

# Swansea NHS Trust

## Foreword

These accounts for the year ended 31 March 2008 have been prepared by the Swansea 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 main functions of the Trust are primarily the provision of health services in the City and County of Swansea, but its' catchment area embraces population both East and West of Swansea, particularly in its' provision of regional and sub regional specialities.

## Reconfiguration of NHS Trusts in Wales

In December 2007, the Health and Social Services Minister in the Welsh Assembly Government gave approval for a series of mergers to reduce the number of NHS Trusts in Wales to take effect from 1st April 2008,

From 1st April 2008 the Trust merged with Bro Morgannwg NHS Trust to form Abertawe Bro Morgannwg University NHS Trust. All of the assets and liabilities of the Trust will transfer to the new Trust on 1st April 2008 and all operations are continuing.

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

	Note	£000	2006-07 £000
<b>Income from activities</b>	3	<b>351,408</b>	345,187
<b>Other operating income</b>	4	<b>38,953</b>	38,579
<b>Total income</b>		<b>390,361</b>	383,766
<b>Operating expenses</b>	5	<b>(381,932)</b>	(375,904)
<b>Operating surplus/(deficit)</b>		<b>8,429</b>	7,862
Costs of fundamental reorganisation/restructuring		<b>0</b>	0
Profit/(loss) on disposal of fixed assets	8	<b>(77)</b>	(70)
<b>Surplus/(deficit) before interest</b>		<b>8,352</b>	7,792
Interest receivable		<b>1,204</b>	991
Interest payable	9	<b>0</b>	0
Other finance costs	16	<b>(58)</b>	(55)
<b>Surplus/(deficit) for the financial year</b>		<b>9,498</b>	8,728
Public Dividend Capital dividends payable		<b>(9,487)</b>	(8,688)
<b>Retained surplus/(deficit) for the year</b>	17	<b>11</b>	40

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

		2006-07
		£000
	Note	£000
Surplus/(deficit) for the financial year before dividend payments		8,728
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	17,472
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	1,308
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(563)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		26,945
Prior period adjustment	17	0
		<u>0</u>
<b>Total gains and losses recognised in the financial year</b>		<b><u>3,266</u></b>
		<b><u>26,945</u></b>

**BALANCE SHEET AS AT 31 MARCH 2008**

	Note	£000	£000	31 March 2007 £000
<b>Fixed assets</b>				
Intangible assets	10	0		0
Tangible assets	11	286,597		272,256
Investment assets	11.4	0		0
			<u>286,597</u>	<u>272,256</u>
<b>Current assets</b>				
Stocks and work-in-progress	12	5,273		4,438
Debtors	13	41,136		39,334
Investments	14	1		7
Cash at bank and in hand	18.3	259		259
<b>Total current assets</b>			<u>46,669</u>	<u>44,038</u>
Creditors: amounts falling due within 1 year	15		<u>(13,440)</u>	<u>(24,014)</u>
<b>Net current assets/(liabilities)</b>			<u>33,229</u>	<u>20,024</u>
<b>Total assets less current liabilities</b>			<b>319,826</b>	<b>292,280</b>
Creditors: amounts falling due after more than one year	15	0		0
Provisions for liabilities and charges	16		<u>(31,767)</u>	<u>(30,074)</u>
<b>Total assets employed</b>			<u>288,059</u>	<u>262,206</u>
<b>Financed by:</b>				
<b>Taxpayer's equity</b>				
Public dividend capital	23.2	198,117		166,043
Revaluation reserve	17	86,475		91,702
Donated asset reserve	17	3,160		4,159
Government grant reserve	17	1		7
Other reserves	17	0		0
Income and expenditure reserve	17	306		295
<b>Total taxpayer's equity</b>			<u>288,059</u>	<u>262,206</u>

Signed on behalf of the Board on 11 June 2008

Chairman W Griffiths

Chief Executive P Williams

Adopted by the Board on 11 June 2008

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

	Note	£000	£000	2006-07 £000
<b>Operating activities</b>				
Net cash inflow from operating activities	18.1		<b>8,473</b>	21,148
<b>Returns on investments and servicing of finance</b>				
Interest received		<b>1,256</b>		961
Interest paid		<b>(58)</b>		(55)
Interest element of finance leases		<b>0</b>		0
			<b>1,198</b>	906
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>				
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		<b>(34,097)</b>		(13,295)
Receipts from sale of tangible fixed assets		<b>650</b>		784
Payments to acquire/ receipts from sale of intangible assets		<b>0</b>		0
Payments to acquire/ receipts from sale of fixed asset investments		<b>0</b>		0
			<b>(33,447)</b>	(12,511)
<b>Net cash inflow/(outflow) from capital expenditure</b>				
Public dividend capital dividends paid			<b>(9,165)</b>	(8,239)
<b>Management of liquid resources</b>				
Purchase of current asset investments		<b>0</b>		0
Sale of investments		<b>0</b>		0
			<b>0</b>	0
<b>Net cash inflow/(outflow) from management of liquid resources</b>				
<b>Net cash inflow/(outflow) before financing</b>				
			<b>(32,941)</b>	1,304
<b>Financing</b>				
Public dividend capital received		<b>32,941</b>		3,430
Public dividend capital repaid (not previously accrued)		<b>0</b>		(4,734)
Public dividend capital repaid (accrued in previous period)		<b>0</b>		0
Government loans received: short term		<b>0</b>		0
Government loans repaid: short term		<b>0</b>		0
Loan advances/brokerage received		<b>0</b>		0
Loan advances/brokerage repaid		<b>0</b>		0
Other capital receipts		<b>0</b>		0
Capital element of finance leases		<b>0</b>		0
			<b>32,941</b>	(1,304)
<b>Net cash inflow/(outflow) from financing</b>				
<b>Increase/(decrease) in cash</b>	18.2		<b>0</b>	0

