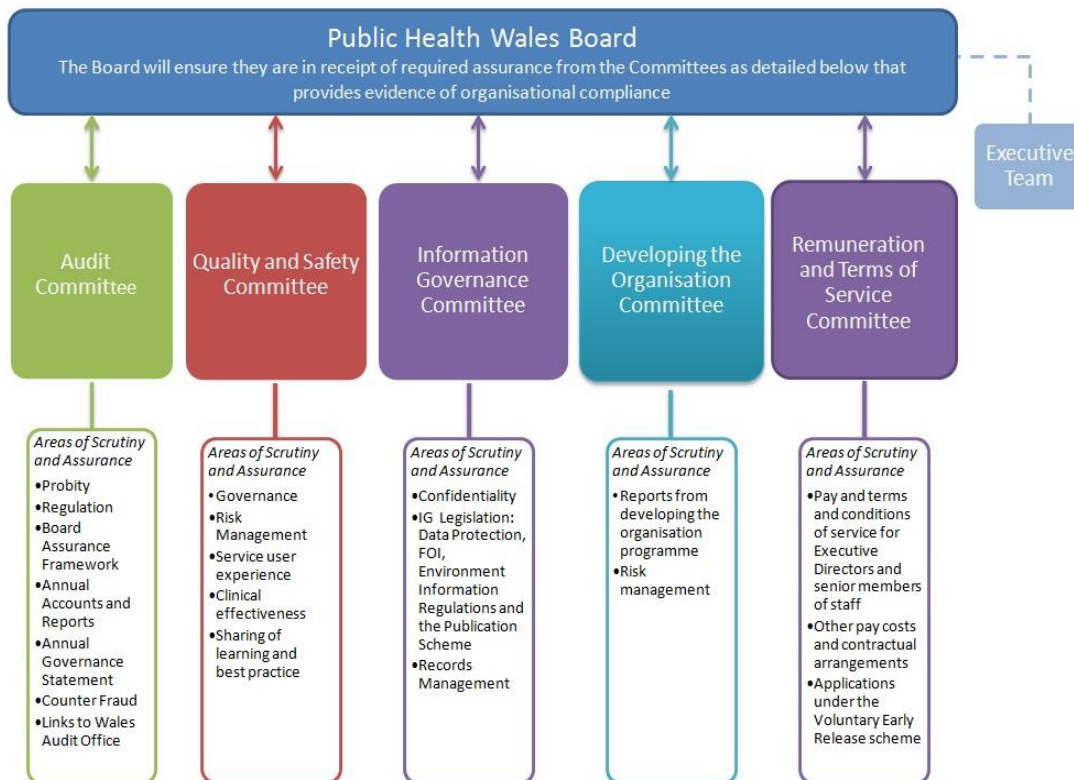
We have continued to maintain and develop a system of governance and assurance. The Board functions as a corporate decision-making body, with Executive Directors and Non-Executive Directors being full and equal members and sharing corporate responsibility for all the decisions of the Board.

In particular, the Board has responsibility for the strategic direction, governance framework, organisational culture and development, developing strong relationships with key stakeholders and partners, and the successful delivery of Public Health Wales' aims and objectives. In addition, Executive Directors have Board level responsibility for effectively discharging our corporate and public health functions.

The Board is supported by the Head of Corporate Governance and Board Secretary, who acts as an advisor on corporate governance within Public Health Wales.

The Board has established a standing Committee structure, which it has determined best meets the needs of the organisation at this time whilst taking account of any regulatory or Welsh Government requirements. Figure 1 below provides an overview of the governance framework which operated during 2015/16. This is currently undergoing review as a consequence of an organisational re-structure and the development of a new Board Assurance Framework (see Section 3 below).

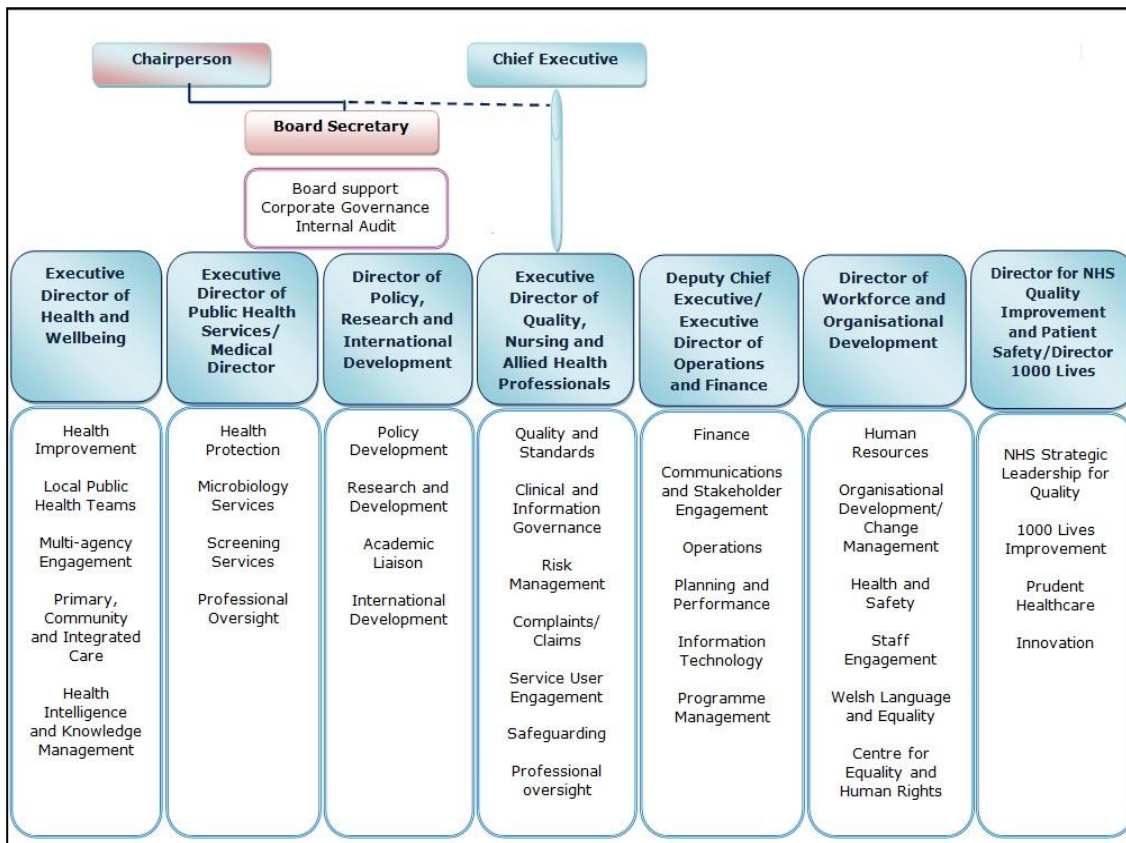
Figure 1: Overview of Governance Framework



The Executive Team, and associated directorate structures, has been redesigned over the past year (Figure 2), with a number of new senior appointments, to ensure that they are best designed to achieve the mission of the organisation and comprise of high calibre leaders and operational managers to effectively discharge the functions of the organisation. Similarly, during the year the corporate infrastructure has been revised and further invested in to strengthen the governance Arrangements across the organisation, providing greater assurance, with a stronger focus on quality, risk management, performance and delivery.



Figure 2: Executive Team and Directorate Structure



Financial performance, quality and risk management, workforce information and delivery against the organisation’s strategic and operational plans are scrutinised at meetings of the Board, Board Committees, the Executive Team and at various operational team meetings across the organisation. During the year the Board has concluded that the information received is acceptable in its assessment of the governance of the organisation. The quality and effectiveness of the information and data received by the Board, and other fora, is continually reviewed and some revisions have been made during the year to provide further assurance for the Board.

We have adopted Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements set out in the Public Health Wales NHS Trust (Membership and Procedures) Regulations 2009 (as amended) into day-to-day operating practice. Together with the adoption of a scheme of decisions reserved for 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 organisation. These documents, together with the range of corporate policies set by the Board, contribute to the Governance Framework.

During the year work has been ongoing to further strengthen the governance framework for the organisation and test the robustness of the framework.

Following on from a Good Governance Institute review of Board governance arrangements in 2014, the Board has considered its effectiveness and ongoing development. In August 2015, the Board invited external consultants to facilitate a Board Development Training Day as an early step in the process. The report recommended, chiefly, that the Board develop a 'design for governance' that enabled the Board to articulate how their governance arrangements worked and how they might be improved. This included the need to develop a comprehensive Board Development Plan. During 2015/16 the Board undertook a number of development sessions including two sessions on risk management and risk appetite. The Board Development Plan will be further developed in 2016/17 (as set out in our Operational Plan) and will address how the Board receives and considers information, learns together, measures effectiveness and plans succession.

## **2.1 Key issues considered by the Board**

During the year, the Board has considered a number of key issues and taken action where appropriate. These are elaborated on below.

### **2.1.1 Risk Management**

The Board has received regular updates on, and participated in, the further development and strengthening of risk management arrangements across the organisation. An interim Chief Risk Officer was appointed during the year. A permanent appointment was made and the new post holder commenced in May 2016.

