

PUBLIC AUDIT (WALES) ACT 2004  
GOVERNMENT OF WALES ACT 2006  
NATIONAL HEALTH SERVICE (WALES) ACT 2006

Summarised accounts of local health boards and NHS trusts in Wales for the year ended  
31 March 2011

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para5(2)

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# **NHS (Wales) Summarised Accounts 2010-11**

Welsh Assembly Government

## NHS Wales Summarised Accounts 2010-11

### FOREWORD

#### Introduction

1. Section 178, Schedule 9 Para5(2) of the National Health Service (NHS) Wales Act 2006 requires all NHS organisations in Wales to prepare annual accounts and to submit them to the Welsh Assembly Government.
2. From the 1<sup>st</sup> April 2005 under the Public Audit (Wales) Act 2004 the Auditor General for Wales (AGW) became the statutory external auditor for all NHS bodies in Wales. Under the Government of Wales Act 2006 all audits are undertaken by the Auditor General for Wales and reported to the National Assembly for Wales. In addition to these summarised accounts, the accounts for each NHS body must be laid before the National Assembly for Wales.
3. The Welsh Ministers are required to prepare, in such form as HM Treasury may direct, summarised accounts from the individual accounts of NHS Wales organisations. The Auditor General for Wales is required to examine, certify and report on the summarised accounts.
4. The annual accounts of all NHS Wales organisations have been audited and these summarised accounts are based on those audited figures. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Assembly Government for 2010-11.
5. In my capacity as Additional Accounting Officer for NHS Wales, I have financial responsibility for health service expenditure. Accordingly, I have signed the summarised accounts of the local health boards and NHS trusts. I am pleased to report the achievement of financial balance for all NHS organisations in Wales in 2010-11 and that all accounts received an unqualified true and fair and regularity opinion from the Auditor General for Wales.
6. The chief executives of individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.

#### Summarised Accounts

7. HM Treasury have directed that the accounts of the central government departments and entities in the wider public sector, be produced using all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales from 2009-10 onwards.
8. Two summarised accounts for NHS Wales have been prepared, one for the seven local health boards and one for the three NHS trusts.

**(a) Local Health Boards**

9. Local health boards were established under Welsh Statutory Instrument 2003 No. 150 (W.20) and the Local Health Boards (Functions) (Wales) Regulations 2003. Under these regulations the local health boards replaced the previous health authorities.
10. The summarised account for the local health boards in Wales is based on the audited accounts of the seven local health boards. All seven local health boards received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales for 2010-11.

**(b) NHS Trusts**

11. NHS trusts established under section 18 Schedule 3 of the National Health Service (Wales) Act 2006. They receive most of their income from the Welsh Government, the local health boards and Welsh Health Specialised Services Committee (WHSCC) hosted by Cwm Taf Health Board (formerly Health Commission Wales (HCW)).
12. The summarised account for the NHS trusts in Wales is based on the audited accounts of the three Welsh NHS trusts. All three trusts received unqualified true and fair and regularity audit opinions from the Auditor General for Wales for 2010-11.

**Performance against statutory financial duties**

**(a) Local Health Boards**

13. The statutory financial duty of local health boards is set out in Part 11, Chapter 6 Para 175 of the National Health Service (Wales) Act 2006. Under the Act, local health boards have a statutory duty to ensure that net operating costs do not exceed the resources allocated to the Board by the Welsh Assembly Government.
14. In 2010-11, all local health boards met their statutory duty by keeping expenditure within allocated resource limits. The performance details for all seven local health boards are set out in Annex 2.
15. Additional non-recurring non-repayable funding totalling £110,000 million was provided by the Welsh Assembly Government as strategic financial support to enable the health boards to achieve operational financial balance.
16. The increasing costs of continuing healthcare for local health boards have been acknowledged and further funding was added recurrently to baselines from 2008-09. £37.5 million was allocated for specific schemes in 2010-11 aimed at levering service change, this has been added into the ring fenced allocation for 2011-12.

17. The liabilities relating to continuing healthcare continue to be a significant financial issue for local health boards. The December 2009 deadline for citizens to reclaim pre 1 April 2003 care costs resulted in a large increase in the number of claims submitted to each Board. The individual 2010-11 accounts for local health boards include financial provisions and contingent liabilities for the backlog of claims.

***(b) NHS Trusts***

18. During 2010-11, all three trusts broke even in year and met their financial breakeven duties. The Auditor General for Wales (AGW) issued unqualified opinions to all trusts in Wales in 2010-11.

19. The overall income and expenditure surplus of the three NHS trusts in Wales for 2010-11 was £0.154 million. For 2009-10 the NHS Wales trusts reported a retained surplus of £0.126million. However, in the 2010-11 accounts the comparative figures for 2009-10 have been restated which resulted in a cumulative deficit of £3.995 million.

20. The restatement included the HM Treasury Financial Reporting Manual (FReM) amendment for the treatment of impairments; the removal of the cost of capital as a result of the HM Treasury Clear Line of Sight Project and the transfer of the Informing Healthcare function from Abertawe Bro Morgannwg University Health Board to Velindre NHS Trust's hosted body NHS Wales Informatics Service (NWIS). The latter accounted for under FReM merger accounting rules. This restatement does not impact on the achievement of the trusts' financial duties in 2009-10.

***Recovery of Accumulated Trust Deficits***

21. The Welsh Ambulance Services NHS Trust was due to repay the first of three instalments of £2.9 million strategic assistance in 2009-10. In December 2009, the Minister for Health & Social Services agreed to defer this repayment until 2010-11. In March 2011 the Minister for Health and Social Services with HM Treasury approval, agreed to the removal of the requirement for the repayment of the NHS Trust debt of £8.141 million in full. The decision was taken in recognition of the continued improvements being delivered by the NHS Trust in managing within its current budget and that the proposed repayment schedule had the potential to adversely impact on the progress being made by the NHS Trust against response time targets.

***External financing limit***

22. As part of the process of controlling public expenditure, the Welsh Assembly Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external

sources, normally the Welsh Assembly Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Assembly Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to local health boards.

23. In 2010-11, the overall external financing limit for NHS trusts was £8.281 million and all trusts in Wales stayed within their individual external financing limits.

### **Prompt Payment Performance**

24. Local health boards and NHS trusts are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay all non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
25. The performance of each local health board and NHS trust in Wales, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent, and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 5 to this Foreword. The number of non NHS invoices paid within 30 days ranged from 95.1% to 98.9% for NHS bodies, with an average for the year of 96.4% for local health boards and 97.0% for NHS trusts (2009-10 90.0% and 96.8%).

### **Summary of achievement of financial duties**

26. A summary of performance for each financial duty by individual organisation is provided as follows:

- Annex 1 NHS Trust Performance against the Break-even and External Financing Limit Duties.
- Annex 2 Local Health Boards' Performance against Allocated Resource Limits.
- Annex 3 NHS Trust Surpluses.
- Annex 4 Recovery of Assistance in Relation to Accumulated Trust Deficits.
- Annex 5 NHS Trust and Local Health Board Public Sector Payment Performance.

### **Statement of Financial Position Issues**

#### **Clinical Negligence Provisions**

27. At 31 March 2011, known actual and anticipated liabilities for clinical negligence totalled £1.003 million in NHS trusts and a further £312.684 million in local health boards. These provisions and creditors are calculated on the basis of claims against the organisation, where it is assessed that there is a probable chance of the claim being settled.

28. Excluded from the provisions calculations included within the summarised accounts is a further estimated £377.042 million for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities.

### **Welsh Risk Pool (WRP)**

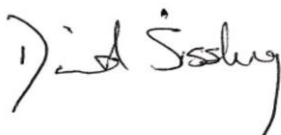
29. The Welsh Risk Pool (the Pool) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The Pool is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.
30. In 2010-11 the Pool was operated by Betsi Cadwaladr University Local Health Board. The Pool is managed by a Management Group comprising representatives from NHS trusts, local health boards and the Welsh Assembly Government.
31. The Betsi Cadwaladr University Local Health Board's liability was limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the Pool for claims less than £25,000 and by the Welsh Assembly Government underwriting the claims over £25,000 reimbursed by the Welsh Risk Pool. Therefore, only the healthcare activities of Betsi Cadwaladr University Local Health Board are included in these summarised accounts. The structured settlement liabilities are accounted for in the Welsh Assembly Governments Resource Accounts provision for the Welsh Risk Pool at 31 March 2011 of £416,948 million.
32. During the year, the Pool incurred expenditure of £50.114 million (2009-10: £35.918 million) in relation to claims. Of this £46.951 million related to clinical negligence claims and £3.122 million related to personal injury claims (2009-10 £33.860 million and £1.975 million respectively).

### **2010-2011 Reconfiguration**

33. On 1 April 2010 two new NHS Wales entities were established
- Welsh Health Specialised Services Committee (WHSSC) is responsible for the joint planning of specialised and tertiary services on behalf of local health boards in Wales and is undertaking the work of the former Health Commission Wales. WHSSC is hosted by Cwm Taf LHB.
  - NHS Wales Informatics Service (NWIS) is an amalgamation of the Informing Healthcare Programme, the Business Service Centre's Information Management and Technology Division, the Health Solution Wales Division of Velindre NHS Trust, the Corporate Health Information Programme and the Primary Care Informatics Programme. NWIS is hosted by Velindre NHS Trust.

## Events after the Reporting Period

34. On the 1 April 2011 the NHS Wales Shared Services Partnership was launched to provide common services to support NHS Wales in delivering front line healthcare.
35. The NHS Wales Shared Services Partnership Committee (the Committee), through the Director of Shared Services, will seek to ensure the delivery of economies of scale, efficiencies and consistent quality for the following business and professional services:
- Welsh Health Estates;
  - Welsh Health Legal Services;
  - Welsh Risk Pool;
  - Contractor Services;
  - Prescribing Services Unit;
  - Welsh Health Supplies;
  - Accounts Payable and Procurement Services ;
  - Internal Audit Services, including Capital and Private Finance Initiatives audit and consultancy services; and
  - Payroll and Recruitment Services.
36. The Committee will be responsible for:
- setting the strategy and monitoring the performance of NHS Wales Shared Services on behalf of NHS Wales;
  - ensuring the service improvements for each of the services that will lead to financial savings;
  - receiving and agreeing an Annual Business Plan that will be signed off by all NHS Wales health boards and trusts; and
  - holding the Management Team to account to meet the agreed objectives.
37. The NHS Wales Shared Services Partnership Committee (the Committee), is a sub-committee of the NHS National Delivery Group (NDG), which has an over-arching responsibility for NHS Wales Shared Services. The Committee comprises of Chief Executives from each of the health boards and trusts and a Director of Shared Services and is chaired by an existing Independent Member of the NDG.



David Sissling  
Director General, Department for Health Social Services and Children,  
Chief Executive, NHS Wales  
21 July 2011

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## Trust Performance against the Break-even and External Financing Limit duties

	Achievement of Break-even Duty		External Financing Limit
	Statutory Duty 1	Statutory Duty 2	
Public Health Wales Trust	✓	✓	✓
Velindre NHS Trust	✓	✓	✓
Welsh Ambulance Services NHS Trust	✓	✓	✓

A trust's in year break-even performance is subject to a materiality threshold of the lesser of 0.5% of total income or £500k.

WHC (2007) 049 sets down the two statutory duties of NHS Trusts in relation to breakeven. These are

- (1) Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.
- (2) Each NHS trust must achieve such financial objectives as may from time to time be set by the Welsh Ministers with the consent of the Treasury and are applicable to it.

Where a trust is forecasting that it will be unable to meet this target in year, its Accountable Officer must prepare a recovery plan, to be known as a Financial Recovery Plan (FRP), in order to address the deficit position. Where a trust fails to achieve financial balance in a financial year and there is no approved FRP in place, the trust will be considered to have breached both of its statutory duties in relation to breakeven.

Where a trust fails to achieve financial balance in a financial year and an approved FRP is in place the trust will be considered to have met the first of its statutory duties. It will nevertheless have failed to meet its second statutory duty.

Where a trust has achieved financial balance in year but has cumulative deficits which it is expected to recover, the trust must produce a FRP in order to show how the position is to be recovered. If the trust does not have a FRP that has been accepted by the Welsh Assembly Government it will have failed its duty under Part (1) of the Act.

It will be regarded as more serious by the Welsh Assembly Government if both duties under the Act are breached than if just the second duty is breached.