## Notes to the accounts

### 1. Accounting policies and other information

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

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income recognition

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

#### 1.4 Intangible fixed assets

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

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

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

#### 1.5 Tangible fixed assets

##### i. Capitalisation

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

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

**ii. Valuation**

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

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

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

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

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

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure, subsequent disposal and taken out of operational use. Assets in the course of construction are valued at current cost as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

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

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

**iii. Depreciation**

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

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

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

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

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

### **1.6 Fixed Asset Investments**

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

### **1.7 Donated fixed assets**

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

### **1.8 Government grants**

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

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

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

### **1.10 Leases**

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

### **1.11 Private Finance Initiative**

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

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

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

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

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

### **1.13 Research and development**

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

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

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

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

### **1.14 Provisions**

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

### **1.15 Contingent Liabilities**

Contingent liabilities are recognised where the NHS Trust has

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

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

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

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

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

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

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

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

### **1.17 Pension costs**

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

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience) and to recommend the contribution rates to be paid by employers and scheme members. The last such investigation, on the conclusions of which scheme contributions are currently based had an effective date of valuation as at 31st March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from The Stationery Office

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

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

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

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

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

[Where the NHS Trust has employees who are members of pension schemes other than the NHS pension scheme described above, additional disclosure will be required to give details of those schemes, e.g. stakeholder pensions.]

#### **1.18 Liquid resources**

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

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

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

#### **1.20 Foreign Exchange**

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

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

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

**1.22 Public Dividend Capital Dividends**

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

**1.23 EU Emission Trading Scheme**

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

**2. Segmental reporting**

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

**3. Income from activities**

	2006-07	2006-07
	£000	£000
Local health boards	253,435	245,494
Health Commission Wales	76,971	83,885
NHS trusts	4,505	3,989
Strategic health authorities and primary care trusts	1,797	774
Foundation Trusts	0	0
Local authorities	1,161	1,142
Welsh Assembly Government	3,653	687
Non NHS:		
Private patient income	1,478	1,159
Overseas patients (non-reciprocal)	81	32
Injury Costs Recovery (ICR) Scheme	1,871	1,633
Other income from activities	6,456	6,392
<b>Total</b>	<b>351,408</b>	<b>345,187</b>

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

**4. Other operating income**

	2006-07	2006-07
	£000	£000
Patient transport services	0	0
Education, training and research	18,741	18,630
Charitable and other contributions to expenditure	1,141	2,198
Transfer from the donated asset reserve	565	563
Transfer from the government grant reserve	6	0
Non-patient care income generation schemes	2,720	2,479
Other income:		
Provision of laundry, pathology, payroll services	2,560	2,611
Accommodation and catering charges	2,120	2,060
Mortuary fees	163	148
Staff payments for use of cars	293	299
Business unit (please state)	0	0
Other	10,644	9,591
<b>Total</b>	<b>38,953</b>	<b>38,579</b>

Other income of £10,644 includes the following sources:

Welsh Risk Pool Income	5,261	6,844
Projects - Surestart/Cantoris/Cancer Network/CARIS	937	711
Pharmacy Income	1,704	415
Informing Healthcare Projects	352	437
Clinical Trials Income	237	0
Search Fee Income	174	166
<b>Total</b>	<b>8,665</b>	<b>8,573</b>

## 5. Operating expenses

### 5.1 Operating expenses comprise

	£000	2006-07 £000
Goods and services from other NHS bodies	5,572	5,326
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	124	743
Directors' costs	847	880
Staff costs	271,123	264,691
Supplies and services - clinical	57,894	54,183
Supplies and services - general	4,272	5,000
Consultancy Services	193	0
Establishment	4,141	4,420
Transport	3,699	3,311
Premises	11,732	12,979
Depreciation	13,368	13,032
Amortisation	0	0
Fixed asset impairments and reversals	0	0
Audit fees	214	220
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	1,374	806
Other operating expenses	7,379	10,313
<b>Total</b>	<b>381,932</b>	<b>375,904</b>

Other operating expenses includes £5,256k for losses and special payments (Note 22)

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

	£000	2006-07 £000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	8,096	9,973
Personal injury	872	462
All other losses and special payments	44	47
Defence legal fees and other administrative costs	396	356
Gross increase/(decrease) in provision for future payments	9,408	10,838
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	0	0
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(8,034)</b>	<b>(10,032)</b>
<b>Total charge</b>	<b>1,374</b>	<b>806</b>

Personal injury includes £155,178 (2006-07 £135,655) in respect of permanent injury benefits

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

	<b>Land and buildings</b>		<b>Other leases</b>	
	<b>£000</b>	2006-07 £000	<b>£000</b>	2006-07 £000
Operating leases which expire:				
Within 1 year	0	0	0	0
Between 1 and 5 years	0	0	119	0
After 5 years	0	0	286	334
<b>Total</b>	<b>0</b>	<b>0</b>	<b>405</b>	<b>334</b>

**5.3.2 Operating expenses include:**

	2006-07	
	<b>£000</b>	£000
Other operating lease rentals	405	334
Hire of plant and machinery	0	0
<b>Total</b>	<b>405</b>	<b>334</b>

**5.4 Directors' remuneration**

	<b>Remuneration as Director £000</b>	<b>Other remuneration £000</b>	<b>Total £000</b>	2006-07 £000
Non-executive directors' remuneration	122	0	122	125
Executive directors' remuneration:				
basic salaries	554	110	664	763
benefits	12	0	12	9
performance related bonuses	0	0	0	0
pension contributions paid	78	14	92	106
Sub-total	766	124	890	1,003
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
<b>Total</b>	<b>766</b>	<b>124</b>	<b>890</b>	<b>1,003</b>

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

£12,000 was waived by one non-executive director and £nil allowances were paid in lieu.

