

Velindre NHS Trust

Foreword

These accounts for the year ended 31 March 2008 have been prepared by the Velindre 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 Trust was established by Statutory Instrument on the 1st April 1994 and at that time was a single specialty Trust providing only Cancer Services with a turnover of £9m. Over the last fourteen years the Trust has significantly evolved and today the turnover of the Trust is £164m and the main function of the Trust is to provide All Wales and Regional clinical, health and social care services to the NHS and people of Wales and these services provided by the Trust during 2007/08 included:

(a) Regional non-surgical Cancer Services, mainly to the people of South East Wales, provided from Velindre Hospital.

(b) All Wales population based Screening Services, including Breast Test Wales, Cervical Screening Wales, New Born Hearing Services Wales, working towards developing a comprehensive Antenatal Screening Service for Wales and developing the implementation plan for Bowel Screening Service

(c) Welsh Blood Service (WBS), including Welsh Transplantation and Immunogenetics Laboratory (WTAI)

(d) Health Solutions Wales (HSW)

(e) National Public Health Service for Wales (NPHS), including 22 Local Public Health Teams, the Health Protection Service, and a number of specialist all Wales Public Health 'resource' teams.

(f) Welsh Cancer Intelligence and Surveillance Unit (WCISU)

The Trust also hosts a number of organisations:

(g) Cancer Services and Cardiac Services Co-ordinating Groups.

(h) South East Wales Cancer and Cardiac Networks

(i) National Institute of Clinical Excellence (NICE) National Collaborating Centre for Cancer

(j) Welsh Cancer Trials Network

(k) Welsh Cancer Trials Unit

(l) Clinical Research Collaboration Cymru

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2008

	Note	£000	2006-07 £000
Income from activities	3	107,812	103,130
Other operating income	4	56,334	52,907
Total income		164,146	156,037
Operating expenses	5	(162,862)	(154,502)
Operating surplus/(deficit)		1,284	1,535
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(42)	0
Surplus/(deficit) before interest		1,242	1,535
Interest receivable		458	418
Interest payable	9	0	0
Other finance costs	16	0	0
Surplus/(deficit) for the financial year		1,700	1,953
Public Dividend Capital dividends payable		(2,097)	(1,925)
Retained surplus/(deficit) for the year	17	(397)	28

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

	Note	£000	2006-07 £000
Surplus/(deficit) for the financial year before dividend payments		1,700	1,953
Fixed asset impairment losses	17	(128)	(94)
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	1,585	3,600
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	1,797	150
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(310)	(475)
Additions/(reductions) in "other reserves"	17	0	0
Defined benefit scheme actuarial gains & losses		<u>0</u>	<u>0</u>
Total recognised gains and losses for the financial year		4,644	5,134
Prior period adjustment	17	<u>0</u>	<u>0</u>
Total gains and losses recognised in the financial year		<u>4,644</u>	<u>5,134</u>

BALANCE SHEET AS AT 31 MARCH 2008

	Note	£000	£000	31 March 2007 £000
Fixed assets				
Intangible assets	10	0		0
Tangible assets	11	68,386		61,367
Investment assets	11.4	0		0
			68,386	61,367
Current assets				
Stocks and work-in-progress	12	1,931		1,642
Debtors	13	12,319		13,621
Investments	14	0		0
Cash at bank and in hand	18.3	2,110		2,109
Total current assets			16,360	17,372
Creditors: amounts falling due within 1 year	15		(12,391)	(11,333)
Net current assets/(liabilities)			3,969	6,039
Total assets less current liabilities			72,355	67,406
Creditors: amounts falling due after more than one year	15		0	0
Provisions for liabilities and charges	16		(3,221)	(4,637)
Total assets employed			69,134	62,769
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		34,844	31,026
Revaluation reserve	17		27,626	25,664
Donated asset reserve	17		4,348	3,366
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		2,316	2,713
Total taxpayer's equity			69,134	62,769