The interim Chief Risk Officer conducted a review with the aim of arriving at a baseline assessment. The methodology was primarily based on a modified version of the HM Treasury Risk Management Assessment Framework 2009. This self-assessment framework examined the extent to which risk management was being practiced across the organisation. It provided an overall maturity rating of Level 2: 'Approaches for addressing risks are being developed and an action plan for implementation being devised'.

Following the review a work programme commenced and an Integrated Risk Management Framework for 2015-2018 was developed and is in the process of being implemented. This includes revised procedures and training. A new strategic and corporate risk register format has also been introduced. This work is aligned to the development of the Board Assurance Framework which will allow the Board to maintain oversight of strategic risks and assess whether adequate assurance has been provided against these risks and the impact on the delivery of the strategic priorities.

For further details see Section 4.

### **2.1.2 Strategic Planning**

The Board led a refresh of the organisation's Strategic Plan 2016-2019 (the Integrated Medium Term Plan). This included a review of the external and future environment, legislative levers and drivers, population demographic changes and a full Strengths Weaknesses Opportunities and Threats (SWOT) analysis of the organisation.

Two underpinning enabling strategies were also approved by the Board – the Public Health Wales Research Strategy and the Knowledge Mobilisation Strategy.

### **2.1.3 Joint Working**

The Board considered the implications of future Joint Working Agreements and alignment to Public Health Wales' mission and strategy. It was agreed that a framework for future collaborations was required. A framework for governance arrangements around agreements and Memoranda of Understanding is under development.

### **2.1.4 Legislative Framework**

During the year, the Board discussed the Well-being of Future Generations (Wales) Act on a number of occasions in relation to its requirements as a public body and also its enabling function across all sectors to enable the implementation of the Act.

As a result, Public Health Wales is fully engaged in the implementation of the Wellbeing and Future Generations (Wales) Act. The Act aims to tackle the generational challenges Wales faces in a more robust, joined up and integrated way. The Act places a new duty on public services in Wales to make sustainable development their central organising principle. The Act also sets out a number of long term economic, social, and environmental wellbeing goals, many of which link closely with work undertaken by Public Health Wales.

Public Health Wales also actively engaged with the Public Health (Wales) Bill and responded, as an organisation, to the consultation regarding the green paper 'Our Health, Our Health Service'.

## **2.2 Board membership**

The Board has been constituted to comply with the *Public Health Wales National Health Service Trust (Membership and Procedure) Regulations 2009 (as amended)*. In addition to responsibilities and accountabilities set out in terms and conditions of appointment, Board members also fulfil a number of Champion roles where they act as ambassadors (see Annex 1).

A new Executive Team and organisational structure was approved by the Board and was implemented from 1 April 2015. All of the Executive positions were successfully recruited to and the corporate structure is now firmly established across the organisation. The changes have resulted in a structure that is fit for purpose to deliver the strategy, a more consolidated approach to the corporate service enabling functions and provides an improved balance of public health expertise and corporate support experience. This has led to the strengthening of governance across the organisation.

In addition to the Executive Directors appointed in accordance with the *Regulations* individuals were also appointed to other director positions. They, together, with Executive Directors, are members of the Executive Team. They have a standing invitation to Board meetings where they can contribute to discussions but do not have voting rights.

Annex 1 outlines the membership of the Board for 2015/16 and also highlights the membership of the Committees and areas of responsibility that are championed by the members of the Board. In addition to Board and Committee membership, Non-Executive Directors also participate in, and support, organisational groups and change programmes where appropriate. These include, for example, research and development, Welsh language, and modernisation programmes.

### 2.2.1 Amendments to the Eligibility Criteria for the appointment of Non-Executive Directors

In 2015-16, following discussions with the Minister for Health and Social Services, it was proposed to make amendments to the *Public Health Wales National Health Service Trust (Membership and Procedure) Regulations 2009* - to broaden the eligibility criteria of the three 'representative' Non-Executive Director roles to enable more open and fair competition. The Welsh Government launched a consultation in December 2015 to seek views on proposed changes to the eligibility criteria for the:

- **University Non-Executive Director:** replacing 'a person nominated by a university in Wales with teaching or research specialism in public health'; with 'a person who holds a post in a university that is related to health'.
- **Local Authority Non-Executive Director:** replacing 'a person nominated by a local authority or local authorities in Wales'; with 'a person with experience of local authorities in Wales'.
- **Voluntary Sector Non-Executive Director:** replacing 'a person who is an employee or member of a voluntary sector organisation in Wales'; with 'a person who is an employee or member of a voluntary sector organisation'.

Although feedback to the consultation showed an overall consensus with regard to the proposed amendments, in relation to the Voluntary Sector Non-Executive Director post, it was decided to highlight within the wording a requirement for the person to be an employee or member of a voluntary sector organisation with experience of such organisations in Wales.

The *Public Health Wales National Health Service Trust (Membership and Procedure) (Amendment) Regulations 2016* were made on 28 January 2016, were laid before the National Assembly for Wales on 2 February 2016, and came into force on 15 March 2016.

### 2.2.2 Chair's Sabbatical

The Chair of Public Health Wales, Professor Sir Mansel Aylward CB, took a sabbatical from 4 January-24 March 2016. During this time, John Spence, Vice-Chair of Public Health Wales, was Acting Chair of the Board. Professor Simon Smail CBE was appointed Acting Vice-Chair during this time.

### 2.2.3 Departure of Vice-Chair

The Vice-Chair of Public Health Wales, John Spence, left the organisation on 31 March 2016.

Professor Simon Smail CBE was formally appointed as incoming Vice-Chair of Public Health Wales at a meeting of the Board on 25 March 2016.

### 2.2.4 Appointment of a Non-Executive Director

A Non-Executive Director, Kate Eden, was appointed by the Minister for Health and Social Services in March 2016 to fill the vacancy created by the departure of John Spence, Vice-Chair of the Board, on 31 March 2016. Ms Eden's tenure will commence on 1 April 2016. The successful candidate was appointed as a result of a robust recruitment process which attracted a large number of applications.

### **2.2.5 Extension of Non-Executive Director**

The Minister for Health and Social Services approved the extension of Professor Simon Smail CBE on 16 February 2016. This extension, until 30 September 2017, was requested to ensure critical expertise was retained and business continuity for the Board ensured.

### **2.2.6 Vacant Board Position**

Following agreement in 2014/15, pending the amendment of the Regulations, the Local Authority Non-Executive Director position has remained vacant throughout 2015/16. To ensure that there remained strong links with local government during this time, Alison Ward, Chief Executive of Torfaen County Borough Council, was appointed on an interim basis from May 2014 to fulfil this function. This appointment does not allow full voting rights. This arrangement has continued during 2015/16.

Following the amendments to the Regulations, the organisation will look to appoint to this post on a permanent basis in 2016/17.

### **2.2.7 Succession Planning for 2016-17 and 2017-18**

We acknowledge that a number of Non-Executive Directors will reach the end of their final terms during 2016/17 and 2017/18, including the Chair of the Board. As this presents a potential risk for the governance continuity of the organisation, succession plans are being developed to mitigate this risk. We will be working closely with Welsh Government to achieve this.

### **2.2.8 Senior Staff Appointments and Departures**

The introduction of a new Executive Team structure resulted in the identification of more clearly defined areas of responsibility within revised role profiles. Consequently, there were a number of appointments to senior staff posts.

Professor Mark Bellis was appointed Director of Policy, Research and International Development on 28 April 2015, as a member of the Executive Team.

Rhiannon Beaumont-Wood was appointed Executive Director of Quality, Nursing and Allied Health Professionals on 26 May 2015.

Dr Aidan Fowler was appointed Director for NHS Quality Improvement and Patient Safety/Director of 1000 Lives Improvement Service commencing on 1 September 2015, following the departure of the Acting Director of 1000 Lives Improvement Service, Tim Heywood, on 27 August 2015.

Dr Chrissie Pickin was appointed Executive Director of Health and Wellbeing commencing from 7 December 2015. Dr Judith Greenacre acted as interim Director throughout 2015/16 until Dr Pickin's appointment.

Keith Cox left his role as Board Secretary on 30 October 2015, to take up a secondment opportunity as Board Secretary to the Welsh Ambulance Service NHS Trust. Chris Lines, Director of Communications, also left the organisation on 15 May 2015. Interim arrangements were put in place to ensure sufficient cover for both of these functions.

Ruth Davies left her role as Director of Workforce and Organisational Development on 29 March 2016. Hywel Daniel was appointed as interim Director on 1 April 2016 while the recruitment process was undertaken.

### **2.2.9 Staff Representation at Board Meetings**

Representatives from the Partnership Forum continue to attend and contribute to Board meetings as non-voting members. This ensures staff views are considered during Board discussions. Discussions with the British Medical Association (BMA) about securing attendance at Board meetings of BMA representatives are ongoing.