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

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

	Remuneration as director £000	Other remuneration £000	Total £000	2006-07 £000
<b>Chairman</b>				
Basic remuneration	54	0	54	53
Benefits	0	0	0	0
	54	0	54	53
<b>Chief Executive</b>				
Basic salaries	138	0	138	222
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	138	0	138	222
Pension contributions	21	0	21	33
	159	0	159	255
<b>Highest paid director*</b>				
Basic salaries	0	0	0	0
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	0	0	0	0
Pension contributions	0	0	0	0
<b>Total</b>	0	0	0	0

\* the chief executive was the highest paid director during the financial year 2007-08.

## 6. Employee costs and numbers

6.1 Employee costs	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2006-07
	£000	£000	£000	£000	£000
Salaries and wages	226,340	0	1,144	227,484	223,348
Social security costs	17,820	0	0	17,820	17,006
Pension costs	26,534	0	0	26,534	25,078
Other pension costs	0	0	0	0	0
<b>Total</b>	<b>270,694</b>	<b>0</b>	<b>1,144</b>	<b>271,838</b>	<b>265,432</b>

## 6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2006-07
	Number	Number	Number	Number	Number
Medical and dental	799	0	3	802	789
Ambulance staff	0	0	0	0	0
Administrative and estates	1,371	0	5	1,376	1,467
Healthcare assistants and other support staff	795	0	0	795	706
Nursing, midwifery and health visiting staff	3,282	0	6	3,288	3,396
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	1,112	0	3	1,115	1,090
Social care staff	0	0	0	0	0
Other	2	0	0	2	1
<b>Total</b>	<b>7,361</b>	<b>0</b>	<b>17</b>	<b>7,378</b>	<b>7,449</b>

Nursing Staff Numbers Reduced in 2007-08 as a result of the transfer of 115 staff from NHS Direct to the W Ambulance Services Trust with effect from 1st April 2007.

## 6.3 Employee benefits

The trust does not have an employee benefit scheme.

**6.4 Trust management costs**

	£000	Percentage of total income	2006-07	
			£000	Percentage of total income
Trust management costs	14,307	3.7%	14,407	3.8%
Income	390,361		383,766	

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

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

During 2007-08 (prior year 2006-07) there were 14 (17) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Business Services Authority - Pensions Division) will be £880,922 (£1,276,209).

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

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

	Number	£000	2006-07 £000
<b>NHS</b>			
Total bills paid 2007-08	2,203	11,861	16,926
Total bills paid within target	1,661	10,184	12,207
Percentage of bills paid within target	75.4%	85.9%	72.1%
<b>Non-NHS</b>			
Total bills paid 2007-08	93,436	122,766	95,161
Total bills paid within target	67,651	102,664	84,482
Percentage of bills paid within target	72.4%	83.6%	88.8%
<b>Total</b>			
Total bills paid 2007-08	95,639	134,627	112,087
Total bills paid within target	69,312	112,848	96,689
Percentage of bills paid within target	72.5%	83.8%	86.3%

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

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

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

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

	2006-07
	£000
Profit on disposal of land and buildings	0
Loss on disposal of land and buildings	0
Profit on disposal of plant and equipment	0
Loss on disposal of plant and equipment	(77)
Profit on disposal of intangible fixed assets	0
Loss on disposal of intangible fixed assets	0
Profit on disposal of fixed assets investments	0
Loss on disposal of fixed asset investments	0
	<u>(77)</u>

During the year 1 property was sold at the value held in the balance sheet, this value being £121,000

## 9. Interest payable

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

## 10. Intangible fixed assets

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

## 11. Tangible fixed assets

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

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2007	19,846	264,257	8,142	0	51,055	1,341	2,308	2,410	349,359
Additions									
- purchased	0	15,181	0	14,657	4,106	153	0	0	34,097
- donated	0	0	0	0	112	0	0	0	112
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	2,401	0	0	(2,401)	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	25,049	(71,212)	(233)	4,255	0	0	0	0	(42,141)
Disposals	0	(450)	(121)	0	(15,858)	(519)	(1,398)	0	(18,346)
<b>At 31 March 2008</b>	<b>44,895</b>	<b>207,776</b>	<b>7,788</b>	<b>18,912</b>	<b>41,816</b>	<b>975</b>	<b>910</b>	<b>9</b>	<b>323,081</b>
<b>Depreciation</b>									
At 1 April 2007	0	35,269	1,098	0	36,245	1,108	1,843	1,540	77,103
Reclassifications	0	0	0	0	1,531	0	0	(1,531)	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	(35,270)	(1,098)	0	0	0	0	0	(36,368)
Disposals	0	0	0	0	(15,710)	(515)	(1,394)	0	(17,619)
Provided during the year	0	7,809	165	0	5,239	58	97	0	13,368
<b>At 31 March 2008</b>	<b>0</b>	<b>7,808</b>	<b>165</b>	<b>0</b>	<b>27,305</b>	<b>651</b>	<b>546</b>	<b>9</b>	<b>36,484</b>
Net book value									
at 1 April 2007	19,846	228,988	7,044	0	14,810	233	465	870	272,256
<b>Net book value</b>									
<b>at 31 March 2008</b>	<b>44,895</b>	<b>199,968</b>	<b>7,623</b>	<b>18,912</b>	<b>14,511</b>	<b>324</b>	<b>364</b>	<b>0</b>	<b>286,597</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Of the totals at 31 March 2008, £nil related to land valued at open market value and £nil related to buildings, installations and fittings valued at open market value. Figures for freehold land and buildings are given gross with separate accumulated depreciation.

During the year, the economic lives of Radiology equipment were reviewed to reflect specialist Royal College of Radiologist guidelines regarding asset lives for this category of equipment. As a result the asset lives for all such equipment were amended to 7 years which resulted in increased depreciation of £2,086,000 which is included in the depreciation figure in note 11.1 above.

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

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

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

<b>11.3 The net book value of land and buildings at the balance sheet date comprise:</b>	31 March 2007	
	<b>£000</b>	£000
Freehold	<b>251,462</b>	255,878
Long leasehold	<b>1,024</b>	0
Short leasehold	<b>0</b>	0
<b>Total</b>	<b>252,486</b>	255,878

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

The Trust has no fixed asset investments.

