

Pontypridd and Rhondda NHS Trust

Foreword

These accounts for the year ended 31 March 2008 have been prepared by the Pontypridd & Rhondda 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.

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

	Note	£000	2006-07 £000
Income from activities	3	178,075	164,029
Other operating income	4	17,170	12,654
Total income		195,245	176,683
Operating expenses	5	(189,920)	(171,836)
Operating surplus/(deficit)		5,325	4,847
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	22	(1)
Surplus/(deficit) before interest		5,347	4,846
Interest receivable		657	630
Interest payable	9	(16)	(16)
Other finance costs	16	(26)	(27)
Surplus/(deficit) for the financial year		5,962	5,433
Public Dividend Capital dividends payable		(5,993)	(5,521)
Retained surplus/(deficit) for the year	17	(31)	(88)

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

		2006-07
	Note	£000
Surplus/(deficit) for the financial year before dividend payments		5,962
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	(507)
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	159
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(197)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<hr/>
Total recognised gains and losses for the financial year		5,417
Prior period adjustment	17	0
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Total gains and losses recognised in the financial year		5,417

BALANCE SHEET AS AT 31 MARCH 2008

	Note	£000	£000	31 March 2007 £000
Fixed assets				
Intangible assets	10	0		0
Tangible assets	11	186,697		178,534
Investment assets	11.4	0		0
			<u>186,697</u>	178,534
Current assets				
Stocks and work-in-progress	12	1,857		1,699
Debtors	13	9,404		7,357
Investments	14	0		0
Cash at bank and in hand	18.3	3,349		3,348
Total current assets			<u>14,610</u>	12,404
Creditors: amounts falling due within 1 year	15		<u>(13,337)</u>	(13,921)
Net current assets/(liabilities)			<u>1,273</u>	(1,517)
Total assets less current liabilities			187,970	177,017
Creditors: amounts falling due after more than one year	15		(701)	0
Provisions for liabilities and charges	16		<u>(5,816)</u>	(5,200)
Total assets employed			<u>181,453</u>	<u>171,817</u>
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		113,546	103,334
Revaluation reserve	17		61,861	63,172
Donated asset reserve	17		2,447	1,867
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		<u>3,599</u>	3,444
Total taxpayer's equity			<u>181,453</u>	<u>171,817</u>

Signed on behalf of the Board on 18th June 2008

Chairman : Mr. D Francis

Chief Executive : Mrs. M S Foster

Adopted by the Board on 18th June 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	£000	£000	2006-07 £000
Operating activities				
Net cash inflow from operating activities	18.1		13,891	13,942
Returns on investments and servicing of finance				
Interest received		655		631
Interest paid		0		0
Interest element of finance leases		(16)		(16)
Net cash inflow/(outflow) from returns on investments and servicing of finance			639	615
Capital expenditure				
Payments to acquire tangible fixed assets		(19,111)		(15,431)
Receipts from sale of tangible fixed assets		364		0
Payments to acquire/ receipts from sale of intangible assets		0		0
Payments to acquire/ receipts from sale of fixed asset investments		0		0
Net cash inflow/(outflow) from capital expenditure			(18,747)	(15,431)
Public dividend capital dividends paid			(6,135)	(5,471)
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
Net cash inflow/(outflow) from management of liquid resources			0	0
Net cash inflow/(outflow) before financing			(10,352)	(6,345)
Financing				
Public dividend capital received		13,687		5,984
Public dividend capital repaid (not previously accrued)		(3,475)		0
Public dividend capital repaid (accrued in previous period)		0		(167)
Government loans received: short term		0		0
Government loans repaid: short term		0		0
Loan advances/brokerage received		0		0
Loan advances/brokerage repaid		0		0
Other capital receipts		146		534
Capital element of finance leases		(5)		(6)
Net cash inflow/(outflow) from financing			10,353	6,345
Increase/(decrease) in cash	18.2		1	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 Trust's 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. 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 total employer contribution payable in 2007-08 was £14,599,219 (£12,900,868 for 2006-07)

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 contribution rates are currently based, had an effective date of 31 March 2004 and covered the period 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 annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Agency - Pensions Division website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion from the 2004 investigation was that the scheme had accumulated a notional deficit of £3.3 billion against notional assets as at 31 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 from 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.

