

Cwm Taf NHS Trust

Foreword

These accounts for the year ended 31 March 2009 have been prepared by the Cwm Taf 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.

Cwm Taf NHS Trust was established on 1 April 2008 following the integration of Pontypridd & Rhondda NHS Trust and North Glamorgan NHS Trust. Following merger accounting principles, prior year balances of the two predecessor organisations have been combined and shown within these Accounts, restated where appropriate to achieve consistency of approach.

**INCOME AND EXPENDITURE FOR THE YEAR ENDED
31 MARCH 2009**

	Note	£000	2007-08 £000
Income from activities	3	334,475	309,994
Other operating income	4	21,860	22,753
Total income		356,335	332,747
Operating expenses	5	(347,107)	(324,478)
Operating surplus		9,228	8,269
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(25)	37
Surplus before interest		9,203	8,306
Interest receivable	9	740	1,046
Interest payable	9	0	(16)
Other finance costs	16	(255)	(235)
Surplus for the financial year		9,688	9,101
Public Dividend Capital dividends payable		(9,681)	(9,112)
Retained surplus/(deficit) for the year	17	7	(11)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31 MARCH 2009**

		2007-08
		£000
	Note	£000
Surplus for the financial year before dividend payments		9,101
Fixed asset impairment losses	17	0
Unrealised surplus on fixed assets revaluations/indexation	17	7,641
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	(219)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		16,682
Prior period adjustment	17	0
		<u>(105,841)</u>
Total gains and losses recognised in the financial year		<u>(95,668)</u>
		<u>16,682</u>

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£000	£000	31-Mar 2008 £000
Fixed assets				
Intangible assets	10	0		0
Tangible assets	11	297,224		293,221
Investment assets	11.4	0		0
			<u>297,224</u>	<u>293,221</u>
Current assets				
Stocks and work-in-progress	12	3,054		2,812
Debtors	13	37,058		26,367
Investments	14	12,000		0
Cash at bank and in hand	18.3	3,727		3,717
Total current assets			<u>55,839</u>	<u>32,896</u>
Creditors: amounts falling due within 1 year	15		<u>(27,848)</u>	<u>(23,281)</u>
Net current assets			<u>27,991</u>	<u>9,615</u>
Total assets less current liabilities			325,215	302,836
Creditors: amounts falling due after more than one year	15		(48)	(701)
Provisions for liabilities and charges	16		<u>(27,977)</u>	<u>(21,797)</u>
Total assets employed			<u>297,190</u>	<u>280,338</u>
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2	294,054		171,853
Revaluation reserve	17	615		105,821
Donated asset reserve	17	2,517		2,644
Government grant reserve	17	0		0
Other reserves	17	0		0
Income and expenditure reserve	17	4		20
Total taxpayer's equity			<u>297,190</u>	<u>280,338</u>

Signed on behalf of the Board on 11th June 2009

Chairman: Cllr. R Roberts

Chief Executive: Mrs. M S Foster

Adopted by the Board on 11th June 2009

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2009

	Note	£000	£000	2007-08 £000
Operating activities				
Net cash inflow from operating activities	18.1		29,296	19,848
Returns on investments and servicing of finance				
Interest received		748		1,044
Interest paid		0		0
Interest element of finance leases		0		(16)
Net cash inflow from returns on investments and servicing of finance			748	1,028
Capital expenditure				
Payments to acquire tangible fixed assets		(24,603)		(32,879)
Receipts from sale of tangible fixed assets		181		3,507
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 outflow from capital expenditure			(24,422)	(29,372)
Public dividend capital dividends paid			(10,032)	(9,151)
Management of liquid resources				
Purchase of current asset investments		(12,000)		0
Sale of investments		0		0
Net cash outflow from management of liquid resources			(12,000)	0
Net cash outflow before financing			(16,410)	(17,647)
Financing				
Public dividend capital received		25,520		24,584
Public dividend capital repaid (not previously accrued)		(9,160)		(4,286)
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		(2,600)
Other capital receipts		60		146
Capital element of finance leases		0		(5)
Net cash inflow from financing			16,420	17,839
Increase in cash	18.2		10	192

Notes to the accounts

1. Accounting policies and other information

The Welsh Assembly Ministers have 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 Welsh Assembly Government 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, except capitalised Research and Development which is carried at historic cost. 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 and in the intervening years by the use of indices provided from the District Valuer via the Assembly.

Professional 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 were 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 and indexed 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, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in value when newly constructed assets are brought into use are charged in full to the Income & Expenditure account.

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 carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. 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.

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 Welsh Assembly Government Budget motion. 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 Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period. The total employer contribution payable in 2008-09 was £26,125,822 (£25,192,028 for 2007-08)

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay.

On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation. Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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 NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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 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.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the 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.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

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 28 to the accounts.

1.22 Public Dividend Capital Dividends

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

1.23 EU Emission Trading Scheme

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

1.24 Financial Instruments

Financial assets

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

Financial assets are initially recognised at fair value.