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

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

	31 March 2007	
	<b>£000</b>	£000
Raw materials and consumables	<b>5,245</b>	4,396
Work-in-progress	<b>0</b>	0
Finished processed goods	<b>28</b>	42
<b>Total</b>	<b>5,273</b>	4,438

**13. Debtors**

	31 March 2007	
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Welsh Risk Pool	<b>25,290</b>	16,444
NHS debtors	<b>6,635</b>	8,428
PDC dividend debtors	<b>0</b>	124
Other debtors	<b>8,279</b>	7,279
Provision for irrecoverable debts	<b>(938)</b>	(447)
Other prepayments and accrued income	<b>1,790</b>	1,219
Sub-total	<b>41,056</b>	33,047
<b>Amounts falling due after more than one year:</b>		
Welsh Risk Pool	<b>80</b>	6,287
NHS debtors	<b>0</b>	0
Other prepayments and accrued income	<b>0</b>	0
Other debtors	<b>0</b>	0
Sub-total	<b>80</b>	6,287
<b>Total</b>	<b>41,136</b>	39,334

**14. Current Asset Investments**

	31 March	
	£000	2007 £000
Government securities	0	0
Local authorities	0	0
EU Emission Trading Scheme	1	7
Other	0	0
<b>Total</b>	<b>1</b>	<b>7</b>

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

	31 March	
	£000	2007 £000
<b>Amounts falling due within one year:</b>		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	123	59
NHS creditors	1,868	3,014
Non-NHS trade creditors - revenue	8,109	11,950
Non-NHS trade creditors - capital	0	0
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	0	5,884
PDC dividend payable	198	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	3,142	3,107
Other creditors - all other creditors	0	0
Accruals	0	0
Deferred income	0	0
Sub-total	<b>13,440</b>	<b>24,014</b>
<b>Amounts falling due after more than one year:</b>		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	<b>0</b>	<b>0</b>
<b>Total</b>	<b>13,440</b>	<b>24,014</b>

**Other creditors include:**

£nil for payments due in future years under arrangements to but out the liability for early retirements over 5 instalments; and £nil outstanding pensions contributions at 31 March 2008 (£nil at 31 March 2007).

**15.2 Loan advance/strategic assistance funding**31 March  
2007

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

**15.3 Finance lease obligations**31 March  
2007

<b>Payable:</b>	<b>Total £000</b>	<b>£000</b>
Within one year	0	0
Between one and two years	0	0
Between two and five years	0	0
After five years	0	0
Sub-total	<u>0</u>	<u>0</u>
Less finance charges allocated to future periods	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

**15.4 Finance lease commitments**

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

## 16. Provisions for liabilities and charges

	At 1 April 2007 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2008 £000
Clinical negligence	21,014	0	0	9,231	(1,135)	(4,767)	0	24,343
Personal injury	3,730	0	0	1,233	(361)	(454)	58	4,206
All other losses and special payments	0	0	0	44	0	(44)	0	0
Defence legal fees and other administration	1,842	0	0	1,008	(612)	(376)		1,862
<b>Sub-total</b>	<b>26,586</b>	<b>0</b>	<b>0</b>	<b>11,516</b>	<b>(2,108)</b>	<b>(5,641)</b>	<b>58</b>	<b>30,411</b>
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	755			14	0	(68)	0	701
Restructurings	0			0	0	0		0
Other	2,733			655	0	(2,733)		655
<b>Total</b>	<b>30,074</b>	<b>0</b>	<b>0</b>	<b>12,185</b>	<b>(2,108)</b>	<b>(8,442)</b>	<b>58</b>	<b>31,767</b>

### Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	24,248	95	0	24,343
Personal injury	4,187	19	0	4,206
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	1,862	0	0	1,862
Pensions - former directors	0	0	0	0
Pensions - other staff	68	272	361	701
Restructuring	0	0	0	0
Other	655	0	0	655
<b>Total</b>	<b>31,020</b>	<b>386</b>	<b>361</b>	<b>31,767</b>

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

Other provisions include £654,946 for Agenda for Change

## 17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2007 as previously stated	91,702	4,159	7	0	295	96,163
Prior period adjustment					0	0
At 1 April 2007 as restated	91,702	4,159	7	0	295	96,163
Transfer from income and expenditure account					11	11
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	(5,227)	(546)	0			(5,773)
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		112	0			112
Depreciation, impairment and disposal of donated/government granted assets		(565)	(6)			(571)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
<b>At 31 March 2008</b>	<b>86,475</b>	<b>3,160</b>	<b>1</b>	<b>0</b>	<b>306</b>	<b>89,942</b>

## 18. Notes to the cash flow statement

<b>18.1 Reconciliation of operating surplus to net cash inflow from operating activities:</b>	<b>£000</b>	2006-07 £000
Total operating surplus/(deficit)	<b>8,429</b>	7,862
Depreciation charge	<b>13,368</b>	13,032
Fixed asset impairment and reversals	<b>0</b>	0
Transfer from the donated asset reserve	<b>(565)</b>	(563)
Transfer from the government grant reserve	<b>(6)</b>	0
(Increase)/decrease in stocks	<b>(835)</b>	(333)
(Increase)/decrease in debtors	<b>(2,309)</b>	(4,793)
Increase/(decrease) in creditors	<b>(11,302)</b>	3,444
Increase/(decrease) in provisions	<b>1,693</b>	2,499
<b>Net cash inflow from operating activities before restructuring costs</b>	<b>8,473</b>	21,148
Payments in respect of fundamental reorganisation/restructuring	<b>0</b>	0
<b>Net cash inflow from operating activities</b>	<b>8,473</b>	21,148

