

North Glamorgan NHS Trust

Foreword

These accounts for the year ended 31 March 2007 have been prepared by the North Glamorgan NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form in which the Welsh Minister's have, with the approval of Treasury, directed.

The main functions of the trust are to provide acute, community and mental health services to the people of Merthyr, Cynon and upper Rhymney valleys.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2007

	Note	£000	2005-06 £000
Income from activities	3	122,951	117,153
Other operating income	4	10,010	10,120
Total income		132,961	127,273
Operating expenses	5	(131,389)	(125,482)
Operating surplus/(deficit)		1,572	1,791
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	1,712	(66)
Surplus/(deficit) before interest		3,284	1,725
Interest receivable		306	239
Interest payable	9	0	(9)
Other finance costs	16	(18)	(288)
Surplus/(deficit) for the financial year		3,572	1,667
Public Dividend Capital dividends payable		(2,680)	(2,542)
Retained surplus/(deficit) for the year	17	892	(875)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2007**

		2005-06
	£000	£000
	Note	
Surplus/(deficit) for the financial year before dividend payments		1,667
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	2,424
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	0
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(30)
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		4,061
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>8,193</u>
		<u>4,061</u>

BALANCE SHEET AS AT 31 MARCH 2007

	Note	£000	£000	31 March 2006 £000
Fixed assets				
Intangible assets	10	0		0
Tangible assets	11	89,040		84,345
Investment assets	11.4	0		0
			<u>89,040</u>	84,345
Current assets				
Stocks and work-in-progress	12	929		875
Debtors	13	25,206		23,366
Investments	14	0		0
Cash at bank and in hand	18.3	177		165
Total current assets			<u>26,312</u>	24,406
Creditors: amounts falling due within 1 year	15		<u>(13,237)</u>	(11,343)
Net current assets/(liabilities)			<u>13,075</u>	13,063
Total assets less current liabilities			<u>102,115</u>	97,408
Creditors: amounts falling due after more than one year	15		0	0
Provisions for liabilities and charges	16		<u>(21,056)</u>	(23,433)
Total assets employed			<u>81,059</u>	73,975
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		48,627	47,056
Revaluation reserve	17		35,734	31,693
Donated asset reserve	17		243	251
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		<u>(3,545)</u>	(5,025)
Total taxpayer's equity			<u>81,059</u>	73,975

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	£000	£000	2005-06 £000
Operating activities				
Net cash inflow from operating activities	18.1		7,480	5,769
Returns on investments and servicing of finance				
Interest received		306		239
Interest paid		0		(9)
Interest element of finance leases		0		0
Net cash inflow/(outflow) from returns on investments and servicing of finance			306	230
Capital expenditure				
Payments to acquire tangible fixed assets		(5,657)		(7,801)
Receipts from sale of tangible fixed assets		163		0
Payments to acquire/ receipts from sale of intangible assets		0		0
Net cash inflow/(outflow) from capital expenditure			(5,494)	(7,801)
Public dividend capital dividends paid			(3,037)	(2,402)
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
Net cash inflow/(outflow) from management of liquid resources			0	0
Net cash inflow/(outflow) before financing			(745)	(4,204)
Financing				
Public dividend capital received		1,164		3,456
Public dividend capital repaid (not previously accrued)		0		(765)
Public dividend capital repaid (accrued in previous period)		(407)		0
Government loans received: short term		0		0
Government loans repaid: short term		0		0
Loan advances/brokerage received		0		2,600
Loan advances/brokerage repaid		0		(1,000)
Other capital receipts		0		0
Capital element of finance leases		0		0
Net cash inflow/(outflow) from financing			757	4,291
Increase/(decrease) in cash	18.2		12	87

Notes to the accounts

1. Accounting policies and other information

Welsh Minister's 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 National Assembly for Wales as approved by HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. Standard accounting policies are laid down in the manual for accounts and the Capital Accounting Manual. If a change in accounting policy is made it will be disclosed and accounted for in accordance with FRS18 and FRS3.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

i. Capitalisation

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

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

ii. Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. 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. The buildings index is based on the 'All in Tender Price Index' published by the Building Cost Information Service. The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

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 30 September 2002 and were reflected in the 2002-03 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.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure. subsequent disposal and taken out of operational use.

Assets in the course of construction are valued at current cost using indices as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

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

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

iii. Depreciation

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

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

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

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

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

1.6 Fixed Asset Investments

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

1.7 Donated fixed assets

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

1.8 Government grants

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

1.9 Cash Bank and Overdrafts

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

1.10 Leases

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

1.11 Private Finance Initiative

The NHS follows HM Treasury's 'Technical Note 1 (Revised) How to account for PFI transactions' which provides practical guidance for the application of the FRS5 amendment. 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 outflow 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 or liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

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

1.17 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State. As a consequence it is not possible for the trust to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. The next FRS17 valuation will be in 2008, in line with the Government Actuary full valuation review for employers' contribution rates. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Agency - Pensions Division website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions were set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

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

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

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

1.18 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement.