2. Segmental reporting

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

3. Income from activities

	£000	2007-08 £000
Local health boards	307,366	290,737
Health Commission Wales	6,112	5,278
NHS trusts	2,331	2,238
Strategic health authorities and primary care trusts	504	397
Foundation Trusts	0	0
Local authorities	3,705	4,239
Welsh Assembly Government	11,997	4,627
Non NHS:		
Private patient income	150	188
Overseas patients (non-reciprocal)	30	6
Injury Costs Recovery (ICR) Scheme	2,138	1,944
Other income from activities	142	340
Total	334,475	309,994

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

Included in Welsh Assembly Government is funding of £9,160k which represents the flow of funds in respect of FRS11.

4. Other operating income

	£000	2007-08 £000
Patient transport services	0	0
Education, training and research	9,457	9,423
Charitable and other contributions to expenditure	441	434
Transfer from the donated asset reserve	186	219
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	461	474
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other income:		
Provision of laundry, pathology, payroll services	3,278	2,353
Accommodation and catering charges	1,664	2,127
Mortuary fees	132	133
Staff payments for use of cars	361	370
Business unit - Welsh Health Estates	3,329	2,995
Other	2,551	4,225
Total	21,860	22,753

5. Operating expenses

5.1 Operating expenses comprise

	£000	2007-08 £000
Goods and services from other NHS bodies	4,458	4,866
Goods and services from other NHS Foundation Trusts	0	18
Purchase of healthcare from non-NHS bodies	461	446
Directors' costs	1,031	1,742
Staff costs	259,705	245,963
Supplies and services - clinical	33,701	30,285
Supplies and services - general	4,589	4,397
Consultancy Services	471	847
Establishment	5,515	5,844
Transport	554	430
Premises	12,262	10,793
Depreciation	21,029	14,525
Amortisation	0	0
Fixed asset impairments and reversals (Property, plant and equipment)	0	0
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets (by class)	0	0
Audit fees	318	335
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	1,361	2,079
Other operating expenses	1,652	1,908
Total	347,107	324,478

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

	£000	2007-08 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence	8,883	(3,404)
Personal injury	417	871
All other losses and special payments	53	170
Defence legal fees and other administrative costs	8	547
Gross increase/(decrease) in provision for future payments	9,361	(1,816)
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	181	224
Less: income received/ due from Welsh Risk Pool	(8,181)	3,671
Total charge	1,361	2,079

Personal injury includes £145,687 (2007-08 £250,242) 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	2007-08 £000	£000	2007-08 £000
Operating leases which expire:				
Within 1 year	0	0	469	463
Between 1 and 5 years	0	0	417	479
After 5 years	268	256	0	0
Total	268	256	886	942

5.3.2 Operating expenses include:

	2007-08	
	£000	£000
Other operating lease rentals	1,432	1,078
Hire of plant and machinery	378	216
Total	1,810	1,294

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2007-08 £000
Non-executive directors' remuneration	102	0	102	163
Executive directors' remuneration:				
basic salaries	611	124	735	1,169
benefits	2	0	2	2
performance related bonuses	0	0	0	0
pension contributions paid	86	17	103	155
Sub-total	801	141	942	1,489
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	41
Total	801	141	942	1,530

No performance related bonuses were paid to any Director of the Trust during the period to 31 March 2009.

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

2007-08 contains remuneration of Directors of both the former Trusts.

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	2007-08 £000
Chairman				
Basic remuneration	43	0	43	78
Benefits	0	0	0	0
	43	0	43	78
Chief Executive				
Basic salaries	157	0	157	220
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	157	0	157	220
Pension contributions	22	0	22	32
	179	0	179	252
Highest paid director*				
Basic salaries	0	0	0	316
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	0	0	0	316
Pension contributions	0	0	0	44
Total	0	0	0	360

* the chief executive was the highest paid director during the period to 31 March 2009.

6. Employee costs and numbers

6.1 Employee costs	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2007-08
	£000	£000	£000	£000	£000
Salaries and wages	216,968	0	1,821	218,789	206,417
Social security costs	15,585	0	0	15,585	15,927
Employer pension contributions to NHSBA	26,252	0	0	26,252	25,192
Other pension costs	0	0	0	0	0
Total	258,805	0	1,821	260,626	247,536

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2007-08
	Number	Number	Number	Number	Number
Medical and dental	606	0	15	621	607
Ambulance staff	0	0	0	0	0
Administrative and estates	1,388	0	1	1,389	1,366
Healthcare assistants and other support staff	1,520	0	0	1,520	1,535
Nursing, midwifery and health visiting staff	2,498	0	5	2,503	2,492
Nursing, midwifery and health visiting learners	18	0	0	18	20
Scientific, therapeutic and technical staff	952	0	3	955	935
Social care staff	0	0	0	0	0
Other	0	0	0	0	72
Total	6,982	0	24	7,006	7,027

6.3 Employee benefits

The trust does not have an employee benefit scheme.

Prior period figures given in Note 6.2 above have been restated to provide consistency of approach.

6.4 Trust management costs

	£000	Percentage of total income	2007-08	
			£000	Percentage of total income
Trust management costs	14,784	4.1%	13,216	4.0%
Income	356,335		333,350	

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 2008-09 (prior year 2007-08) there were 25 (16) 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 £1,454,763 (£315,412).