<b>18.2 Reconciliation of net cash flow to movement in net debt</b>	<b>£000</b>	2006-07 £000
Increase/(decrease) in cash in the period	<b>0</b>	0
Cash inflow from new debt	<b>0</b>	0
Cash inflow from loan advance/brokerage	<b>0</b>	0
Cash outflow from debt repaid and finance lease capital payments	<b>0</b>	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<b>0</b>	0
<b>Change in net debt resulting from cash flows</b>	<b>0</b>	0
Non-cash changes in debt	<b>0</b>	0
Net debt at 1 April	<b>259</b>	259
<b>Net debt at 31 March</b>	<b>259</b>	259

**18.3 Analysis of changes in net debt**

	At 1 April 2007 £000	Cash flows £000	Non-cash changes £000	At 31 March 2008 £000
OPG cash at bank	812	(789)		23
Commercial cash at bank and in hand	(553)	789		236
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	0	0	0
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	<u>259</u>	<u>0</u>	<u>0</u>	<u>259</u>

**19. Capital commitments**

Commitments under capital expenditure contracts at the balance sheet date were £3,477,120 (and in 2006-07 were £ 7,646,769 ).

**20. Post balance sheet events**

From 1st April 2008 the Trust merged with Bro Morgannwg NHS Trust to form Abertawe Bro Morgannwg University NHS Trust. All of the assets and liabilities of the Trust will transfer to the new Trust on 1st April 2008 and all operations are continuing.

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

Provision has not been made in the 2007-08 accounts for the following amounts:	£000	31 March 2007 £000
Legal claims for alleged medical or employer negligence	39,434	29,828
Doubtful debts	0	0
Other	600	600
Total value of disputed claims	<u>40,034</u>	<u>30,428</u>
Amount recovered under insurance arrangements in the event of these claims being successful	<u>(37,812)</u>	<u>(27,975)</u>
Net contingent liability	<u>2,222</u>	<u>2,453</u>

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

The £600k included for other claims relates to equal pay claims which have been lodged with the Trust. These claims are at an early stage and the probability of their success and the likely cost of meeting these claims cannot be assessed at this stage.

**Contingent assets**

The Trust has no contingent assets.

## 22. Losses and special payments

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

### Gross loss to the Exchequer

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

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	32	4,766,527	4	25,008
Personal injury	40	454,470	10	94,360
All other losses and special payments	105	44,407	105	44,407
<b>Total</b>	<b>177</b>	<b>5,265,404</b>	<b>119</b>	<b>163,775</b>

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

		<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
		£	£	£
<b>Cases exceeding £250,000</b>				
Clinical Negligence	01RVCMN0026	7,833	354,833	0
Clinical Negligence	01RVCMN0042	155,000	5,171,262	0
Clinical Negligence	04RVCMN0047	630,000	720,000	0
Clinical Negligence	04RVCMN0075	323,221	335,721	0
Clinical Negligence	96RVCMN0003	2,800,000	2,800,000	0
Clinical Negligence	97RVCMN0005	310,000	310,000	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
<b>Sub-total</b>		<b>4,226,054</b>	<b>9,691,816</b>	<b>0</b>
<b>All other cases</b>		<b>1,039,350</b>	<b>2,477,290</b>	<b>163,775</b>
<b>Total cases</b>		<b>5,265,404</b>	<b>12,169,106</b>	<b>163,775</b>

**23.1 Movements in Government funds**

2006-07

	£000	£000
Surplus/(deficit) for the financial year	9,498	8,728
Public dividend capital dividends	<b>(9,487)</b>	(8,688)
<b>Subtotal</b>	<b>11</b>	40
Gains/(losses) from revaluation/indexation of purchased fixed assets	<b>(5,227)</b>	17,288
Impairment of fixed assets	<b>0</b>	0
New public dividend capital	<b>32,603</b>	3,768
Public dividend capital repaid	<b>0</b>	(4,734)
Public dividend capital repayable	<b>(529)</b>	0
New loans from Government	<b>0</b>	0
Government loans repaid	<b>0</b>	0
Transfers from the donated asset reserve	<b>0</b>	0
Additions to/ transfers from the government grant reserve	<b>0</b>	0
Addition/(reduction) in other reserves	<b>0</b>	0
Net addition/(reduction) to Government funds	<b>26,858</b>	16,362
Opening Government funds at 1 April	<b>258,040</b>	241,678
Before deducting prior period adjustment of	<b>0</b>	0
<b>Closing Government funds</b>	<b>284,898</b>	258,040

**23.2 Movements in public dividend capital**

2006-07

	£000	£000
At 1 April 2007	<b>166,043</b>	167,009
New PDC issued in year	<b>32,603</b>	3,430
PDC due but not issued	<b>0</b>	338
PDC repaid in year	<b>0</b>	(4,734)
PDC repayable	<b>(529)</b>	0
<b>At 31 March 2008</b>	<b>198,117</b>	166,043

## 24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	11
Variance	<u>(11)</u>

The Trust has met the breakeven duty in full.

The Trust has broken even in 2007-08.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2007		
	£000	£000	£000
External financing limit set by the Assembly		32,941	(1,304)
Cash flow financing	32,941		(1,304)
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		<u>32,941</u>	<u>(1,304)</u>
Undershoot (overshoot)		<u>0</u>	<u>0</u>

The Trust has achieved its external financing limit.

### 24.3 Creditor payment

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

Total number of non-NHS bills paid 2007-08	<b>2007-08</b> <b>93,436</b>
Total number of non-NHS bills paid within target	<b>67,651</b>
Percentage of non-NHS bills paid within target	<b>72.4%</b>

The Trust has not met the target.

The Trust did not meet the creditor payment target due to changing its financial management system to the Oracle Finance and Procurement System. This necessitated the re-entering of all outstanding invoices on to the Oracle system during April and May - the resulting backlog causing the Trust to miss its creditor target in the early months of the financial year. Whilst 95% compliance was achieved in the second half of the year, the cumulative 95% target for the whole year could not be achieved.