### **2.2.10 Under-Represented Groups**

The composition of the Board provides an appropriate balance of skills, experience, independence and knowledge. The Board had previously acknowledged the gender imbalance of Board members and the lack of members from under-represented groups. The Board also noted a geographical imbalance amongst the Board members, with limited representation from rural communities in Wales. It continues to strive to address both of these areas.

In 2015, the Welsh Government and NHS Centre for Equality and Human Rights launched a pilot programme to increase diversity of public appointments in Wales. We participated in the scheme and hosted two individuals from under-representative groups to shadow our Board members for a 12 month period. We also nominated a Non-Executive Director mentor for each individual. The two individuals attended a number of Board and Committee meetings in addition to a range of events organised by the organisation. Participants were provided with development opportunities and support with the aim of increasing their chances of a successful application to a public body as a Board member.

This pilot scheme has been evaluated by the Centre for Equality and Human Rights. The outcomes will inform advice and guidance to support Local Health Boards and Trusts to increase diversity on public boards. Due to the success of the scheme and the clear benefits to participants, the Board and the wider organisation, Public Health Wales has decided to offer an extension of the terms of our two participants for a further six months. This will enable them to gain continued experience of health service governance and provide them with sufficient support to apply for public appointments. We intend to develop our own scheme as part of our ongoing commitment to the equality and diversity agenda.

In the recruitment process for our new Non-Executive Director (See 2.2.4) we actively promoted the post to under-represented groups.

## **2.3 Board Committees**

The Board has established five standing Board Committees, chaired by Non-Executive Directors, that have key roles in relation to the system of governance and assurance, decision-making, scrutiny, development discussions, an assessment of current risks and performance monitoring. Committee papers and minutes for each meeting are published on the Public Health Wales [website](#). Chairs of the committees provide verbal reports to the Board meeting following each committee meeting. Minutes of committee meetings are also presented to the Board once approved by the relevant committee. Each committee also produces an annual report, which provides a summary of business undertaken during the year. Copies of these reports are available on the Public Health Wales [website](#). The committee annual reports provide the Board with assurance that the committees are working effectively and contribute to the overall assessment of board effectiveness.

There is common membership between the committees to ensure integration with each other in relevant areas. The Terms of Reference for each committee are typically reviewed on an annual basis to ensure that there were no overlaps or obvious gaps in roles and responsibilities. Terms of Reference were not approved by Board in 2015/16 due to the ongoing review of the committee structure.

Public Health Wales has not established a Charitable Funds Committee as it does not have its own charity. It does have access to a fund administered by the Velindre Health Charity and the Director of Finance has delegated authority to manage this fund.





The introduction of the new organisational restructure, the refresh of the IMTP and the development of an integrated Risk Management Framework and Board Assurance Framework provides a good opportunity to revise the committee structure. This is required to ensure that the respective scrutiny responsibilities and duties of each committee are aligned to the strategic priorities, objectives and corporate risk function. A review of the existing structure has commenced and is expected to be implemented in 2016/17.

The following paragraphs provide highlights of reports received by committees throughout the year. These highlights provide evidence of the governance framework working in practice.

### **2.3.1 The Audit Committee**

The Audit Committee met five times during 2015/16 and was quorate on all five occasions. The Committee provides advice and assurance to the Board on the systems of internal control, governance and efficient and effective use of resources by overseeing and monitoring a programme of internal and external audit. During the year, the Committee received and discussed a number of reports produced by Internal Audit. These are listed in Figure 3 below, together with the assurance rating provided:

Figure 3: Internal Audit Reports Assurance ratings 2015/16

Report	Level of assurance provided			
	No assurance 	Limited assurance 	Reasonable assurance 	Substantial assurance 
Environmental Sustainability Report				✓
Annual Quality Statement				✓
Appointment of Temporary/ Agency/ Consultant Staff (Follow up)			✓	
Risk Management (Follow up)			✓	
Claims Reimbursement				✓
Health and Care Standards			✓ (draft)	
Integrated Medium Term Plan			✓ (draft)	
Quality Framework				✓
Workforce Planning		✓ (draft)		
Financial Systems Review				✓

Where limited assurance was provided in 2014/15 a follow up review took place. In 2015/16 one area, Workforce Planning, received limited assurance. This report is still in draft and an action plan will be developed in 2016/17 in response to the report recommendations.

The Audit Committee noted that timely management responses to Internal Audit Review recommendations were required. The Committee were assured that improvements had been made to improve engagement throughout audits, to enable quicker response times. To support this, an Internal Audit Protocol is under development to clearly define staff responsibilities and audit processes.



The Audit Committee received regular updates and discussed the risk management and assurance arrangements being developed for the organisation. An integrated Risk Management Framework has been developed which clarifies the process for escalation and cascading risks and to assign accountability to individuals and committees. This work was undertaken as a result of an Internal Audit review into risk management arrangements in 2014/15. The Committee welcomed the redesign of the Board Assurance Framework to better align it to the IMTP linking it to the strategic objectives. Alongside this the Corporate Risk Register has also been revised in readiness for the 2016/17 financial year. For further details see Section 4.

NHS Wales Shared Services Partnership carries out a number of functions on behalf of Public Health Wales. The Audit Committee receives reports from the internal audit function which provide it with assurance that these functions are efficient and cost effective. Public Health Wales also has representation on the NHS Wales Shared Services Partnership Committee where any issues, which have been identified, are shared and fed back to the Committee.

### **2.3.2 The Quality and Safety Committee**

The Quality and Safety Committee met four times during 2015/16 and was quorate on three occasions.

The Quality and Safety Committee assists the Board in discharging its functions in meeting its responsibilities with regard to quality and safety. The Committee is responsible for seeking assurances on all aspects of quality of services and clinical care, governance systems including risk for clinical, corporate and regulatory standards for quality and safety.

The Committee is authorised by the Board to investigate or have investigated any activity within its terms of reference. In doing so, the Committee has the right to inspect any books, records or documents of the Trust relevant to the Committee's remit, ensuring patient/client and staff confidentiality, as appropriate.

At the beginning of each meeting the Committee received a story from the perspective of service users or a member of staff. The stories included lessons learnt and action taken in response to the key messages from the story. This ensured the Committee is engaged fully with the Service User Experience and Learning Panel and brings scrutiny and emphasis on placing service users at the centre of improving, developing and planning services.

Following on from the discussions held on 2014/15 on the need to strengthen the quality, safety and quality improvement arrangements in Public Health Wales; a Quality Management Group was established and held its first meeting in October 2015 and the terms of reference were agreed at the Committee. The Group supports the Executive in placing a focus and discharging its responsibilities on quality improvement and assurance.

During 2015/16 the organisation has been preparing for the introduction of the Nursing and Midwifery Council Revalidation. The Committee received regular reports on the process and assurance on the implications and preparations made by Public Health Wales.

The Quality and Safety Committee receives a quarterly Putting Things Right report which is an analysis of incidents, complaints, claims and compliments to identify trends, themes and lessons learnt. The Committee also reviews all serious incidents reported within Public Health Wales and to the Welsh Government. For each serious incident the Committee queries what lessons have been learnt from the incident and review the action plan which details the improvements made as a consequence.

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In 2015/16 a total of six Serious Incidents were reported to the Welsh Government of which five related to the Screening Division and one to the Microbiology Division.

The Committee regularly reviewed statutory training compliance of areas relating to Quality and Safety.

### 2.3.3 The Information Governance Committee

The Information Governance Committee met four times during 2015/16 and was quorate on each occasion. The Committee is responsible for providing advice and assurance to the Board to enable it to discharge its responsibility for information processes.

The Committee received regular reports on information governance incidents and the lessons learnt from the incidents. A formal system of auditing staff and premises was introduced in January 2015 to reiterate the responsibilities of staff and to monitor information governance compliance. The Committee received reports from the audits on a regular basis throughout 2015/16.

At each meeting, the Committee received reports on how information governance training was being implemented across the organisation. The Information Commissioner's Office (ICO) NHS Wales audit report, received by the Committee in September 2015, included recommendations regarding the increased frequency of information governance mandatory training and the need to identify Information Asset Owners. It was acknowledged that a training needs assessment of all staff working with personal information was needed to address the recommendations in the ICO audit. Staff training around incident reporting was also required to ensure that staff recorded correct information and severity scores when reporting incidents through the reporting system, Datix.

The Committee has continued to monitor an ongoing risk relating to the removal of Section 251 support (which ensured compliance with the Data Protection Act (1998), removing the need to obtain explicit consent). A Memorandum of Understanding (MOU) between Welsh Government and the Department of Health has now been signed, which addresses the removal of Section 251 support. The MOU confirmed that the completion of the Caldicott Principles into Practice (CPIP) self assessment toolkit in Wales is sufficient for information governance assurance purposes. However, to ensure further robust assurance is provided to the Confidentiality Advisory Group (CAG): NHS Health Research Authority, Public Health Wales has undertaken a review against an adapted version of the UK Department of Health's Information Governance Toolkit (see Section 5.2).