Signed on behalf of the Board on 17th June 2008

Chairman

Chief Executive

Adopted by the Board on 17th 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		5,885	5,769
Returns on investments and servicing of finance				
Interest received		461		403
Interest paid		0		0
Interest element of finance leases		0		0
			461	403
Net cash inflow/(outflow) from returns on investments and servicing of finance				
Capital expenditure				
Payments to acquire tangible fixed assets		(9,884)		(4,561)
Receipts from sale of tangible fixed assets		0		0
Payments to acquire/ receipts from sale of intangible assets		0		0
Payments to acquire/ receipts from sale of fixed asset investments		0		0
			(9,884)	(4,561)
Net cash inflow/(outflow) from capital expenditure				
Public dividend capital dividends paid			(2,131)	(1,906)
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
			0	0
Net cash inflow/(outflow) from management of liquid resources				
Net cash inflow/(outflow) before financing				
			(5,669)	(295)
Financing				
Public dividend capital received		3,873		935
Public dividend capital repaid (not previously accrued)		0		(55)
Public dividend capital repaid (accrued in previous period)		0		0
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		1,797		150
Capital element of finance leases		0		0
			5,670	1,030
Net cash inflow/(outflow) from financing				
Increase/(decrease) in cash	18.2		1	735

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. As a consequence it is not possible for the Trust to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003 however the revaluation is to be aligned with the full valuation and will take place in 2008. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. 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 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions were set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

NHS bodies are directed by the Secretary of State to charge employer's pension cost contributions to operating expenses as and when they become due.

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.

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 following information segments the results of the trust by:

	Business Services		Health Care			
	Health Solutions Wales		Activities		Total	
	2006-07		2006-07		2006-07	
	£000	£000	£000	£000	£000	
Segment income	15,833	15,105	148,313	140,932	164,146	156,037
Costs directly attributable to the segment	(15,030)	(14,519)	(143,906)	(136,590)	(158,936)	(151,109)
Surplus/deficit	803	586	4,407	4,342	5,210	4,928
Common costs	(617)	(512)	(3,351)	(2,881)	(3,968)	(3,393)
Surplus before interest	186	74	1,056	1,461	1,242	1,535
Segment net assets	1,488	1,402	58,438	53,539	59,926	54,941

3. Income from activities

	£000	2006-07 £000
Local health boards	27,548	24,711
Health Commission Wales	53,155	51,702
NHS trusts	18,904	18,985
Strategic health authorities and primary care trusts	0	0
Foundation Trusts	0	0
Local authorities	0	0
National Assembly for Wales	6,673	6,133
Non NHS:		
Private patient income	1,109	1,117
Overseas patients (non-reciprocal)	0	0
Injury Costs Recovery (ICR) Scheme	0	0
Other income from activities	423	482
Total	107,812	103,130

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

4. Other operating income

	£000	2006-07 £000
Patient transport services	0	0
Education, training and research	4,827	4,969
Charitable and other contributions to expenditure	2,466	2,307
Transfer from the donated asset reserve	310	475
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	751	734
Other income:		
Provision of laundry, pathology, payroll services	0	0
Accommodation and catering charges	164	161
Mortuary fees	0	0
Staff payments for use of cars	97	103
Business unit - Health Solutions Wales	15,833	15,106
Other	31,886	29,052
Total	56,334	52,907

Other income of £31,886k includes the following sources:

NPHS	25,585	23,971
Coronary Heart Disease Network	695	678
C.S.C.G	844	987
N.C.C.C.	946	828
W.C.I.S.U	974	911
Cancer Network	724	694
Other	2,118	983
Total	31,886	29,052

5. Operating expenses

5.1 Operating expenses comprise

	£000	2006-07 £000
Goods and services from other NHS bodies	13,813	12,952
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	122	150
Directors' costs	534	531
Staff costs	92,166	85,156
Supplies and services - clinical	30,986	30,771
Supplies and services - general	925	878
Consultancy Services	519	0
Establishment	6,933	6,470
Transport	663	702
Premises	9,049	9,511
Depreciation	4,419	4,171
Amortisation	0	0
Fixed asset impairments and reversals	0	40
Audit fees	142	131
Other auditors' remuneration	2	5
Losses, special payments and irrecoverable debts	107	164
Other operating expenses	2,482	2,870
Total	162,862	154,502

Consultancy Services is an additional disclosure for this year, comparative figures are not available.