1.19 Value added tax

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

1.20 Foreign Exchange

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

1.21 Third party assets

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

1.22 Public Dividend Capital Dividends

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

1.23 EU Emission Trading Scheme

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

2. Segmental reporting

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

3. Income from activities

	£000	2005-06 £000
Local health boards	118,361	110,567
Health Commission Wales	228	258
NHS trusts	662	638
Strategic health authorities and primary care trusts	0	0
Foundation Trusts	0	0
Local authorities	634	615
National Assembly for Wales	501	2,904
Non NHS:		
Private patient income	44	52
Overseas patients (non-reciprocal)	1	9
Road Traffic Act charges/NHS Injury Costs Recovery (ICR) Scheme	930	824
Other income from activities	1,590	1,286
Total	122,951	117,153

RTA/ICR income is subject to a provision for doubtful debts of 7.7% to reflect expected rates of collection.

4. Other operating income

	£000	2005-06 £000
Patient transport services	0	0
Education, training and research	3,414	3,242
Charitable and other contributions to expenditure	81	298
Transfer from the donated asset reserve	25	30
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	600	479
Other income:		
Provision of laundry, pathology, payroll services	201	132
Accommodation and catering charges	1,320	1,271
Mortuary fees	59	51
Staff payments for use of cars	188	186
Business unit (Welsh Health Estates)	2,740	2,649
Other	1,382	1,782
Total	10,010	10,120

Other income of £1382k includes the following sources:

	0	0
	0	0
	0	0
	0	0
	0	0
	0	0
Total	0	0

5. Operating expenses

5.1 Operating expenses comprise

	£000	2005-06 £000
Goods and services from other NHS bodies	2,388	2,208
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	0	0
Directors' costs	900	953
Staff costs	100,450	96,036
Supplies and services - clinical	11,558	11,338
Supplies and services - general	1,760	1,702
Establishment	3,033	3,232
Transport	206	203
Premises	4,456	4,313
Depreciation	4,772	4,441
Amortisation	0	0
Fixed asset impairments and reversals	0	0
Audit fees	146	120
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	661	(114)
Other operating expenses	1,059	1,050
Total	131,389	125,482

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

	£000	2005-06 £000
Increase/decrease in provision for future payments:		
Clinical negligence	106	2,994
Personal injury	364	(154)
All other losses and special payments	(92)	(394)
Defence legal fees and other administrative costs	333	88
Gross increase/decrease in provision for future payments	711	2,534
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	34	84
Less: income received/ due from Welsh Risk Pool	(84)	(2,732)
Total charge	661	(114)

Personal injury includes £70,074 (2005-06 £94,113) in respect of permanent injury benefits

5.3 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2005-06 £000	£000	2005-06 £000
Operating leases which expire:				
Within 1 year	0	0	176	38
Between 1 and 5 years	0	0	605	774
After 5 years	0	0	0	1,412
Total	0	0	781	2,224

Operating expenses include £543,438 for operating lease rentals (2005-06 £554,963).
and £124,533 for hire of plant/machinery (2005-06 £184,876). 2005-06 figures showed the total cost over the I

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2005-06 £000
Non-executive directors' remuneration	77	0	77	81
Executive directors' remuneration:				
basic salaries	574	51	625	646
benefits	5	0	5	5
performance related bonuses	0	0	0	0
pension contributions paid	73	0	73	63
Sub-total	729	51	780	795
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	30	30	31
Total	729	81	810	826

No performance related bonuses were paid to any Director of the Trust during the financial year 2006-07

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

5.4 Directors' remuneration (continued):

The remuneration of the chairman, chief executive and (where the chief executive is not the highest paid member) the highest paid director is as follows:

	Remuneration as director £000	Other remuneration £000	Total £000	2005-06 £000
Chairman				
Basic remuneration	43	0	43	39
Benefits	0	0	0	0
	<u>43</u>	<u>0</u>	<u>43</u>	<u>39</u>
Chief Executive				
Basic salaries	152	0	152	196
Benefits	0	0	0	4
Performance related bonuses	0	0	0	0
	<u>152</u>	<u>0</u>	<u>152</u>	<u>200</u>
Pension contributions	2	0	2	16
	<u>154</u>	<u>0</u>	<u>154</u>	<u>216</u>
Highest paid director*				
Basic salaries	126	45	171	0
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>126</u>	<u>45</u>	<u>171</u>	<u>0</u>
Pension contributions	24	0	24	0
Total	<u>150</u>	<u>45</u>	<u>195</u>	<u>0</u>

* the Medical Director was the highest paid director during the financial year 2006-07.