The Committee regularly monitored progress against the Caldicott Principles into Practice Action Plan. Work has been undertaken to strengthen information governance compliance through the application of the principles and most actions had been completed by December 2015. Public Health Wales had an overall compliance score of 91 per cent for 2015/16. The score has improved on last year (80.7 per cent) and will be used as a measure of continuous improvement in governance processes and systems. A revised Caldicott issues logging system has been introduced together with a Caldicott Guardian Scheme of Delegation.

The Committee has also considered how to mitigate the ongoing information security risks connected to staff working at home or 'off-site'. This included discussions regarding Non-Executive Director use of personal computer devices for organisational business. The provision of encrypted devices and secure cloud-based solutions are being trialled with Non-Executive Directors to address this. Revisions to the Home Working Policy addressing these concerns are underway, although further consideration of compliance monitoring remains a key issue for the Committee.

The Information Governance Committee receives summaries and reports on all Information Governance incidents and 'near misses' reported through the organisation's incident management system. Any serious incidents are reported fully to the Committee and Welsh Government and full Root Cause Analysis investigations are undertaken. Public Health Wales did not report any data security lapses during 2015/16.

### **2.3.4 The Developing the Organisation Committee**

The Developing the Organisation Committee was a new committee established by the Board in 2015 to monitor the organisational developments towards building a high performing and learning culture. It met four times during 2015/16 and was quorate on each occasion.

The Committee agreed their Terms of Reference in 2015/16. It was agreed that the Committee role was to provide input into Strategic Priority 7 (Developing the Organisation and the ten point plan); the "Our Workforce" section of the IMTP, staff development and performance management.

The Committee received regular reports on how the organisation is developing its people and systems and also carried out deep dives on the Electronic Staff Record (ESR), staff appraisals, sickness reporting and the availability of workforce resources.

The Committee also held a strategic workforce planning session prior to the refreshed IMTP being reviewed by the Board in January 2016 and will continue to monitor progress made on the objectives for Strategic Priority 7.

### **2.3.5 The Remuneration and Terms of Service Committee**

The Remuneration and Terms of Service Committee met six times during 2015/16 and was quorate on each occasion.

Following the approval of the revised Executive Team Structure (and associated Directorates) in April 2015, the role profiles for the two new posts and two other Executive Director roles were submitted to Welsh Government in order to be subject to the Job Evaluation for Senior Posts (JESP) process on Welsh Government's advice. The remuneration of these roles was then considered by the Committee. The Committee also considered applications in respect of the Voluntary Early Release Scheme (VERS).

### **2.3.6 Advisory Groups**

In support of the Board and Executive we also have a Partnership Forum, Joint Medical and Dental Negotiating Group and a Joint Negotiating Committee. The organisation's Nursing Senedd monitors and advises on professional issues relating to Nursing and Midwifery professionals.

**2.3.7 Board and Committee meetings held during 2015/16**

The following table outlines dates of Board and Committee meetings held during 2015/16, highlighting any meetings that were inquorate:

<b>Board/ Committee</b>	<b>2015-2016</b>						
Board	28 Apr	25 Jun	24 Sept	1Dec	27 Jan	24 Mar	
Audit	7 May	4 Jun	2 Sept	10 Dec	10 Mar		
Quality & Safety	14 Apr	22 Jul	** 15 Oct	6 Jan			
Information Governance	4 Jun	2 Sept	10 Dec	23 Mar			
Developing the Organisation	28 Jun	23 Sept	28 Jan	23 Mar			
Remuneration and Terms of Service	21 Jan	25 Jun	28 Jul	27 Oct	25 Feb	24 Mar	

**\*\* Inquorate**

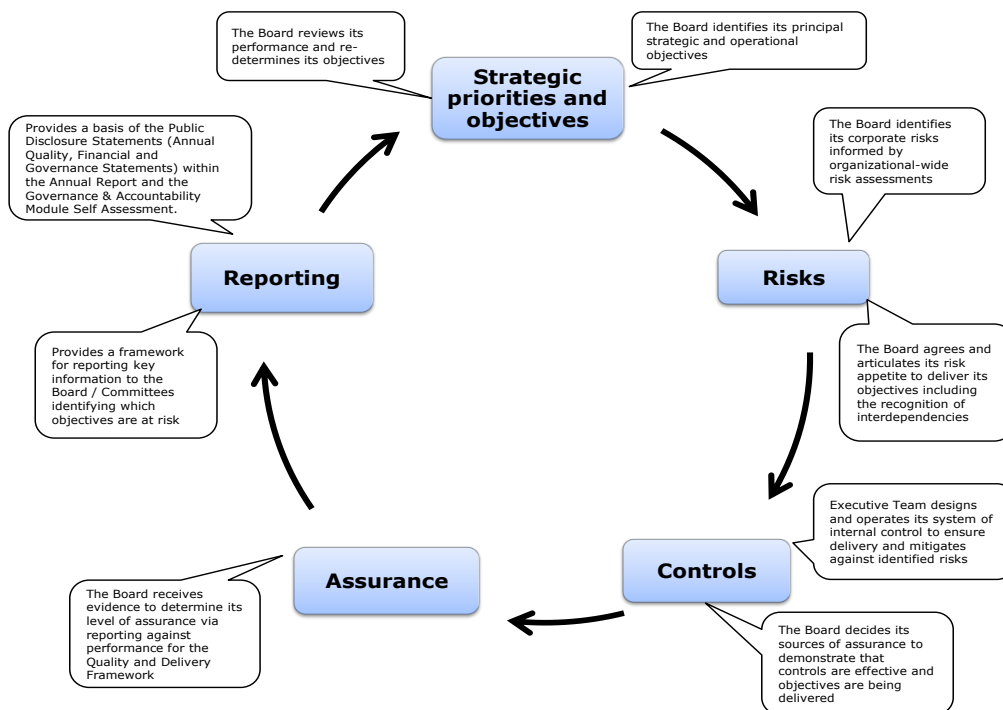
Where meetings were inquorate the Committee Chair ensured that escalation arrangements were in place to ensure that any matters of significant concern that could not be brought to the attention of the Committee could be raised with the Chair of the Board.

**3 The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risks. It can therefore only provide reasonable and not absolute assurances of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ending 31 March 2016 and up to the date of approval of the annual report and accounts.

We use an assurance framework system and process to monitor, seek assurance and ensure shortfalls are addressed through the scrutiny of the Board and its committees.



Key controls are defined as those controls and systems in place to assist in securing the delivery of the Board’s strategic objectives. Examples of key controls include:

- Schemes of delegation
- Policies and procedures
- Performance data
- Financial management information
- Quality and Safety processes

The effectiveness of the system of internal control is assessed by our internal and external audit function (Section 10).

#### 4 Capacity to Handle Risk

During 2015 there has been considerable investment in risk management across the organisation. An interim Chief Risk Officer was appointed in 2015/16 and the programme of work began with a diagnostic review, in June 2015 that established a benchmark risk level of maturity. Subsequently, a new Integrated Risk Management Framework with a high level implementation plan was submitted to Board for approval in December 2015. A new substantive post of Head of Risk and Assurance has been established to lead and be accountable for the successful implementation of the Integrated Risk Management Framework.

Highlights of the plan include the continuing development and use of the Board Assurance Framework, Corporate Risk Register and local risk registers. A new focus on horizon scanning, risk appetite and accredited risk training will enhance our risk management outcomes.

Moving forward, and as a part of delivering the framework requirements; the use of risk management will play a prominent part in helping the organisation meet their objectives and

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Strategic risks have been redefined and described by the Board during the further development and refresh of the IMTP. These risks will be monitored and reviewed by the Board through its committees and use of the Board Assurance Framework.

The management of risk is therefore an essential organisational function with the Board, and the Board assign responsibility for ensuring that effective risk management arrangements are in place to the organisation's Audit Committee. The Executive Team is responsible for the management of high level operational risks, as identified by the Corporate Risk Register.

The Corporate Risk Register has been reviewed during 2015/16. The following table displays the extreme corporate risks facing the organisation in May 2016:

<b>Principal Risks</b>	<b>Risk Score</b>	<b>Summary of Controls</b>
Compliance with Smoking Cessation Target	15	Implementation of co-ordinated action plans. Governance framework consisting of team, divisional, directorate and executive performance meetings in place, agreed new approach with Welsh Government and Local Health Boards to determine a policy context to support uptake of smoking cessation.
Ineffective or inefficient Electronic Staff Record (ESR)	16	Revised Plan for full roll-out of ESR to be provided to Executive Team. Note: risk needs to be clarified/updated.
Failure to comply with the Welsh Language Legislation	16	Each Directorate completing action plans to prepare for new Welsh Language Standards. These will highlight areas for action and be reported to Executive Team on a regular basis.

In addition, we capture risks at every level, from day-to-day risks faced by the staff on the ground, to the strategic risks at Board level. Individual divisions, service areas, teams, programmes and laboratories are responsible for maintaining their own risk registers. These risks are prioritised according to a wide range of criteria, enabling principal risks to be escalated through our governance arrangements.

Divisional Directors are responsible for regularly reviewing their divisional risk registers, and for ensuring that effective controls and action plans are in place and monitoring progress.

The Information Governance Committee reviews and scrutinises all information governance risks. The Quality and Safety Committee reviews all risks relating to quality and safety.