1.18 Liquid resources

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

1.19 Value added tax

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

1.20 Foreign Exchange

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

1.21 Third party assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 27 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

	£000	£000
Local health boards	167,202	158,786
Health Commission Wales	5,123	1,233
NHS trusts	1,558	1,402
Strategic health authorities and primary care trusts	397	359
Foundation Trusts	0	0
Local authorities	2,396	950
Welsh Assembly Government	50	89
Non NHS:		
Private patient income	154	60
Overseas patients (non-reciprocal)	0	6
Injury Costs Recovery (ICR) Scheme	932	791
Other income from activities	263	353
Total	178,075	164,029

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

	£000	£000
Patient transport services	0	0
Education, training and research	5,946	5,376
Charitable and other contributions to expenditure	299	353
Transfer from the donated asset reserve	197	237
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	0	0
Other income:		
Provision of laundry, pathology, payroll services	3,245	3,432
Accommodation and catering charges	982	988
Mortuary fees	80	68
Staff payments for use of cars	181	166
Business unit (please state)	0	0
Other	6,240	2,034
Total	17,170	12,654

Other income of £6240k includes the following sources:

Welsh Assembly Government - accelerated depreciation (Llwynypia Hospital)	3,475	0
Total	3,475	0

5. Operating expenses

5.1 Operating expenses comprise

	£000	2006-07 £000
Goods and services from other NHS bodies	3,522	2,627
Goods and services from other NHS Foundation Trusts	18	0
Purchase of healthcare from non-NHS bodies	446	95
Directors' costs	832	799
Staff costs	140,939	127,719
Supplies and services - clinical	18,330	17,404
Supplies and services - general	2,734	2,770
Consultancy Services	313	246
Establishment	2,830	2,812
Transport	227	191
Premises	6,330	6,696
Depreciation	10,697	8,569
Amortisation	0	0
Fixed asset impairments and reversals	0	0
Audit fees	171	162
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	988	384
Other operating expenses	1,543	1,362
Total	189,920	171,836

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

	£000	2006-07 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence	474	2,326
Personal injury	468	199
All other losses and special payments	125	5
Defence legal fees and other administrative costs	48	45
Gross increase/(decrease) in provision for future payments	1,115	2,575
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	201	51
Less: income received/ due from Welsh Risk Pool	(328)	(2,242)
Total charge	988	384

Personal injury includes £166,722 (2006-07 £21,870) in respect of permanent injury benefits

5.3 Operating Leases

5.3.1 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2006-07 £000	£000	2006-07 £000
Operating leases which expire:				
Within 1 year	0	0	134	111
Between 1 and 5 years	0	0	167	201
After 5 years	256	251	0	0
Total	256	251	301	312

5.3.2 Operating expenses include:

	2006-07 £000	2006-07 £000
Other operating lease rentals	639	608
Hire of plant and machinery	116	100
Total	755	708

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2006-07 £000
Non-executive directors' remuneration	90	0	90	90
Executive directors' remuneration:				
basic salaries	468	121	589	561
benefits	1	0	1	2
performance related bonuses	0	0	0	0
pension contributions paid	65	17	82	75
Sub-total	624	138	762	728
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
Total	624	138	762	728

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

£nil was waived by directors and £nil allowances were paid in lieu.

From June 2006 an Interim Director of Nursing has been in post to cover long term absence. The salaries of both postholders are included in the above table. A sum of £116k is also payable to the substantive Director of Nursing as part of a compromise agreement and this amount is included in the totals reported in Note 5.2.

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
Chairman				
Basic remuneration	39	0	39	39
Benefits	0	0	0	0
	39	0	39	39
Chief Executive				
Basic salaries	110	0	110	108
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	110	0	110	108
Pension contributions	16	0	16	15
	126	0	126	123
Highest paid director*				
Basic salaries	21	121	142	145
Benefits	0	0	0	1
Performance related bonuses	0	0	0	0
	21	121	142	146
Pension contributions	3	17	20	20
Total	24	138	162	166

The highest paid Director during the financial year 2007-08 was the Medical Director.

The Chief Executive received 90% of her salary entitlement in 2006-07 and 2007-08. This is due to an external non-executive directorship which ended on 31st March 2008.

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	117,147	63	1,071	118,281	107,696
Social security costs	8,795	0	0	8,795	7,824
Pension costs	14,599	0	0	14,599	12,901
Other pension costs	0	0	0	0	0
Total	140,541	63	1,071	141,675	128,421

6.2 Average number of employees

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	339	1	7	347	311
Ambulance staff	0	0	0	0	0
Administrative and estates	726	0	1	727	706
Healthcare assistants and other support staff	487	0	0	487	479
Nursing, midwifery and health visiting staff	1,879	0	2	1,881	1,794
Nursing, midwifery and health visiting learners	20	0	0	20	16
Scientific, therapeutic and technical staff	531	0	1	532	504
Social care staff	0	0	0	0	0
Other	72	0	0	72	70
Total	4,054	1	11	4,066	3,880

6.3 Employee benefits

The trust does not have an employee benefit scheme.