**Local Health Board Performance against Allocated Resource Limits**

	<b>Underspend / (overspend) against resource limit</b>
	<b>2010-11 £000</b>
ABMU Local Health Board	347
Aneurin Bevan Local Health Board	43
Betsi Cadwaladr ULHB	84
Cardiff and Vale ULocal Health Board	28
Cwm Taf Local Health Board	31
Hywel Dda Local Health Board	173
Powys Local Health Board	26
All Local Health Boards	732
Number of Local Health Boards achieving resource limit	7
Percentage of Local Health Boards achieving resource limit	100%

**NHS Wales Trust Surpluses and Deficits**

	<b>Surplus /(deficit)</b>
	<b>2010-11</b>
	<b>£000</b>
Welsh Ambulance Services NHS Trust	26
Public Health Wales Trust	38
Velindre NHS Trust	90
All NHS Trusts	<u><u>154</u></u>

**Recovery of Trust Deficits and Strategic Assistance**

	Deficit to be recovered @ 1 April 2010 £000	2010-11 Deficits £000	Deficit recovery waived £000	Deficit to be recovered @ 31 March 2011 £000
Welsh Ambulance Services NHS Trust	7,968	-	(7,968)	-
<b>All NHS Trusts</b>	<u>7,968</u>	<u>-</u>	<u>(7,968)</u>	<u>-</u>

	Strategic Assistance to be recovered @ 1 April 2010 £000	Strategic Assistance issued £000	Strategic Assistance repaid/ transferred £000	Strategic Assistance to be recovered @ 31 March 2011 £000
Welsh Ambulance Services NHS Trust	8,141	-	(8,141)	-
<b>All NHS Trusts</b>	<u>8,141</u>	<u>-</u>	<u>(8,141)</u>	<u>-</u>

**Local Health Board Public Sector Payment Policy Performance**

	2010-11		2009-10	
	Non NHS	Non NHS	Non NHS	Non NHS
	Value of bills	Number of bills	Value of bills	Number of bills
	2010-11	2010-11	2009-10	2009-10
	%	%	%	%
ABMU Local Health Board	96.9	96.6	96.8	98.0
Aneurin Bevan Local Health Board	97.9	97.3	95.5	92.1
Betsi Cadwaladr ULHB	97.5	97.0	97.7	96.9
Cardiff and Vale ULocal Health Board	95.7	95.6	71.9	54.8
Cwm Taf Local Health Board	98.4	97.4	97.6	96.2
Hywel Dda Local Health Board	98.3	95.1	97.4	97.5
Powys Local Health Board	96.0	96.3	97.3	95.7
<b>All Local Health Boards</b>	<b>97.3</b>	<b>96.4</b>	<b>92.7</b>	<b>90.0</b>

**NHS Trust Public Sector Payment Policy Performance**

	Non NHS	Non NHS	Non NHS	Non NHS
	Value of bills	Number of bills	Value of bills	Number of bills
	2010-11	2010-11	2009-10	2009-10
	%	%	%	%
Public Health Wales Trust	97.3	95.4	97.7	96.6
Velindre NHS Trust	97.6	95.7	96.6	95.6
Welsh Ambulance Services NHS Trust	99.1	98.9	98.2	98.2
<b>All NHS Trusts</b>	<b>98.0</b>	<b>97.0</b>	<b>97.4</b>	<b>96.8</b>

## **Local Health Boards in Wales**

## **Statement of the Welsh Assembly Government and Accounting Officer's responsibilities**

Section 126 (6) of the Government of Wales Act 2006 requires that the Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Assembly Government. Section 133 (2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Assembly Government staff as Additional Accounting Officers.

Under these arrangements, the Head, Department for Health and Social Services and Chief Executive, NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities for the Summarised Account of Local Health Boards in Wales, including his responsibilities for the propriety and regularity of public finances for which he is answerable, for the keeping of proper records and the preparation of accounts, have been assigned to him through the Memorandum for Additional Accounting Officers.

Section 178, Schedule 9, Para 5(2) of the National Health Service (Wales) Act 2006 requires the Welsh Assembly Government to prepare a statement of accounts for each financial year in the form and on the basis directed by HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Local Health Boards in Wales at the year end and their net operating costs and cash flows for the financial year.

In preparing the accounts Welsh Ministers are required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

## **Statement on Internal Control**

### **1. Scope of responsibility**

As Chief Executive NHS Wales and Additional Accounting Officer for the NHS in Wales, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Welsh Assembly Government's policies, aims and objectives in accordance with the principles set out in Managing Welsh Public Money. I am also responsible for safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me by the Permanent Secretary in her role as Principal Accounting Officer under section 133(2) of the Government of Wales Act 2006.

I am responsible for the propriety and regularity of public finances for the NHS in Wales; for the keeping of proper records; the preparation of accounts; for prudent behaviour and economical administration; the avoidance of waste and extravagance; and for the efficient use of all resources.

To enable me to fulfil these responsibilities I appoint Chief Executives of Local Health Boards (LHBs), to serve as Accountable Officers. It is their responsibility to ensure that there is an effective system of internal control within their individual organisations.

Within the Department for Health Social Services and Children of the Welsh Government, I require Heads of Directorates to take responsibility for ensuring the effective, efficient and economic management of and proper accounting for the resources delegated to them within a robust internal control and risk management framework.

### **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 a continuing process designed to identify and prioritise the risks to the achievement of the Welsh Government's 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 for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury and Welsh Assembly Government guidance.

### **3. Capacity to handle risk**

Guidance has been issued to each Accountable Officer regarding corporate governance, clinical governance, risk management and internal control systems.

I require the Board of each organisation to take overall responsibility for risk management and to have risk management, control and review processes in place. In 2010-11 LHB Boards were required to self assess against the Doing Well Doing Better: Standards for Health Services in Wales, as a toolkit to inform the LHB Boards of the significant risks within their organisations.

The standards assist Boards to identify risks, determine unacceptable levels of risk, and to then decide on where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff have the information, training and access to expert advice which they need to exercise their responsibilities effectively.

An agreement is in place with the Welsh Risk Pool that requires the Pool to support NHS organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good practice and lessons learnt. The Chief Executive of Betsi Cadwaladr University Local Health Board is accountable to me for the work of the Welsh Risk Pool.

#### **4. Doing Well, Doing Better: Standards for Health Services in Wales**

The LHBs have used the Doing Well, Doing Better: Standards for Health Services in Wales as their common framework to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings. This involves self assessment of performance against all standards, as part of this process the LHBs have completed the Governance and Accountability Assessment Module. This process has been subject to independent internal assurance by the organisations' Heads of Internal Audit.

2010-11 is the first year that the Doing Well, Doing Better: Standards for Health Services in Wales have been used across Wales and that they have been used to underpin the Statement of Internal Control.

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

I require all LHBs to have a risk management framework that ensures a systematic approach to internal control. LHBs are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances.

LHBs are required to link risk management to their key organisational objectives in order that objectives and their associated risks may form an integrated part of the organisation's management activity.

Objectives, at the strategic level include those linked to:

- "One Wales" - which aspires to provide a world-class health service that is available to everyone, irrespective of whom they are or where they live in Wales, and at the time when they need it.
- Designed for Life, the health and social care strategy for Wales for 2005-2015, which sets out a clear 10-year ambition, the start of a transformation in services and the first of a series of 3-year action plans based on tough targets to drive the improvements needed.

The key policies include:

- "Access 2009".
- Unscheduled Care and National Service Frameworks, the Primary and Community care Strategy and the Rural Health Plan.
- Welsh Priorities and Planning Guidance, Annual Strategic and Financial Framework Guidance and the National Reporting Framework.



- Compliance with governance and risk management standards.
- Health improvement and partnerships.
- National clinical quality improvement targets, and financial responsibilities.
- Public Service VFM agreements,

In 2010-11 LHBs were required to outline their self assessment of performance against the Governance and Accountability Assessment Module. The self assessment enabled the LHBs to identify how the new standards can be used to underpin the 5 year Service Workforce and Financial Strategic Framework Plans and the Annual Operating Framework. The collated information provides an assessment of the overall maturity level for each theme.

	The LHBs:				
<b>Governance and Accountability Module</b>	do not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve.	are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	are developing plans and processes and can demonstrate progress with some of their key areas for improvement.	have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the Direction			✓		
Enabling Delivery			✓		
Delivering results achieving excellence			✓		
Overall Maturity Level			✓		

The LHBs have plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risks.

### **Clinical governance**

LHBs and partner organisations are required to ensure that a framework is in place for continuously improving the quality and safeguarding high standards of care. LHBs are required to take responsibility and account for:

- The overall quality and safety of care;
- Specification of standards and competencies;
- Participation in clinical audit, benchmarking activities and processes for monitoring clinical care;
- Strict adherence to the Complaints Procedure at all stages; and
- Clear policies for managing risk, to ensure and improve patient safety.

### **Equality Diversity and Human Rights**

Control measures are in place to ensure that all the LHBs' obligations under equality, diversity and human rights legislation are complied with.

### **NHS Pension Scheme**

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

### **Climate Impact**

Risk Assessments have been undertaken and delivery plans are in place in accordance with emergency preparedness and civil contingency requirements to adapt and mitigate for the extreme weather predicted as a consequence of climate change based on UK Climate Impact programme 2009 projections.

### **Carbon Reduction**

The LHBs are undertaking environmental risk assessments to ensure Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the Climate Change Act and the Adaptation Reporting requirements are complied with.

### **Department for Health, Social Services and Children - Risk Management**

The Department is subject to the Welsh Government's Risk Management framework. Risks are controlled at both Executive Board and directorate level, with the bulk of the work to identify, evaluate and monitor the risks falling to individual Heads of Directorates. The main record for documenting the identification,

assessment and management of risk is through the directorate risk register. The Department's Corporate Governance Committee continuously reviews the directorate risk registers and any associated action plans and report their findings to the Executive Board. Heads of Directorates are responsible for ensuring that:

- systems are in place to enable them to be kept informed of new activities and other changes so that risk can be assessed; and
- there are performance indicators in place, which allow the monitoring of key business and financial activities and the directorate's progress towards its objectives.

For the 2010-11 financial year, each Head of Directorate within the Department has reviewed their process of internal control and completed a certificate of assurance, which underpins the departmental Internal Control Questionnaire and Statement on Internal Control.

## **6. Review of effectiveness**

As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system on internal control undertaken by the HSSD is informed by the work of the internal auditors, the Department's Corporate Governance Committee, which oversees the work of the internal auditors, the reports submitted to the Executive Board by the Department's Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

LHB Chief Executives have each submitted a Statement on Internal Control for the year ending 31 March 2011. The review of the statements identified that

- Two of the seven LHBs reported that no significant internal control problems had been identified.
- Four LHBs declared that their internal auditors had identified that in certain areas internal control was limited by specific weaknesses. Management actions have been agreed to address the areas identified.
- One LHB identified an inconsistent level of awareness of the standards internally.
- One LHB was issued with four Improvement Notices by the Health and Safety Executive during 2010-11. Three were concerned with the management of asbestos and one required the development of a Wet Work Risk Assessment. Good progress has been made in taking forward the actions needed to lift these notices and the current position is that the Wet Work Risk Assessment notice and one of the Asbestos Management notices have been lifted and we are on target to comply with the remaining notices.
- In 2009-10 the Human Tissue Authority (HTA) undertook an Inspection Site Visit at the Mortuary and Post Mortem Department, of one of the local health boards resulting in a Notice

of Suspension in respect of two of the three HTA licences relating to the department, and Notice of Proposal to Revoke the third licence. Action was taken to secure reinstatement of the suspended licences, and avoid the proposed revocation. In 2010-11 a very successful inspection of the Mortuary at one of the LHB's hospitals resulted in the facility being designated as an HTA reference site.

The statements and the associated audit reports review provides assurance so that I can be satisfied that any issues raised by the Accountable Officers do not pose a significant threat to internal control and that they are being dealt with appropriately by Accountable Officers.



David Sissling  
Director General, Department for Health, Social Services and Children  
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales  
21 July 2011

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

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards in Wales for the year ended 31 March 2011 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

### **Respective responsibilities of the Additional Accounting Officer and Auditor**

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities [set out page 2], the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006, and directions made by HM Treasury there under, and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to LHBS' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the LHB Directors and Chief Executives; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards in Wales as at 31 March 2011 and of their net operating costs, their recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury

### **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.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Statement on Internal Control does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept; or
- I have not received all the information and explanations I require for my audit.

### **Report**

I have no observations to make on these financial statements.

Huw Vaughan Thomas  
Auditor General for Wales  
25 July 2011

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 £'000 Restated
Expenditure on Primary Healthcare Services	2.1	<b>1,338,199</b>	1,306,261
Expenditure on healthcare from other providers	2.2	<b>860,438</b>	882,090
Expenditure on Hospital and Community Health Services	2.3	<b>3,660,555</b>	3,675,374
		<b>5,859,192</b>	5,863,725
Less: Miscellaneous Income	3	<b>481,999</b>	476,667
<b>LHB net operating costs before interest and other gains and losses</b>		<b>5,377,193</b>	5,387,058
Less :Investment Income	7	<b>(39)</b>	(416)
Other (Gains) / Losses	8	<b>94</b>	(138)
Finance costs	9	<b>9,585</b>	49,879
<b>Net operating costs for the financial year</b>		<b>5,386,833</b>	5,436,383

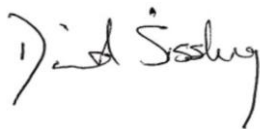
The notes on pages 15 to 54 form part of these accounts

The net operating costs for the Local Health Boards in Wales reported in last years Summarised Accounts were £4,858,653. The comparative figures have been restated in these accounts to include the HM Treasury Financial Reporting Manual (FRoM) amendment for the treatment of impairments; the removal of the cost of capital as a result of the HM Treasury Clear Line of Sight; the inclusion of Health Commission Wales financial activities for 2009-10 into Cwm Taf Local Health Board; and the transfer of the Informing Healthcare function from Abertawe Bro Morgannwg University Local Health Board to Velindre NHS Trusts hosted body NHS Wales Informatics Service (NWIS). The latter two transfers were accounted for under FRoM merger accounting rules.