In December 2015, the Wales Audit Office Structured Assessment reported that the organisation was transforming risk management arrangements but suggested that it would be some time before it was embedded and reflected in a more dynamic Board Assurance Framework. The report noted that the format of the Corporate Risk Register had been revised.

The assessment report also acknowledged that the Board remains committed to developing its effectiveness but Non-Executive appointment and succession requirements present potential risks (see Section 2.2).

#### **4.1 Integrated Risk Management Development**

We have continued to develop and embed our approach to risk management. These comments acknowledge the positive progress being made and are representative of the status of Public Health Wales Integrated Risk Management Framework Implementation Plan, and its alignment to the IMTP.

As part of the planning process for 2015/16 a number of high level risks were identified as an accurate reflection of the main risks which could prevent, or delay, the organisation meeting its objectives and priorities. The Board has discussed risk appetite, and through 2016/17 will create an appetite statement.

The Risk Register is published on the Public Health Wales [website](#) with the Board papers for Board meetings. In acknowledgement of the development work that has been undertaken, the Risk Register has not been presented frequently at formal board meetings during 2015/16. It has however been discussed on two occasions at informal board meetings. This will be rectified in 2016/17.

The NHS Wales Shared Services Partnership, Audit and Assurance Services programme of reviews provides an independent and objective opinion on the adequacy of the systems of risk management, control and governance by measuring and evaluating effectiveness (see Section 2.3.1).

### **5 Quality Governance Arrangements**

As Chief Executive and Accountable Officer, together with the Board and Executive Team, I am responsible for ensuring that systems, processes and people both support and provide services and programmes which are safe and of optimal quality.

#### **5.1 Quality, Nursing and Allied Health Professionals Directorate**

The Quality, Nursing and Allied Health Professionals (AHP) Directorate, which was established in April 2015, has a pivotal enabling function role within the organisation and is responsible for the following functions:

- Quality and standards
- Clinical and information governance
- Risk management
- Complaints and claims
- Service user engagement
- Safeguarding
- Professional oversight

The Executive Director for Quality, Nursing and Allied Health Professionals (AHP) has overall accountability for quality across the organisation and is professionally accountable for nurses and midwives in addition to the AHPs. The Executive Director is a member of the Executive Team which is collectively accountable for the operational management of the organisation and the delivery of the corporate objectives. The Executive Director is also the Chair of the monthly Executive Team meetings that focuses on Quality and Risk.

The Executive Director of Public Health Services/Medical Director is professionally accountable for medical staff employed by Public Health Wales. The Executive Director also has responsibility for ensuring clinical governance across the organisation alongside the Executive Director for Quality, Nursing and Allied Health Professionals.

Public Health Wales continues to embed quality improvement approaches in addition to other methods, to support the realisation of our strategic aims and optimise the quality of our services and programme delivery. To support the embedding of quality improvements across the organisation, appointments to the following key roles were made during 2015/16.

- Assistant Director of Nursing
- Quality Lead
- Governance and General Manager
- Head of Risk and Assurance

These key appointments strengthen our quality arrangements and our ability to monitor the overall quality of Public Health Wales.

The development of a quality framework has commenced in 2015/16. The framework will identify suitable quality indicators from across the organisation. In addition to the framework the organisation is also working towards establishing a quality improvement approach including an improvement hub, to support and inspire innovation and continuous improvement across our services and programmes. The Quality and Safety Committee assists the Board in discharging its functions in meeting its responsibilities with regard to quality and safety (see section 2.3.2). There are a number of existing corporate sub groups which support the work of the Quality and Safety Committee and include:

- Quality Management Group
- Service User Experience and Learning Panel
- Safeguarding Group
- Information Governance Working Group
- Health and Safety Group

The Quality Management Group provides a pan organisational focus on quality and quality improvement. The remit of the group is not limited to quality in the context of clinical quality, but to a broader remit which considers how Public Health Wales demonstrate and evidence that there is a quality and quality improvement approach in all that it does.

The Annual Quality Statement (AQS) provides information about its services and functions. The 2014/15 AQS was developed with service users and the Third Sector and received a 'plain English' mark for the quality of the information produced.

It is also acknowledged that the quality agenda is interdependent with our corporate governance, information governance and risk management arrangements.

### **5.2 Information Governance**

Public Health Wales has well established arrangements for information governance to ensure that information is managed in line with the relevant Information Governance law, regulations and Information Commissioners Office guidance. The Information Governance Committee (see 2.3.3) provides oversight, advice and assurance to the Board with regard to information governance issues.

The Caldicott Guardian and the Senior Information Risk Owner (SIRO) are two senior roles with responsibility for the management of information governance.

The Caldicott Guardian for Public Health Wales is the Executive Director of Public Services/Medical Director and is the responsible person for protecting the confidentiality of patient and service-user information and enabling appropriate information sharing.



The SIRO is the Executive Director for Quality, Nursing and Allied Health Professional. The role of the SIRO is that of the advocate for information risk on the Board. The SIRO is responsible for setting up an accountability framework within the organisations to achieve a consistent and comprehensive approach to information risk assessment.

Due to the all-Wales remit of Public Health Wales, along with the diverse services it provides, it is acknowledged that the Caldicott Guardian requires the support of appropriate delegates to enable the duties of the role, as set out above, to be fulfilled. Caldicott delegates have been identified and are required, along with the Caldicott Guardian and SIRO, to undertake the agreed Caldicott Guardian/SIRO training on an annual basis, as a requirement of the role.

Following the completion of Caldicott Principles into Practice to provide assurances that information is secure, available and that business continuity measures are in place, an action plan was developed and implemented.

Public Health Wales also undertook a baseline assessment against the UK Department of Health's Information Governance toolkit (See Section 2.3.3). This revealed that there was an adequate Information Management Framework to support the current and evolving Information Governance agenda to ensure that an overall level of 1 (the policies, procedures and/or processes to ensure compliance were in development), as affirmed by Health and Social Care Information Centre Information Governance toolkit, has been achieved and the organisation is working towards Level 2 (that there are approved and implemented Information Governance policies and procedures in place).

Work has commenced on the development of the Information Governance Asset Register, to ensure compliance with the *Reuse of Public Sector Information Regulations (2015)*.

The arrangements include a Trust wide Information Governance Committee, Trust and Divisional Caldicott Guardians, a Caldicott Guardian for the National Databases and Divisional Information Governance leads.

## **6 Health and Care Standards for Health Services in Wales**

The Health and Care Standards (previously the Standards for Health Services in Wales) were reviewed and published in April 2015. The Health and Care Standards set out the requirements for the delivery of health care in Wales at every level and in every setting.

The onus is on Public Health Wales to demonstrate that the standards are being used and are met on a continuous basis. To achieve this Directorates and Divisions have undertaken a self assessment against each of the standards to determine what areas are doing well and identify areas where improvements may be required. Self assessment reports from each Directorate were presented to the Executive Team so that a collective organisational assessment, based on the returns of the seven Directorates, could be agreed. The Executive Team assessed the organisation as level 3: "we are developing plans and processes and can demonstrate progress in our key areas for improvement".

Work was also undertaken to integrate the Standards into the performance monitoring framework to ensure that the Standards become part of everyday business management within Directorates and Divisions to drive improvements in quality, rather than seen as a standalone separate activity. The integration of the standards will be further refined during 2016/17.

As part of this process, the organisation as whole self-assesses against the Governance, Leadership and Accountability standard and needs to consider the following criteria for meeting the standard:

- Health services demonstrate effective leadership by setting direction, igniting passion, pace and drive, and developing people.
- Strategy is set with a focus on outcomes, and choices based on evidence and people insight. The approach is through collaboration building on common purpose.
- Health services innovate and improve delivery, plan resource and prioritise, develop clear roles, responsibilities and delivery models, and manage performance and value for money.
- Health services foster a culture of learning and self-awareness, and personal and professional integrity.

As part of the process, Internal Audit also undertake a more in depth review of a selection of the Standards and provide an opinion on the assessment approach adopted.

The Executive Team is responsible for monitoring progress against identified improvements as part of the performance management framework.

Divisional Directors are also required to develop and lead arrangements to cascade and monitor the embedding of the Standards that are relevant to their work. In the absence of Welsh Government guidance being issued, to assist with this a [protocol](#) has been developed to provide staff with details of their roles and responsibilities in relation to the management and application of the Health and Care Standards.

## 7 UK Corporate Governance Code

We are required to comply with the UK Corporate Governance Code: corporate governance in central government departments: code of good practice 2011. The information provided in this Governance Statement provides an assessment of how we comply with the main principles of the Code as they relate to an NHS public sector organisation in Wales. This assessment has been informed by the organisation's assessment against the Governance, Leadership and Accountability Standard (as part of the Health and Care Standards) undertaken by the Board and also evidenced by internal and external audits. Public Health Wales is following the spirit of the Code to good effect and is conducting its business openly and in line with the Code. The Board recognises that not all reporting elements of the Code are outlined in this Governance Statement but are reported more fully in the organisation's wider Annual Report. There have been no reported departures from the Corporate Governance Code.