6.4 Trust management costs

			2006-07	
	£000	Percentage of total income	£000	Percentage of total income
Trust management costs	7,248	3.7%	6,747	3.8%
Income	195,245		176,683	

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 7 (14) 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 £122,852 (£649,706).

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
NHS			
Total bills paid 2007-08	1,766	6,371	6,897
Total bills paid within target	1,742	6,331	6,867
Percentage of bills paid within target	98.6%	99.4%	99.6%
Non-NHS			
Total bills paid 2007-08	52,226	49,228	45,003
Total bills paid within target	51,321	48,960	44,783
Percentage of bills paid within target	98.3%	99.5%	99.5%
Total			
Total bills paid 2007-08	53,992	55,599	51,900
Total bills paid within target	53,063	55,291	51,650
Percentage of bills paid within target	98.3%	99.4%	99.5%

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:

	£000	2006-07 £000
Profit on disposal of land and buildings	21	0
Loss on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	1	0
Loss on disposal of plant and equipment	0	(1)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
Profit on disposal of fixed assets investments	0	0
Loss on disposal of fixed asset investments	0	0
	22	(1)

9. Interest payable

	£000	2006-07 £000
Government borrowing	0	0
Finance leases and PFI schemes	16	16
Other	0	0
	16	16

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	0	0	0	0	0
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	0	0	0	0	0
Net book value at 1 April 2007	0	0	0	0	0
Net book value at 31 March 2008	0	0	0	0	0

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Assets under construction and payments on account								Total £000
	Land £000	Buildings, excluding dwellings £000	Dwellings £000	on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	
At 1 April 2007	10,691	166,488	651	15,720	29,755	191	3,531	2,749	229,776
Additions									
- purchased	0	1,725	30	14,233	2,352	16	1,083	111	19,550
- donated	0	0	0	146	13	0	0	0	159
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	1,442	0	(1,442)	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	17,028	(40,693)	62	0	0	0	0	0	(23,603)
Disposals	(100)	0	(253)	0	(841)	0	(52)	0	(1,246)
At 31 March 2008	27,619	128,962	490	28,657	31,279	207	4,562	2,860	224,636
Depreciation									
At 1 April 2007	0	23,586	38	0	23,320	162	2,453	1,683	51,242
Reclassifications	0	0	0	0	0	0	0	0	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	(23,071)	(25)	0	0	0	0	0	(23,096)
Disposals	0	0	(13)	0	(839)	0	(52)	0	(904)
Provided during the year	0	8,325	7	0	1,852	8	254	251	10,697
At 31 March 2008	0	8,840	7	0	24,333	170	2,655	1,934	37,939
Net book value at 1 April 2007	10,691	142,902	613	15,720	6,435	29	1,078	1,066	178,534
Net book value at 31 March 2008	27,619	120,122	483	28,657	6,946	37	1,907	926	186,697
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	430	0	0	0	0	0	0	430
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:									
Total	0	46	0	0	0	0	0	0	46

The Trust Board has deemed that Giffach Goch and Tonypanydy Health Centres will become surplus to requirements in 2009 upon completion of new builds. The District Valuer's assessment of open market value in 2009 for Giffach Goch is £150k and for Tonypanydy £250k. Depreciation has been accelerated accordingly to achieve their open market value at disposal date.

The Trust Board has deemed that Llwynypia Hospital will become surplus to requirements in 2009 upon completion of Ysbyty Cwm Rhondda. The District Valuer's assessment of open market value in 2009 is £4 million. Depreciation has been accelerated accordingly to achieve open market value at the disposal date.

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

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

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2007	0	0	229	0	0	0	0	0	229
Revaluation	0	0	0	0	0	0	0	0	0
Additions	0	0	29	0	0	0	0	0	29
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2008	0	0	258	0	0	0	0	0	258

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March 2007	
	£000	£000
Freehold	147,794	153,986
Long leasehold	430	220
Short leasehold	0	0
Total	148,224	154,206

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

The Trust has no fixed asset investments.