## 25. Related Party transactions

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

During the year bodies with which board members or members of the key management staff or parties related to them has undertaken material transactions with the Trust are listed below.

	Payments to Related Party £	Receipts From Related Party £	Amounts Owed to Related Party £	Amounts Due From Related Party £
Mr M Williams	Nil	121	Nil	Nil
Mrs C Patel	68,118	70,477	Nil	278
Coun R Francis-Davies	3,237,447	2,001,541	Nil	96,052
Prof M Jones	39,257	1,066,181	Nil	27,335
Prof J Hopkin	629,859	417,049	50,934	163,409

Mr M Williams, Acting Chairman is Group Chief Executive of Gwalia Housing group Ltd

Mrs C Patel, Non Executive Director is a Board Member of the Gwalia Housing Trust and a Governor of Swansea College

Coun R Francis-Davies, Non Executive Director is a member of the City and County of Swansea Council

Prof M Jones, Non Executive Director is the Dean of the Dental School at Cardiff University

Prof JM Hopkin, is a Non-Executive Director of Carmarthenshire NHS Trust

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

	INCOME RECEIVED/DUE £000 2007-08	INCOME RECEIVED/DUE £000 2006-07
Welsh Assembly Government	18,528	24,226
Health Commission Wales	76,427	84,106
Bro Morgannwg NHS Trust	6,139	4,627
Cardiff & Vale NHS Trust	1,090	974
Carmarthenshire NHS Trust	580	373
Ceredigion & Mid Wales NHS Trust	72	49
Conwy & Denbighshire NHS Trust	0	0
Gwent Healthcare NHS Trust	51	24
North East Wales NHS Trust	0	0
North Glamorgan NHS Trust	7	52
North West Wales NHS Trust	0	3
Pembrokeshire & Derwen NHS Trust	269	210
Pontypridd & Rhondda NHS Trust	228	263
Velindre NHS Trust	1,890	1,873
Welsh Ambulance Services NHS Trust	4,198	127
University of Wales College of Medicine LHB's/BSC	257,102	248,799
<b>TOTAL</b>	<b>366,581</b>	<b>365,706</b>

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

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

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## 27. Third party assets

The Trust has no Third Party Assets.

The Trust held £214,274 cash at bank and in hand at 31 March 2008 (31 March 2007: £148,574) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

## 28. Financial instruments

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

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

### Liquidity Risk

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

### Interest-rate risks

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

### Foreign currency risk

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

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

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

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

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

**29. Intra Government balances**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
<b>2007-08:</b>				
Welsh Assembly Government	3984	0	0	0
Welsh Local Health Boards	1194	0	763	0
Welsh NHS Trusts	1437	0	1114	0
Health Commission Wales	24	0	0	0
All English Health Bodies	568	0	34	0
All N. Ireland Health Bodies	3	0	0	0
All Scottish Health Bodies	12	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-130	0	-42	0
Sub total	<b>7,092</b>	<b>0</b>	<b>1,869</b>	<b>0</b>
Other Central Government Bodies				
Other Government Departments*	7	0	3,171	0
Revenue & Customs	435	0	0	0
Local Authorities	370	0	1	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	33,152	80	8,399	0
<b>TOTAL</b>	<b>41,056</b>	<b>80</b>	<b>13,440</b>	<b>0</b>
<b>2006-07:</b>				
Welsh Assembly Government	1,549	0	0	0
Welsh Local Health Boards	4,313	0	347	0
Welsh NHS Trusts	3,070	0	2,624	0
Health Commission Wales	206	0	0	0
All English Health Bodies	273	0	40	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	1	0	3	0
Miscellaneous	0	0	0	0
Credit note provision	(218)	0	0	0
Sub total	<b>9,194</b>	<b>0</b>	<b>3,014</b>	<b>0</b>
Other Central Government Bodies				
Other Government Departments*	17	0	3,107	0
Revenue & Customs	427	0	5,884	0
Local Authorities	371	0	34	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	22,701	6,287	11,975	0
<b>TOTAL</b>	<b>32,710</b>	<b>6,287</b>	<b>24,014</b>	<b>0</b>

### **30. Pooled budgets**

The Trust has no pooled budgets.

### **31. 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 Assembly.

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

Date: 11 June 2008

P Williams Chief Executive

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

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

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

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

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

**By Order of the Board****Signed:**

Date: 11 June 2008

Chairman: W Griffiths

Date: 11 June 2008

Chief Executive: P Williams

Date: 11 June 2008

Director of Finance: E Williams

**PROFORMA STATEMENT ON INTERNAL CONTROL****Context**

During 2007/08 the Swansea NHS Trust and the Bro Morgannwg NHS Trust have worked together within structured project management arrangements in preparation for the integration of both Trusts to form the Abertawe Bro Morgannwg University NHS Trust from 1st April 2008. This statement on internal control relates to arrangements within the Swansea NHS Trust during 2007/08.

**1. Scope of responsibility**

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

The arrangements for Risk Management are set out in the Trust's Risk Management Strategy approved by the Trust Risk Management Group, which is regularly reviewed and updated. The Risk Assessment and Management guidance document supports the implementation of the Risk Management Strategy and sets out the risk management leads within the organisation. The strategy and guidance document have been circulated within Divisions and Directorates and is available to staff on the document management system. The Trust has appointed both Executive and Operational Lead for each of the Healthcare Standards to ensure these are taken forward in terms of development and maintenance. Each Executive lead is a member of the Trust Operational/Executive Board. In addition, each Division/Directorate has a lead identified for Risk Management and for the development and reporting on their Risk Register.