## 8 Integrated Medium-Term Plan

Public Health Wales developed a new three year strategic plan (also known as our Integrated Medium Term Plan) in 2015, which was formally approved by our Board in March 2015. The Plan was subsequently approved by the Minister for Health and Social Services on 2 June 2015. Our strategic plan guides the action we undertake, and the resources we allocate, to deliver our seven strategic priorities. It articulates what we will achieve through the delivery of our priorities to have the maximum impact on health and wellbeing in Wales.

Our Strategic Plan is refreshed on an annual basis as part of our internal planning arrangements. These arrangements are set out in our internal planning framework, which outlines the approach and process by which Public Health Wales will refresh its Strategic Plan and develop an Operational Plan and balanced budget. This is underpinned by detailed Internal Planning Guidance to support staff in the development of requirements. These

The Board have responsibility for setting the strategic direction which informs the development and refresh of the plan. Detailed board discussions to support development takes place as part of our strategic 'look back and forward' process, which we undertake annually. This examined the strategic and operational factors that may impact upon our priorities, along with reviewing year one progress and performance.

This process sets the strategic direction and context for the detailed plans to deliver each of our priorities to be developed. Draft versions of the plans were discussed with the Board as part of the development process. This included formal feedback, which resulted in the plans being amended. Draft and final versions of the refreshed strategic plan were formally approved by the Board in January and March 2016 respectively.

The Board actively managed our progress in delivering our plans as part of our performance management arrangements. During 2015, we developed and implemented refreshed performance management and reporting arrangements to monitor our progress against our plan and key performance indicators. This includes the provision of a monthly performance report. Progress against our plan is included within these reports on a quarterly basis.

The aims and purpose of these new performance arrangements are to ensure that:

- Clear lines of accountability are in place as part of our governance and assurance framework
- Information is provided that promotes and informs action to address areas of underperformance
- Relevant information on our key services and functions is provided to support decision making
- Information is provided as part of an integrated approach to provide a comprehensive overview of the organisation's performance
- Significant risks to delivery of agreed targets are identified and managed proactively and effectively
- Resources are allocated effectively in line with our strategy and priorities.

Progress against the action set out in previous years is a key driver in the development and refreshing of our plans. This information plays a key role in discussions undertaken as part of the 'look back' process and is used by the board to guide and shape the strategic direction set out in our plans.

## 9 Additional Assurance Disclosures

### 9.1 Ministerial Directions

Whilst Ministerial Directions are received by Local Health Boards, these are not always applicable to Public Health Wales. All Ministerial Directions issued throughout the year are listed on the Welsh Governance [website](#). During 2015/16 ten Non-Statutory Instruments were issued by the Welsh Government. Each of these were aimed specifically at services which are delivered by Local Health Boards, so no action was required by Public Health Wales.

In September 2014, the Welsh Government reintroduced Welsh Health Circulars, which replaced Ministerial letters. Public Health Wales has acted upon, and responded to all Welsh Health Circulars which have been issued during 2015/16 and which were applicable to Public Health Wales.

## **9.2 Hosted Bodies**

Public Health Wales has hosted two bodies during 2015/16:

### **9.2.1 Bevan Commission**

The Bevan Commission provides independent advice to the Minister for Health and Services on the delivery of the Welsh Government's Prudent Healthcare Programme for Wales. Public Health Wales put in place a hosting agreement which provided details of the responsibilities of the Public Health Wales Board and the hosted body. A Director and two members of staff are employed by Public Health Wales as the Core Support Team for the Bevan Commission. The Chair of the Bevan Commission is also the Chair of Public Health Wales and protocols have been followed to ensure there are no conflicts of interest.

The hosting agreement between Public Health Wales and the Commission was due to cease on 31 March 2016. However, due to ongoing discussions regarding transfer arrangements, it has been necessary to extend the agreement until 30 June 2016.

### **9.2.2 NHS Wales Health Collaborative**

Established on 1 February 2015, the NHS Wales Health Collaborative brings together the South Wales Collaborative, the Programme Management Unit and the Chief Executives' Support Unit.

The Board considered the hosting arrangements for the Collaborative. A due diligence exercise was undertaken to inform the Board of any material risk and potential mitigation of risks that might affect the hosting arrangement for the Collaborative between Public Health Wales and the nine other NHS bodies in Wales. The hosting agreement between Public Health Wales and the NHS Chief Executive Management Team was approved in June 2015. It provides details of the responsibilities of the Public Health Wales Board and the hosted body. The Board receives assurance on compliance with the terms of the agreement through the production of an Annual Compliance Statement and Report from the collaborative.

In September 2015, the Board approved the Collaborative taking over the organisation and management of the clinical networks in the NHS following an extension exercise led by NHS Chief Executives. This consequently required an approval by the board to host the networks through the Collaborative.

The Collaborative also has a role in working with global healthcare company Novartis on an outcomes-focused partnership project. The purpose of the partnership is to jointly identify areas of need, develop credible solutions through combining clinical and commercial knowhow, and test those solutions to demonstrate their impact and to validate the use of outcomes-based reimbursement models. To manage the shared risks and rewards of doing this, a Joint Working Agreement (JWA) between Public Health Wales (acting through the Collaborative) and Novartis was approved by the Board in September 2015. The agreement applied to the diagnostic and design (second) phase of the project originally intended to run from July – December 2015. This phase was subsequently extended and a variation to the JWA was agreed in March to enable the work to continue into 2016/17. Oversight of the agreement is provided by a Steering Group jointly chaired by the Director General for Health and Social Services and Novartis' UK General Manager. I am a member of the Group both as Chief Executive of Public Health Wales and representative of NHS Wales Chief Executives.

The initial one-year agreement between Public Health Wales and the Collaborative ceased on 31 March 2016. A revised hosting agreement is under development and will be considered by the Board in April 2016.

### **9.3 Civil Contingencies/Business Continuity**

The organisation has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the Climate Change Act 2008 and the Adaptation Reporting requirements are complied with.

We monitor our Carbon footprint using 2014/15 as a baseline figure and we have adopted the Welsh Government initiative of ensuring sustainability is embedded in everything we do.

The Public Health Wales Emergency Response Plan was last updated in February 2014. Given the increasing context of emerging global threats and the need to respond to recent health protection incidents/outbreaks including Ebola Virus Disease, as well as our learning from recent exercises, Public Health Wales has concluded that it is timely to do a more holistic review of our emergency planning and business continuity arrangements. An external consultant has already started this work.

A project was established in October 2015 to develop Business Continuity Plans for Public Health Wales. The project will include the development of a number of key documents, which will form our business continuity arrangements. The work will be underpinned by an assessment, via a Business Impact Analysis, of our key services and plans developed to support us in responding to, and recovering from, an incident within our critical functions. The work is aligned to the review and development of revised emergency planning arrangements for Public Health Wales and is due for completion in mid 2016.

### **9.4 Sustainability**

Public Health Wales fully supports proposals detailed in various Welsh Government consultation documents to embed sustainable development as the central organising principle of public sector bodies in Wales by ensuring a clear focus on outcomes and that strategic decisions are informed by consideration of the wider determinants of health and wellbeing. Public Health Wales recognises that sustainable development and public health are intrinsically linked and that complementary and coordinated actions are necessary to address the key challenges facing Wales in relation to both.

### **9.5 Equality**

As a national public health service provider, Public Health Wales is committed to the improvement of fairness and equality across Wales. We are particularly focused on the promotion of equality for those individuals and groups that have protection from discrimination under the Equality Act 2010.

A renewed Strategic Equality Plan and Objectives were approved by the Board in March 2016. This plan was developed through extensive engagement and consultation with service users and carers, the voluntary sector and individuals/groups that self-identified with one or more of the protected characteristics. The plan details the actions we are taking to address and improve equality related issues in all parts of the organisation. An action plan is in the process of being developed and, once approved by the Board, will be published by 1 July 2016.

An Equality Group oversees the Strategic Equality Plan, to ensure under-represented groups are properly considered and that measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

All new and revised policies and strategies are subject to an Equality Impact Assessment (EQIA). This is a key process for the organisation and ensures that 'all our policies and decision reflect all groups of people fairly and are relevant to everyone' (Strategic Equality

## 9.6 Staff and Staff Engagement

We engage with our staff in a number of ways which are part of the checks and balances we undertake to enable good governance. Formal consultative fora are well established through the Partnership Forum, Joint Medical and Dental Negotiating Group, and the Joint Negotiating Committee for Agenda for Change staff. These fora provide mechanisms which allow for feedback to senior management on organisational performance or any other issues that staff wish to raise, which aids transparency. In addition to these formal mechanisms, we have a consultation process open to all staff for all new and revised organisational policies, a staff conference, staff engagement events, all of which are fully exploited and used to engage in conversations with staff at individual and group levels. These mechanisms are used in parallel with an open blog, a web forum and other virtual ways for staff to share their work and opinions. During the year, we have run engagement events with staff to share the IMTP and to generate discussion about the values and what they mean to all staff across the organisation.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. Note 12 to the accounts provides details of the scheme, how it operates and the entitlement of employees.