12. Stocks and work-in-progress	31 March 2007	
	£000	£000
Raw materials and consumables	1,857	1,699
Work-in-progress	0	0
Finished processed goods	0	0
Total	1,857	1,699

13. Debtors	31 March 2007	
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	2,774	2,940
NHS debtors	3,530	1,999
PDC dividend debtors	167	25
Other debtors	2,733	2,086
Provision for irrecoverable debts	(228)	(155)
Other prepayments and accrued income	159	179
Sub-total	9,135	7,074
Amounts falling due after more than one year:		
Welsh Risk Pool	0	0
NHS debtors	0	0
Other prepayments and accrued income	269	283
Other debtors	0	0
Sub-total	269	283
Total	9,404	7,357

14. Current Asset Investments

		31 March 2007 £000
Government securities	0	0
Local authorities	0	0
EU Emission Trading Scheme	0	0
Other	0	0
Total	0	0

15. Creditors

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

		31 March 2007 £000
Amounts falling due within one year:	£000	£000
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	29	17
NHS creditors	3,294	2,232
Non-NHS trade creditors - revenue	2,013	1,421
Non-NHS trade creditors - capital	727	850
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	2,963	2,783
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	0	5
Obligations under PFI schemes	0	0
Other creditors - superannuation	0	0
Other creditors - all other creditors	1,395	1,022
Accruals	2,916	5,591
Deferred income	0	0
Sub-total	13,337	13,921
Amounts falling due after more than one year:		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	701	0
Sub-total	701	0
Total	14,038	13,921

NHS creditors include:

£1744k outstanding pensions contributions at 31 March 2008 (£1617k at 31 March 2007).

Other creditors due after more than one year relates to the retention element of costs incurred to date on the construction of Ysbyty Cwm Rhondda.

15.2 Loan advance/strategic assistance funding

31 March
2007

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

15.3 Finance lease obligations

31 March
2007

Payable:	Total £000	£000
Within one year	0	21
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>21</u>
Less finance charges allocated to future periods	0	(16)
Total	<u>0</u>	<u>5</u>

15.4 Finance lease commitments

Pontypridd & Rhondda 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	2,680	0	0	990	(516)	(555)	0	2,599
Personal injury	1,078	0	0	546	(78)	(326)	15	1,235
All other losses and special payments	0	0	0	125	0	(9)	0	116
Defence legal fees and other administration	148	0	0	107	(59)	(71)		125
Sub-total	3,906	0	0	1,768	(653)	(961)	15	4,075
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	550			0	(2)	(53)	11	506
Restructurings	0			0	0	0		0
Other	744			729	0	(238)		1,235
Total	5,200	0	0	2,497	(655)	(1,252)	26	5,816

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	2,599	0	0	2,599
Personal injury	1,235	0	0	1,235
All other losses and special payments	73	43	0	116
Defence legal fees and other administration	125	0	0	125
Pensions - former directors	0	0	0	0
Pensions - other staff	53	214	239	506
Restructuring	0	0	0	0
Other	1,235	0	0	1,235
Total	5,320	257	239	5,816

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 £1,074k (£744k:2006-07) 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	63,172	1,867	0	0	3,444	68,483
Prior period adjustment					0	0
At 1 April 2007 as restated	63,172	1,867	0	0	3,444	68,483
Transfer from income and expenditure account					(31)	(31)
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	(1,125)	618	0			(507)
Transfer of realised profits/ (losses)	(186)	0	0		186	0
Receipt of donated/government granted assets		159	0			159
Depreciation, impairment and disposal of donated/government granted assets		(197)	0			(197)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2008	61,861	2,447	0	0	3,599	67,907

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2006-07 £000
Total operating surplus/(deficit)	5,325	4,847
Depreciation charge	10,697	8,569
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	(197)	(237)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(158)	(83)
(Increase)/decrease in debtors	(1,904)	(2,619)
Increase/(decrease) in creditors	(488)	2,504
Increase/(decrease) in provisions	616	961
Net cash inflow from operating activities before restructuring costs	13,891	13,942
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	13,891	13,942

18.2 Reconciliation of net cash flow to movement in net debt	£000	2006-07 £000
Increase/(decrease) in cash in the period	1	0
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	0
Cash outflow from debt repaid and finance lease capital payments	5	6
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	6	6
Non-cash changes in debt	0	0
Net debt at 1 April	3,343	3,337
Net debt at 31 March	3,349	3,343

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	3,257	(7)		3,250
Commercial cash at bank and in hand	91	8		99
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	(5)	5	0	0
Current asset investments	0	0	0	0
	3,343	6	0	3,349

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £2.782m (and in 2006-07 were £14.748m). £2.669m relates to professional fees, infrastructure and construction works on Ysbyty Cwm Rhondda. Works on the scheme commenced in 2005/06 and are planned for completion in late 2008. The planned cost of the scheme is circa £36.791m, which will be funded by the Welsh Assembly Government.