** There were 2 Chief Executives in post during the financial year 2006-07.

6. Employee costs and numbers

6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2005-06
	£000	£000	£000	£000	£000
Salaries and wages	83,216	115	1,199	84,530	81,032
Social security costs	6,849	0	0	6,849	6,547
Pension costs	9,894	0	0	9,894	9,322
Other pension costs	0	0	0	0	0
Total	99,959	115	1,199	101,273	96,901

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2005-06
	Number	Number	Number	Number	Number
Medical and dental	233	2	8	243	244
Ambulance staff	0	0	0	0	0
Administrative and estates	613	3	2	618	617
Healthcare assistants and other support staff	292	0	0	292	291
Nursing, midwifery and health visiting staff	1,355	0	7	1,362	1,337
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	386	0	5	391	401
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	2,879	5	22	2,906	2,890

6.3 Employee benefits

The trust does not have an employee benefit scheme.

6.4 Trust management costs

		2005-06	
	£000	Percentage of total income	Percentage of total income
Trust management costs	5,696	4.3%	5,453
Income	132,961		127,273

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

North Glamorgan's manages Welsh Health Estates on behalf of the NHS in Wales.

North Glamorgan's Management costs percentage excluding Welsh Health Estates is 3.9%

6.5 Retirement costs due to ill-health

During 2006-07 (prior year 2005-06) there were 8 (11) 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 £454,930 (£547,802).

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 sooner.

	Number	£000	2005-06 £000
NHS			
Total bills paid 2006-07	1,124	5,259	5,462
Total bills paid within target	1,075	4,996	5,380
Percentage of bills paid within target	95.6%	95.0%	98.5%
Non-NHS			
Total bills paid 2006-07	34,945	27,541	32,428
Total bills paid within target	33,488	26,332	31,093
Percentage of bills paid within target	95.8%	95.6%	95.9%
Total			
Total bills paid 2006-07	36,069	32,800	37,890
Total bills paid within target	34,563	31,328	36,473
Percentage of bills paid within target	95.8%	95.5%	96.3%

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

	2005-06	
	£	£
Amounts included within Interest Payable (note 9) arising from claims made under this legislation and compensation paid to cover debt recovery costs.	0	0

8. Profit (loss) on disposal of fixed assets

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

	£000	2005-06 £000
Profit on disposal of land and buildings	1,750	0
Loss on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	(38)	(66)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
	1,712	(66)

9. Interest payable

	£000	2005-06 £000
Government borrowing	0	0
Finance leases and PFI schemes	0	0
Other	0	9
	0	9

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	0	0	0	0	0
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2007	0	0	0	0	0
Accumulated amortisation at 1 April 2006	0	0	0	0	0
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2007	0	0	0	0	0
Net book value at 1 April 2006	0	0	0	0	0
Net book value at 31 March 2007	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 on account		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 2006	5,537	77,684	2,297	6,898	9,376	22	1,234	58	103,106
Indexation	224	6,229	185	545	256	1	0	1	7,441
Additions									
- purchased	0	2,010	0	1,939	2,118	0	292	0	6,359
- donated	0	0	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	377	2,769	0	(3,122)	(22)	0	(2)	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	(1,162)	0	(538)	0	0	0	0	(1,700)
Disposals	(1,500)	0	0	0	(725)	0	(26)	0	(2,251)
At 31 March 2007	4,638	87,530	2,482	5,722	11,003	23	1,498	59	112,955
Depreciation									
At 1 April 2006	(42)	11,890	204	90	6,001	18	554	46	18,761
Indexation	0	954	18	6	165	1	0	1	1,145
Reclassifications	42	(42)	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	(50)	0	0	0	0	0	0	(50)
Disposals	0	0	0	0	(689)	0	(24)	0	(713)
Provided during the year	0	3,879	66	0	604	4	213	6	4,772
At 31 March 2007	0	16,631	288	96	6,081	23	743	53	23,915
Net book value at 1 April 2006	5,579	65,794	2,093	6,808	3,375	4	680	12	84,345
Net book value at 31 March 2007	4,638	70,899	2,194	5,626	4,922	0	755	6	89,040
Net book value of assets held under finance leases and hire purchase contracts									
Total	6	35	0	0	0	0	0	0	41
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	9	0	0	0	0	0	0	9

Of the totals at 31 March 2007, £nil related to land valued at open market value and £nil related to buildings, installations and fittings valued at open market value.

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

11.2 Fixed asset investments at the balance sheet included in Note 11.1 comprise:

The Trust had no fixed asset investments at the balance sheet date.

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2007	0	0	0	0	0	0	0	0	0

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March 2006	
	£000	£000
Freehold	77,690	73,419
Long leasehold	41	47
Short leasehold	0	0
Total	77,731	73,466

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

The Trust has no fixed asset investments.