## Statement of Financial Position as at 31 March 2011

	Notes	31 March 2011 £'000	31 March 2010 £'000 Restated
<b>Non-current assets</b>			
Property, plant and equipment	10.1	2,731,314	2,615,447
Intangible assets	11	5,239	5,282
Trade and other receivables	13	155,598	126,863
Other financial assets	17	896	922
Other assets	18	1,626	-
<b>Total non-current assets</b>		<b>2,894,673</b>	<b>2,748,514</b>
<b>Current assets</b>			
Inventories	12	49,164	46,505
Trade and other receivables	13	266,073	278,837
Other financial assets	17	26	25
Other current assets	18	7,509	8,149
Cash and cash equivalents	16	11,867	16,194
		<b>334,639</b>	<b>349,710</b>
Non-current assets classified as "Held for Sale"	10.2	1,590	5,345
<b>Total current assets</b>		<b>336,229</b>	<b>355,055</b>
<b>Total assets</b>		<b>3,230,902</b>	<b>3,103,569</b>
<b>Current liabilities</b>			
Trade and other payables	14	580,861	555,629
Provisions	15	222,733	225,974
Other liabilities	19	3,343	3,268
<b>Total current liabilities</b>		<b>806,937</b>	<b>784,871</b>
<b>Net current assets/ (liabilities)</b>		<b>(470,708)</b>	<b>(429,816)</b>
<b>Non-current liabilities</b>			
Trade and other payables	14	86,289	91,206
Provisions	15	196,854	166,509
Other liabilities	19	1,770	2,061
<b>Total non-current liabilities</b>		<b>284,913</b>	<b>259,776</b>
<b>Total assets employed</b>		<b>2,139,052</b>	<b>2,058,922</b>
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		1,722,898	1,623,365
Revaluation reserve		371,801	393,473
Donated asset reserve		42,917	41,606
Government grant reserve		1,436	478
<b>Total taxpayers' equity</b>		<b>2,139,052</b>	<b>2,058,922</b>

The notes on pages 15 to 54 form part of these accounts



David Sissling,

Director General, Department for Health, Social Services and Children, Chief Executive NHS Wales

21 July 2011



## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2011

	General Fund £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Total reserves £000
<b>Changes in taxpayers' equity for 2010-11</b>					
<b>Balance at 1 April 2010</b>	1,623,365	393,473	41,606	478	2,058,922
Net operating cost for the year	(5,386,833)	0	-	-	(5,386,833)
Net gain/(loss) on revaluation of property, plant and equipment	-	3,411	578	-	3,989
Net gain/(loss) on revaluation of financial assets	-	-	-	43	43
Impairments and reversals	-	(20,801)	(811)	-	(21,612)
Receipt / (disposal) of donated or government granted assets	-	-	5,084	1,191	6,275
Release of reserves to OCS	-	-	(4,487)	(276)	(4,763)
Transfers between reserves	3,335	(4,282)	947	-	-
Transfers to/(from) other bodies	(13,246)	-	-	-	(13,246)
<b>Total recognised income and expense for 2010-11</b>	<b>(5,396,744)</b>	<b>(21,672)</b>	1,311	958	<b>(5,416,147)</b>
Net Assembly funding	5,496,277	-	-	-	5,496,277
<b>Balance at 31 March 2011</b>	<b>1,722,898</b>	<b>371,801</b>	<b>42,917</b>	<b>1,436</b>	<b>2,139,052</b>

The notes on pages 15 to 54 form part of these accounts

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2010

	General Fund £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Total reserves £000
Changes in taxpayers' equity for 2009-10	Restated	Restated	Restated	Restated	Restated
<b>Balance at 1 April 2009</b>	1,577,995	533,159	39,835	91	2,151,080
Net operating cost for the year	(5,436,383)	-	-	-	(5,436,383)
Net gain/(loss) on revaluation of property, plant and equipment	-	(24,273)	2,485	-	(21,788)
Net gain/(loss) on revaluation of financial assets	-	-	-	9	9
Impairments and reversals	-	(60,431)	(580)	-	(61,011)
Receipt / (disposal) of donated or government granted assets	-	-	4,281	380	4,661
Movements in other reserves	(5)	-	-	-	(5)
Release of reserves to OCS	116	-	(4,476)	(2)	(4,362)
Transfers between reserves	54,921	(54,982)	61	-	-
Transfers to/(from) other bodies	457	-	-	-	457
<b>Total recognised income and expense for 2009-10</b>	<b>(5,380,894)</b>	<b>(139,686)</b>	<b>1,771</b>	<b>387</b>	<b>(5,518,422)</b>
Net Assembly funding	5,426,264	0	-	-	5,426,264
<b>Balance at 31 March 2010</b>	<b>1,623,365</b>	<b>393,473</b>	<b>41,606</b>	<b>478</b>	<b>2,058,922</b>

The notes on pages 15 to 54 form part of these accounts

## Statement of Cash flows for year ended 31 March 2011

	2010-11 £'000	2009-10 £'000
<b>Cash Flows from operating activities</b>	notes	Restated
Net operating cost before interest	<b>(5,377,193)</b>	<b>(5,387,058)</b>
Movements in Working Capital	29 <b>(23,856)</b>	(35,045)
Other cash flow adjustments	30 <b>345,144</b>	373,964
Provisions utilised	15 <b>(89,165)</b>	(62,001)
Interest paid	<b>(7,810)</b>	<b>(7,303)</b>
<b>Net cash outflow from operating activities</b>	<b>(5,152,880)</b>	<b>(5,117,443)</b>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(345,135)</b>	<b>(358,423)</b>
Proceeds from disposal of property, plant and equipment	<b>6,122</b>	<b>3,227</b>
Purchase of intangible assets	<b>(1,117)</b>	<b>(2,009)</b>
Reclassification of National Loans Fund deposit to cash equivalent	-	<b>(48,000)</b>
Reclassification of National Loans Fund receipts to cash equivalent	-	<b>52,540</b>
Interest received	<b>39</b>	<b>465</b>
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(340,091)</b>	<b>(352,200)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(5,492,971)</b>	<b>(5,469,643)</b>
<b>Cash flows from financing activities</b>		
Welsh Assembly Government funding (including capital)	<b>5,496,277</b>	<b>5,426,264</b>
Capital receipts surrendered	-	<b>(9)</b>
Capital grants received	<b>4,652</b>	<b>1,894</b>
Capital element of payments in respect of finance leases and on-SoFP	-	<b>(1,719)</b>
Cash transferred (to)/ from other NHS bodies	<b>(12,285)</b>	<b>-</b>
<b>Net financing</b>	<b>5,488,644</b>	<b>5,426,430</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4,327)</b>	<b>(43,213)</b>
<b>Cash and cash equivalents at 1 April 2010</b>	<b>16,194</b>	<b>59,407</b>
<b>Cash and cash equivalents at 31 March 2011</b>	<b>11,867</b>	<b>16,194</b>

The notes on pages 15 to 54 form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2010-11 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on 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 from one public sector body to another.

#### 1.3 Income and funding

The main source of funding for the LHBs are allocations (Assembly Funding) from the Welsh Assembly Government within an approved cash limit, which is credited to the General Fund of the LHBs. Assembly funding is recognised in the financial period in which the cash is received.

Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Assembly Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Assembly Government is credited to the general fund.

- Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Assembly Government. This includes payment for services uniquely provided by the LHBs for the Welsh Assembly Government such as funding provided to agencies and non-activity costs incurred by the LHBs in their provides role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

#### 1.4 Employee benefits

##### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the

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service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

### **Retirement benefit costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as 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.

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 expenditure at the time the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

### **1.5 Other expenses**

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

### **1.6 Property, plant and equipment**

#### **Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are

under single managerial control; or

- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

## Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the LHBs services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets (MEA) and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

From 2009-10 no indexation is applied to the land and properties of NHS Wales bodies because they have been subject to a MEA revaluation exercise. The equipment of NHS Wales LHBs is subject to indexation. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

## Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

## 1.7 Intangible assets

### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5000. Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

## 1.8 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over

their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the LHBs checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### **1.9 Borrowing costs**

Borrowing costs are recognised as expenses as they are incurred.

### **1.10 Donated assets**

Donated assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. Donated assets are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the operating cost statement. On sale of donated assets the net book value is transferred from the donated asset reserve to the general fund.

### **1.11 Government grants**

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by the Welsh Assembly Government. Revenue grants are treated as deferred income initially and credited to the operating cost statement to match the expenditure to which it relates. Capital grants are credited to the government grant reserve. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the operating cost statement.

### **1.12 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is



regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the operating cost statement. On disposal, the balance for the asset on the revaluation reserve, donated asset reserve or government grant reserve is transferred to the General Fund.

### **1.13 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### **1.13.1 The Local Health Board as lessee**

Amounts held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the operating cost statement.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

#### **1.13.2 The health board as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHBs net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### **1.14 Inventories**

Inventories are valued at the lower of cost and net realisable value using the [first-in first-out/weighted average] cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

### **1.15 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on

notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **1.16 Provisions**

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the LHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

### **1.17 Clinical negligence costs**

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Assembly Government. The Welsh Risk Pool is hosted by Betsi Cadwaladr University Local Health Board.

### **1.18 Financial assets**

Financial assets are recognised on the Statement of Financial Position when the LHB 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.

#### **1.18.1 Financial assets are initially recognised at fair value.**

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### **1.18.2 Financial assets at fair value through SoCNE**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the operating cost statement. The net gain or loss incorporates any interest earned on the financial asset.

### **1.18.3 Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

### **1.18.4 Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the operating cost statement on de-recognition.

### **1.18.5 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the LHB assess whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the operating cost statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the operating cost statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed

does not exceed what the amortised cost would have been had the impairment not been recognised.

### **1.19 Financial liabilities**

Financial liabilities are recognised on the balance sheet when the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

#### **1.19.1 Financial liabilities are initially recognised at fair value.**

Financial liabilities are classified as either financial liabilities 'at fair value through SoCNE' or other financial liabilities.

#### **1.19.2 Financial liabilities at fair value through SoCNE**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the operating cost statement. The net gain or loss incorporates any interest earned on the financial asset.

#### **1.19.3 Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

### **1.20 Cost of Capital**

The cost of capital charge has been removed from these accounts from 2010-11 onwards in line with HM Treasury's Clear Line of Sight project. As a result a prior period adjustment has been included in the accounts of all LHBs to remove the charge from the 2009-10 comparator numbers and the figures for last year have been amended to zero.

### **1.21 Value Added Tax**

Most of the activities of the LHB 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.

### **1.22 Foreign currencies**

Transactions 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 operating cost statement. At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

### 1.23 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHBs have no beneficial interest in them.

### 1.24 Losses and Special Payments

Losses and special payments are items that the Welsh Assembly Government 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 relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

### 1.25 Pooled budget

Several LHBs have entered into a pooled budget with Local Authorities. Under the arrangement funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006.

Payments for services provided are accounted for as Miscellaneous Income. LHBs account for their share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

### 1.26 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The LHB therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

#### Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

#### PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17.

Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

**PFI liability**

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Income Statement. The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term. An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Income Statement.

**Lifecycle replacement**

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the LHBs criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

**Assets contributed by the LHB to the operator for use in the scheme**

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the LHBs Statement of Financial Position.

**Other assets contributed by the LHB to the operator**

Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

**1.27 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events

not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the

obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

### **1.28 EU Emissions Trading Scheme**

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the LHB 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 asset, provision and government grant reserve are valued at fair value at the end of the reporting period.

## 2. Analysis of gross operating costs

### 2.1 Expenditure on Primary Healthcare Services

	<b>Cash limited £'000</b>	<b>Non-cash limited £'000</b>	<b>2010-11 Total £'000</b>	2009-10  £'000 Restated
General Medical Services	455,713	-	<b>455,713</b>	452,313
Pharmaceutical Services	143,301	2,569	<b>145,870</b>	138,327
General Dental Services	162,326	-	<b>162,326</b>	153,732
General Ophthalmic Services	1	29,654	<b>29,655</b>	30,116
Other Primary Health Care expenditure	26,644	-	<b>26,644</b>	23,751
Prescribed drugs and appliances	517,991	-	<b>517,991</b>	508,022
<b>Total</b>	<b>1,305,976</b>	<b>32,223</b>	<b>1,338,199</b>	<b>1,306,261</b>

### 2.2 Expenditure on healthcare from other providers

	<b>2010-11 £'000</b>	2009-10  £'000 Restated
Goods and services from other NHS Wales Trusts	<b>202,946</b>	235,724
Goods and services from other non Welsh NHS bodies	<b>224,866</b>	217,258
Local Authorities	<b>19,367</b>	20,485
Voluntary organisations	<b>24,012</b>	17,429
NHS Funded Nursing Care	<b>35,931</b>	33,599
Continuing Care	<b>303,980</b>	286,827
Private providers	<b>33,599</b>	40,037
Specific projects funded by the Welsh Assembly Government	<b>508</b>	4,458
National Public Health Service / Public Health Wales	<b>11,736</b>	19,289
Business Services Centre / Business Support Partnership	-	953
Other	<b>3,493</b>	6,031
<b>Total</b>	<b>860,438</b>	<b>882,090</b>



### 2.3 Expenditure on Hospital and Community Health Services

	2010-11 £'000	2009-10 £'000 Restated
Directors' costs	11,590	15,699
Staff costs	2,651,213	2,595,585
Supplies and services - clinical	433,642	423,165
Supplies and services - general	40,603	37,671
Consultancy Services	3,671	6,266
Establishment	69,283	66,846
Transport	10,881	11,926
Premises	113,350	117,289
External Contractors	667	701
Depreciation	129,393	131,443
Amortisation	1,448	1,242
Fixed asset impairments and reversals (Property, plant & equipment)	100,960	152,917
Impairments & reversals of non-current assets held for sale	2,129	-
Audit fees	3,578	6,926
Other auditors' remuneration	6	78
Losses, special payments and irrecoverable debts	16,455	14,278
Research and Development	381	23
Other operating expenses	71,305	93,319
<b>Total</b>	<b>3,660,555</b>	<b>3,675,374</b>

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

	2010-11 £000	2009-10 £000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	85,207	106,288
Personal injury	5,889	6,104
All other losses and special payments	6,478	1,239
Defence legal fees and other administrative costs	4,299	4,373
Gross increase/(decrease) in provision for future payments	<b>101,873</b>	118,004
Premium for other insurance arrangements	526	25
Irrecoverable debts	(559)	927
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(85,385)</b>	<b>(104,678)</b>
<b>Total</b>	<b>16,455</b>	<b>14,278</b>

Personal injury includes £1,197,636 (2009-10 £1,491,801) in respect of permanent injury benefits