20. Post balance sheet events

On the 1st April 2008 Pontypridd & Rhondda NHS Trust and the neighbouring North Glamorgan NHS Trust integrated to establish Cwm Taf NHS Trust. The new organisation took on the provision of all the services previously provided by the two former Trusts. All assets and liabilities identified on page 4 of these accounts and those documented in the Balance Sheet of North Glamorgan NHS Trust dated 31st March 2008 transferred to Cwm Taf NHS Trust.

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	29,658	17,566
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	29,658	17,566
Amount recovered under insurance arrangements in the event of these claims being successful	(28,281)	(16,420)
Net contingent liability	1,377	1,146

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.

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

	Amounts paid out in year		Approved to write-off in year	
	Number	£	Number	£
Clinical negligence	17	554,528	16	634,443
Personal injury	34	326,550	16	197,142
All other losses and special payments	41	19,436	41	19,436
Total	92	900,514	73	851,021

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
Include case reference	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
Sub-total	0	0	0
All other cases	900,514	1,774,534	851,021
Total cases	900,514	1,774,534	851,021

23.1 Movements in Government funds

2006-07

	£000	£000
Surplus/(deficit) for the financial year	5,962	5,433
Public dividend capital dividends	(5,993)	(5,521)
Subtotal	(31)	(88)
Gains/(losses) from revaluation/indexation of purchased fixed assets	(1,125)	11,942
Impairment of fixed assets	0	0
New public dividend capital	13,687	5,984
Public dividend capital repaid	(3,475)	0
Public dividend capital repayable	0	0
New loans from Government	0	0
Government loans repaid	0	0
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	0	0
Net addition/(reduction) to Government funds	9,056	17,838
Opening Government funds at 1 April	169,950	152,112
Before deducting prior period adjustment of	0	0
Closing Government funds	179,006	169,950

23.2 Movements in public dividend capital

2006-07

	£000	£000
At 1 April 2007	103,334	97,350
New PDC issued in year	13,687	5,984
PDC due but not issued	0	0
PDC repaid in year	(3,475)	0
PDC repayable	0	0
At 31 March 2008	113,546	103,334

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained deficit	(31)
Variance	<u>31</u>

The Trust has met the breakeven duty in full.

The variance of £31k is within the materiality threshold determined by the Welsh Assembly Government for the achievement of the breakeven duty. The deficit has been offset against the I & E reserve brought forward.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	£000	£000	2007 £000
External financing limit set by the Assembly		10,207	5,811
Cash flow financing	10,352		6,345
Finance leases taken out in the year	0		0
Other capital receipts	<u>(146)</u>		<u>(534)</u>
External financing requirement		<u>10,206</u>	<u>5,811</u>
Undershoot (overshoot)		<u>1</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	52,226
Total number of non-NHS bills paid within target	51,321
Percentage of non-NHS bills paid within target	98.3%

The Trust has met the target.

25. Related Party transactions

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

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

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

	INCOME RECEIVED/DUE £000 2007-08	INCOME RECEIVED/DUE £000 2006-07
Welsh Assembly Government	8,622	5,105
Health Commission Wales	5,123	1,233
Bro Morgannwg NHS Trust	1,965	1,027
North Glamorgan NHS Trust	1,704	1,554
Velindre NHS Trust	1,123	1,135
Bridgend Local Health Board	2,624	2,607
Caerphilly Local Health Board	1,218	1,181
Cardiff Local Health Board	2,939	2,331
Merthyr Local Health Board	1,750	1,648
Rhondda Cynon Taff Local Health Board	156,382	150,109
Swansea Local Health Board	1,005	43
Vale of Glamorgan Local Health Board	1,375	1,131
TOTAL	<u>185,830</u>	<u>169,104</u>

The Trust has also received revenue and capital payments from Pontypridd & Rhondda NHS Trust Charitable Funds totalling £0.312m (£0.353m in 2006-07) the Trustees for which are also members of the Trust Board.

26. Other/ Private finance transactions

	2006-07
26.1 The Trust has one PFI operational schemes deemed to be <u>off-balance</u> sheet	
	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross	£000
Amortisation of PFI deferred asset	254
Net charge to operating expenses	(30)
	<u>224</u>
	<u>219</u>

As a result of the District Valuer's valuation of the Trust Estate as at 30th September 2002 a residual value of £1.1 million has been attributed to the Royal Glamorgan staff residences which may revert to the Trust at the end of the contract. The Trust is therefore building up a residual asset over the remaining life of the contract and this has resulted in a reduction to the charge to operating expenses of £29,732.