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	2007-08 £000
NHS			
Total bills paid	2,990	11,643	12,007
Total bills paid within target	2,633	9,207	11,614
Percentage of bills paid within target	88.1%	79.1%	96.7%
Non-NHS			
Total bills paid	97,022	81,888	87,300
Total bills paid within target	91,568	76,361	85,694
Percentage of bills paid within target	94.4%	93.3%	98.2%
Total			
Total bills paid	100,012	93,531	99,307
Total bills paid within target	94,201	85,568	97,308
Percentage of bills paid within target	94.2%	91.5%	98.0%

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

	2007-08 £	2007-08 £
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. Other Gains and Losses

	2007-08	
	£000	£000
Profit on disposal of land and buildings	120	45
Loss on disposal of land and buildings	(117)	0
Profit on disposal of plant and equipment	1	1
Loss on disposal of plant and equipment	(29)	(9)
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
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at FV through profit & loss	0	0
Change in fair value of financial liabilities carried at FV through profit & loss	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
	<u>(25)</u>	<u>37</u>

9. Finance Costs

	2007-08	
	£000	£000
Interest payable:		
Government borrowing	0	0
Bank loans and overdrafts	0	0
Late payment of commercial debt	0	0
Finance leases and PFI schemes	0	16
Other	0	0
Interest payable total	<u>0</u>	<u>16</u>
Interest revenue:		
Bank accounts	740	1,046
Impaired financial assets	0	0
Other financial assets	0	0
Interest revenue total	<u>740</u>	<u>1,046</u>

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	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 purchased	0	0	0	0	0
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2009	0	0	0	0	0
Accumulated amortisation at 1 April 2008	0	0	0	0	0
Impairments	0	0	0	0	0
Reversal of 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 2009	0	0	0	0	0
Net book values at 1 April 2008:					
Purchased	0	0	0	0	0
Donated	0	0	0	0	0
Government granted	0	0	0	0	0
Total	0	0	0	0	0
Net book values at 31 March 2009:					
Purchased	0	0	0	0	0
Donated	0	0	0	0	0
Government granted	0	0	0	0	0
Total	0	0	0	0	0

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding		Assets under construction and payments		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	dwellings	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	45,779	214,298	3,293	40,489	44,707	230	6,850	2,921	358,567
Indexation	(6,625)	6,158	99	1,203	1,341	7	0	88	2,271
Additions									
- purchased	0	2,290	32	18,690	2,605	7	831	112	24,567
- donated	0	0	0	95	0	9	7	39	150
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	1,587	0	(1,587)	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	(47)	0	(134)	0	(1,469)	0	(194)	0	(1,844)
At 31 March 2009	39,107	224,333	3,290	58,890	47,184	253	7,494	3,160	383,711
Depreciation									
At 1 April 2008		28,201	345	96	30,965	193	3,553	1,993	65,346
Indexation		745	10	0	929	6	0	60	1,750
Reclassifications		0	0	0	0	0	0	0	0
Impairments		0	0	0	0	0	0	0	0
Reversal of impairments		0	0	0	0	0	0	0	0
Other in-year revaluations		0	0	0	0	0	0	0	0
Disposals		0	(4)	0	(1,444)	0	(190)	0	(1,638)
Provided during the year		16,808	55	0	3,079	11	807	269	21,029
At 31 March 2009		45,754	406	96	33,529	210	4,170	2,322	86,487
Net book value									
at 1 April 2008	45,779	186,097	2,948	40,393	13,742	37	3,297	928	293,221
Net book value									
at 31 March 2009	39,107	178,579	2,884	58,794	13,655	43	3,324	838	297,224
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0

The Trust Board has deemed that Gilfach Goch and Tonypany 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 Gilfach Goch is £150k and for Tonypany £250k. 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 £1.5million. The Trust Board has deemed that Aberdare Hospital and Mountain Ash Hospital will become surplus to requirements in 2011 upon completion of Cynon Valley Neighbourhood Hospital. The District Valuer's assessment of open market value in 2011 for Aberdare Hospital is £4million and Mountain Ash Hospital £850k. Depreciation has been accelerated accordingly to achieve open market value at the disposal date on each of the above. 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 2008	0	0	258	0	0	0	0	0	258
Indexation	0	0	8	0	0	0	0	0	8
Revaluation	0	0	0	0	0	0	0	0	0
Additions	0	0	31	0	0	0	0	0	31
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2009	0	0	297	0	0	0	0	0	297

11.3 The net book value of land and buildings at the balance sheet date comprise:

	£000	31 March 2008 £000
Freehold	220,174	234,360
Long leasehold	396	464
Short leasehold	0	0
Total	220,570	234,824

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

	£000	31 March 2008 £000
Raw materials and consumables	3,054	2,812
Work-in-progress	0	0
Finished processed goods	0	0
Total	3,054	2,812