### 3. Miscellaneous Income

	2010-11 £'000	2009-10 £'000 Restated
NHS trusts	22,832	21,386
Strategic health authorities and primary care trusts	24,967	24,083
Foundation Trusts	724	32
Local authorities	32,342	30,382
Welsh Assembly Government	134,387	131,277
Non NHS:		
Prescription charge income	138	1,376
Dental fee income	27,426	27,024
Private patient income	7,113	6,951
Overseas patients (non-reciprocal)	413	173
Injury Costs Recovery (ICR) Scheme	14,386	15,002
Other income from activities	10,078	22,482
Patient transport services	23	76
Education, training and research	145,250	148,298
Charitable and other contributions to expenditure	6,761	7,219
Transfer from the donated asset reserve	4,487	4,476
Transfer from the government grant reserve	276	2
Non-patient care income generation schemes	5,169	9,484
Business Services Centre / Business Services Partnership	0	-
Deferred income released to revenue	217	266
Rental income from operating leases	936	508
Other income:		
Accommodation and catering charges	14,233	14,714
Mortuary fees	1,271	1,243
Staff payments for use of cars	2,754	2,381
Business units	10,921	0
Other	14,895	7,832
<b>Total</b>	<b>481,999</b>	<b>476,667</b>

#### 4. Employee benefits and staff numbers

4.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	£000	£000	£000	£000	£000
Salaries and wages	2,209,197	5,881	57,959	<b>2,273,037</b>	2,233,975
Social security costs	161,281	38	-	<b>161,319</b>	159,952
Employer contributions to NHS Pension Scheme	268,760	55	-	<b>268,815</b>	259,141
Other pension costs	520	-	-	<b>520</b>	1,412
Termination benefits	3,538	-	-	<b>3,538</b>	1,269
<b>Total</b>	<b>2,643,296</b>	<b>5,974</b>	<b>57,959</b>	<b>2,707,229</b>	<b>2,655,749</b>
Charged to capital				<b>4,748</b>	6,390
Charged to revenue				<b>2,702,481</b>	2,649,359
				<b>2,707,229</b>	<b>2,655,749</b>

The full employee costs reported above are included in note 2.1 General Medical Services and note 2.3 Expenditure on Hospital and Community Services.

#### 4.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2009-10
	Number	Number	Number	Number	Number
Medical and dental	5,701	33	284	<b>6,018</b>	6,267
Administrative and estates	13,053	46	50	<b>13,149</b>	14,224
Healthcare assistants and other support staff	10,192	1	48	<b>10,241</b>	10,996
Nursing, midwifery and health visiting staff	27,696	7	240	<b>27,943</b>	27,102
Nursing, midwifery and health visiting learners	19	2	-	<b>21</b>	32
Scientific, therapeutic and technical staff	10,050	3	17	<b>10,070</b>	9,657
Social care staff	-	4	-	<b>4</b>	1
Other	46	-	2	<b>48</b>	17
<b>Total</b>	<b>66,757</b>	<b>96</b>	<b>641</b>	<b>67,494</b>	<b>68,296</b>

#### 4.3. Retirements due to ill-health

During 2010-11 there were 117 early retirements from LHBs 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 Pension Scheme) will be £9,314,033.

#### 4.4 Employee benefits

There were no employee benefit schemes operating in 2010-11.

#### 4.5 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](http://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 scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an 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) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period 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.

##### c) Scheme provisions

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 statement of comprehensive income 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

## 5. Operating leases

### LHB as lessee

<b>Payments recognised as an expense</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Minimum lease payments	<b>21,782</b>	19,612
<b>Total</b>	<b>21,782</b>	19,612

### Total future minimum lease payments

<b>Payable</b>	<b>£000</b>	£000
Not later than one year	<b>13,542</b>	11,180
Between one and five years	<b>23,224</b>	22,074
After 5 years	<b>27,365</b>	21,932
<b>Total</b>	<b>64,131</b>	55,186

### LHB as lessor

<b>Rental revenue</b>	<b>£000</b>	£000
Rent	<b>619</b>	749
<b>Total revenue rental</b>	<b>619</b>	749

### Total future minimum lease payments

<b>Receivable</b>	<b>£000</b>	£000
Not later than one year	<b>500</b>	349
Between one and five years	<b>597</b>	948
After 5 years	<b>1,095</b>	1,953
<b>Total</b>	<b>2,192</b>	3,250

## 6.1 The Late Payment of Commercial Debts (Interest) Act 1998

	2010-11	2009-10
	£	£
Amounts included within finance costs (note 9) from claims made under this legislation	579	-
Compensation paid to cover debt recovery costs under this legislation	2,210	-
<b>Total</b>	<b>2,789</b>	<b>-</b>

**7. Investment Income**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
<b>Interest revenue :</b>		
Bank accounts	<b>12</b>	363
Other financial assets	<b>27</b>	53
<b>Total</b>	<b>39</b>	416

**8. Other gains and losses**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
		Restated
Gain/(loss) on disposal of property, plant and equipment	<b>(94)</b>	148
Gain/(loss) on disposal of intangible assets	<b>-</b>	<b>(10)</b>
<b>Total</b>	<b>(94)</b>	138

**9. Finance costs**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
		Restated
Interest on obligations under finance leases	<b>419</b>	472
main finance cost	<b>5,933</b>	6,104
contingent finance cost	<b>1,457</b>	1,240
Interest on late payment of commercial debt	<b>1</b>	-
Provisions unwinding of discount	<b>1,775</b>	1,458
<b>Total interest expense</b>	<b>9,585</b>	9,274
PDC dividends payable	<b>-</b>	40,605
<b>Total</b>	<b>9,585</b>	49,879

10.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2010</b>	392,247	1,814,387	53,932	370,722	448,329	7,194	78,341	14,890	3,180,042
Additions - purchased	43	30,368	206	274,762	42,042	464	11,253	4,304	363,442
Additions - donated	2,550	389	-	129	1,817	-	111	80	5,076
Additions - government granted	-	-	-	866	-	-	106	9	981
Transfer from/into other NHS bodies	-	(14)	-	-	-	-	(1,394)	(158)	(1,566)
Reclassifications	202	186,027	2,648	(191,730)	1,579	2	788	128	(356)
Revaluations	32	2,056	-	0	(2,047)	-	-	-	41
Impairments	(1,406)	(126,239)	(2,030)	(6,598)	-	-	(615)	-	(136,888)
Reversal of impairments	-	18,438	-	-	-	-	-	-	18,438
Reclassified as held for sale	(1,927)	(3,496)	-	-	(55)	-	-	-	(5,478)
Disposals	(17)	(38)	(24)	-	(25,617)	(357)	(2,427)	(658)	(29,138)
<b>At 31 March 2011</b>	<b>391,724</b>	<b>1,921,878</b>	<b>54,732</b>	<b>448,151</b>	<b>466,048</b>	<b>7,303</b>	<b>86,163</b>	<b>18,595</b>	<b>3,394,594</b>
<b>Depreciation at 1 April 2010</b>	-	205,075	3,483	1,793	293,775	4,989	47,707	7,773	564,595
Indexation	-	-	-	-	-	-	-	-	-
Transfer from/into other NHS bodies	-	(2)	-	-	-	-	(680)	(105)	(787)
Reclassifications	-	(85)	78	10	531	1	(601)	(2)	(68)
Revaluations	-	(30,820)	(1,306)	-	(2,408)	-	-	-	(34,534)
Impairments	-	9,460	102	26,775	-	-	(16)	-	36,321
Reversal of impairments	-	(1,611)	-	-	-	-	-	-	(1,611)
Reclassified as held for sale	-	(1,532)	-	-	-	-	-	-	(1,532)
Disposals	-	(38)	(24)	-	(25,046)	(346)	(2,387)	(656)	(28,497)
Provided during the year	-	77,624	1,550	-	38,365	528	10,097	1,229	129,393
<b>At 31 March 2011</b>	<b>-</b>	<b>258,071</b>	<b>3,883</b>	<b>28,578</b>	<b>305,217</b>	<b>5,172</b>	<b>54,120</b>	<b>8,239</b>	<b>663,280</b>
<b>Net book value at 1 April 2010</b>	<b>392,247</b>	<b>1,609,312</b>	<b>50,449</b>	<b>368,929</b>	<b>154,554</b>	<b>2,205</b>	<b>30,634</b>	<b>7,117</b>	<b>2,615,447</b>
<b>Net book value at 31 March 2011</b>	<b>391,724</b>	<b>1,663,807</b>	<b>50,849</b>	<b>419,573</b>	<b>160,831</b>	<b>2,131</b>	<b>32,043</b>	<b>10,356</b>	<b>2,731,314</b>
<b>Net book value at 31 March 2011 comprises :</b>									
Purchased	387,185	1,634,639	50,849	419,565	151,346	2,006	31,683	9,945	2,687,218
Donated	4,539	28,100	-	8	9,485	125	185	381	42,823
Government Granted	-	1,068	-	-	-	-	175	30	1,273
	391,724	1,663,807	50,849	419,573	160,831	2,131	32,043	10,356	2,731,314
<b>Asset financing :</b>									
Owned	378,388	1,558,388	46,706	419,573	156,258	2,131	31,917	10,356	2,603,717
Held on finance lease	1	1,768	-	-	3,594	-	126	-	5,489
On-SoFP PFI contracts	13,335	103,651	4,143	-	979	-	-	-	122,108
	391,724	1,663,807	50,849	419,573	160,831	2,131	32,043	10,356	2,731,314

The net book value of land, buildings and dwellings at 31 March 2011 comprises :

	£000
Freehold	2,113,322
Long Leasehold	126,873
Short Leasehold	1,396
	<b>2,241,591</b>



10.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or valuation at 1 April 2009</b>	503,223	1,885,576	62,483	232,510	434,345	7,131	72,108	13,642	3,211,018
Indexation	(5)	12	-	7	8,109	132	1	266	8,522
Additions - purchased	115	26,161	41	282,443	29,306	446	10,213	2,064	350,789
Additions - donated	-	222	-	1,462	2,406	122	40	6	4,258
Additions - government granted	-	30	-	122	-	-	87	22	261
Transfer from/into other NHS bodies	36	(1,280)	330	(50)	302	(252)	-	-	(914)
Reclassifications	(96)	141,657	(1,144)	(142,961)	1,224	(1)	1,142	(174)	(353)
Revaluations	(34,576)	(88,632)	(2,400)	(27)	(611)	-	(59)	(15)	(126,320)
Impairments	(72,917)	(147,585)	(4,089)	(2,784)	(167)	-	-	-	(227,542)
Reversal of impairments	-	-	-	-	-	-	-	-	-
Reclassified as held for sale	(3,299)	(836)	(1,289)	-	-	-	-	-	(5,424)
Disposals	(234)	(938)	-	-	(26,585)	(384)	(5,191)	(921)	(34,253)
<b>At 31 March 2010</b>	<b>392,247</b>	<b>1,814,387</b>	<b>53,932</b>	<b>370,722</b>	<b>448,329</b>	<b>7,194</b>	<b>78,341</b>	<b>14,890</b>	<b>3,180,042</b>
<b>Depreciation at 1 April 2009</b>	-	243,537	4,838	101	275,818	4,796	43,479	7,500	580,069
Indexation	-	-	-	-	5,011	87	1	135	5,234
Indexation	-	(914)	-	-	-	-	-	-	(914)
Reclassifications	-	179	(25)	(101)	(102)	-	102	(53)	-
Revaluations	-	(97,911)	(2,224)	-	(526)	-	(59)	(7)	(100,727)
Impairments	-	(18,410)	(643)	1,793	-	-	-	-	(17,260)
Reversal of impairments	-	(1)	-	-	-	-	-	-	(1)
Reclassified as held for sale	-	-	-	-	-	-	-	-	-
Disposals	-	(482)	-	-	(26,295)	(382)	(5,170)	(920)	(33,249)
Provided during the year	-	79,077	1,537	-	39,869	488	9,354	1,118	131,443
<b>At 31 March 2010</b>	<b>-</b>	<b>205,075</b>	<b>3,483</b>	<b>1,793</b>	<b>293,775</b>	<b>4,989</b>	<b>47,707</b>	<b>7,773</b>	<b>564,595</b>
<b>Net book value at 1 April 2009</b>	<b>503,223</b>	<b>1,642,039</b>	<b>57,645</b>	<b>232,409</b>	<b>158,527</b>	<b>2,335</b>	<b>28,629</b>	<b>6,142</b>	<b>2,630,949</b>
<b>Net book value at 31 March 2010</b>	<b>392,247</b>	<b>1,609,312</b>	<b>50,449</b>	<b>368,929</b>	<b>154,554</b>	<b>2,205</b>	<b>30,634</b>	<b>7,117</b>	<b>2,615,447</b>
<b>Net book value at 31 March 2010 comprises :</b>									
Purchased	390,258	1,580,144	50,449	367,510	143,995	2,043	30,267	6,681	2,571,347
Donated	1,989	28,100	-	1,297	10,559	162	282	425	42,814
Government Granted	-	1,068	-	122	0	0	85	11	1,286
	392,247	1,609,312	50,449	368,929	154,554	2,205	30,634	7,117	2,615,447
<b>Asset financing :</b>									
Owned	378,111	1,492,853	46,212	368,929	148,239	2,205	30,362	7,117	2,474,028
Held on finance lease	801	9,753	-	-	5,034	-	272	-	15,860
On-SoFP PFI contracts	13,335	106,706	4,237	-	1,281	-	-	-	125,559
	392,247	1,609,312	50,449	368,929	154,554	2,205	30,634	7,117	2,615,447

The net book value of land, buildings and dwellings at 31 March 2010 comprises :

	£000
Freehold	2,030,905
Long Leasehold	128,043
Short Leasehold	1,584
	<b>2,160,532</b>