The Trust is committed to make the following payments during the next year.

	£000	£000	
PFI scheme which expires:			
Within one year			
Years 2-5 (inclusive)	}		
Years 6-10 (inclusive)			
Years 11-15 (inclusive)			
Years 16-20 (inclusive)		242	237
Years 21-25 (inclusive)			
Years 26-30 (inclusive)			
Etc			

The estimated annual payments in future years are expected to be materially different from those which the Trust is committed to make during the next year. The likely financial effect of this is +/-£.

Estimated capital value of the PFI scheme	£000
	2,521
Contract start date:	09/10/1998
Contract end date:	21/09/2028

Scheme Description

The scheme covers the design, build, financing and operation of staff accommodation on the Royal Glamorgan Hospital site. The Trust entered into a project agreement with Charter Housing Association on the 9th October 1998.

27. Third party assets

The Trust held £81,582 cash at bank and in hand at 31 March 2008 (31 March 2007: £62,349) which relates to monies held by the Trust on behalf of patients. The Trust also opened accounts in the name of individual patients, the balance of these accounts being £25,281 as at 31 March 2008 (£24,708 as at 31 March 2007). 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:	Debtors:	Creditors:	Creditors:
	Amounts	Amounts	Amounts	Amounts
	falling due	falling	falling due	falling due
	within one	due after	within one	after more
	year	more	year	than one
	£000	than one	£000	year
	£000	year	£000	£000
2007-08:				
Welsh Assembly Government	611	0	0	0
Welsh Local Health Boards	2327	0	468	0
Welsh NHS Trusts	954	0	1039	0
Health Commission Wales	5	0	0	0
All English Health Bodies	135	0	1787	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	2	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-125	0	0	0
Sub total	3,909	0	3,294	0
Other Central Government Bodies				
Other Government Departments*	0	0	1	0
Revenue & Customs	213	0	2,963	0
Local Authorities	642	0	38	0
Balances with Public Corporations and trading fund:	0	0	88	0
Balances with bodies external to Government	4,371	269	6,953	701
TOTAL	9,135	269	13,337	701
2006-07:				
Welsh Assembly Government	218	0	0	0
Welsh Local Health Boards	1,173	0	250	0
Welsh NHS Trusts	3,399	0	316	0
Health Commission Wales	43	0	0	0
All English Health Bodies	152	0	1,666	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	2	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	(23)	0	0	0
Sub total	4,964	0	2,232	0
Other Central Government Bodies				
Other Government Departments*	1	0	1	0
Revenue & Customs	205	0	2,783	0
Local Authorities	413	0	35	0
Balances with Public Corporations and trading fund:	0	0	54	0
Balances with bodies external to Government	1,491	283	8,816	0
TOTAL	7,074	283	13,921	0

30. Pooled budgets

The Trust has no pooled budgets.

**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 : 18th June 2008

Chief Executive : Mrs. M S Foster

**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 : 18th June 2008

Chairman : Mr. D Francis

Date : 18th June 2008

Chief Executive : Mrs. M S Foster

Date : 18th June 2008

Director of Finance : Mr. D H Lewis

STATEMENT ON INTERNAL CONTROL

1. Context

During 2007/08, the Pontypridd & Rhondda NHS Trust and the North Glamorgan NHS Trust have worked together within structured project management arrangements in preparation for the integration of both Trusts to form the Cwm Taf NHS Trust from April 2008. This statement of internal control relates to arrangements within the Pontypridd & Rhondda NHS Trust during 2007/08.

2. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive for the Pontypridd & Rhondda NHS Trust Board I have 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.

Trust Chief Executives' performance in the discharge of these personal responsibilities is assessed by the Director, NHS Wales. In addition, the Trust's performance across a range of associated areas, including the management of risk, governance, financial and non-financial control, are monitored by the Welsh Assembly Government.

3. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than 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 Trust for the year ended 31 March 2008. This level of internal control has helped to inform approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

4. Capacity to handle risk

The Trust Board has overall responsibility and authority for the risk management programme through the receipt and evaluation of annual summary reports indicating the status and progress of Trust-wide risk management activities. The Risk Management & Clinical Governance Committees, comprising a number of Non Executive and Executive Directors, plus representatives from Local Health Boards and the Community Health Council oversee the Trust's risk management arrangements and making recommendations for change as appropriate. Operational responsibility in terms of regularly monitoring progress with specific risks is delegated to the Clinical Governance Operational Group and the Health and Safety Committee, which includes membership from Executive Directors and directorate representatives, specialist Risk Managers and staff safety representatives. These working groups report to either the Risk Management & Clinical Governance Committees, depending on the issue.