13. Debtors31 March
2008

Amounts falling due within one year:	£000	£000
Welsh Risk Pool	21,448	10,803
NHS debtors	7,278	5,581
Non-NHS trade debtors	7,245	5,458
PDC dividend debtors	816	465
Other debtors	0	0
Provision for irrecoverable debts	(464)	(426)
Other prepayments and accrued income	420	609
Sub-total	<u>36,743</u>	<u>22,490</u>
Amounts falling due after more than one year:		
Welsh Risk Pool	60	3,608
NHS debtors	0	0
Non-NHS trade debtors	0	0
Other prepayments and accrued income	255	269
Other debtors	0	0
Sub-total	<u>315</u>	<u>3,877</u>
Total	<u>37,058</u>	<u>26,367</u>

Provision for irrecoverable debts (impairment of receivables):

Balance at 1 April	(426)
Provided in year	(216)
Written-off in year	8
Recovered during year	170
Balance at 31 March	<u>(464)</u>

Debtors past due date but not impaired:

Up to 3 months	1778
3 to 6 months	0
More than 6 months	0
Total	<u>1778</u>

The second part of Note 13 above provides additional information on the organisation's debtor profile. In 2007/08 this information was not required and therefore prior period figures are not available

14. Current Asset Investments

		31 March 2008
	£000	£000
Government securities	12,000	0
Local authorities	0	0
EU Emission Trading Scheme	0	0
Other	0	0
Total	12,000	0

Other financial asset investments**Current**

	£000	£000
Financial assets carried at fair value through profit and loss	12,000	0
Held to maturity investments at amortised cost	0	0
Available for sale financial assets carried at fair value	0	0
Loans carried at amortised costs	0	0
Total	12,000	0

Non current

	£000	£000
Financial assets carried at fair value through profit and loss	0	0
Held to maturity investments at amortised cost	0	0
Available for sale financial assets carried at fair value	0	0
Loans carried at amortised costs	0	0
Total	0	0

15. Creditors

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

31 March
2008

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	35	29
NHS creditors	3,114	2,225
Non-NHS trade creditors - revenue	3,723	4,533
Non-NHS trade creditors - capital	3,117	1,118
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	5,439	5,364
VAT	0	0
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	3,220	3,065
Other creditors - all other creditors	3,123	1,395
Accruals	6,077	5,552
Deferred income	0	0
Sub-total	<u>27,848</u>	<u>23,281</u>
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	48	701
Sub-total	<u>48</u>	<u>701</u>
Total	<u>27,896</u>	<u>23,982</u>

15.2 Loan advance(strategic assistance funding)31 March
2008

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

Other financial liabilities

Current	£000	£000
Financial liabilities carried at fair value through profit and loss	0	0
Non Current		
Financial liabilities carried at fair value through profit and loss	0	0

15.3 Finance lease obligations	31 March	
	Total	2008
Payable:	£000	£000
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
In more than 2 years but no longer than 5	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 Net Obligations	<u>0</u>	<u>0</u>

15.4 Finance lease commitments

Cwm Taf NHS Trust has not entered into any new contracts to lease (building assets) under finance leases during the period 1 April to 31 March 2009.

16. Provisions for liabilities and charges

	At 1 April 2008 £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 30 March 2009 £000
Clinical negligence	13,782	0	0	13,223	(4,340)	(2,604)	0	20,061
Personal injury	3,059	0	0	695	(278)	(533)	93	3,036
All other losses and special payments	182	0	0	53	0	(126)	0	109
Defence legal fees and other administration	1,092	0	0	638	(630)	(299)		801
Sub-total	18,115	0	0	14,609	(5,248)	(3,562)	93	24,007
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	2,384			0	0	(208)	162	2,338
Restructurings	0			0	0	0		0
Other	1,298			820	0	(486)		1,632
Total	21,797	0	0	15,429	(5,248)	(4,256)	255	27,977

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	20,061	0	0	20,061
Personal injury	1,080	1,956	0	3,036
All other losses and special payments	109	0	0	109
Defence legal fees and other administration	730	71	0	801
Pensions - former directors	0	0	0	0
Pensions - other staff	208	832	1,298	2,338
Restructuring	0	0	0	0
Other	1,632	0	0	1,632
Total	23,820	2,859	1,298	27,977

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

£21.508 million of the above liability is recoverable from the Welsh Risk Pool. A debtor for this amount is included in Note 13.

Other provisions include £1.632m 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 2008 as previously stated	105,821	2,644	0	0	20	108,485
Prior period adjustment	(105,821)				(20)	(105,841)
At 1 April 2008 as restated	0	2,644	0	0	0	2,644
Transfer from income and expenditure account					7	7
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	611	(90)	0			521
Transfer of realised profits/ (losses)	4	(1)	0		(3)	0
Receipt of donated/government granted assets		150	0			150
Depreciation, impairment and disposal of donated/government granted assets		(186)	0			(186)
Reserves eliminated on dissolution	0			0	0	0
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2009	615	2,517	0	0	4	3,136

Revaluation reserve for intangible assets (included above):

At 1 April	0
Detailed changes	0
Detailed changes	0
Detailed changes	0
At 31 March	0