## 9.7 Welsh Language

Public Health Wales acknowledges that care and language go hand in hand. The quality of care, patient safety, dignity and respect can be compromised by the failure to communicate with patients and service users in their first language. Many people can only communicate and participate in their care as equal partners effectively through the medium of Welsh. We are committed to meeting the Welsh language needs and preferences of our service users.

Over the past five years Public Health Wales has been implementing its statutory Welsh Language Scheme and, more recently, the Welsh Government's strategic framework for Welsh language services in health, social services and social care: *'More Than Just Words'*. The aim of this has been to improve the availability, accessibility, quality and equality of our Welsh medium services. Much has been achieved, however, our various internal surveys and monitoring reports have led us to the conclusion that more work is required to enable us to reach the point where service users can engage with us as easily in Welsh as in English.

For that reason, one of the Strategic Objectives in the Public Health Wales' Strategic Plan, is that 'people can engage with us as easily in Welsh as in English' (7J). We said that one of the ways in which we would achieve this is by developing a plan for compliance with the Welsh Language Standards which will replace our Welsh Language Scheme in due course. On 6 January 2016, the Executive Team agreed an interim plan which will see our directorates familiarising themselves with potential Welsh Language Standards, and take action to achieve full compliance with the standards over the next 18 months or so. This is a very positive step forward and helps to reinforce our commitment to the Welsh language. At the same time, we are continuing to improve our Welsh language services by implementing the commitments set out in our Welsh Language Scheme and *More Than Just Words*.

Our progress against the Welsh Language Scheme and *More Than Just Words* is reported to our internal Welsh Language Committee. We also produce annual monitoring reports for the Public Health Wales Board, the Welsh Language Commissioner, and the Welsh Government. Over the next 18 months there will be sustained focus and momentum with regard to our Welsh language commitments, and the Executive Team will receive regular reports on

## 10 Review of Effectiveness

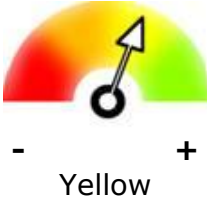
As Chief Executive and Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The review of the system of internal control is informed by the work of the internal auditors, the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.

### 10.1 Internal Audit

Internal audit provides the Accountable Officer, and the Board through the Audit Committee with a flow of assurance on the system of internal control. As Chief Executive, I have commissioned a programme of audit work which has been **delivered** in accordance with public sector internal audit standards by the NHS Wales Shared Services Partnership. The scope of this work is agreed with the Audit Committee and is focussed on significant risk areas and local improvement priorities.

The overall opinion by the Head of Internal Audit on governance, risk management and control is a function of this risk based audit programme and contributes to the picture of assurance available to the Board in reviewing effectiveness and supporting our drive for continuous improvement.

The Head of Internal Audit has concluded:

<b>Reasonable assurance</b>		<p>The Board can take <b>reasonable assurance</b> that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with <b>low to moderate impact on residual risk</b> exposure until resolved.</p>
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In reaching this opinion the Head of Internal Audit has identified that the majority of reviews during the year concluded positively with robust control arrangements operating in some areas. Improvements had been identified since the previous year in both Risk Management and the management of temporary staff.

The one exception, however, during 2015/16 was Workforce Planning (draft report) where a number of control weaknesses were identified which led to a conclusion of limited assurance. An action plan will be developed in 2016/17 in response to this report and its recommendations.

The Audit Committee tracks all recommendations made by the Head of Internal Audit and ensures that they are addressed within the organisation. For further details of the reports received see Section 2.3.1.

## **10.2 Counter Fraud**

Cardiff and Vale Counter Fraud Service provides a service to Public Health Wales. Their work plan for 2015/16 was completed and covered all the requirements under Welsh Government Directions. The Counter Fraud Service provides regular reports and updates to members of the Executive Team and directly to the Audit Committee. The Audit Committee received the Counter Fraud and Corruption Annual Report for 2015/16 and the local counter fraud specialist provided the following declaration:

*"I declare that the Anti-Fraud, Bribery and Corruption work carried out during the financial year 2015/16, within the Public Health Wales NHS Trust, has been self reviewed against the NHS Protect Standards for Providers – Fraud, Bribery and Corruption/NHS Standard Contract and the rating as detailed in Appendix 3 of the report (Summary of Risk against the Contract and Standards – green for all standards) has been achieved."*

## **10.3 External Audit – Wales Audit Office**

The Auditor General for Wales is the statutory external auditor for the NHS in Wales. The Wales Audit Office undertakes the external auditor role for Public Health Wales on behalf of the Auditor General. The Wales Audit Office completed their Structured Assessment for 2015/16 and overall they concluded that arrangements to support good governance and the efficient, effective and economical use of resources continue to evolve with good progress in a number of key areas.

Specifically, the report concluded that:

- Sound financial planning and budgetary control remained robust and ensured the Trust continued to break even.
- The Trust continued to strengthen its governance and assurance arrangements and had progressed work on integrated planning, risk management and service user experience, although development of the quality assurance framework had been slower than planned.
- The Trust continued to strengthen the way it ensures efficient, effective and economical use of resources with good progress in workforce planning, organisational development and change management.
- The Trust's arrangements for engaging service users and seeking feedback continue to evolve and arrangements for learning from complaints and incidents continue to improve.

The report made a number of recommendations relating to performance reporting. Specifically, that we consider summarising overall progress against the actions set out in the annual operational plan at the end of the year and clearly stating those actions carried forward and the arrangements for ongoing monitoring and reporting; and how it will summarise and report on overall progress towards achieving IMTP milestones. The report also noted that not all indicators set out in the delivery framework within the IMTP are included in Board reports. We should ensure that performance for all indicators is reported regularly or indicate the reasons for omission. We recognise that it is sometimes difficult to evidence that the learning from complaints and incidents have been embedded given the reliance on other organisations to take and embed remedial actions. It was also recommended that we consider incorporating requirements to report on progress against remedial actions arising from complaints and incidents within service level agreements.

## **10.4 Quality of Data**

The Board felt that the information it and its key committees received generally supports scrutiny and assurance but gaps remained in some areas.



**11 Conclusion**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control is informed by the work of the internal auditors, and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their audit letter and other reports.

**Signed:** \_\_\_\_\_

**Dr Tracey Cooper**

**Chief Executive and Accountable Officer, Public Health Wales**

**AGS Annex 1: Board and Committee Membership**

<b>NAME</b>	<b>POSITION</b>	<b>AREA OF EXPERTISE REPRESENTATION ROLE</b>	<b>BOARD COMMITTEE MEMBERSHIP</b>	<b>ATTENDANCE AT MEETINGS ATTENDED 2015/16</b>	<b>CHAMPION ROLES</b>
Professor Sir Mansel Aylward CB	Chair  (Sabbatical leave: 4 January -24 March 2016)		<ul style="list-style-type: none"> <li>• (Chair) Board</li> <li>• (Chair) Remuneration and Terms of Service Committee</li> </ul>	4/6  4/6	Veterans
John Spence (to 31 March 2016)	Vice Chair  (Acting Chair: 4 January -24 March 2016)		<ul style="list-style-type: none"> <li>• (Vice Chair) Board</li> <li>• Audit Committee</li> <li>• Quality &amp; Safety Committee</li> <li>• (Chair) Information Governance Committee</li> <li>• Remuneration &amp; Terms of Service Committee</li> <li>• Developing the Organisation Committee</li> </ul>	5/6  4/5  2/4  4/4  5/6  3/4	Violence & aggression  Mental health  Putting things right
Dr Carl Clowes OBE	Non-Executive Director	Third Sector Representative	<ul style="list-style-type: none"> <li>• Board</li> <li>• Audit Committee</li> <li>• Quality &amp; Safety Committee</li> <li>• Information Governance Committee</li> <li>• Remuneration &amp; Terms of Service Committee</li> <li>• Developing the Organisation Committee</li> </ul>	6/6 5/5  4/4  4/4  5/6  3/4	
Professor Gareth Williams	Non-Executive Director	University Representative	<ul style="list-style-type: none"> <li>• Board</li> <li>• Quality &amp; Safety Committee</li> <li>• Remuneration &amp; Terms of Service Committee</li> <li>• Developing the Organisation Committee</li> </ul>	3/6 1/4  2/6  3/4	Service user experience

Continued Overleaf...