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	982	1,027
Personal injury	197	96
All other losses and special payments	32	10
Defence legal fees and other administrative costs	1	44
Gross increase/decrease in provision for future payments	1,212	1,177
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	13	74
Less: income received/ due from Welsh Risk Pool	(1,118)	(1,087)
Total charge	107	164

Personal injury includes £NIL (2006-07 £NIL) in respect of permanent injury benefits

See note 16

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

	Land and buildings		Other leases	
	2006-07 restated		2006-07 restated	
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	4	28	0
Between 1 and 5 years	1,232	1,708	49	48
After 5 years	7,389	8,302	0	17
Total	8,621	10,014	77	65

5.3.2 Operating expenses include:

	2006-07 restated	
	£000	£000
Hire of plant and machinery	49	25
Other operating lease rentals	1,270	1,352
Total	1,319	1,377

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2006-07 £000
Non-executive directors' remuneration	90	0	90	95
Executive directors' remuneration:				
basic salaries	348	152	500	492
benefits	3	3	6	8
performance related bonuses	0	0	0	0
pension contributions paid	49	21	70	69
Sub-total	490	176	666	664
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	490	176	666	664

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

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	42
Benefits	0	0	0	3
	<u>39</u>	<u>0</u>	<u>39</u>	<u>45</u>
Chief Executive				
Basic salaries	105	0	105	103
Benefits	1	0	1	2
Performance related bonuses	0	0	0	0
	<u>106</u>	<u>0</u>	<u>106</u>	<u>105</u>
Pension contributions	15	0	15	14
	<u>121</u>	<u>0</u>	<u>121</u>	<u>119</u>
Highest paid director*				
Basic salaries	15	152	167	165
Benefits	0	3	3	3
Performance related bonuses	0	0	0	0
	<u>15</u>	<u>155</u>	<u>170</u>	<u>168</u>
Pension contributions	2	21	23	23
Total	<u>17</u>	<u>176</u>	<u>193</u>	<u>191</u>

The Highest paid director within the Trust is the Medical Director of Velindre Cancer Services

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	73,546	2,358	1,557	77,461	72,058
Social security costs	5,754	0	0	5,754	5,124
Pension costs	9,388	0	0	9,388	8,395
Other pension costs	0	0	0	0	0
Total	88,688	2,358	1,557	92,603	85,577

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	148	21	2	171	186
Ambulance staff	0	0	0	0	0
Administrative and estates	1,281	7	44	1,332	987
Healthcare assistants and other support staff	61	0	0	61	64
Nursing, midwifery and health visiting staff	298	8	21	327	314
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	614	2	0	616	545
Social care staff	0	0	5	5	0
Other	10	0	1	11	323
Total	2,412	38	73	2,523	2,419

The analysis of staff numbers is by Occupation Code in 2006/7 and 2007/8. The basis of these codes is not consistent year on year.

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	5,335	3.3%	4,982	3.2%
Income	164,146		156,037	

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 2 (3) 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 £129,949.62 (£224,095.82).

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	1,279	14,915	10,160
Total bills paid within target	1,206	14,254	9,067
Percentage of bills paid within target	94.3%	95.6%	89.2%
Non-NHS			
Total bills paid 2007-08	36,584	70,883	72,705
Total bills paid within target	35,052	69,476	71,460
Percentage of bills paid within target	95.8%	98.0%	98.3%
Total			
Total bills paid 2007-08	37,863	85,798	82,865
Total bills paid within target	36,258	83,730	80,527
Percentage of bills paid within target	95.8%	97.6%	97.2%

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	(42)
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>0</u>
	<u>(42)</u>

9. Interest payable

	2006-07
	£000
Government borrowing	0
Finance leases and PFI schemes	0
Other	0
	<u>0</u>
	<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>
Net book value at 31 March 2008	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

	31 March	
	2007	
	£000	£000
11.3 The net book value of land and buildings at the balance sheet date comprise:		
Freehold	50,330	47,155
Long leasehold	914	1,489
Short leasehold	0	0
Total	51,244	48,644

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	
	£000	£000
12. Stocks and work-in-progress		
Raw materials and consumables	1,931	1,642
Work-in-progress	0	0
Finished processed goods	0	0
Total	1,931	1,642

	31 March	
	2007	
	£000	£000
13. Debtors		
Amounts falling due within one year:		
Welsh Risk Pool	1,790	1,431
NHS debtors	4,484	6,772
PDC dividend debtors	0	0
Other debtors	3,454	2,809
Provision for irrecoverable debts	(87)	(74)
Other prepayments and accrued income	2,678	2,683
Sub-total	12,319	13,621
Amounts falling due after more than one year:		
Welsh Risk Pool	0	0
NHS debtors	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub-total	0	0
Total	12,319	13,621