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2007-08 £000
Total operating surplus/(deficit)	9,228	8,269
Depreciation and amortisation charge	21,029	14,525
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	(186)	(219)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(242)	(184)
(Increase)/decrease in debtors	(8,982)	2,741
Increase/(decrease) in creditors	2,269	(825)
Increase/(decrease) in provisions	6,180	(4,459)
Net cash inflow from operating activities before restructuring costs	29,296	19,848
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	29,296	19,848

18.2 Reconciliation of net cash flow to movement in net debt	£000	2007-08 £000
Increase/(decrease) in cash in the period	10	192
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	2,605
Cash (inflow)/outflow from (decrease)/increase in liquid resources	12,000	0
Change in net debt resulting from cash flows	12,010	2,797
Non-cash changes in debt	0	0
Net debt at 1 April	3,717	920
Net debt at 31 March	15,727	3,717

18.3 Analysis of changes in net debt

	At 1 April 2008 £000	Cash flows £000	Non-cash changes £000	At 31 March 2009 £000
Cash at OPG	3,464	186		3,650
Cash at commercial bank and in hand	253	(176)		77
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	12,000	0	12,000
	3,717	12,010	0	15,727

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £84.47m (and in 2007-08 were £3.844m). The majority of this is split between the Cynon Valley scheme and the Prince Charles Hospital wards scheme. The Cynon valley build commenced in November 2008 and is due for completion in Autumn 2011. The planned spend on this scheme is £78.907m, the funding for which has been approved by the Welsh Assembly Government. The refurbishment of the wards at Prince Charles Hospital commenced in 2008. The scheme has 6 phases and is due for overall completion in Autumn 2012. The planned spend on this scheme is £53.267m for which Welsh Assembly Government funding is being received.

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 2008 £000
Provision has not been made in the 2008-09 accounts for the following amounts:		
Legal claims for alleged medical or employer negligence	59,776	50,924
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	59,776	50,924
Amount recovered under insurance arrangements in the event of these claims being successful	(56,462)	(48,602)
Net contingent liability	3,314	2,322

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	46	2,603,870	30	1,862,520
Personal injury	57	532,521	20	212,419
All other losses and special payments	103	142,778	104	54,842
Total	206	3,279,169	154	2,129,781

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
01RRSEM0001	0	393,487	0
01RRSMN0016	0	350,758	0
02RRSMN0012	0	714,726	0
02RRSMN0027	0	882,177	882,177
03RRSPI0020	36,735	255,807	0
04RRSMN0039	328,637	328,882	0
05RRSMN0043	1,000,000	1,000,000	0
	0	0	0
	0	0	0
Sub-total	1,365,372	3,925,837	882,177
All other cases	1,913,797	4,072,068	1,247,604
Total cases	3,279,169	7,997,905	2,129,781

23.1 Movements in Government funds

	2007-08	
	£000	£000
Surplus/(deficit) for the financial year	9,688	9,101
Public dividend capital dividends	(9,681)	(9,112)
Subtotal	7	(11)
Gains/(losses) from revaluation/indexation of purchased fixed assets	615	7,101
Impairment of fixed assets	0	0
New public dividend capital	25,520	24,178
Public dividend capital repaid	(9,160)	(4,286)
Public dividend capital repayable	0	0
Public dividend capital extinguished	0	0
New loans from Government	0	0
Government loans repaid	0	(2,600)
Government loans extinguished	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	(54)
Net addition/(reduction) to Government funds	16,982	24,328
Opening Government funds at 1 April	277,536	253,208
Before deducting prior period adjustment of	(105,841)	0
Closing Government funds	188,677	277,536

23.2 Movements in public dividend capital

	2007-08	
	£000	£000
At 1 April 2008	277,694	151,961
New PDC issued in year	25,520	24,178
PDC due but not issued	0	0
PDC repaid in year	(9,160)	(4,286)
PDC repayable	0	0
Public dividend capital extinguished	0	0
At 31 March 2009	294,054	171,853

The PDC balance at 31 March 2008 relates to the former North Glamorgan and Pontypridd & Rhondda NHS Trusts. These two organisations were dissolved on this date and in accordance with Treasury approval the PDC was extinguished.

	£000
1st April 2008 Public Dividend Capital issued	277,694
The amount issued related to	
PDC cancelled	171,853
Transfer of the balance held in the Revaluation Reserves as at 31/3/08	105,821
Transfer of the balance held in the Income & Expenditure Reserves as at 31/3/08	20
	277,694

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	7
Variance	<u>(7)</u>

The Trust has met the breakeven duty in full.

The Trust has broken even in 2008-09.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2008		
	£000	£000	£000
External financing limit set by the Assembly		16,360	17,693
Cash flow financing	16,410		17,714
Finance leases taken out in the year	0		0
Other capital receipts	<u>(60)</u>		<u>(146)</u>
External financing requirement		<u>16,350</u>	<u>17,568</u>
Undershoot (overshoot)		<u>10</u>	<u>125</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	97,022
Total number of non-NHS bills paid within target	91,568
Percentage of non-NHS bills paid within target	94.4%