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

Staff awareness of the need to manage risks is encouraged through the provision of regular and on-going training programmes.

5. The risk and control framework

Performance against the Healthcare Standards for Wales.

For 2007/08, the assessment process changed considerably with the introduction of the Healthcare Standards Self Assessment process and a revised and much reduced assessment of the Welsh Risk Management Standards. Internal Audit reviewed the processes in place around the healthcare standards and gave the review of this area substantial assurance.

The draft revised guidance for the Statement of Internal Control (SIC) and Welsh Health Circular (2008) 001, outlines arrangements for the self assessment against the healthcare standards to form a key element of the internal controls assurance process. The former document has identified the following four 'core' healthcare standards;

- Healthcare standard 14 (Risk Management)
- Healthcare standard 16 (Patient Safety)
- Healthcare standard 27 (Governance)
- Healthcare standard 28 (Clinical Governance)

In 2007, Pontypridd & Rhondda NHS Trust completed its first annual assessment of the Healthcare Standards for Wales for the period 2006/07. This assessment was validated in September by Healthcare Inspectorate Wales (HIW), the results of which have been reported.

Towards the end of 2007/08, the Trust completed this year's self assessment, elements of which were reviewed by Internal Audit.

Performance against the 32 Healthcare Standards for Wales is self assessed against a Maturity Matrix ranging from level 1 (awareness) to level 5 (leading). Comparative performance in relation to the four core Healthcare Standards is as follows.

Standard	Corporate		Operational		User Experience	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
14	4	4	3	3	3	4
16	3	4	3	4	3	3
27	3	4	3	3	3	3
28	3	4	3	4	3	4

Key: 1=Aware; 2=Responding; 3=Developing; 4=Practising; 5=Leading.

Note:

The 2006/07 self assessed scores were externally validated by Healthcare Inspectorate Wales (HIW);

The 2007/08 self assessed scores have been internally validated by Internal Audit.

Internal Audit also assessed compliance with the comparable five core Welsh Risk Management Standards, the results of which are shown below:

Performance against the core Welsh Risk Management Standards

- WRMS 1 Risk Management
- WRMS 2 Risk Assessment
- WRMS 3 Incident & Hazard Reporting
- WRMS 37 Governance
- WRMS 38 Financial Management

Level of assurance

Substantial with no fundamental or significant recommendations

Following completion of the Self Assessment against the Healthcare Standards, the Pontypridd & Rhondda NHS Trust Board approved 'sign off' and an Annual Healthcare Standards Improvement Plan was developed, approved by Trust Board and submitted and agreed with the South East Wales Regional Office.

Performance against the Welsh Risk Management Standards

Standards externally assessed by the Welsh Risk Pool

This year, the Welsh Risk Pool assessed the following Welsh Risk Management Standards, which scored as follows;

- Standard 5 - Claims Management 99%
- Standard 15 – Maternity Standard 93%
- Standard 16 - Operating Theatres 86%
- Standard 17 - Accident & Emergency 96%

The overall documentation score was 93% (weighted by 50%) and the overall staff interviews score was 34%. The Trust overall score was therefore 81%.

Pontypridd & Rhondda NHS Trust's approach to the management of risk is outlined in their Risk Management Strategy and Policy. The following specific measures were in place to support risk management:

- Fully established and functioning Committee structures to ensure risk management is regularly reviewed at a strategic level, operationally supported by working groups;
- Risk/safety co-ordinators established in all directorates and departments with the responsibility for communicating and facilitating the risk management agenda within their respective areas;
- The development, review and maintenance of a Corporate Risk Register which identifies Corporate Risks and is informed by Directorate Risk Registers/Profiles which are documented, maintained, updated and monitored;
- Action plans developed at departmental, directorate and Trust level to allocate responsibility and resources for improving controls and reducing risks;
- Progress against action plans regularly reviewed and risks assessed and revised accordingly;
- Trust Board received regular reports on progress made during the year in the management of key risks, as well as outlining the position against other risks (eg finance risks);
- The establishment of a risk based approach to the consideration and allocation of its discretionary capital funding;
- and the operational approach to risk management is supported by appropriate training and guidance for all staff.

The process outlined in the Trust's Strategy for managing risk was applied to a broad spectrum of risk including clinical, non-clinical, corporate, business, environmental and health & safety related risks.