	31 March 2006	
	£000	£000
Details of investment	0	0
Details of investment	0	0
Total	0	0

12. Stocks and work-in-progress

	31 March 2006	
	£000	£000
Raw materials and consumables	929	875
Work-in-progress	0	0
Finished processed goods	0	0
Total	929	875

13. Debtors

	31 March 2006	
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	12,858	16,048
NHS debtors	2,352	1,690
PDC dividend debtors	401	44
Other debtors	5,566	1,555
Provision for irrecoverable debts	(196)	(133)
Other prepayments and accrued income	410	445
Sub-total	21,391	19,649
Amounts falling due after more than one year:		
Welsh Risk Pool	3,769	3,319
NHS debtors	46	0
Other prepayments and accrued income	0	0
Other debtors	0	398
Sub-total	3,815	3,717
Total	25,206	23,366

Other debtors include £nil prepaid pension contributions at 31st March 2007 (2005-06 £nil)

14. Current Asset Investments

	31 March	
	2006	2006
	£000	£000
Government securities	0	0
Local authorities	0	0
Other	0	0
Total	0	0

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

	31 March	
	2006	2006
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	2,600	2,600
Payments received on account	0	0
NHS creditors	799	767
Non-NHS trade creditors - revenue	2,570	1,581
Non-NHS trade creditors - capital	827	125
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	2,250	2,151
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	1,200	1,138
Other creditors - all other creditors	0	0
Accruals	2,991	2,981
Deferred income	0	0
Sub-total	13,237	11,343
Amounts falling due after more than one year:		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	0	0
Total	13,237	11,343

NHS creditors include:

£nil for payments due in future years under arrangements to buy out the liability for early retirements over 5 instalments; and £nil outstanding pensions contributions at 31 March 2007 (£nil at 31 March 2006).

Capital Creditors has increased in 2006-07 following an increased Capital Programme.

15.2 Loan advance/strategic assistance funding

31 March

2006

Amounts falling due:	£000	£000
In one year or less	2,600	2,600
Between one and two years	0	0
Between two and five years	0	0
In five years or more	0	0
Sub-total	2,600	2,600
Wholly repayable within five years	2,600	2,600
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Sub-total	2,600	2,600
Total repayable after five years by instalments	0	0

15.3 Finance lease obligations

31 March

2006

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

15.4 Finance lease commitments

North Glamorgan NHS Trust has no finance lease Commitments.

16. Provisions for liabilities and charges

	At 1 April 2006 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2007 £000
Clinical negligence	18,489	0	0	6,214	(6,108)	(2,792)	0	15,803
Personal injury	1,387	0	0	473	(109)	(201)	42	1,592
All other losses and special payments	249	0	0	97	(189)	(82)	0	75
Defence legal fees and other administration	841	0	0	666	(333)	(251)		923
Sub-total	20,966	0	0	7,450	(6,739)	(3,326)	42	18,393
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	2,060			0	0	(144)	(24)	1,892
Restructurings	0			0	0	0		0
Other	407			771	0	(407)		771
Total	23,433	0	0	8,221	(6,739)	(3,877)	18	21,056

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	12,139	3,664	0	15,803
Personal injury	398	473	721	1,592
All other losses and special payments	75	0	0	75
Defence legal fees and other administration	657	266	0	923
Pensions - former directors	0	0	0	0
Pensions - other staff	144	576	1,172	1,892
Restructuring	0	0	0	0
Other	771	0	0	771
Total	14,184	4,979	1,893	21,056

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

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 2006 as previously stated	31,693	251	0	0	(5,025)	26,919
Prior period adjustment					0	0
At 1 April 2006 as restated	31,693	251	0	0	(5,025)	26,919
Transfer from income and expenditure account					892	892
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	4,629	17	0			4,646
Transfer of realised profits/ (losses)	(588)	0	0		588	0
Receipt of donated/government granted assets		0	0			0
Depreciation, impairment and disposal of donated/government granted assets		(25)	0			(25)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2007	35,734	243	0	0	(3,545)	32,432

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2005-06 £000
Total operating surplus/(deficit)	1,572	1,791
Depreciation charge	4,772	4,441
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	(25)	(30)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(54)	17
(Increase)/decrease in debtors	2,011	261
Increase/(decrease) in creditors	1,581	(757)
Increase/(decrease) in provisions	(2,377)	46
Net cash inflow from operating activities before restructuring costs	7,480	5,769
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	7,480	5,769

18.2 Reconciliation of net cash flow to movement in net debt	£000	2005-06 £000
Increase/(decrease) in cash in the period	12	87
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	(2,600)
Cash outflow from debt repaid and finance lease capital payments	0	1,000
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	12	(1,513)
Non-cash changes in debt	0	0
Net debt at 1 April	(2,435)	(922)
Net debt at 31 March	(2,423)	(2,435)

18.3 Analysis of changes in net debt

	At 1 April 2006 £000	Cash flows £000	Non-cash changes £000	At 31 March 2007 £000
OPG cash at bank	567	(120)		447
Commercial Cash at bank and in hand	(402)	132		(270)
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	(2,600)	0	0	(2,600)
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	<u>(2,435)</u>	<u>12</u>	<u>0</u>	<u>(2,423)</u>

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £4,422,000 (and in 2005-06 were £ 427,000).