14. Current Asset Investments

	31 March 2007	
	£000	£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	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	0	0
NHS creditors	3,499	3,807
Non-NHS trade creditors - revenue	2,973	2,160
Non-NHS trade creditors - capital	187	48
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	7	57
PDC dividend payable	81	115
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	1,137	7
Other creditors - all other creditors	0	130
Accruals	4,208	4,625
Deferred income	299	384
Sub-total	12,391	11,333
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	0	0
Sub-total	0	0
Total	12,391	11,333

15.2 Loan advance/strategic assistance funding	31 March	
Amounts falling due:	£000	2007 £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	
Payable:	Total £000	2007 £000
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
Total	<u>0</u>	<u>0</u>

15.4 Finance lease commitments

Velindre 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	1,400	0	0	1,141	(159)	(717)	0	1,665
Personal injury	156	0	0	215	(18)	(262)	0	91
All other losses and special payments	0	0	0	32	0	(32)	0	0
Defence legal fees and other administration	84	0	0	24	(23)	(29)		56
Sub-total	1,640	0	0	1,412	(200)	(1,040)	0	1,812
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	418			18	0	(30)	0	406
Restructurings	0			0	0	0		0
Other	2,579			1,003	0	(2,579)		1,003
Total	4,637	0	0	2,433	(200)	(3,649)	0	3,221

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Totals £000
Clinical negligence	1,665	0	0	1,665
Personal injury	91	0	0	91
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	56	0	0	56
Pensions - former directors	0	0	0	0
Pensions - other staff	30	120	256	406
Restructuring	0	0	0	0
Other	897	106	0	1,003
Total	2,739	226	256	3,221

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 £807,025 for Permanent Injury Claims and £90,000 for the implementation of the recommendations of Jenkins review of 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	25,664	3,366	0	0	2,713	31,743
Prior period adjustment					0	0
At 1 April 2007 as restated	25,664	3,366	0	0	2,713	31,743
Transfer from income and expenditure account					(397)	(397)
Impairments	(128)	0	0			(128)
Surplus (deficit) on revaluation / indexation of fixed assets	2,090	(505)	0			1,585
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		1,797	0			1,797
Depreciation, impairment and disposal of donated/government granted assets		(310)	0			(310)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2008	27,626	4,348	0	0	2,316	34,290

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)	1,284	1,535
Depreciation charge	4,419	4,171
Fixed asset impairment and reversals	0	40
Transfer from the donated asset reserve	(310)	(475)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(289)	100
(Increase)/decrease in debtors	1,244	(1,366)
Increase/(decrease) in creditors	953	642
Increase/(decrease) in provisions	(1,416)	1,122
Net cash inflow from operating activities before restructuring costs	5,885	5,769
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	5,885	5,769

18.2 Reconciliation of net cash flow to movement in net debt	£000	2006-07 £000
Increase/(decrease) in cash in the period	1	735
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	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	1	735
Non-cash changes in debt	0	0
Net debt at 1 April	2,109	1,374
Net debt at 31 March	2,110	2,109

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	2,332	(261)	■	2,071
Commercial cash at bank and in hand	(223)	262	■	39
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
	2,109	1	0	2,110

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £1,129,730 (and in 2006-07 were £3,187,258).

20. Post balance sheet events

The Trust had no post balance sheet events having a material effect on the accounts.

21. Contingencies**Contingent Liabilities**

	£000	31 March 2007 £000
Provision has not been made in the 2007-08 accounts for the following amounts:		
Legal claims for alleged medical or employer negligence	164	1,029
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	164	1,029
Amount recovered under insurance arrangements in the event of these claims being successful	0	0
Net contingent liability	164	1,029

Equal Pay Claims:

Velindre NHS Trust has 4 claims from staff under equal pay legislation. The process of assessing these claims is at an early stage and as a result there is significant uncertainty over both the likelihood of their success and any additional costs that Velindre NHS Trust might incur. All cases have been referred to employment tribunals but while 1 of the cases, which is part of an employees wider employment tribunal claim which is likely to be settled in 2008, the other 3 cases may not be settled in 2008/09. As a result, no provision has been made for any potential costs which might arise.