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.

The Trust worked closely with its external stakeholders to minimise the wider impact of any significant potential risks, and included Community Health Council, LHB and Local Authority representatives in its Committee structures.

6. 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 Directors of the Trust 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 Trust Board and the work of their Audit Committee and Clinical Governance and Risk Management Committees. Internal Audit has helped to inform this review from focused work throughout the year. Plans to address weaknesses and ensure continuous improvement of the system is an integral part of the integration project and more clearly outlined in the Trust's legacy positions from Internal Audit, External Audit and the Local Counter Fraud Service.

The scrutiny of these arrangements is in part informed through the internal mechanisms already referred to, but also through the independent and impartial views and opinions expressed by a range of bodies external to the Trust. These include:

- Welsh Assembly Government;
- External Audit;
- Healthcare Inspectorate Wales (HIW);
- Welsh Risk Pool;
- Community Health Councils;
- Health & Safety Executive;
- Post Graduate Medical Education and Training Board (PMETB), Post Graduate and Under Graduate Deanery's, Royal Colleges and other Academic bodies; and
- Mental Health Act Commissioners.

The Board received additional assurance from the detailed scrutiny undertaken by its Audit Committee, which is in turn advised by both internal and external audit. In addition, the following actions were taken during the year to seek to strengthen the system of internal control further:

- In June 2007, the Trust submitted its self assessment against the Healthcare Standards for Wales. The Trust's submission was validated by HIW between July and October 2007 and a generally very positive report was provided to the Trust. The report outlined good levels of validated accuracy and good levels of validated maturity.
- In response to the 2007 review, the Trust produced an Annual Healthcare Standards Improvement Plan, which was approved by Trust Board in November 2007 and agreed with Regional Office. Progress against the plan has been monitored throughout the year by the Clinical Governance & Risk Management Committees.
- The Trust completed its 2008 (2007/08) self assessment submission. An Annual Healthcare Standards Improvement Plan will be developed for Cwm Taf NHS Trust.
- The Audit Committee met regularly during the year and considered and agreed an annual audit plan. Various reports were received and scrutinised at the Committee including monitoring of audit recommendations. Where appropriate, reports were referred to Clinical Governance & Risk Management Committee for consideration.
- The Trust maintained, reviewed and developed its Corporate Risk Register aligned to its Strategic Objectives. A number of directorates developed directorate based risk registers based on the corporate template.

The main aim of the above measures is to ensure that the Trust's Governance arrangements, policies and procedures are entirely fit for purpose, thereby ensuring that control arrangements are fully sustainable, regardless of changes in personnel. Throughout the year there was stability at Executive level of the Trust, with the interim arrangements at Chair, Chief Executive and Finance Director continuing until Trust integration.

7. Significant internal control problems

During the year there were three Internal Audit reports that had limited assurance opinions - Payroll; Electronic Staff Records (ESR) and Knowledge and Skills Framework. Each of these Audits were considered in detail by the Audit Committee. It was clear that the link to all three reports is ESR and the difficulties experienced both during and post implementation. At the time of the audits this was being identified at a National level. A National user group was established which is eliminating problems with the system and key reconciliations and controls have been reintroduced into Payroll. The integration work with North Glamorgan is also being used to address the identified weaknesses.

Trust integration presented a potential significant internal control issue, but robust project management arrangements were established throughout 2007/08, to help inform the process and mitigate identified risks.

As part of the integration project, a joint approach to legacy statements was agreed by both Trusts and the Wales Audit Office undertook a review into whether the Trusts are adequately prepared for Trust merger, minimising and managing the risks associated with it. The review identified areas of good practice and did not find any significant control problems. The Trust recognises that the integration project does not end on 1 April 2008, the date of integration, and much work will continue into 2008/09.

Signed : Mrs. M S Foster
Chief Executive (on behalf of the Board)

Date : 18th June 2008

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

I certify that I have audited the financial statements of Pontypridd and Rhondda 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, Pontypridd and Rhondda 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 Pontypridd and Rhondda 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 Pontypridd and Rhondda 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 was consistent with the audited financial statements as it was not available at the time of my 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 Pontypridd and Rhondda 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 there under by Welsh Ministers of the state of the affairs of Pontypridd and Rhondda NHS Trust as at 31 March 2008 and of its deficit, 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 Pontypridd and Rhondda 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
24 June 2008

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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

NHS TRUSTS

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

BASIS OF PREPARATION

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

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

FORM AND CONTENT

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

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

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

MISCELLANEOUS

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

Signed by the authority of Welsh Ministers