20. Post balance sheet events

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

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2006-07 accounts for the following amounts:	£000	31 March 2006 £000
Legal claims for alleged medical or employer negligence	15,987	9,298
Doubtful debts	0	0
Other	0	3
Total value of disputed claims	<u>15,987</u>	<u>9,301</u>
Amount recovered under insurance arrangements in the event of these claims being successful	<u>(14,854)</u>	<u>(7,993)</u>
Net contingent liability	<u>1,133</u>	<u>1,308</u>

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

Equal Pay Claims

There is a possibility that some claims may arise through the on-going Equal Pay Claims process. 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

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	27	2,792,223	23	2,311,132
Personal injury	26	201,286	14	276,707
All other losses and special payments	55	89,180	49	52,910
Total	108	3,082,689	86	2,640,749

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

	<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
	£	£	£
Cases exceeding £250,000			
01RRSEM0001	17,500	393,487	0
01RRSMN0016	350,000	350,197	0
02RRSMN0012	500,000	600,000	0
02RRSMN0027	0	841,427	0
02RRSMN0081	1,289,370	1,292,370	0
03RRSMN0006	17,500	467,938	467,938
04RRSMN0007	9,000	329,350	329,350
Sub-total	2,183,370	4,274,769	797,288
All other cases	899,319	2,895,115	1,843,461
Total cases	3,082,689	7,169,884	2,640,749

23.1 Movements in Government funds

2005-06

	£000	£000
Surplus/(deficit) for the financial year	3,572	1,667
Public dividend capital dividends	(2,680)	(2,542)
Subtotal	892	(875)
Gains/(losses) from revaluation/indexation of purchased fixed assets	4,041	2,420
Impairment of fixed assets	0	0
New public dividend capital	1,571	3,456
Public dividend capital repaid	0	(765)
Public dividend capital repayable	0	(407)
New loans from Government	0	2,600
Government loans repaid	0	(1,000)
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	588	0
Net addition/(reduction) to Government funds	7,092	5,429
Opening Government funds at 1 April	76,166	70,737
Before deducting prior period adjustment of	0	0
Closing Government funds	83,258	76,166

23.2 Movements in public dividend capital

2005-06

	£000	£000
At 1 April 2006	47,056	44,772
New PDC issued in year	1,164	3,456
PDC due but not issued	407	0
PDC repaid in year	0	(765)
PDC repayable	0	(407)
At 31 March 2007	48,627	47,056

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	892
Variance	<u>(892)</u>

The Trust has broken even in 2006-07.

The retained surplus was agreed with Welsh Assembly Government to ensure deficits from 2005-06 could be recovered.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2007		
	£000	£000	£000
External financing limit set by the Assembly		1,164	4,291
Cash flow financing	745		4,204
Finance leases taken out in the year	0		0
Other capital receipts	<u>0</u>		<u>0</u>
External financing requirement		<u>745</u>	<u>4,204</u>
Undershoot (overshoot)		<u>419</u>	<u>87</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 2006-07	2006-07 34,945
Total number of non-NHS bills paid within target	33,488
Percentage of non-NHS bills paid within target	95.8%

The Trust has met the target.

25. Related Party transactions

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

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

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

	INCOME RECEIVED/DUE £000 2006-07	INCOME RECEIVED/DUE £000 2005-06
Welsh Assembly Government	7895	6,905
Health Commission Wales	228	258
Bro Morgannwg NHS Trust	581	507
Cardiff & Vale NHS Trust	194	169
Carmarthenshire NHS Trust	2	1
Ceredigion & Mid Wales NHS Trust	11	5
Conwy & Denbighshire NHS Trust	155	170
Gwent Healthcare NHS Trust	45	25
North East Wales NHS Trust		0
North Glamorgan NHS Trust		
North West Wales NHS Trust	12	0
Pembrokeshire & Derwen NHS Trust	1	0
Pontypridd & Rhondda NHS Trust	507	394
Powys Healthcare NHS Trust	81	68
Swansea NHS Trust	140	51
Velindre NHS Trust	797	688
Welsh Ambulance Trust	33	25
University of Wales College of Medicine	316	0
LHB's/BSC	120084	111,451
TOTAL	<u><u>131,082</u></u>	

The Trust has also received revenue and capital payments totalling £80,959 from the North Glamorgan NHS Trust C Fund, the Trustees of which are also the members of the North Glamorgan NHS Trust Board.