Risk management is fully integrated into the Clinical Governance process and is a key part of the Clinical Governance Support Unit led by the Medical Director/Director of Nursing. To highlight the importance of clinical risk a Director of Clinical Risk Management has been appointed working to the Medical Director. The Trust has a Risk Assessment and Management rolling programme to train staff at all levels. The training is supported by the Risk Identification and Management Guidance document which provides a step by step approach for staff to follow. The Trust encourages and promotes learning and awareness and training sessions have been held as part of the Clinical Governance Training to promote a learning culture. Significant risks are discussed, as a minimum on a quarterly basis at the Regional Governance reviews.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

**3. Capacity to handle risk**

The Risk Management Strategy clearly states that the organisation supports an open and honest culture, encourages staff to be open and honest and sets out the structure for management and ownership of risk, at various levels throughout the organisation, and provides advice upon business planning and how new activities will be assessed for risk and incorporated within the risk register.

The Trust has a Risk Assessment Programme for risk identification, the organisation then analyses and evaluates the risks and agrees a programme of actions to manage and control the risks. The process takes into account value for money, quality of service delivery, quality and reliability of evidence to support the identified risk and the impact upon the organisation, stakeholders and partners and feeds into the Risk

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**PROFORMA STATEMENT ON INTERNAL CONTROL**

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Register. The Risk Register has continued to evolve during 2007/08.

An integrated Risk Management Database is used by the Trust which supports the management of incident reporting, complaints, claims and patient experience. The database is used to identify trends and monitor the situation once controls have been put in place to ensure they are effective and assist with the population of the risk register.

The arrangements for identification and evaluation of risks are set out in the Trust Risk Management Strategy and Risk Assessment and Management Guidance document. The Trust uses a risk matrix, risk registers and has a risk register group which oversee the significant risks facing the Trust.

Within the Trust there are three levels of risk registers; Directorate, Divisional and Trust. Directorates and divisions are encouraged to manage risks within their area of authority and escalate risks for transfer to the Trust Risk Register Group for consideration. The Trust's Risk Register Groups role is to review, as a minimum, annually and quality check Divisions on the actions and solutions identified and risks requested for transfer. The Group will also identify significant risks facing the trust.

The Trust Risk Register Group appoints an Executive Director to review the risk and explore the actions taken to reduce the risk. The Executive Director will then consider whether the Division can take further action to reduce the risk or whether the Operational Board should consider options to treat or accept the risk when considering all the facts which will include the likelihood/consequence, solutions, resource requirements and residual risk. A decision is then made as to whether the risk will be accepted, treated, avoided or transferred.

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

Risk Management is an integral element of the organisations business processes. Hazards are risk assessed, analysed, evaluated and prioritised and included on the Divisional Risk Registers which report into the Trust Risk Register and the risks are then submitted to the Capital Planning Programme and business planning process.

Significant risks which are outside the Trusts control are communicated to the Commissioners and Welsh Assembly Government.

During 2006-07, the Trust as part of a Wales wide roll out implemented a new payroll system, the Electronic Staff Record (ESR) which went live in November 2006. However, there were problems with the system in 2006-07 the main ones being :

- i) The requirement for further training for payroll and HR staff
- ii) The availability from ESR of robust and timely reports

During 2007-08 both of these issues were addressed although there remain some minor problems regarding the availability of ESR reports. Work undertaken by internal Audit and Wales Audit Office on the ESR system does not indicate that any material errors have occurred as a result. In addition to mitigate the control weaknesses and associated risks the Trust continues to :

- i) Closely monitor data input and verify the integrity of the data through regular reconciliations.
- ii) Enhance the skills available within the department in relation to reporting through ESR reporting training courses.

The Trust continues to review the ESR system development on an ongoing basis through a regular ESR User Group to resolve the remaining problems.

The Trust undertook a self assessment for 2006/2007 against the Healthcare Standards and following review by Health Inspectorate Wales was notified that the Trust was in the upper quartile and that the self assessment process the Trust adopted was recognised as good practice. A self assessment against the standards for 2007/2008 has been completed and the scores for the standards are detailed in Table 1.

**PROFORMA STATEMENT ON INTERNAL CONTROL****Table 1**

STANDARD	Swansea 2006/2007	Swansea 2007/2008
STANDARD 1	3	4
STANDARD 2	4	4
STANDARD 3	4	4
STANDARD 4	3	3
STANDARD 5	4	4
STANDARD 6	3	4
STANDARD 7	4	4
STANDARD 8	4	4
STANDARD 9	3	3
STANDARD 10	4	4
STANDARD 11	4	4
STANDARD 12	4	4
STANDARD 13	4	4
STANDARD 14	4	4
STANDARD 15	4	4
STANDARD 16	3	4
STANDARD 17	3	3
STANDARD 18	4	4
STANDARD 19	3	3
STANDARD 20	3	3
STANDARD 21	3	3
STANDARD 22	3	3
STANDARD 23	2	3
STANDARD 24	3	3
STANDARD 25	3	3
STANDARD 26	4	3
STANDARD 27	3	4
STANDARD 28	4	4
STANDARD 29	3	3
STANDARD 30	3	3
STANDARD 31	N/A	N/A

The Trust for 2007/2008 has scored level 4 against all of the core standards.

Achievement of level 4 indicates that there are well developed plans being implemented throughout the organisation and that the strategic agenda is being progressed and monitored by the Board.

Achievement of level 3 indicates that steps are being taken to address the key issues with the Board taking steps to address the key issues through the development of strategic plans.

In support of the implementation and self assessment process against the Healthcare Standards a guidance document was produced internally for all leads. In addition a number of actions were taken which included:

- Clear roles and responsibilities identified for Operational/Divisional/Executive/Domain Leads and Director of Governance;
- Monitoring against the Improvement Plan through the Governance Board;
- Training sessions for Operational Leads on the self assessment tool;
- 1 to 1 meetings between the Operational/Executive Leads and the Domain Leads;
- 1 to 1 meetings between the Executive Lead, Domain Leads and Director of Governance;

## PROFORMA STATEMENT ON INTERNAL CONTROL

### Roles & Responsibilities

Executive Leads were responsible for:

- completing the Corporate Response and reviewing on a quarterly basis and amending/updating as appropriate for the standards allocated to them;
- oversee the work of the Operational Leads, assigned to their Standards, in uploading evidence for the standard and completing the operational and patient/ user experience sections of the standard on a quarterly basis;
- approve actions for their standards and provide strategic direction.