The Trust has not 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 2008-09	INCOME RECEIVED/DUE £000 2007-08
Welsh Assembly Government	23,712	27,451
Health Commission Wales	6,124	5,278
Abertawe Bro Morgannwg University Hospital NHS Trust	3,352	3,374
Velindre NHS Trust	2,171	1,923
Bridgend Local Health Board	2,827	2,730
Caerphilly Local Health Board	18,943	18,602
Cardiff Local Health Board	3,403	3,313
Merthyr Local Health Board	53,920	53,134
Rhondda Cynon Taf Local Health Board	223,875	209,398
Rhondda Cynon Taf County Borough Council	3,014	2,194
University of Wales College of Medicine	562	156
TOTAL	<u>341,903</u>	<u>327,553</u>

The Trust has also received revenue and capital payments from charitable funds managed by Cwm Taf NHS Trust totalling £0.419m (£0.448m in 2007-08) the Trustees for which are also members of the Trust Board

26. Other/ Private finance transactions

£'000

26.1 The Trust has two PFI operational schemes deemed to be off-balance sheet

Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross	1,656
Amortisation of PFI deferred asset	(31)
Net charge to operating expenses	<u>1,625</u>

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

PFI scheme which expires:		
Within one year	}	
Years 2-5 (inclusive)		
Years 6-10 (inclusive)		
Years 11-15 (inclusive)		
Years 16-20 (inclusive)		
Years 21-25 (inclusive)		
Years 26-30 (inclusive)		
Etc		1,710

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.

Estimated capital value of the PFI scheme-Staff Residences,Royal Glamorgan Hospital	2,521
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Contract start date:	09/10/1998
Contract end date:	21/09/2028

Scheme Description

The staff residences 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.

Estimated capital value of the PFI scheme-Combined Heat and Power Plant,Prince Charles Hospit	995
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Contract start date:	01/04/2004
Contract end date:	31/03/2029

Scheme Description

The contract is for the installation, operation, maintenance and ownership of a Combined Heat and Power plant and the complete management and operation of a central boiler plant installation, light fittings and building management system on the Prince Charles Hospital site.

The contract includes performance guarantees for the supply of hot water and electricity.

The charging structure requires the Trust to pay for heat (in the form of hot water) created from the electricity generated by the Combined Heat and Power plant being supplied free of charge to the Trust.

27. Third party assets

The Trust held £97100 cash at bank and in hand at 31 March 2009 (31 March 2008: £84,420) 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 £87,735 as at 31 March 2009 (£25,281 as at 31 March 2008). This has been excluded from cash at bank and in hand figure reported in the accounts.

28. Financial instruments

28.1 Financial Risk Management

FRS 29, Financial Instruments: disclosures, 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 this standard mainly applies. NHS Trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing NHS Trusts in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March are in receivables from customers, as disclosed in the Debtors note.

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.

28.2 Financial Assets

	At fair value through Profit & Loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	3727	0	0	3727
Other financial assets	12000	0	0	12000
At 31 March 2009	15727	0	0	15727
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	3717	0	0	3717
Other financial assets	0	0	0	0
At 31 March 2008 (Prior year)	3717	0	0	3717

28.3 Financial liabilities

	At fair value through Profit & Loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
At 31 March 2009	0	0	0
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
At 31 March 2008 (Prior year)	0	0	0

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
2008-09				
Welsh Assembly Government	1,953	0	0	0
Welsh Local Health Boards	5,285	0	935	0
Welsh NHS Trusts	2,244	0	2,008	0
Health Commission Wales	60	0	0	0
All English Health Bodies	246	0	3,391	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	8	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	(127)	0	0	0
Sub total	<u>9,669</u>	<u>0</u>	<u>6,334</u>	<u>0</u>
Other Central Government Bodies				
Other Government Departments*	35	0	1	0
Revenue & Customs	644	0	5,439	0
Local Authorities	797	0	64	0
Balances with Public Corporations and trading funds	0	0	209	0
Balances with bodies external to Government	25,598	315	15,801	48
TOTAL	<u>36,743</u>	<u>315</u>	<u>27,848</u>	<u>48</u>
2007-08				
Welsh Assembly Government	899	0	0	0
Welsh Local Health Boards	4,029	0	784	0
Welsh NHS Trusts	8,782	3,608	1,383	0
Health Commission Wales	29	0	0	0
All English Health Bodies	235	0	1,802	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	(174)	0	0	0
Sub total	<u>13,802</u>	<u>3,608</u>	<u>3,969</u>	<u>0</u>
Other Central Government Bodies				
Other Government Departments*	13	0	986	0
Revenue & Customs	445	0	3,580	0
Local Authorities	853	0	65	0
Balances with Public Corporations and trading funds	0	0	190	0
Balances with bodies external to Government	7,377	269	14,491	701
TOTAL	<u>22,490</u>	<u>3,877</u>	<u>23,281</u>	<u>701</u>

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: 11th June 2009

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: 11th June 2009

Chairman: Cllr. R Roberts

Date: 11th June 2009

Chief Executive: Mrs. M S Foster

Date: 11th June 2009

Director of Finance: Mr. D H Lewis

STATEMENT ON INTERNAL CONTROL

1. Context

The Cwm Taf NHS Trust was established on 1st April 2008, following the integration of the former Pontypridd & Rhondda and North Glamorgan NHS Trusts. As part of the preparation for the establishment of Cwm Taf NHS Trust, both former Trusts worked collaboratively during 2007/08, within a formalised Integration Project Management arrangement. This statement on internal control relates to arrangements within the Cwm Taf NHS Trust during 2008/09.

2. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive for the Cwm Taf 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 Head, Department for Health & Social Services, Chief Executive, 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 2009 and up to the date of 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 reports indicating the status and progress of Trust-wide risk management activities. The Audit, Clinical Governance and Corporate Risk Committees, comprising a variety of both Non Executive and Executive Directors, plus representatives from Local Health Boards and the Community Health Council, oversee the Trust's risk management arrangements, making recommendations for change as appropriate.

Operational responsibility in terms of regularly monitoring progress with specific risks is delegated to the various sub-groups of the Board Sub Committees who then report to the relevant Committee as required. These include the Trust's Integrated Governance Divisional Groups and the Trust Health & Safety Committee, which includes membership from Executive Directors and directorate representatives, specialist Risk Managers and staff safety representatives.

The Cwm Taf NHS Trust's Risk Management Policy, was identified as an essential Policy to help inform the Trust Integration agenda which 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 2008/09, the internal controls assurance assessment process is aligned to the Annual Healthcare Standards Self Assessment process and focused Welsh Risk Management Standard Assessment.

Guidance for developing the Statement on Internal Control (SIC) is outlined in the NHS Trust Manual for Accounts Wales (2008/09) Welsh Assembly Government, which includes a requirement 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 2008/09, both former Trusts completed their Annual assessment of the Healthcare Standards for Wales for the period 2007/08. This assessment was positively validated in September 2008, by Healthcare Inspectorate Wales (HIW) and provided good levels of accuracy and maturity in performance against all 32 Standards. This informed the development of the first Cwm Taf NHS Trust Annual Healthcare Standards Improvement Plan which was presented and approved at Trust Board in November 2008. The Plan was also agreed with South East Wales Regional Office who undertook the external monitoring of progress.

Progress against the Annual Plan was reviewed at the Clinical Governance Committee meetings in November 2008 and February 2009 and good progress was noted. Progress was also reported to South East Wales Regional Office in January and April 2009.

Towards the end of 2008/09, the Trust completed this year's self assessment, elements of which were reviewed by Internal Audit.

As part of their review of the process, including the level of Board engagement, Internal Audit found that the Trust has sufficient and necessary evidence to support their self assessed rating in respect of the 'Core' Healthcare Standards.

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

2008/09				
Standard	Corporate	Operational	User Experienc	Overall
14 (Risk Management)	4	4	4	4
16 (Patient safety)	4	3	4	4
27 (Governance)	4	4	4	4
28 (Clinical Governance)	4	4	4	4

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

Note: The 2008/09 self assessed scores have been internally validated by Internal Audit.

2007/2008								
Standard	Corporate		Operational		User Experience		Overall Score	
	Former P&R	Former N Glam	Former P&R	Former N Glam	Former P&R	Former N Glam	Former P&R	Former N Glam
14 (Risk Management)	4	4	4	4	4	4	4	4
16 (Patient Safety)	4	4	4	4	4	4	4	4
27 (Governance)	4	4	4	4	3	3	4	4
28 (Clinical Governance)	4	4	4	4	4	4	4	4

Performance against the Welsh Risk Management Standards

This year, the Welsh Risk Pool assessed four Standards, Claims being compulsory and the other three optional. Performance by both former Trusts against the assessment was as follows;

Standards	2008/09 (Draft Scores)	2007/08 (Validated Scores)	
	Cwm Taf	North Glamorgan	Pontypridd & Rhondda
Claims *New Std for 08/09	72%	100%	99%
Maternity	93%	94%	96%
Operating Theatres	85%	97%	86%
A&E	95%	99%	96%
Overall	84%	87%	81%

The overall scores reflect a combined weighting from the documentation review of the Standards and also from the staff interview process.

Cwm Taf NHS Trust's approach to the management of risk is outlined in their Risk Management Strategy and Policy. During the year, 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;
- Two of the Trust's eight Strategic Goals are
 - to establish a regulatory framework and ensure compliance and
 - to ensure all healthcare services provided are clinically effective, safe and of a high quality'.
- Risk co-ordinators established in all directorates and departments with the responsibility for communicating and facilitating the risk management agenda within their respective areas;
- The establishment, review and maintenance of a Corporate Risk Register which identifies Corporate Risks and is informed by Divisional/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;

- Trust Board received regular reports on progress made during the year in the management of key risks;
- The establishment of a risk based approach to the consideration and allocation of Trust resources; and
- The operational approach to risk management is supported by appropriate training and guidance for 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 the Audit Committee, Clinical Governance Committee and the Corporate Risk Committee. Internal Audit has helped to inform this review from focused work throughout the year and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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;
- Wales Audit Office;
- Internal Audit (Price Waterhouse Coopers & Bentley Jennison and Capital PFI)
- 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;
- Mental Health Act Commissioners
- Other Accredited Bodies.