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

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

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	7	716,747	1	9,750
Personal injury	8	262,312	5	224,712
All other losses and special payments	6	32,076	7	32,149
Total	21	1,011,135	13	266,611

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
05RQFMN0001	348,497	390,900	0
05RQFMN0009	65,000	365,000	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
Sub-total	413,497	755,900	0
All other cases	597,638	648,509	266,611
Total cases	1,011,135	1,404,409	266,611

23.1 Movements in Government funds

	2006-07	
	£000	£000
Surplus/(deficit) for the financial year	1,700	1,953
Public dividend capital dividends	(2,097)	(1,925)
Subtotal	(397)	28
Gains/(losses) from revaluation/indexation of purchased fixed assets	2,090	3,367
Impairment of fixed assets	(128)	(94)
New public dividend capital	3,818	990
Public dividend capital repaid	0	(55)
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	5,383	4,236
Opening Government funds at 1 April	59,403	55,167
Before deducting prior period adjustment of	0	0
Closing Government funds	64,786	59,403

23.2 Movements in public dividend capital

	2006-07	
	£000	£000
At 1 April 2007	31,026	30,091
New PDC issued in year	3,818	935
PDC due but not issued	0	55
PDC repaid in year	0	(55)
PDC repayable	0	0
At 31 March 2008	34,844	31,026

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	(397)
Variance	<u>397</u>

Although the Trust had a deficit of £397,000 in 2007-08 it is deemed to have broken even. This breakeven duty was met, in line with Welsh Assembly Circular WHC (2007) 049 and WHC (2004) 034, in that the deficit was within the materiality threshold of the lesser amount of £0.5 million or 0.5% of the Trust's operating income for the year.

The Trust has met Part 2 of the breakeven duty.

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		3,873	160
Cash flow financing	5,669		295
Finance leases taken out in the year	0		0
Other capital receipts	<u>(1,797)</u>		<u>(150)</u>
External financing requirement		<u>3,872</u>	<u>145</u>
Undershoot (overshoot)		<u>1</u>	<u>15</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	2007-08 36,584
Total number of non-NHS bills paid within target	35,052
Percentage of non-NHS bills paid within target	95.8%

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	PAYMENT PAID/PAYABLE £000 2007-08	PAYMENT PAID/PAYABLE £000 2006-07
Welsh Assembly Government	30,436	29,065	2,436	0
Health Commission Wales	53,446	51,854	0	0
Cardiff LHB	8,755	8,397	12	0
RCT LHB	5,981	5,689	47	0
Caerphilly LHB	4,082	3,867	49	0
Vale of Glamorgan LHB	2,946	2,769	5	0
Bridgend LHB	3,258	2,966	9	0
Newport LHB	3,147	2,973	23	0
Torfaen LHB	2,371	2,204	50	0
Monmouthshire LHB	2,211	2,049	24	0
Blaenau Gwent LHB	3,600	2,578	0	0
Cardiff & Vale NHS Trust	9,321	9,536	4,181	3,887
Swansea NHS Trust	3,490	3,512	1,890	1,872
Gwent Healthcare NHS Trust	1,529	1,621	4,334	3,838
Bro Morgannwg NHS Trust	2,378	1,024	2,247	2,115
Cardiff University	2,184	1,661	1,465	1,516
Velindre NHS Trust Charitable Funds	1,872	459	0	0
TOTAL	141,007	132,224	16,772	13,228

The increase in income received from the charitable funds is due to the refurbishment of the ASU at Velindre Cancer Centre

The above income includes both income from activities and other operating income

26. Other/ Private finance transactions

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

27. Third party assets

The Trust has no Third Party Assets.