Domain leads were responsible for:

- ensuring all Standards within their domain are completed, followed up and actions identified;
- provide support to the operational and divisional leads;
- provide up to date information and support to the Operational/Divisional Leads;
- Undertake periodic audits on the Standards within their domain.

Operational leads were responsible for:

- completing and updating self assessments against the Standard using the Healthcare Standards electronic tool;
- allocating self assessment level of compliance on the Health Inspectorate Wales electronic tool;
- producing, updating actions to take forward their specific criterion in order to increase compliance;
- Obtain evidence and upload it to the healthcare standards tool to support the self assessment ensuring the evidence is relevant to the year of assessment and does not contain any confidential information;
- Ensure policies and procedures relevant to the Standards were regularly reviewed and up to date;
- providing information on the results of compliance against individual criterion and progress against action plans to the domain leads on a quarterly basis;
- meeting with the various internal and external assessors as and when required.

### Monitoring and reporting

An action plan with key deadlines was developed and implemented which was monitored by the Governance Board and Clinical Governance Committee. Reports were also submitted to the Operational, Executive and Trust Boards reporting on progress against the Standards.

## PROFORMA STATEMENT ON INTERNAL CONTROL

### Scrutiny Panel

A Scrutiny Panel consisting of Director of Governance, Director of Nursing, Risk Manager and Clinical Governance Manager reviewed the final assessment for completeness, appropriateness of evidence, consistency and assessment of maturity.

Internal completed their independent review of the process before 9th May 2008, which included :-

- Detailed examination for the four core Standards. The aim being to provide assurance that the evidence was robust and timely; the evidence and self assessment fitted with the definitions in the materiality matrix; reasonableness of self assessed score.
- A review overall process for self assessment of the 32 Standards. There should be adequate and robust challenge and review processes, quality assurance across the Standards.
- A review of the Healthcare Standards Improvement Plan (HCSIP) process – HCSIP must be in place; this should be regularly reviewed; awareness across the Trust should be evidenced; responsibilities for actions clearly defined and monitored.
- Scrutiny of evidence in terms of adequate engagement of the Board and flow of information to the Board throughout the year as evidence of embedding process.

The review concluded that significant assurance was gained from the process used to assess the Healthcare Standards.

### 5. Review of effectiveness

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

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

The Board's assurance framework has been reviewed by the Audit Committee as part of the proposed Governance Strategy to ensure it is linked to the Trusts key risks and objectives to provide the necessary evidence of an effective system of internal control.

The Audit Committee reports to the Board and provides oversight of many internal control mechanisms, including all internal and external audit reports to provide assurance on effectiveness. The Clinical Governance Committee receives quarterly reports on the systems in place to drive the clinical governance agenda within the Trust and regularly reports to the Trust Board. The Performance Committee reports to the Trust Board and reviews performance of the Trust against key SaFF targets.

The Trust links into the Welsh Assembly Government on any serious risks the Trust faces via the Regional Office review meetings.

Internal Audit produce an annual report on compliance with governance arrangements and compliance with WRMS. This includes an action plan to improve performance. These reports are considered by the Audit Committee which also monitors progress against the action plan.

The Risk Management Group also reviews progress against the Welsh Risk Management Standards and the development of the Risk Register. In addition the external auditors produce an annual report on governance arrangements and an annual management letter. These are considered by the Audit Committee which reports to the Trust Board.

A number of actions have been undertaken during 2007/2008 to provide additional controls and assurances which include

- A self assessment exercise against the Healthcare Standards on a quarterly basis and progress against the action plan developed to meet any gaps is monitored.
- The organisation has in place arrangements to monitor, as part of its risk identification and management processes compliance with the standards.
- Working Groups/Works Shops were established/held to increase compliance against the Healthcare Standards which has resulted in standards increasing from level 3 to level 4.
- The organisation has a dedicated governance/risk lead within each Division who support risk management.
- The organisation has undertaken work with patients and carers using questionnaires, focus groups and interviews to identify areas for improvement.

In addition to the actions outlined above, in the coming year it is planned to work on the areas identified below in order to reduce the risks to achieving the Trust's objectives;

- Further develop the draft assurance framework to ensure effective control of risks.
- Continue to address the significant risks identified through the risk assessment process.
- Review committee structure arrangements in order to align clinical and corporate governance arrangements.

The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisations objectives. This is based on an ongoing risk management process that is designed to identify the principal risks to the organisation's objectives, to evaluate the nature and extent of those risks and to manage them.

The 2007/08 plan was developed by the Head of Internal Audit in conjunction with the Director of Finance and Executive team to provide management with independent assurance on the adequacy of the systems of internal control across a range of financial and business areas. The audits were conducted in accordance with the mandatory standards and good practice contained within the NHS Internal Audit Manual.

The Annual Internal Audit Report for 2007/08 was received by the Audit Committee in March 2008. The Head of Internal Audit Opinion on the effectiveness of the system of internal control at Swansea NHS Trust for the year ended 31st March 2008 is detailed below:

It is the overall opinion of the Head of Internal Audit that :

*“Significant assurance can be given that there is generally a sound system of internal control, designed to meet the organisations objectives, and that controls are generally being applied consistently. However, some weaknesses in the design and/or inconsistent application of controls have been evident during the year which put at risk the achievement of particular objectives”.*

Signed: P Williams  
Chief Executive  
(on behalf of board)

Date: 11 June 2008

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

Respective responsibilities of Directors, the Chief Executive and the Auditor

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

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

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

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

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

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

Basis of audit opinion

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

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

## **Opinion**

In my opinion:

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

## **Opinion on Regularity**

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

## **Report**

I have no observations to make on these financial statements.

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

Jeremy Colman  
Auditor General for Wales  
20 June 2008

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