26. Other/ Private finance transactions

26. Other/ Private finance transactions

26.1 PFI Operational Schemes deemed to be off balance sheet

	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	1,241
Amortisation of PFI deferred asset	0
Net charge to operating expenses	<u>1,241</u>

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

PFI scheme which expires:	£000
Within one year	0
Years 2-5 (inclusive)	0
Years 6-10 (inclusive)	0
Years 11-15 (inclusive)	0
Years 16-20 (inclusive)	0
Years 21-25 (inclusive)	1,241
Years 26-30 (inclusive)	0
etc.	

The estimated annual payments in future years are not 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	£000 995
Contract start date:	1-Apr-04
Contract end date:	31-Mar-29

The contract is for the installation ,operation ,maintenance and ownership of Combined Heat and Power Plant and the complete management and operation of a central boiler plant installation, lighting 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 & Power plant being supplied free of charge to the Trust.

26. Other/ Private finance transactions continued

26.2 The Trust has No PFI operational schemes deemed to be on-balance sheet

26. Other/ Private finance transactions continued

26.3 The Trust has No Public Private Partnerships

27. Third party assets

The Trust held £5,908 cash at bank and in hand at 31 March 2007 (31 March 2006: £13,270) which relates to monies held by the Trust on behalf of patients.

28. Financial instruments

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

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

Liquidity Risk

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

Interest-rate risks

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

Foreign currency risk

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

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

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

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

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

29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
2006-07:				
National Assembly for Wales	374	0	0	0
Welsh Local Health Boards	1244	39	162	0
Welsh NHS Trusts	13129	3776	624	0
Health Commission Wales	12	0	0	0
All English Health Bodies	101	0	24	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-57	0		
Sub total	14,803	3,815	810	0
Other Central Government Bodies				
Other Government Departments*	19	0	899	0
Revenue & Customs	78	0	580	0
Local Authorities	162	0	7	0
Balances with Public Corporations and trading func	0	0	12	0
Balances with bodies external to Government	12	0	0	0
TOTAL	15,074	3,815	2,308	0
2005-06:				
National Assembly for Wales	925	0	3,007	0
Welsh Local Health Boards	621	0	29	0
Welsh NHS Trusts	16,272	3,319	319	0
Health Commission Wales	38	0	0	0
All English Health Bodies	1	0	12	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-75	0		
Sub total	17,782	3,319	3,367	0
Other Central Government Bodies				
Other Government Departments*	0	0	2,047	0
Revenue & Customs	134	0	2,695	0
Local Authorities	122	0	97	0
Balances with Public Corporations and trading func	0	0	30	0
Balances with bodies external to Government	1,611	398	3,107	0
TOTAL	19,649	3,717	11,343	0

30. Pooled budgets

The Trust has no pooled budgets.

32. Other

**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES
AS ACCOUNTABLE OFFICER OF THE TRUST**

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

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: 2007 Chief Executive

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

The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The Welsh Minister's, 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 Minister's 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:2007

Acting Chairman:

Date:2007

Interim Chief Executive:

Date:2007

Interim Director of Finance:

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

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

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Trust Board has overall responsibility and authority for the risk management programme through the receipt and evaluation of annual summary reports indicating the status and progress of Trust-wide risk management activities. The Clinical and Risk Governance Committee, comprising a number of both non-executive and executive directors, plus representatives from Local Health Boards and the Community Health Council oversees the Trust risk management arrangements and makes recommendations for change as appropriate. Operational responsibility in terms of regularly monitoring progress with specific risks has been delegated at a strategic level to the Clinical and Risk Governance Review Group and the Health and Safety Committee, which comprises Executive Directors plus directorate representatives specialist Risk Managers and staff safety representatives.

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

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

4. The risk and control framework

The results of the current year's self-assessment of the five core standards are consistent with prior years, and are a reflection of the Trust's continuing compliance with best practice. The scores, which have been validated by the Internal Auditors, are as follows:

- Standard 1 - Risk Management Policy & Strategy 99% (Welsh Risk Pool assessment – 100%)
- Standard 2 - Risk Assessment & Treatment 100% (Welsh Risk Pool assessment – 100%)
- Standard 3 - Incident & Hazard Reporting 100% (Welsh Risk Pool assessment – not subjected to full assessment)
- Standard 37 - Governance 100% (No Welsh Risk Pool assessment required)
- Standard 38 - Financial Management 96% (No Welsh Risk Pool assessment required)

The Trust's approach to the management of its risks is articulated in the Risk Management Strategy and Policy. These include the following specific measures:

- Committee structures have been established to ensure that risk management is regularly reviewed at a strategic level;
- The Trust developed and agreed Corporate Objectives and aligned these to its Operational Plan. One of the six Corporate Objectives is 'to develop and maintain a robust governance framework to ensure services are delivered that meet statutory and regulatory standards'.
- A Rolling three year Clinical and Risk Governance Development Plan is in place which is reviewed at least twice annually within the Trust and externally with the Regional Office;
- Risk Co-ordinators have been appointed in all departments and directorates with the responsibility for communicating and facilitating the risk management agenda in their own area;
- The Trust has a Corporate Risk Register which identifies Corporate Risks and is informed by Directorate Risk Registers/Profiles which are documented, maintained, updated and monitored on a regular basis;
- Action plans are developed at departmental, directorate and trust level to allocate responsibility and resources for improving controls and reducing risks;
- Progress against action plans is regularly reviewed and risk profiles revised accordingly;
- The Trust Board receive an annual report charting the progress made during the year in the management of the key clinical risks, as well as regular reports outlining the position against other risks (eg finance risks);
- and the operational approach to risk management is supported by appropriate training and guidance for all staff.

The process outlined in the Strategy is 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 also works closely with its external stakeholders to minimise the wider impact of any significant potential risks, and includes both patient and LHB representatives in its committee structure.

5. Review of effectiveness

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

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, and the Clinical and Risk Governance Committee, 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 which are external to the Trust. These include:

- Welsh Assembly Government;
- External Audit;
- Healthcare Inspectorate Wales (HIW);
- Welsh Risk Pool;
- Healthcare Commission
- Community Health Councils;
- Health & Safety Executive;
- Post Graduate Medical Education and Training Board (PMETB), Royal Colleges and other Academic bodies;
- Other Accredited Bodies.

During last year, Healthcare Inspectorate Wales (HIW) undertook its organisational assessment and review of the Trust. Another important element of this external scrutiny is the annual Welsh Risk Pool assessment, and the Trust achieved an overall assessment against all Welsh Risk Pool assessed standards of 82%, an improvement of 5% on 2005-06, which exceeds the target of 75% overall.

Final Welsh risk Pool scores are subject to a process of validation and will be formally confirmed following the July Welsh Risk Pool Advisory Board.

The Trust Board is informed on the effectiveness of the systems of internal control by its Executive Directors and formal committees, and in particular the Clinical and Risk Governance Committee. The Board takes additional assurance from the detailed scrutiny undertaken by its Audit Committee, which is in turn advised by both internal and external audit. In addition, actions were taken during the year to seek to further strengthen the systems of internal control as follows:

- The HIW review concluded with a very positive report on the arrangements for Clinical and Risk Governance within the Trust. The findings from the review were published at the Trust's Annual General meeting in September 2006. Whilst the report identified many areas of notable practice it also identified areas for improvement and in response the Trust Board, HIW and the Regional Office has agreed an action plan.
- The Financial Control Group that was established in December 2005 has continued to meet on a fortnightly basis in 2006/07. A Project Initiation Document to support Financial Recovery and a Financial Recovery Plan were both produced during 2006/07 and quarterly progress reports on the project and monthly financial assessment of savings have been made;
- A review of the terms of reference of the Audit Committee was commenced and completed during the year, the outcome of which was approved by Trust Board, ensuring full compliance with WHC (2006) 007 issued in February;

- The current Standing Orders were confirmed as extant by the Board in on the 23rd November 2006 with a review of the Scheme of Delegation commenced and completed;
- The Internal Audit Programme has included the flexibility for additional areas of work to be undertaken at the request of senior management, this has included reviews of sundry payments, non LTA income and further work on payroll. These reviews have received limited assurance and as such more work will be undertaken to strengthen controls in these areas.
- The Trust developed a new Corporate Risk Register aligned to its Operational Plan and Corporate Objectives. The Register was presented and work in progress accepted by the Clinical and Risk Governance Committee on the 9th March 2007;
- The Health and Safety Executive (HSE) undertook a formal visit to the Trust to review its arrangements for supporting and training staff with Minimal Handling and compliance with the All Wales Passport for minimal handling. The outcome of their review, outlined in a management letter to the Accountable Officer was positive and relevant actions will be undertaken in 2007-08;
- A Claims Review Panel was established to manage and monitor application of appropriate and relevant procedures in relation to clinical negligence and personal injury claims. The panel includes 5 Executive Board Directors, Senior Trust management and representatives from Welsh Health Legal Services.

The main aim of these additional 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 in the future regardless of changes in personnel.

During 2005/2006 the Trust highlighted a significant internal control problem related to instability amongst a number of its senior management positions and particularly at Chief Executive and Director of Finance level, resulting in interim appointments being made. This year there has been stability at Executive level of the Trust, with the interim arrangements continuing until proposed integration of Trusts.

In September 2006, the substantive Chair of the Trust was appointed to the post of Chair of a neighbouring Local Health Board and the Vice Chairman, Mr Morgan Chambers, agreed to undertake the role of Acting Chair. This in effect has resulted in the Board functioning since September 2006 with two less Non Executive Directors. However, in order to mitigate against any potential issue of control, the roles of the remaining Non Executive Directors were reviewed and realigned to the Trust's Corporate priorities.