**Public Health Wales NHS Trust Annual Accounts 2015-16**

<b>NAME</b>	<b>POSITION</b>	<b>AREA OF EXPERTISE REPRESENTATION ROLE</b>	<b>BOARD COMMITTEE MEMBERSHIP</b>	<b>ATTENDANCE AT MEETINGS ATTENDED 2015/16</b>	<b>CHAMPION ROLES</b>
Professor Simon Smail CBE	Non-Executive Director  (Acting Vice-Chair: 4 January -24 March 2016)		<ul style="list-style-type: none"> <li>• Board</li> <li>• (Chair) Quality and Safety Committee</li> <li>• Remuneration and Terms of Service Committee</li> <li>• Developing the Organisation Committee</li> </ul>	4/6 4/4  6/6  4/4	Safeguarding
Terence Rose CBE	Non-Executive Director		<ul style="list-style-type: none"> <li>• Board</li> <li>• (Chair) Audit Committee</li> <li>• Information Governance Committee</li> <li>• Remuneration and Terms of Service Committee</li> <li>• Developing the Organisation Committee</li> </ul>	6/6 5/5  4/4  4/6  4/4	Raising concerns
Alison Ward CBE*	Interim Non-Executive Director	Local Authority Representative	<ul style="list-style-type: none"> <li>• Board</li> </ul>	2/6	N/A
Tracey Cooper	Chief Executive		<ul style="list-style-type: none"> <li>• Board</li> <li>• Audit Committee**</li> <li>• Quality &amp; Safety Committee**</li> <li>• Information Governance Committee**</li> <li>• Remuneration &amp; Terms of Service Committee**</li> <li>• Developing the Organisation Committee**</li> </ul>	6/6	N/A
Huw George	Executive Director of Operations and Finance/ Deputy Chief Executive		<ul style="list-style-type: none"> <li>• Board</li> <li>• Audit Committee**</li> <li>• Developing the Organisation Committee**</li> </ul>	6/6	N/A

*Continued Overleaf...*

**Public Health Wales NHS Trust Annual Accounts 2015-16**

<b>NAME</b>	<b>POSITION</b>	<b>AREA OF EXPERTISE REPRESENTATION ROLE</b>	<b>BOARD COMMITTEE MEMBERSHIP</b>	<b>ATTENDANCE AT MEETINGS ATTENDED 2015/16</b>	<b>CHAMPION ROLES</b>
<i>Dr Quentin Sandifer</i>	<i>Executive Director of Public Health Services and Medical Director</i>		<ul style="list-style-type: none"> <li>• Board</li> <li>• Quality &amp; Safety Committee**</li> <li>• Information Governance Committee**</li> </ul>	6/6	N/A
<i>Dr Chrissie Pickin (from 7 December 2015)</i>	<i>Executive Director of Health and Wellbeing</i>		<ul style="list-style-type: none"> <li>• Board</li> <li>• Quality &amp; Safety Committee**</li> </ul>	2/2	N/A
<i>Rhiannon Beaumont-Wood*</i>	<i>Executive Director of Quality, Nursing and Allied Health Professionals</i>		<ul style="list-style-type: none"> <li>• Board</li> <li>• Quality and Safety Committee**</li> <li>• Information Governance Committee**</li> <li>• Audit Committee**</li> <li>• Developing the Organisation Committee**</li> </ul>	6/6	N/A
<i>Professor Mark Bellis</i>	<i>Director of Policy, Research and International Development</i>		<ul style="list-style-type: none"> <li>• Board*</li> </ul>	5/6	
<i>Ruth Davies* (until 29 March 2016)</i> <i>Note:</i> <i>Hywel Daniel (interim from 1 April 2016)</i>	<i>Director of Workforce and Organisational Development</i>		<ul style="list-style-type: none"> <li>• Board*</li> <li>• Remuneration and Terms of Service Committee**</li> <li>• Developing the Organisation Committee**</li> <li>• Quality and Safety Committee**</li> </ul>	5/6	N/A
<i>Dr Aidan Fowler (from 1 September 2015)</i>	<i>Director of NHS Quality Improvement and Patient Safety/Director 1000 Lives Improvement Service</i>		<ul style="list-style-type: none"> <li>• Board*</li> <li>• Quality and Safety Committee**</li> </ul>	4/4	

*Continued Overleaf...*

**Public Health Wales NHS Trust Annual Accounts 2015-16**

<b>NAME</b>	<b>POSITION</b>	<b>AREA OF EXPERTISE REPRESENTATION ROLE</b>	<b>BOARD COMMITTEE MEMBERSHIP</b>	<b>ATTENDANCE AT MEETINGS ATTENDED 2015/16</b>	<b>CHAMPION ROLES</b>
Keith Cox (until 30 October 2015)	Board Secretary and Head of Corporate Governance		<ul style="list-style-type: none"> <li>• Board**</li> <li>• Audit Committee**</li> <li>• Quality and Safety Committee**</li> <li>• Information Governance Committee**</li> <li>• Remuneration and Terms of Service Committee**</li> </ul>	3/3	Equality
Fiona Barr (interim, from 9 November 2015 – 11 February 2016)			<ul style="list-style-type: none"> <li>• Board*</li> <li>• Audit Committee*</li> <li>• Quality and Safety Committee*</li> <li>• Information Governance Committee*</li> <li>• Remuneration and Terms of Service Committee*</li> </ul>	2/2	
<i>Note:</i> Melanie Westlake appointed interim from 1 April 2016					
Stephanie Wilkins*	Trade Union representative (UNITE)		<ul style="list-style-type: none"> <li>• Board*</li> <li>• Developing the Organisation Committee**</li> </ul>	5/6	N/A
Renata Leonardi-Jones* (until 2 December 2015)	Trade Union representative (UNISON)		<ul style="list-style-type: none"> <li>• Board*</li> <li>• Developing the Organisation Committee**</li> </ul>	0/4	N/A

\* Attend Board meetings, but are not members of the Board and therefore do not have voting rights.

\*\* Attend Committee meetings, but are not members of the Committee and therefore do not have voting rights.

**Note:** In addition to Board and Committee membership, Non-Executive Directors also participate in, and support, organisational groups and change programmes where appropriate. These include, for example, research and development, Welsh language, and modernisation programmes.

## **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 Public Health Wales NHS Trust for the year ended 31<sup>st</sup> March 2016 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement and the Statement of Changes in Tax Payers Equity and 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 (IFRSs). I have also audited the information in the Remuneration Report that is described as having been audited.

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

As explained more fully in the Statements of Directors' and Chief Executive's Responsibilities set out on pages 62 and 63, the Directors and the Chief Executive are responsible for the preparation of financial statements which give a true and fair view.

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

### **Scope of the audit of financial statements**

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

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword and Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of Public Health Wales NHS Trust as at 31<sup>st</sup> March 2016 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

### **Opinion on Regularity**

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

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**Opinion on other matters**

In my opinion:

- The remuneration report has not been included in these financial statements so I cannot provide an opinion on its proper preparation;
- the information contained in the Explanatory Foreword and Annual Governance Statement is consistent with the financial statements.

**Matters on which I report by exception**

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

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

**Report of the Auditor General to the National Assembly for Wales**

Please see my Report on pages 98 to 99.

Huw Vaughan Thomas  
Auditor General for Wales

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

28 June 2016

## Report of the Auditor General to the National Assembly for Wales

### Introduction

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

I have decided to issue a narrative report alongside my audit certificate to explain the new duties, Public Health Wales NHS Trust's performance against them, and the implications for 2016-17.

### Financial duties

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

The **second financial duty** requires NHS Trusts to prepare and have approved by Welsh Ministers a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. For 2015-16 (and until Treasury consent has been obtained for this change), it is an administrative duty<sup>1</sup> and an NHS Trust will be deemed to have met it for 2015-16 if it submitted a 2015-16 to 2017-18 plan approved by its Board to the Welsh Ministers, who had then approved it by the date that the Accountable Officer signed the 2015-16 Financial Statements.

### NHS Trust performance against duties

#### First Financial Duty

As set out above, the NHS Trust will not be assessed against its first financial duty until 2016-17. Nevertheless it is expected to manage its finances to ensure it does not over spend. This is because the NHS Trust's annual performance impacts on the ability of the Health and Social Services Group to meet its own financial targets.

As shown in Note 30.1 to the Financial Statements, for 2015-16 the NHS Trust achieved a surplus of £17k. This surplus was achieved following a planned brokerage of £300k to Welsh Government.

#### Second Financial Duty

As shown in Note 30.2 to the Financial Statements, the NHS Trust met its second financial duty to have an approved three year integrated medium term plan in place. This plan received Ministerial approval in June 2015.

#### Look ahead to 2016-17

The NHS Planning Framework 2016/17 set Welsh Government's expectation that the NHS Trust should obtain Ministerial approval by 30 June 2016 for its three-year plan 2016-17 to 2018-19. While previously the planning process and timetable envisaged that plans would be reviewed and approved during the first quarter this was not specified, with the potential flexibility that plans could have been approved up to a point prior to the Accountable Officer signing of the financial statements for the first year of the plan.



## Public Health Wales NHS Trust Annual Accounts 2015-16

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The Trust's proposed integrated medium term plan for 2016-17 to 2018-19 was approved by the Trust Board on 24<sup>th</sup> March 2016 and submitted to Welsh Government on 31<sup>st</sup> March 2016 for approval. The integrated medium term plan predicts a balanced financial position for the period 2016-17 to 2018-19 but requires the Trust to achieve a cumulative level of savings of £5.74m over the three years (£1.848m recurring savings required in 2016-17). The Trust is awaiting approval of the integrated medium term plan from Welsh Government.

As at the end of April 2016, the Trust is forecasting a breakeven position for 2016-17.

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

Huw Vaughan Thomas  
Auditor General for Wales

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

28 June 2016