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
2007-08:				
National Assembly for Wales	558	0	291	0
Welsh Local Health Boards	1094	0	306	0
Welsh NHS Trusts	3625	0	2827	0
Health Commission Wales	800	0	0	0
All English Health Bodies	153	0	73	0
All N. Ireland Health Bodies	43	0	0	0
All Scottish Health Bodies	1	0	2	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	<u>6,274</u>	<u>0</u>	<u>3,499</u>	<u>0</u>
Other Central Government Bodies				
Other Government Departments*	0	0	1,137	0
Revenue & Customs	0	0	10	0
Local Authorities	0	0	0	0
Balances with Public Corporations and trading fund:	0	0	0	0
Balances with bodies external to Government	6,045	0	7,745	0
TOTAL	<u>12,319</u>	<u>0</u>	<u>12,391</u>	<u>0</u>
2006-07:				
National Assembly for Wales	3,686	0	0	0
Welsh Local Health Boards	1,083	0	333	0
Welsh NHS Trusts	3,268	0	3,353	0
Health Commission Wales	0	0	0	0
All English Health Bodies	94	0	121	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	72	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	<u>8,203</u>	<u>0</u>	<u>3,807</u>	<u>0</u>
Other Central Government Bodies				
Other Government Departments*	0	0	0	0
Revenue & Customs	0	0	146	0
Local Authorities	0	0	0	0
Balances with Public Corporations and trading fund:	0	0	0	0
Balances with bodies external to Government	5,418	0	7,380	0
TOTAL	<u>13,621</u>	<u>0</u>	<u>11,333</u>	<u>0</u>

30. Pooled budgets

The Trust has no pooled budgets.

31. Analysis of all the activities of the Trust

	Segment Income £000	Costs Attributable to Segment £000	Surplus/ (Deficit) £000
Cancer Services	42,369	(42,783)	(414)
Screening Services	25,209	(25,213)	(4)
Welsh Blood Services	30,193	(30,183)	10
WCISU	980	(974)	6
CSCG and Cancer Network	1,592	(1,594)	(2)
Health Solution Wales	15,847	(15,719)	128
Corporate Services	526	(528)	(2)
Wales Cancer Trials Network	1,259	(1,259)	0
Wales Cancer Trials Unit	790	(790)	0
Coronary Heart Disease	698	(698)	0
NPHS	43,436	(43,558)	(122)
NCCC	946	(943)	3
CRCC	759	(759)	0
Total	164,604	(165,001)	(397)

The above income includes income from activities, other operating income and interest receivable

The above costs include operating expenses, PDC dividends and losses on disposal of fixed assets.

**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 :17th June 2008

..... 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: 17th June 2008

Chairman:

Date: 17th June 2008

Chief Executive:

Date: 17th June 2008

Director of Finance:

STATEMENT ON INTERNAL CONTROL

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 Trust's Chief Executive's 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, balanced scorecard and Assembly targets are monitored by the South East Regional Office of the Welsh Assembly Government. Internally the performance is assessed by the Trust's Planning and Performance Management Advisory Group while risk is monitored through the Trust's Clinical Governance and Risk Management Committee. Both groups, which are chaired by non executive directors, reports to the Trust Board.

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 overall responsibility for the management of risk across the Trust lies with myself, as Chief Executive. Operational responsibility has been delegated at a strategic level to the Clinical Governance and Risk Management Committee, chaired by a non executive director and comprising a number of both non-executive and executive directors, plus representatives from each division plus a lay representative.

The Trust's Risk Management Policy reinforces 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.

4. The risk and control framework

The 2007/8 self assessment of the Healthcare Standards was submitted to Healthcare Inspectorate Wales (HIW) on the 9th May 2008. In preparation for the 2007/08 assessment, the Trust developed an action plan which contained a process for Board engagement and sign off. Particular focus was placed on those Standards which scored a level 2 (responding) in the 2006/7 assessment, along with those Standards HIW advised would be subject to close scrutiny. The Trust made a commitment in 2007/8 to improve scores from the 2006/7 assessment to at least a level 3 (developing) in all Standards. The validation exercise undertaken by internal audit confirmed that the Trust had improved in those standards previously assessed as a level 2 (responding). This is still to be validated by HIW.

The results of the current year's self-assessment of the four Healthcare Standards core standards are consistent with prior years Welsh Risk Pool core standards, and are a reflection of the Trust's continuing compliance with best practice. The self assessment scores, reviewed by Internal Audit, are as follows:

- | | |
|--------------------------|--------------------|
| • Healthcare standard 14 | Level 3 Developing |
| • Healthcare standard 16 | Level 3 Developing |
| • Healthcare standard 27 | Level 4 Performing |
| • Healthcare standard 28 | Level 4 Performing |

The above scores are yet to be validated by Healthcare Inspectorate Wales

The Trust has in place an approved Healthcare Standards for Wales Improvement Plan (HCSiP). The plan was agreed by the Board and made available to the public on the Trust internet site. Performance monitoring of the plan has been via the Trust Board and the South East Wales Regional Office. The plan for 2008/9 is currently under development and will be in place for the July 2008 target date.