**10. Property, plant and equipment (continued)**

<b>10.2 Non-current assets held for sale</b>	<b>Land</b>	<b>Buildings, including dwelling</b>	<b>Other property, plant and equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance brought forward 1 April 2010</b>	3,323	2,022	-	<b>5,345</b>
Plus assets classified as held for sale in the year	1,927	1,964	55	<b>3,946</b>
Less assets sold in the year	(3,768)	(1,752)	(55)	<b>(5,575)</b>
Less impairment of assets held for sale	(445)	(1,800)	-	<b>(2,245)</b>
Plus reversal of impairment of assets held for sale	119	-	-	<b>119</b>
<b>Balance carried forward 31 March 2011</b>	<u>1,156</u>	<u>434</u>	<u>-</u>	<u><b>1,590</b></u>
<b>Balance brought forward 1 April 2009</b>	4,163	968	-	<b>5,131</b>
Plus assets classified as held for sale in the year	3,298	2,126	-	<b>5,424</b>
Less assets sold in the year	(1,622)	(453)	-	<b>(2,075)</b>
Less impairment of assets held for sale	(2,572)	(794)	-	<b>(3,366)</b>
Plus reversal of impairment of assets held for sale	92	175	-	<b>267</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(36)	-	-	<b>(36)</b>
<b>Balance carried forward 31 March 2010</b>	<u>3,323</u>	<u>2,022</u>	<u>-</u>	<u><b>5,345</b></u>

**11. Intangible non-current assets**

	<b>Software (purchased)</b>	<b>Licences and trademarks</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
	Restated	Restated	Restated
<b>Cost or valuation at 1 April 2010</b>	8,609	11	<b>8,620</b>
Reclassifications	356	-	<b>356</b>
Additions- purchased	1,109	-	<b>1,109</b>
Additions- donated	8	-	<b>8</b>
Disposals	(78)	-	<b>(78)</b>
<b>Gross cost at 31 March 2011</b>	<b>10,004</b>	<b>11</b>	<b>10,015</b>
<b>Amortisation at 1 April 2010</b>	3,331	7	<b>3,338</b>
Reclassifications	68	-	<b>68</b>
Provided during the year	1,446	2	<b>1,448</b>
Disposals	(78)	-	<b>(78)</b>
<b>Amortisation at 31 March 2011</b>	<b>4,767</b>	<b>9</b>	<b>4,776</b>
<b>Net book value at 1 April 2010</b>	<b>5,278</b>	<b>4</b>	<b>5,282</b>
<b>Net book value at 31 March 2011</b>	<b>5,237</b>	<b>2</b>	<b>5,239</b>
<b>At 31 March 2011</b>			
Purchased	5,182	2	<b>5,184</b>
Donated	47	-	<b>47</b>
Government Granted	8	-	<b>8</b>
<b>Total at 31 March 2011</b>	<b>5,237</b>	<b>2</b>	<b>5,239</b>

**11. Intangible non-current assets (continued)**

	<b>Software (purchased)</b>	<b>Licences and trademarks</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
	Restated	Restated	Restated
<b>Cost or valuation at 1 April 2009</b>	8,255	11	<b>8,266</b>
Additions- purchased	1,960	-	<b>1,960</b>
Additions- donated	38	-	<b>38</b>
Additions- government granted	11	-	<b>11</b>
Disposals	(1,655)	-	<b>(1,655)</b>
<b>Gross cost at 31 March 2010</b>	<b>8,609</b>	<b>11</b>	<b>8,620</b>
<b>Amortisation at 1 April 2009</b>	3,737	4	<b>3,741</b>
Provided during the year	1,239	3	<b>1,242</b>
Disposals	(1,645)	-	<b>(1,645)</b>
<b>Amortisation at 31 March 2010</b>	<b>3,331</b>	<b>7</b>	<b>3,338</b>
<b>Net book value at 1 April 2009</b>	<b>4,518</b>	<b>7</b>	<b>4,525</b>
<b>Net book value at 31 March 2010</b>	<b>5,278</b>	<b>4</b>	<b>5,282</b>
<b>At 31 March 2010</b>			
Purchased	5,215	4	<b>5,219</b>
Donated	52	-	<b>52</b>
Government Granted	11	-	<b>11</b>
Internally generated	-	-	<b>-</b>
<b>Total at 31 March 2011</b>	<b>5,278</b>	<b>4</b>	<b>5,282</b>

**12. Inventories**

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
Drugs	<b>17,378</b>	16,797
Consumables	<b>30,549</b>	28,601
Energy	<b>1,203</b>	1,088
Other	<b>34</b>	19
<b>Total</b>	<b>49,164</b>	46,505

### 13. Trade and other Receivables

<b>Current</b>	<b>31 March 2011 £000</b>	31 March 2010 £000 Restated
Welsh Assembly Government	7,078	8,403
Welsh NHS Trusts	3,221	5,449
Non - Welsh Trusts	6,253	6,856
Other NHS	200	503
Welsh Risk Pool	182,623	189,330
Local Authorities	9,515	10,106
Capital debtors	124	1,833
Other debtors	50,597	52,397
Provision for irrecoverable debts	(6,184)	(8,694)
Other prepayments and accrued income	12,646	12,654
<b>Sub total</b>	<b>266,073</b>	<b>278,837</b>
<b>Non-current</b>		
Non - Welsh Trusts	-	3
Welsh Risk Pool	149,476	119,573
Other debtors	6,825	7,369
Provision for irrecoverable debts	(931)	(323)
Other prepayments and accrued income	228	241
<b>Sub total</b>	<b>155,598</b>	<b>126,863</b>
<b>Total</b>	<b>421,671</b>	<b>405,700</b>
 <b>Receivables past their due date but not impaired</b>		
By up to three months	12,989	20,372
By three to six months	3,014	3,258
By more than six months	9,068	10,044
	<b>25,071</b>	<b>33,674</b>
 <b>Provision for impairment of receivables</b>		
Balance at 1 April	(9,017)	(8,095)
Amount written off during the year	522	983
Amount recovered during the year	804	471
(Increase) / decrease in receivables impaired	576	(2,376)
Balance at 31 March	(7,115)	(9,017)

## 14. Trade and other payables

<b>Current</b>	<b>31 March 2011 £000</b>	31 March 2010 £000 Restated
Welsh Assembly Government	3,655	1,615
Welsh NHS Trusts	5,647	10,201
Other NHS	33,133	34,170
Income tax and social security	47,103	49,086
Non-NHS creditors	101,193	155,750
Local authorities	13,603	13,213
Capital Creditors	57,857	35,202
Rentals due under operating leases	41	-
Obligations under finance leases, HP contracts and PFI contracts	5,524	5,548
Pensions: staff	17,864	17,697
Accruals	275,260	208,004
Deferred Income	1,512	2,796
Other creditors	18,469	22,347
<b>Total</b>	<b>580,861</b>	<b>555,629</b>
<b>Non-current</b>		
Non-NHS creditors	-	194
Obligations under finance leases, HP contracts and PFI contracts	86,289	90,684
Pensions: staff	-	328
<b>Total</b>	<b>86,289</b>	<b>91,206</b>

15. Provisions

	At 1 April 2010	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>								
Clinical negligence	168,866	-	3,312	122,583	(62,013)	(67,586)	379	165,541
Personal injury	7,304	21	805	7,831	(6,523)	(3,495)	286	6,229
All other losses and special payments	66	(289)	-	6,855	(6,032)	(377)	-	223
Defence legal fees and other administration	8,388	-	(243)	7,031	(2,643)	(3,826)	-	8,707
Pensions relating to former directors	8	-	6	-	(8)	-	2	8
Pensions relating to other staff	3,046	-	215	559	(1,877)	(13)	248	2,178
Restructuring	-	-	-	-	-	-	-	-
Other	38,296	-	243	18,379	(5,552)	(11,519)	-	39,847
<b>Total</b>	<b>225,974</b>	<b>(268)</b>	<b>4,338</b>	<b>163,238</b>	<b>(84,648)</b>	<b>(86,816)</b>	<b>915</b>	<b>222,733</b>
<b>Non Current</b>								
Clinical negligence	123,089	-	(3,312)	41,485	(3,389)	(11,275)	545	147,143
Personal injury	16,501	328	(432)	1,617	(598)	(64)	106	17,458
All other losses and special payments	-	-	-	-	-	-	-	-
Defence legal fees and other administration	2,997	-	243	1,762	(315)	(668)	-	4,019
Pensions relating to former directors	68	-	(6)	2	-	-	-	64
Pensions relating to other staff	18,452	-	(588)	345	(215)	(404)	205	17,795
Restructuring	-	-	-	-	-	-	-	-
Other	5,402	-	(243)	5,216	-	-	-	10,375
<b>Total</b>	<b>166,509</b>	<b>328</b>	<b>(4,338)</b>	<b>50,427</b>	<b>(4,517)</b>	<b>(12,411)</b>	<b>856</b>	<b>196,854</b>
<b>TOTAL</b>								
Clinical negligence	291,955	-	-	164,068	(65,402)	(78,861)	924	312,684
Personal injury	23,805	349	373	9,448	(7,121)	(3,559)	392	23,687
All other losses and special payments	66	(289)	-	6,855	(6,032)	(377)	-	223
Defence legal fees and other administration	11,385	-	-	8,793	(2,958)	(4,494)	-	12,726
Pensions relating to former directors	76	-	-	2	(8)	-	2	72
Pensions relating to other staff	21,498	-	(373)	904	(2,092)	(417)	453	19,973
Restructuring	-	-	-	-	-	-	-	-
Other	43,698	-	-	23,595	(5,552)	(11,519)	-	50,222
<b>Total</b>	<b>392,483</b>	<b>60</b>	<b>-</b>	<b>213,665</b>	<b>(89,165)</b>	<b>(99,227)</b>	<b>1,771</b>	<b>419,587</b>

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015- 31 March 2020	Thereafter	Total
				£000
Clinical negligence	312,684	-	-	312,684
Personal injury	10,402	6,827	6,458	23,687
All other losses and special payments	223	-	-	223
Defence legal fees and other administration	12,726	-	-	12,726
Pensions relating to former directors	31	21	20	72
Pensions relating to other staff	8,091	10,901	981	19,973
Restructuring	-	-	-	-
Other	50,222	-	-	50,222
<b>Total</b>	<b>394,379</b>	<b>17,749</b>	<b>7,459</b>	<b>419,587</b>



## 15. Provisions (continued)

	At 1 April 2009 Restated	Transfer of provisions to creditors and between current	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwindin g of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>								
Clinical negligence	161,666	-	6,316	81,978	(34,340)	(47,312)	558	168,866
Personal injury	7,150	-	274	6,843	(4,667)	(2,458)	162	7,304
All other losses and special payments	109	(372)	-	1,239	(910)	-	-	66
Defence legal fees and other administration	7,655	-	850	6,136	(2,741)	(3,512)	-	8,388
Pensions relating to former directors	7	-	-	-	-	-	1	8
Pensions relating to other staff	2,942	-	589	659	(1,612)	52	416	3,046
Other	38,946	-	-	26,168	(13,327)	(13,491)	-	38,296
<b>Total</b>	<b>218,475</b>	<b>(372)</b>	<b>8,029</b>	<b>123,023</b>	<b>(57,597)</b>	<b>(66,721)</b>	<b>1,137</b>	<b>225,974</b>
<b>Non Current</b>								
Clinical negligence	60,691	-	(6,316)	80,419	(3,012)	(8,797)	104	123,089
Personal injury	15,570	-	(274)	2,107	(680)	(387)	165	16,501
All other losses and special payments	-	-	-	-	-	-	-	-
Defence legal fees and other administration	2,264	-	(850)	1,918	(166)	(169)	-	2,997
Pensions relating to former directors	81	-	-	-	(8)	(6)	1	68
Pensions relating to other staff	19,484	-	(796)	990	(375)	(904)	53	18,452
Other	3,543	-	-	2,935	(163)	(913)	-	5,402
<b>Total</b>	<b>101,633</b>	<b>-</b>	<b>(8,236)</b>	<b>88,369</b>	<b>(4,404)</b>	<b>(11,176)</b>	<b>323</b>	<b>166,509</b>
<b>TOTAL</b>								
Clinical negligence	222,357	-	-	162,397	(37,352)	(56,109)	662	291,955
Personal injury	22,720	-	-	8,950	(5,347)	(2,845)	327	23,805
All other losses and special payments	109	(372)	-	1,239	(910)	-	-	66
Defence legal fees and other administration	9,919	-	-	8,054	(2,907)	(3,681)	-	11,385
Pensions relating to former directors	88	-	-	-	(8)	(6)	2	76
Pensions relating to other staff	22,426	-	(207)	1,649	(1,987)	(852)	469	21,498
Restructuring	-	-	-	-	-	-	-	-
Other	42,489	-	-	29,103	(13,490)	(14,404)	-	43,698
<b>Total</b>	<b>320,108</b>	<b>(372)</b>	<b>(207)</b>	<b>211,392</b>	<b>(62,001)</b>	<b>(77,897)</b>	<b>1,460</b>	<b>392,483</b>

## 16. Cash and cash equivalents

	2010-11 £000	2009-10 £000 Restated
Balance at 1 April	16,194	59,407
Net change in cash and cash equivalent balances	(4,327)	(43,213)
Balance at 31 March	<u>11,867</u>	<u>16,194</u>
Made up of:		
Cash held at Office of HM Paymaster General / GBS	27,235	24,323
Commercial banks and cash in hand	(15,368)	(8,129)
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<u>11,867</u>	<u>16,194</u>

## 17. Other Financial Assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
<b>Financial assets</b>				
Loans carried at amortised cost	26	25	896	922
	<u>26</u>	<u>25</u>	<u>896</u>	<u>922</u>

## 18. Other assets

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
EU Emissions Trading Scheme Allowance	150	145	-	-
Prepayments	7,359	8,004	1,626	-
	<u>7509</u>	<u>8149</u>	<u>1,626</u>	<u>-</u>

**19. Other liabilities**

	<b>Current</b>		Non-current	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
PFI asset -deferred credit	<b>292</b>	292	<b>1,770</b>	2,061
Other	<b>3,051</b>	2,976	-	-
	<b>3,343</b>	3,268	<b>1,770</b>	2,061

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**20. Other financial liabilities**

No other financial liabilities were reported by LHBs.