The Board received additional assurance from the detailed scrutiny undertaken by its Audit Committee, which is in turn advised by Internal Audit (Price Waterhouse Coopers, Bentley Jennison), External Audit (Wales Audit Office) Local Counter Fraud Specialist and Capital & PFI Audit (Hywel Dda NHS Trust). In addition, the following actions were taken during the year to seek to further strengthen the system of internal control:

- In May 2008, both former Trust's submitted its self assessment against the Healthcare Standards for Wales. The Trust's submission was validated by HIW between July and September 2008 and generally positive reports were provided to the Trust. The reports outlined good levels of validated accuracy and good levels of validated maturity.
- In response to the 2008 review, the Trust produced the first Cwm Taf Annual Healthcare Standards Improvement Plan, which was approved by Trust Board in November 2008 and agreed with Regional Office. Progress against the plan has been monitored throughout the year by the Clinical Governance Committee.

- The Trust completed its 2009 (2008/09) self assessment submission, for submission in April 2009, the content of which has been reviewed and informed by Internal Audit and progress reported to March Trust Board. An Annual Healthcare Standards Improvement Plan will be developed for Cwm Taf LHB.
- 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 and Corporate Risk Committee for consideration.
- The Trust's Approach to Governance has been highlighted as best practice which informed the governance arrangements to establish Cwm Taf NHS Trust.
- In order to strengthen the Trust's integrated Governance arrangements, the Trust established a joint meeting where the Chief Executive and the Chairs and Executive leads for each of the Trust Board's Sub Committee meet to discuss and guide Committee agenda areas.
- The Trust in partnership with the Local Health Boards, established arrangements to address and inform the Financial Sustainability of the Community. This included taking a community 'risk sharing' approach to the management and use of the resource available to the Health Community.
- The Internal Audit Programme has completed a number of reviews as part of its core programme. A joint Internal Audit Annual Report was presented and considered at the April 2009, Audit Committee. Moderate to high assurance was provided in relation to post merger IT arrangements; income and debtors; cash, bank and treasury; governance; information governance; I T Strategy; general ledger; budgetary control; claims management; financial reporting; clinical governance; risk management; controlled drugs; the Healthcare Standards Self Assessment process and specifically standards 9 (nutrition); 14 (risk management); 16 (patient safety) 17 (child protection and protection of vulnerable adults); 21 (HR recruitment and employment checks); 25 (information & technology); 27 (governance) and 28 (clinical governance) and follow up tranches 1, 2 and 3 audits. Limited assurance was provided in relation to payroll, ordering and receipting; charitable funds; patients' property and monies and Knowledge Skills Framework and action plans in response are in place.
- The control systems supporting ESR are now better established both locally and Nationally. However, the forthcoming merger of the former North Glamorgan and Pontypridd and Rhondda payroll systems and the subsequent merger of the LHB payroll with what will then be the Cwm Taf LHB payroll will pose high level risks. These risks are being managed in conjunction with the system supplier and contingency plans are in place.
- The Mental Health Act Commissioners presented its Annual Report to Trust Board and noted the positive actions taken in response to their 2007/08 report and actions for Cwm Taf LHB to take forward.
- The Trust Major Capital programme was reviewed by Capital / PFI audit.
- The Trust developed a Corporate Risk Register aligned to its Strategic Goals. A number of Divisions/Directorates developed risk registers based on the corporate template.
- The Trust established both a Complaints Review Panel and a Claims Review Panel.
- The Trust appointed a full time Local Counter Fraud Specialist to support the implementation of a full annual workplan for the 2008/09 year.

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. However, the Chairman of the Trust resigned in December 2008, to take up post in a neighbouring Trust. The Vice Chairman was appointed Interim Chair and the Non Executive Director roles were reallocated for the final quarter of the year.

7. Significant internal control problems

Further NHS reorganisation and the establishment of Cwm Taf Local Health Board from October 2009, presents a potential significant internal control issue. These focus around the final structure of the new organisation and the impact this will have on Standing Orders and Standing Financial Instructions. Robust project management arrangements have already been established to help inform the process and mitigate identified risks. As part of the integration project, a joint approach to legacy statements was agreed by the Trust and both Local Health Boards.

The Trust did not meet the creditor payment target having paid 94.4% of non-NHS bills within 30 days compared to a 95% requirement. This was caused due to staffing difficulties within the Creditor Payments Section and the risk of not meeting this target was highlighted to the Trust Board. We are confident that action has now been taken to ensure that the target can be met.

In December 2008, the former Pontypridd & Rhondda NHS Trust received a Band 1 Compound Indicator (CI) rating for 2007/08, in relation to Local Counter Fraud measures. The Audit Committee considered progress since this review at its December 2008 meeting and noted good progress with LCF arrangements against the Annual workplan.

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

Date: 11th June 2009

**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 Cwm Taf NHS Trust for the year ended 31 March 2009 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 thereunder 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 thereunder. 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, Cwm Taf 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 Cwm Taf 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 Cwm Taf 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 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 Cwm Taf 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 Cwm Taf NHS Trust as at 31 March 2009 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

My conclusion on Cwm Taf NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Annual Audit Letter

Jeremy Colman
Auditor General for Wales
15 June 2009

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