The Internal Audit Annual Report 2007/08 includes the following opinion on Healthcare Standards:

"The review of the Health Care Standards (HCS) has indicated that the organisation has established a mechanism for the self assessment process. A review of the four HCS in the Statement of Internal Control has indicated that the Trust will be at Level three – developing or above in each of the standards. It has also been identified that a number of improvements have been made in the standards that only achieved level two responding in the previous review."

The Trust is committed to ensuring that risk management forms an integral part of the philosophy, practices and business planning and that responsibility for its implementation is accepted at all levels of the organisation. The Risk Policy clarifies the accountability and responsibility arrangements for risk management within the Trust and the risk management processes to be used by Trust employees.

These include the following specific measures:

- Divisional leads for risk management and clinical governance have been appointed and attend both the Clinical Governance and Risk Management Committee, and the separate Clinical Governance and Risk Management Working Group;
- Risk Registers are documented and maintained at Divisions and Corporate Departments, and are updated and monitored by relevant Divisional groups and by the Trust Executive Board. The risk registers are routinely reported to the Trust Clinical Governance and Risk Management Committee;
- Action plans are developed at departmental, divisional and Trust level to allocate responsibility and resources for improving controls and reducing risks;
- Progress against risk management action plans and the Healthcare Standards Improvement Plan are regularly reviewed and risk profiles revised accordingly;
- The Clinical Governance and Risk Management Committee receive an annual report charting the progress made during the year in the management of risks; and
- The operational approach to risk management is supported by appropriate training and guidance for all staff.

The process outlined in the Risk Policy is applied to a broad spectrum of risk including corporate, clinical and health & safety related risks.

Datix Risk Management System

A Datix user group has been established with the remit of assisting with the implementation of Datix across the Trust and identifying any areas of good practice/problems. Also it aims to develop, enhance and where necessary suggest new and improved coding for the system which reflects Trust and Divisional work flows.

Incident Investigation and Reporting

Root Cause Analysis training has continued to be presented by the Risk/H&S Manager and the training will continue to be provided this financial year.

The National Patient Safety Agency's (NPSA) 'being open' principles have been adopted by the Trust and are being embedded within the culture of the Divisions, in particular the VCC have invested in the delivery of specialist training that involves the use of actors who take the role of patients and relatives in specifically designed role play exercises.

Stress Management

Stress management continues to be a particular risk facing the Trust and is indicated in the Divisions' risk registers. Stress management initiatives have taken place throughout the year and in particular the VCC Stress Management Action Group has continued to implement compliance with the HSE Stress Management Standards. The Division will be undertaking focus group discussion with staff throughout 2007 in order to continue this good work.

The Trust also works closely with its external stakeholders to minimise the wider impact of any significant potential risks.

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, if appropriate) 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 scrutiny of these arrangements is in part informed through the internal mechanisms already referred to, such as the Trust Board, Audit Committee, Clinical Governance and Risk Management Committee and Planning and Performance Management Advisory Group, but also through the independent and impartial views and opinions expressed by a range of bodies which are external to the Trust. These include:

- Welsh Assembly Government;
- External Audit;
- Welsh Risk Pool;
- Health Inspectorate Wales
- Accredited Bodies;
- Health & Safety Executive;
- Medicines and Healthcare products Regulatory Agency (MHRA); and
- Royal Colleges and other Academic bodies.

The Trust Board is informed on the effectiveness of the systems of internal control by its Executive and Divisional Directors and formal committees, and in particular the Clinical Governance and Risk Management Committee. The Board takes additional assurance from the detailed scrutiny undertaken by its Audit Committee, which is in turn advised by both internal and external audit.

The Internal Audit Annual Report 2007/08 includes the following overall opinion:

"The fundamental systems of internal control operating within the organisation, covered by the plan, are in general, soundly based and adequate, although there were certain reports issued during the course of the year that identified specific areas of weak control and areas of non compliance with existing controls. Where instances of weakness, or inadequate control, were identified during audits, action plans have

Signed:.....

Chief Executive
(on behalf of board)

Date: 17th 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 Velindre 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 required to be 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, Velindre 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 Velindre 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 Velindre 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 my audit.

Basis of audit opinions

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 Velindre 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 Velindre 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 Velindre 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
27 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 (FReM), 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

Signed :

Dated :