## **21. Related Party Transactions**

The Welsh Assembly Government was regarded as a related party. During the year the LHBs had a significant number of material transactions with the Assembly and with other NHS bodies.

All seven LHBs undertook related party transactions. The details of these can be found in the underlying accounts.

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## **22. Third Party Assets**

LHBs held £2,088,623 cash at bank and in hand at 31 March 2011 (31 March 2010: £2,960,679) which relates to monies held by the LHB on behalf of patients. This has been excluded from cash and cash equivalents figure reported in the accounts.

### 23. Losses and special payments

Losses and special payments are charged to the SoCNE in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared 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 during period to 31 March 2011		Approved to write-off to 31 March 2011	
	Number	£	Number	£
Clinical negligence	534	64,208,327	219	20,615,839
Personal injury	502	6,750,595	221	2,857,440
All other losses and special payments	1,430	6,789,109	1,427	6,827,057
<b>Total</b>	<b>2,466</b>	<b>77,748,031</b>	<b>1,867</b>	<b>30,300,336</b>

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

	Cases over £250,000, paid out during the year		Cumulative interim payments over £250,000	
	Number	£	Number	£
Clinical negligence	45	44,973,911	82	99,423,366
Personal injury	4	1,182,155	6	1,942,680
All other losses and special payments	2	4,117,494	3	10,823,981
<b>Total</b>	<b>51</b>	<b>50,273,560</b>	<b>91</b>	<b>112,190,027</b>

## 24. Contingencies

### 24.1 Contingent liabilities

	<b>2010-11</b>	2009-10
	<b>£'000</b>	£'000
		Restated
Legal claims for alleged medical or employer negligence	<b>367,282</b>	345,523
Doubtful debts	-	9
Defence costs	<b>5,783</b>	5,444
Continuing Care health costs	<b>52,525</b>	54,128
Total value of disputed claims	<b>425,590</b>	405,104
Less amounts recovered in the event of claims being successful	<b>316,718</b>	277,669
Total	<b>108,872</b>	127,435

## 25. Capital commitments

<b>Contracted capital commitments at 31 March 2011 for</b>	<b>2010-11</b>	2009-10
	<b>£'000</b>	£'000
Property, plant and equipment	<b>91,274</b>	211,032
	<b>91,274</b>	211,032

**26. Finance leases obligations (as lessee)**

**Amounts payable under finance leases:**

<b>Buildings</b>	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Minimum lease payments</b>		
Within one year	261	265
Between one and five years	1,001	1,037
After five years	504	732
Less finance charges allocated to future periods	(165)	(214)
Minimum lease payments	<u>1,601</u>	<u>1,820</u>
Included in:		
Current borrowings	222	220
Non-current borrowings	<u>1,379</u>	<u>1,600</u>
	<u>1,601</u>	<u>1,820</u>
<b>Present value of minimum lease payments</b>		
Within one year	221	222
Between one and five years	735	751
After five years	320	445
Less finance charges allocated to future periods	(51)	(62)
Present value of minimum lease payments	<u>1,225</u>	<u>1,356</u>
Included in:		
Current borrowings	16	15
Non-current borrowings	<u>49</u>	<u>65</u>
	<u>65</u>	<u>80</u>
<b>Other</b>	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Minimum lease payments</b>		
Within one year	2,895	2,465
Between one and five years	1,478	3,076
After five years	1,350	1,639
Less finance charges allocated to future periods	(611)	(998)
Minimum lease payments	<u>5,112</u>	<u>6,182</u>
Included in:		
Current borrowings	2,729	1,934
Non-current borrowings	<u>2,360</u>	<u>4,080</u>
	<u>5,089</u>	<u>6,014</u>
<b>Present value of minimum lease payments</b>		
Within one year	1,693	2,156
Between one and five years	1,371	2,385
After five years	1,217	1,441
Less finance charges allocated to future periods	(31)	(272)
Present value of minimum lease payments	<u>4,250</u>	<u>5,710</u>
Included in:		
Current borrowings	352	505
Non-current borrowings	<u>2,028</u>	<u>2,367</u>
	<u>2,380</u>	<u>2,872</u>

## 27. Private Finance Initiative contracts

At the start of the year six of the seven local health boards disclosed Private Finance Initiative transactions: Abertawe Bro Morgannwg University LHB, Aneurin Bevan LHB, Betsi Cadwaladr University LHB, Cardiff and Vale University LHB, Cwm Taf LHB and Hywel Dda LHB. These LHBs reported 11 Private Finance Initiatives (PFI) and five Public Private Partnerships (PPP) schemes. However, the scheme at Hywel Dda LHB expired on 8 April 2010.

Nine of the PFI schemes were on balance sheet and two were off balance sheet. The total obligation for on-Statement of Financial Position PFI contracts was £84,541k. The LHB total annual charge commitment was £17,726k.

The total charged in year to expenditure in respect of off-SoFP PFI contracts and the service element of on-SoFP PFI contracts was £9,417k.

There were five PPP schemes on balance sheet during 2010-11. Further details are given in the individual LHB accounts.



## **28. Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHBs 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 listed companies, to which these standards mainly apply. The LHBs have limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs in undertaking their activities.

### **Currency risk**

The LHBs are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHBs have no overseas operations. The LHBs therefore have low exposure to currency rate fluctuations.

### **Interest rate risk**

LHBs are not permitted to borrow. The LHBs therefore have low exposure to interest rate fluctuations.

### **Credit risk**

Because the majority of the LHB's funding derives from funds voted by the Assembly the LHBs have low exposure to credit risk.

### **Liquidity risk**

The LHBs are required to operate within cash limits set by the Welsh Assembly Government for the financial year and draws down funds from the Assembly as the requirement arises. The LHBs are not, therefore, exposed to significant liquidity risks.

## 29. Movements in working capital

	2010-11 £000	2009-10 £000 Restated
(Increase)/decrease in inventories	(2,659)	(5,378)
(Increase)/decrease in trade and other receivables	(17,680)	(61,498)
(Increase)/decrease in other current assets	(961)	481
Increase/(decrease) in trade and other payables	(2,340)	31,313
Increase/(decrease) in other current liabilities	(216)	36
<b>Total</b>	<b>(23,856)</b>	<b>(35,045)</b>

## 30. Other cash flow adjustments

	2010-11 £000	2009-10 £000 Restated
Depreciation	129,393	131,444
Amortisation	1,448	1,242
Impairments and reversals	103,089	152,917
Cost of Capital Charge	-	(40,605)
Release of PFI deferred credits	(292)	(292)
Transfer from donated asset reserve	(4,487)	(4,476)
Transfer from government grant reserve	(276)	(2)
Non-cash movements in provisions	116,269	133,267
Notional costs (HCW)	-	468
<b>Total</b>	<b>345,144</b>	<b>373,964</b>

## **THE NATIONAL HEALTH SERVICE IN WALES - LOCAL HEALTH BOARDS IN WALES**

### **SUMMARISED ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 178, SCHEDULE 9, PARA 5(4) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006**

1. HM Treasury directs that a summarised account shall be prepared for the financial year ended 31 March 2010 in respect of the Local Health Boards in Wales. The basis of preparation and form and content shall be as set out in the following paragraphs and schedules.

#### **BASIS OF PREPARATION**

2. The summarised account of the Local Health Boards in Wales shall be prepared from the audited accounts of the individual Local Health Boards to which it relates.

#### **FORM AND CONTENT**

3. The summarised account of the Local Health Boards in Wales shall be prepared in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) issued by H M Treasury which is in force for the financial year, but specifically excluding a Statement of Parliamentary Supply and Statement of Operating Costs by Departmental Strategic objectives and any other divergences as have been formally agreed for that year by H M Treasury.

4. The summarised account of the Local Health Boards shall be prepared so as to:

- a) give a true and fair view of the state of affairs as at 31 March 2010 and of net operating costs, and cash flows for the financial year(s) then ended; and
- b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.

5. The Foreword, Statement on Internal Control and Statement of Financial Position shall be signed by the Accounting Officer and dated.

#### **MISCELLANEOUS**

6. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

7. This direction shall be reproduced as an appendix to the published accounts.

8. This direction supersedes the direction dated 22 July 2009

Chris Wobschall  
Head, Assurance and Financial Reporting Policy  
HM Treasury  
15 July 2010

**SCHEDULE 1  
APPLICATION OF THE ACCOUNTING AND DISCLOSURE  
REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING  
REQUIREMENTS**

**Companies Act**

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS bodies shall be contained in the foreword.

**Accounting Standards**

3. NHS bodies are not required to include a note showing the historical cost profits and losses.

**SCHEDULE 2  
ADDITIONAL REQUIREMENTS**

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (4) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS bodies to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.

# NHS Trusts in Wales

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## Statement of the Welsh Government and Accounting Officer's responsibilities

Section 129 (6) of the Government of Wales Act 2006 requires that the Principal Accounting Officer for the Welsh Ministers, is the Permanent Secretary to the Welsh Government. Section 133(2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Government staff as Additional Accounting Officers.

Under these arrangements, the Director General, for the Department for Health, Social Services and Children and Chief Executive, NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities, for the Summarised Account of NHS Trusts in Wales, including his responsibilities for the propriety and regularity of public finances for which he is answerable, for the keeping of proper records and the preparation of accounts have been assigned to him through the Memorandum for Additional Accounting Officers.

Section 178, Schedule 9, Para 5(2) of the National Health Service (Wales) Act 2006 requires the Welsh Government to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view on the state of affairs of the NHS Trusts in Wales at the year end and their income and expenditure, and cash flows for the financial year.

In preparing the accounts the Welsh Government is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

## Statement on Internal Control

### 1. Scope of responsibility

As Chief Executive NHS Wales and Additional Accounting Officer for the NHS in Wales, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Welsh Assembly Government policies, aims and objectives in accordance with the principles set out in Managing Welsh Public Money. I am also responsible for safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me by the Permanent Secretary in her role as Principal Accounting Officer under section 133(2) of the Government of Wales Act 2006.

I am responsible for the propriety and regularity of public finances for the NHS in Wales; for the keeping of proper records; the preparation of accounts; for prudent behaviour and economical administration; the avoidance of waste and extravagance; and for the efficient use of all resources.

To enable me to fulfil these responsibilities I appoint Chief Executives of NHS trusts to serve as Accountable Officers. It is their responsibility to ensure that there is an effective system of internal control within their individual organisations.

Within the Department for Health, Social Services and Children of the Welsh Government, I require Heads of Directorates to take responsibility for ensuring the effective, efficient and economic management of and proper accounting for the resources delegated to them within a robust internal control and risk management framework.

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

The system of internal control is designed to manage rather than eliminate the 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 a continuing process designed to identify the principal risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury and Welsh Government guidance.

### 3. Capacity to handle risk

Guidance has been issued over a number of years to each Accountable Officer regarding corporate governance, clinical governance, risk management and internal control systems.

I require the Board of each organisation to take overall responsibility for risk management and to have risk management, control and review processes in place. In 2010-11 trust Boards were required to self assess against the Doing Well Doing Better: Standards for Health Services in Wales, as a toolkit to inform NHS trust Boards of the significant risks within their organisations. The standards assist Boards to identify risks, determine unacceptable levels of risk, and to then decide on where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff have the information, training and access to expert advice which they need to exercise their responsibilities effectively.



An agreement is in place with the Welsh Risk Pool that requires the Pool to support NHS organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good practice and lessons learnt. The Chief Executive of Betsi Cadwaladr University Local Health Board was accountable to me for the work of the Welsh Risk Pool.

#### **4. Doing Well, Doing Better: Standards for Health Services in Wales**

The trusts have used the Doing Well, Doing Better: Standards for Health Services in Wales as their framework for gaining assurance on their ability to fulfil their aims and objectives for the delivery of safe, high quality health services. This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation. As part of this process, the organisations have completed the Governance & Accountability Assessment Module. This process has been subject to independent internal assurance by the organisations' Heads of Internal Audit.

The trusts have plans in place to achieve the improvement actions identified and within clearly defined timescales proportionate to the risk. Doing Well Doing Better: Standards for Health Services in Wales set out the Welsh Government's common framework to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings. One of the key aims of the Standards for Wales is to simplify and consolidate existing standards into one set of overarching standards for all healthcare organisations in Wales, including independent and voluntary healthcare providers. In line with these objectives, the system of self-assessment that has been developed to enable the NHS trusts to assess

- How the standards are being used;
- What the organisation is doing well and should share;
- What is being done less well and therefore needs to be put right and improved; and,
- How Services Teams and Staff are supported to undertake the above and to make improvements.

2010-11 is the first year that the Doing Well Doing Better: Standards for Health Services in Wales have been used across Wales and they have been used to underpin the Statement of Internal Control (SIC).

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

I require all NHS trusts to have a risk management framework that ensures a systematic approach to internal control. Trusts are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances.

Supplementary Guidance on the Statement on Internal Control proforma and the elements relevant in considering whether appropriate risk management, control, and review processes are in place to support the SIC was issued to all trusts in September 2003 and has been updated in the Manual for Accounts.

Trusts are required to link risk management to their key organisational objectives in order that objectives and their associated risks may form an integrated part of the organisation's management activity.

Objectives, at the strategic level include those linked to:

- "One Wales" - which aspires to provide a world-class health service that is available to everyone, irrespective of whom they are or where they live in Wales, and at the time when they need it.