The Trust has successfully negotiated an arrangement with the National Leadership and Innovation Agency for Healthcare (NLIAH) for them to supply a person with a financial background to independently support the Audit Committee.

During the 2005-06 final accounts process it was identified that the Trust would have to formally produce a Strategic Change and Efficiency Plan (SCEP), to demonstrate how it would recover its forecast financial position and return to financial balance. However as a result of the Trust achieving a financial surplus in 2006-07 in excess of the deficit for 2005-06 primarily from a profit on disposal of an asset, the requirement to prepare a formal SCEP has been removed. However, the Trust recognises that it has a key role to ensure the health community maintains financial stability for 2007/08.

Signed:.....

Date:.....

Interim Chief Executive
(on behalf of board)

The certificate and report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements on pages 2 to 35 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 6 to 12.

I certify that I have audited that part of the remuneration report to be audited.

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on pages 36 and 37 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and the contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and part of the remuneration report to be audited are properly prepared in accordance with the National Health Service Act 1977 and Welsh Ministers' directions made thereunder, and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the 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 relevant authorities regarding remuneration and other transactions is not disclosed.

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.

I review whether the statement on page 38 reflects the Trust's compliance with the Treasury and Welsh Ministers' guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An 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 the 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 appropriate to the Trust's circumstances, 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 that part of the remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements that part of the remuneration report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of North Glamorgan NHS Trust as at 31 March 2007 and of its surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers; and
- 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.

I have no observations to make on these financial statements.

My conclusion on North Glamorgan's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
5th July 2007

Wales Audit Office
2-4 Park Grove
Cardiff
CF10 3PA

**NATIONAL HEALTH SERVICE ACT 1977
THE NATIONAL HEALTH SERVICE TRUSTS (WALES)
ACCOUNTS DIRECTIONS**

The National Assembly for Wales, in pursuance of Section 98(2) of the National Health Service Act 1977 with the approval of the Treasury, hereby gives the following directions:

1. In these directions, unless the context otherwise requires:

"the Act" means the National Health Service Act 1977;

"Trust" means each and every NHS Trust in Wales.

FORM OF ACCOUNTS

2. The accounts required by Section 98(2) of the Act to be prepared by the Trust in respect of the financial year ended 31 March 1997 and subsequent years shall be as set out in the following paragraphs and Schedules.

ACCOUNTS OF THE TRUST

3. The accounts in respect of the funds attributable to the performance of functions by the Trust shall comprise:

- a. a foreword;
- b. an income and expenditure account;
- c. a balance sheet;
- d. a cash flow statement;
- e. a statement of total recognised gains and losses; and
- f. such notes as may be necessary for the purposes referred to in paragraph 4 below.

4. The accounts shall give a true and fair view of the income and expenditure and cash flow for the year, and the state of affairs as at the end of the financial year. Subject to the foregoing requirement, the accounts shall also, without limiting the information given and as described in the Schedule, meet:

- a. the accounting and disclosure requirements of the Companies Act. The disclosure exemptions permitted by the Companies Act will not apply unless specifically authorised by the Assembly with the approval of the Treasury;
- b. best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board, with the exception of the requirement contained in FRS 3 for the inclusion of a note showing historical cost profits and losses;
- c. all relevant guidance given in "Government Accounting" and in "Trading Accounts: A Guide for the Government Departments and Non-Departmental Public Bodies" and in "The NHS Trust Manual for Accounts";
- d. any disclosure and accounting requirements which the Assembly or Treasury may issue from time to time;

insofar as these are appropriate to the Trust and are in force for the financial period for which the accounts are to be prepared.

5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention, modified by the inclusion of fixed assets at their value to the business by reference to current costs.

Dated.....

Signed by the authority of the National Assembly for Wales

Signed.....

Member of the Senior Civil Service
National Assembly for Wales

SCHEDULE

Foreword

1. The foreword shall include a statement that the accounts have been prepared in accordance with these Directions given by the National Assembly for Wales.
2. The foreword shall describe the statutory background and main functions of the Trust.

Income and Expenditure Account and Balance Sheet

3. The income and expenditure account and balance sheet shall follow the prescribed format shown in Annex C to the "Trading Accounts" booklet, modified as appropriate.

Cash Flow Statement

4. The recommendations of Financial Reporting Standard No. 1 (revised) shall be followed in preparing the cash flow statement.

Notes to the Account

5. The notes to the account shall, inter alia, include details of the accounting policies adopted.
6. Notes providing further explanations of figures in the account shall be made where it is considered appropriate for a proper understanding of the account.
7. The account shall be signed and dated by the Chief Executive and Chairman of the Trust.
8. The accounts direction shall be reproduced as an appendix to the account.