- Designed for Life, the health and social care strategy for Wales for 2005-2015, which sets out a clear 10-year ambition, the start of a transformation in services and the first of a series of 3-year action plans based on tough targets to drive the improvements needed.

The key policies include:

- “Access 2009”.
- Unscheduled Care and National Service Frameworks, the Primary and Community care Strategy and the Rural Health Plan.
- Welsh Priorities and Planning Guidance, Annual Strategic and Financial Framework Guidance and the National Reporting Framework.
- Compliance with governance and risk management standards.
- Health improvement and partnerships.
- National clinical quality improvement targets, and financial responsibilities.
- Public Service VFM agreements.

In 2010-11 NHS trusts were required to outline their self assessment of performance against the Governance & Accountability Assessment Module. The self assessment enabled the NHS trust Boards to identify how the new standards can be used to underpin the 5 year Service Workforce and Financial Strategic Framework Plans and the Annual Operational Framework. The collated information provides an assessment of the overall maturity level for each theme.

	The NHS Trusts:				
<b>Governance and Accountability Module</b>	do not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve.	are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	are developing plans and processes and can demonstrate progress with some of their key areas for improvement.	have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the Direction				✓	
Enabling Delivery			✓		
Delivering results achieving excellence			✓		
Overall Maturity Level			✓		

The trusts have plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risks.

### **Clinical governance**

Trusts and partner organisations are required to ensure that a framework is in place for continuously improving the quality and safeguarding high standards of care. Boards are required to take responsibility and account for:

- The overall quality and safety of care;
- Specification of standards and competencies;
- Participation in clinical audit, benchmarking activities and processes for monitoring clinical care;
- Strict adherence to the Complaints Procedure at all stages;
- Clear policies for managing risk, to ensure and improve patient safety.

### **Information Governance**

The trusts have well established arrangements for Information Governance to ensure that information is managed in line with the relevant Information Governance law, regulations and Information Commissioners Office guidance

### **Equality Diversity and Human Rights**

Control measures are in place to ensure that all the NHS trusts' obligations under equality, diversity and human rights legislation are complied with.

### **NHS Pension Scheme**

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

### **Carbon Reduction**

The NHS trusts are undertaking environmental risk assessments to ensure Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with.

## Department for Health Social Services and Children- Risk Management

The Department is subject to the Welsh Government's Risk Management framework. Risks are controlled at both Executive Board and directorate level, with the bulk of the work to identify, evaluate and monitor the risks falling to individual Heads of Directorates. The main record for documenting the identification, assessment and management of risk is through the directorate risk register. The Department's Corporate Governance Committee continuously reviews the directorate risk registers and any associated action plans and report their findings to the Executive Board. Heads of Directorates are responsible for ensuring that:

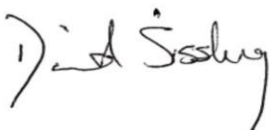
- systems are in place to enable them to be kept informed of new activities and other changes so that risk can be assessed; and
- there are performance indicators in place, which allow the monitoring of key business and financial activities and the directorate's progress towards its objectives.

For the 2010-11 financial year, each Head of Directorate within the Department has reviewed their process of internal control and completed a certificate of assurance, which underpins the directorate Internal Control Questionnaire and Statement on Internal Control.

### 6. Review of effectiveness

As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system on internal control is informed by the work of the internal auditors, the Assembly's Corporate Governance Committee, which oversees the work of the internal auditors, the reports submitted to the Executive Board by the Department's Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

NHS Trust Chief Executives have each submitted a Statement on Internal Control for the year ending 31<sup>st</sup> March 2011. No significant internal control problems were reported by the NHS trusts in 2010-11. These statements and the associated audit reports are reviewed so that I can be satisfied that any issues raised by the Accountable Officers do not pose a significant threat to internal control and that they are being dealt with appropriately.



David Sissling  
Director General, Department for Health, Social Services and Children  
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

21 July 2011

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

I certify that I have audited the financial statements of the Summarised Accounts of the NHS Trusts in Wales for the year ended 31 March 2011 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

### **Respective responsibilities of the Additional Accounting Officer and Auditor**

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities [set out page 2] the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006 and directions made by HM Treasury there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to NHS Trusts' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Trust Directors and Chief Executives; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the NHS Trusts in Wales as at 31 March 2011 and of their surplus, their recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury

### **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.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Statement on Internal Control does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept; or
- I have not received all the information and explanations I require for my audit.

**Report**

I have no observations to make on these financial statements.

Huw Vaughan Thomas  
Auditor General for Wales  
25 July 2011

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010-11 £000	2009-10 Restated £000
Revenue from patient care activities	2	272,851	256,479
Other operating revenue	3	100,751	102,979
Operating expenses	4	(372,957)	(360,069)
<b>Operating surplus</b>		<b>645</b>	<b>(611)</b>
Investment revenue	5	72	42
Other gains and losses	6	47	(47)
Finance costs	7	(610)	(703)
<b>Surplus</b>		<b>154</b>	<b>(1,319)</b>
Dividends payable on Public Dividend Capital		-	(2,676)
<b>Retained surplus/(deficit)</b>		<b>154</b>	<b>(3,995)</b>

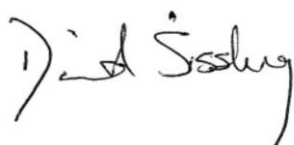
The notes on pages 15 to 53 form part of these accounts.

For 2009-10 the NHS Wales trusts reported a retained surplus of £126k. The comparative figures for 2009-10 that are shown above have been restated to include the HM Treasury Financial Reporting Manual (FReM) amendment for the treatment of impairments; the removal of the cost of capital as a result of the HM Treasury Clear Line of Sight Project and the transfer of the Informing Healthcare function from ABMU Health Board to Velindre NHS Trust's hosted body NHS Wales Informatics Service (NWIS). The latter accounted for under FReM merger accounting rules. This does not impact on the achievement of the trusts' financial duties for 2009-10.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

		31 March 2011 £000	31 March 2010 £000 Restated
<b>Non-current assets</b>			
Property, plant and equipment	12	161,858	151,317
Intangible assets	13	9,285	9,244
<b>Total non-current assets</b>		<b>171,143</b>	160,561
<b>Current assets</b>			
Inventories	19	3,399	2,625
Trade and other receivables	20	27,698	32,845
Other financial assets	17	15,000	8,500
Cash and cash equivalents	21	10,161	3,545
		<b>56,258</b>	47,515
Non-current assets held for sale	12	175	-
<b>Total current assets</b>		<b>56,433</b>	47,515
<b>Total assets</b>		<b>227,576</b>	208,076
<b>Current liabilities</b>			
Trade and other payables	22	(46,702)	(42,780)
Borrowings	23	(1,448)	(1,405)
Provisions	26	(3,679)	(3,394)
Other liabilities	25	(2)	-
<b>Total current liabilities</b>		<b>(51,831)</b>	(47,579)
<b>Net current assets/(liabilities)</b>		<b>4,602</b>	(64)
<b>Total assets less current liabilities</b>		<b>175,745</b>	160,497
<b>Non-current liabilities</b>			
Trade and other payables	22	-	(458)
Borrowings	23	(11,812)	(21,059)
Provisions	26	(6,204)	(5,647)
Other liabilities	25	(2)	-
<b>Total non-current liabilities</b>		<b>(18,018)</b>	(27,164)
<b>Total assets employed</b>		<b>157,727</b>	133,333
<b>Financed by:</b>			
<b>Taxpayers' equity</b>			
Public dividend capital		123,219	98,879
Retained earnings		(6,481)	(11,069)
Revaluation reserve		34,509	38,898
Donated asset reserve		6,480	6,625
<b>Total taxpayers' equity</b>		<b>157,727</b>	133,333

The notes on pages 15 to 53 form part of these accounts.



David Sissling

Date 21 July 2011

Director General, Department for Health, Social Services and Children, Chief Executive NHS Wales.



## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	ment Grant Reserve £000	Other reserves £000	Total £000
<b>Balance at 31 March 2010</b>							
As previously stated	88,604	(12,306)	38,898	6,625	-	-	121,821
Prior Period Adjustment	10,275	1,237	-	-	-	-	11,512
<b>Restated balance</b>	<b>98,879</b>	<b>(11,069)</b>	<b>38,898</b>	<b>6,625</b>	<b>-</b>	<b>-</b>	<b>133,333</b>
<b>Changes in taxpayers' equity for 2010-11</b>							
Retained surplus/(deficit) for the year		154	-	-	-	-	154
Transfers between reserves		4,434	(4,434)	-	-	-	-
Net gain on revaluation of property, plant and equipment		-	45	-	-	-	45
Receipt of donated/government granted assets		-	-	159	-	-	159
Release of reserves to the income statement		-	-	(304)	-	-	(304)
New Public Dividend Capital received	13,252						13,252
Other movements in PDC in year	11,088						11,088
<b>Balance at 31 March 2011</b>	<b>123,219</b>	<b>(6,481)</b>	<b>34,509</b>	<b>6,480</b>	<b>-</b>	<b>-</b>	<b>157,727</b>

The notes on pages 15 to 53 form part of these accounts.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	ment Grant Reserve £000	Other reserves £000	Total £000
<b>Balance at 31 March 2009</b>							
As previously stated	83,558	(11,856)	42,909	4,263	-	-	118,874
Prior Period Adjustment	-	(576)	-	-	-	-	(576)
Transfer of NWIS to Velindre NHST	9,253	-	-	-	-	-	9,253
<b>Restated balance at 1 April 2009</b>	<b>92,811</b>	<b>(12,432)</b>	<b>42,909</b>	<b>4,263</b>	<b>-</b>	<b>-</b>	<b>127,551</b>
<b>Changes in taxpayers' equity for 2009-10 (Restated)</b>							
Retained surplus/(deficit) for the year		(3,995)	-	-	-	-	(3,995)
Transfers between reserves		5,358	(5,358)	-	-	-	-
Net gain on revaluation of property, plant and equipment		-	1,347	2,646	-	-	3,993
Receipt of donated/government granted assets		-	-	13	-	-	13
Release of reserves to the income statement		-	-	(297)	-	-	(297)
New Public Dividend Capital received	4,804						4,804
Public Dividend Capital extinguished/written off	(7,247)						(7,247)
Other movements in PDC in year	8,511						8,511
<b>Balance at 31 March 2010</b>	<b>98,879</b>	<b>(11,069)</b>	<b>38,898</b>	<b>6,625</b>	<b>-</b>	<b>-</b>	<b>133,333</b>

The notes on pages 15 to 53 form part of these accounts.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010-11 £000	2009-10 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)	I&E	645	(611)
Depreciation and amortisation		20,143	17,357
Impairments and reversals		3,490	10,584
Transfer from donated asset reserve		(306)	(295)
Interest paid		(497)	(603)
Dividend paid		-	(2,831)
(Increase)/decrease in inventories		(774)	(391)
(Increase)/decrease in trade and other receivables		7,430	(8,463)
Increase/(decrease) in trade and other payables		2,289	7,625
Increase/(decrease) in provisions		842	234
<b>Net cash inflow/(outflow) from operating activities</b>		<b>33,262</b>	<b>22,606</b>
<b>Cash flows from investing activities</b>			
Interest received		70	47
(Payments) for property, plant and equipment		(32,676)	(23,751)
Proceeds from disposal of property, plant and equipment		303	70
(Payments) for financial assets.		(15,000)	(8,500)
Proceeds from disposal of financial assets.		8,500	7,850
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(38,803)</b>	<b>(24,284)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(5,541)</b>	<b>(1,678)</b>
<b>Cash flows from financing activities</b>			
Public Dividend Capital received		13,252	4,804
Other capital receipts		-	12
Capital elements of finance leases and on-balance sheet PFI		(1,375)	(2,751)
Cash transferred (to)/from other NHS Wales bodies		-	51
<b>Net cash inflow/(outflow) from financing activities</b>		<b>11,877</b>	<b>2,116</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,336</b>	<b>438</b>
<b>Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year</b>	21	<b>2,875</b>	<b>2,437</b>
<b>Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year</b>	21	<b>9,211</b>	<b>2,875</b>

The notes on pages 15 to 53 form part of these accounts.

## Notes to the Accounts

### Accounting policies

1. The Welsh Minister for Health and Social Services has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS Trusts' Manual for Accounts. Consequently, the underlying financial statements have been prepared in accordance with the 2010/11 NHS Trusts' Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts' Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS trusts are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on 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 from one public sector body to another.

#### 1.3 Revenue

The main source of revenue for the trusts is from the Welsh Assembly Government and the Health Boards. Revenue is recognised in the period in which services are provided.

Where income is received from Non NHS bodies for a specific activity that is to be delivered in the following year, that income is deferred.

The NHS trusts receive income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The NHS trusts recognise the income when it receives notification from the Department for Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

## 1.4 Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where material, the cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

### Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as 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.

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 expenditure at the time the Trusts commits themselves to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the trusts' accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the period is recognised within operating expenses. The expected gain during the period from scheme assets is recognised within finance income. The interest cost for the period arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses for the period are recognised in the pensions reserve and reported as an item of other comprehensive income.

## 1.5 Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

## 1.6 Property, plant and equipment

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are depreciated over their own useful economic lives, where they are significant in relation to the whole.

### **Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the trusts' services or for administrative purposes are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the balance sheet date. Fair values are determined as follows:

- Land and non specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. The Welsh Assembly Government has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales trusts have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by interpretation of IAS 23 for the public sector, for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

For 2010-11 indexation has been applied to the Land and Properties of NHS Wales Trusts based on indices for NHS Wales Land and Buildings obtained from the District Valuation Office. The equipment of NHS Wales trusts is subject to indexation. The carrying value of existing assets will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied,

the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to Retained earnings.

### **Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

## **1.7 Intangible assets**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trusts' business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

### **Measurement**

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### **1.8 Depreciation, amortisation and impairments**

Freehold land properties under construction and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the trusts expect to obtain economic benefits or service potential from the asset. This is specific to the trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives

At each reporting period end, the trusts check whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Statement of Comprehensive Net Expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to the Statement of Comprehensive Net Expenditure. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

### **1.9 Borrowing costs**

Borrowing costs are recognised as expenses as they are incurred.

### **1.10 Donated assets**

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

### **1.11 Government grants**

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate. Capital grants are credited to the government grant reserve and released to operating revenue over the life of the asset in a manner consistent with the depreciation and impairment charges for that asset. Assets purchased from government grants are valued,



depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the offset the expenditure.

### **1.12 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Income Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

### **1.13 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### **The trusts as lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the trusts' surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

### **The trusts as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS trusts' net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the trusts' net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### **1.14 Private Finance Initiative (PFI) transactions**

The NHS trusts have no PFI arrangements.

### **1.15 Inventories**

Inventories are valued at the lower of cost and net realisable value using the weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

### **1.16 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the NHS trusts' cash management.

### **1.17 Provisions**

Provisions are recognised when the NHS trusts have a present legal or constructive obligation as a result of a past event, it is probable that the NHS trusts will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the amount receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An

onerous contract is considered to exist where the trusts have a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the NHS trusts have developed a detailed formal plan for the restructuring and have raised a valid expectation in those affected that they will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

### **1.18 Clinical Negligence Costs**

The Welsh Risk Pool operates a risk pooling scheme which is currently funded by the Welsh Assembly Government. The WRP is hosted by Betsi Cadwaladr University LHB.

### **1.19 EU Emissions Trading Scheme**

The NHS trusts are not members of the EU Emission Trading Scheme.

### **1.20 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trusts, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trusts. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

### **1.21 Financial assets**

Financial assets are recognised when the NHS trusts become 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.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time

### **Financial assets at fair value through Statement of Comprehensive Income and Expenditure**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the trusts' surplus or deficit for the accounting period. The net gain or loss incorporates any interest earned on the financial asset.

### **Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

### **Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the trusts assess whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

## **1.22 Financial liabilities**

Financial liabilities are recognised on the Statement of Financial Position when the trusts become party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Welsh Assembly Government are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

The NHS trusts do not have any financial guarantee contract liabilities nor any financial derivatives requiring to be stated at fair value through profit and loss.

After initial recognition, all other financial liabilities are measured at amortised cost using the effective

interest method, except for loans from Welsh Assembly Government, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

### **1.23 Value Added Tax**

Most of the activities of the trusts 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.

### **1.24 Foreign currencies**

The NHS trusts' functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March 2011. Resulting exchange gains and losses for either of these are recognised in the trusts' surplus/deficit in the period in which they arise.

### **1.25 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS trusts have no beneficial interest in them.

### **1.26 Public Dividend Capital (PDC) and PDC dividend**

Public Dividend Capital represents taxpayers' equity in the NHS trusts. At any time the Welsh Minister for Health and Social Services with the approval of HM Treasury can issue new PDC to, and require repayments of, PDC from the NHS trusts. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

From 1 April 2010 the requirement to pay a public dividend over to the Welsh Assembly Government ceased. In 2009-10 a charge, reflecting the cost of capital utilised by the NHS Trust, was paid over as public dividend capital dividend. The charge was calculated at the real rate set by HM Treasury (3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash with the Government Banking Service and the National Loans Fund. The average carrying amount of assets was calculated as a simple average of opening and closing relevant net assets.

### **1.27 Losses and Special Payments**

Losses and special payments are items that the Welsh Assembly Government 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 relevant functional headings in the income statement on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which is prepared on a cash basis.

The trusts account for all losses and special payments gross (including assistance from the Welsh Risk Pool). The trusts accrue or provide 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%. 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.

### **1.28 Subsidiaries**

Material entities over which the trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

For 2010-11 the trusts has not consolidated the NHS charitable funds for which they are the corporate trustee.

**Summarised Accounts of NHS Trusts in Wales 2010-11**

<b>2. Revenue from patient care activities</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
		Restated
Welsh Assembly Government	<b>67,138</b>	14,584
WHSCC/HCW	<b>137,584</b>	169,668
Local health boards	<b>64,475</b>	68,671
Other NHS trusts	<b>180</b>	182
Strategic health authorities and primary care trusts	-	47
Foundation Trusts	<b>321</b>	327
Non NHS:		
Private patient income	<b>1,147</b>	1,087
Injury Costs Recovery (ICR) Scheme	<b>488</b>	529
Other revenue from activities	<b>1,518</b>	1,384
<b>Total</b>	<b>272,851</b>	256,479

ICR income is subject to a provision for impairment of 9.6% to reflect expected rates of collection.

<b>3. Other operating revenue</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
		Restated
Education, training and research	<b>5,124</b>	7,752
Charitable and other contributions to expenditure	<b>1,934</b>	4,907
Transfer from the donated asset reserve	<b>306</b>	295
Income generation	<b>841</b>	808
Rental revenue	<b>175</b>	174
Other revenue:		
Provision of laundry, pathology, payroll services	<b>11,084</b>	-
Accommodation and catering charges	<b>148</b>	140
Staff payments for use of cars	<b>258</b>	376
Other	<b>80,881</b>	88,527
<b>Total</b>	<b>100,751</b>	102,979

Other revenue of £80,881k includes:

Staff Recharges	263
Grants - other	286
Grants - LA	449
Excellence Awards	465
Hazardous Area Response Team (HART)	519
Air Ambulance paramedic funding	522
Personal injury benefit scheme (PIBS)	2,000
Hospital Handover Times	2,000
Ambulance Radio Replacement Programme (ARRP)	3,312
Welsh Assembly Government non core income	3,522
Non-ambulance transport for other NHS Trusts	3,783
Other	11,732
NHS Wales Informatics Service transfer	52,028

**Total** **80,881**

**Summarised Accounts of NHS Trusts in Wales 2010-11**

**4. Operating expenses**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
<b>4.1 Operating expenses</b>		Restated
WHSCC/HCW	-	7,795
Local Health Boards	<b>14,671</b>	-
Other NHS Trusts	<b>505</b>	-
Goods and services from other NHS bodies	<b>1,169</b>	10,448
Purchase of healthcare from non-NHS bodies	<b>1,224</b>	1,512
Welsh Local Authorities	<b>94</b>	-
Directors' costs	<b>2,138</b>	1,700
Staff costs	<b>221,765</b>	207,697
Supplies and services - clinical	<b>37,329</b>	35,731
Supplies and services - general	<b>1,872</b>	1,311
Consultancy Services	<b>1,130</b>	1,997
Establishment	<b>23,619</b>	17,113
Transport	<b>13,971</b>	15,522
Premises	<b>17,296</b>	20,616
Provision for impairment of receivables	<b>(12)</b>	-
Depreciation	<b>15,866</b>	13,191
Amortisation	<b>4,277</b>	4,166
Impairments and reversals of property, plant and equipment	<b>3,490</b>	10,584
Audit fees	<b>556</b>	498
Other auditors' remuneration	<b>17</b>	-
Losses, special payments and irrecoverable debts	<b>2,822</b>	2,231
Other operating expenses	<b>9,158</b>	7,957
<b>Total</b>	<b>372,957</b>	<b>360,069</b>

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

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
<b>Increase/(decrease) in provision for future payments:</b>		Restated
Clinical negligence	<b>733</b>	676
Personal injury	<b>1,659</b>	1,250
All other losses and special payments	<b>378</b>	196
Defence legal fees and other administrative costs	<b>85</b>	117
Gross increase/(decrease) in provision for future payments	<b>2,855</b>	2,239
Irrecoverable debts	<b>(33)</b>	<b>(8)</b>
<b>Total charge</b>	<b>2,822</b>	<b>2,231</b>



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**Summarised Accounts of NHS Trusts in Wales 2010-11**

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<b>5. Investment revenue</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Interest revenue:		
Bank accounts	<u>72</u>	<u>42</u>
<b>Total</b>	<b><u>72</u></b>	<b><u>42</u></b>

<b>6. Other gains and losses</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Gain/(loss) on disposal of property, plant and equipment	<u>47</u>	<u>(47)</u>
<b>Total</b>	<b><u>47</u></b>	<b><u>(47)</u></b>

<b>7. Finance costs</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Interest on obligations under finance leases	<u>499</u>	<u>605</u>
Total interest expense	<b><u>499</u></b>	<b><u>605</u></b>
Other finance costs	<u>111</u>	<u>98</u>
<b>Total</b>	<b><u>610</u></b>	<b><u>703</u></b>

8. Operating leases

As lessee

Detailed disclosures are included within the individual NHS trust accounts.

<b>Payments recognised as an expense</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Minimum lease payments	<b>4,085</b>	4,793
Contingent rents	-	816
<b>Total</b>	<b>4,085</b>	<b>5,609</b>

<b>Total future minimum lease payments</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Payable:		
Not later than one year	<b>3,214</b>	2,054
Between one and five years	<b>8,345</b>	3,609
After 5 years	<b>7,225</b>	7,568
<b>Total</b>	<b>18,784</b>	<b>13,231</b>

As lessor

<b>Rental revenue</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Other	<b>175</b>	174
<b>Total rental revenue</b>	<b>175</b>	<b>174</b>

<b>Total future minimum lease payments</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Receivable:		
Not later than one year	<b>73</b>	80
Between one and five years	<b>292</b>	320
After 5 years	<b>305</b>	420
<b>Total</b>	<b>670</b>	<b>820</b>

9. Employee costs and numbers

9.1 Employee costs	Permanently Employed	Agency Staff	Staff on Inward Secondment	2010-11	2009-10
				£000	£000
	£000	£000	£000	£000	£000
					<b>Restated</b>
Salaries and wages	184,398	1,534	2,620	<b>188,552</b>	175,545
Social security costs	13,636	-	-	<b>13,636</b>	12,980
Employer contributions to Pensions Schemes	22,302	-	-	<b>22,302</b>	21,073
Other pension costs	165	-	-	<b>165</b>	172
Termination benefits	-	-	-	-	192
<b>Total</b>	<b>220,501</b>	<b>1,534</b>	<b>2,620</b>	<b>224,655</b>	209,962
<b>Of the total above:</b>					
Charged to capital				<b>1,409</b>	1,052
Charged to revenue				<b>223,246</b>	208,910
				<b>224,655</b>	209,962

9.2 Average number of employees

9.2 Average number of employees	Permanently Employed	Agency Staff	Staff on Inward Secondment	Total	Total
				Number	Number
	Number		Number	Number	<b>Number Restated</b>
Medical and dental	158	4	8	<b>170</b>	177
Ambulance staff	2,173	-	-	<b>2,173</b>	2,148
Administrative and estates	1,909	40	19	<b>1,968</b>	1,860
Healthcare assistants and other support staff	172	1	-	<b>173</b>	176
Nursing, midwifery and health visiting staff	441	4	2	<b>447</b>	412
Nursing, midwifery and health visiting learners	-	-	-	-	43
Scientific, therapeutic and technical staff	640	-	6	<b>646</b>	651
Other	1	-	3	<b>4</b>	6
<b>Total</b>	<b>5,494</b>	<b>49</b>	<b>38</b>	<b>5,581</b>	5,473

9.3 Employee benefits

One of the three NHS Wales trusts operates a lease car policy and childcare voucher (salary sacrifice) scheme for employees.

## 10. Pension and Retirement Costs Due to Ill Health

### 10.1 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 <http://www.nhsbsa.nhs.uk/pensions>. 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 scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an 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) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period 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 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 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.

#### c) Scheme provisions

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 and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

### **10.1 Pension Costs (continued)**

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 liability for the additional costs is charged to the SOCI at the time the trust commits itself to the retirement regardless of the method of payment.

Members can purchase additional service in the NHS scheme and contribute to money purchase AVCs run by the scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

### **10.2 Retirement costs due to ill-health**

During 2010-11 there were 12 (2009-10 14) early retirements from the trusts agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements will be £812k (2009-10 £790k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

## **11. Public Sector Payment Policy - Measure of Compliance**

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

The NHS trusts had no interest or compensation charges under legislation, in relation to the late payment of commercial debt.

Summarised Accounts of NHS Trusts in Wales 2010-11

12. Property, plant and equipment :

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2010	20,900	67,069	140	21,562	46,146	37,760	31,829	2,481	227,887
Prior period adjustment	(33)	-	-	-	25	-	1,237	-	1,229
At 1 April 2010	20,867	67,069	140	21,562	46,171	37,760	33,066	2,481	229,116
Indexation	-	-	-	-	121	1	-	9	131
Additions - purchased	-	527	-	20,866	936	12	6,980	23	29,344
Additions - donated	-	-	-	-	159	-	-	-	159
Transfers from/into other NHS Wales bodies	-	-	-	-	-	-	1,394	263	1,657
Reclassifications	-	521	-	(12,828)	162	5,657	6,488	-	-
Reclassified as held for sale	(175)	-	-	-	-	-	-	-	(175)
Disposals other than by sale	(200)	-	-	-	(343)	(1,138)	-	(23)	(1,704)
Impairments	(1,099)	-	-	-	-	-	-	-	(1,099)
At 31 March 2011	19,393	68,117	140	29,600	47,206	42,292	47,928	2,753	257,429

Depreciation

At 31 March 2010	33	11,851	9	-	31,147	20,994	12,080	1,617	77,731
Prior period adjustment	(33)	-	-	-	8	-	93	-	68
At 1 April 2010	-	11,851	9	-	31,155	20,994	12,173	1,617	77,799
Indexation	-	-	-	-	80	1	-	4	85
Transfers from/into other NHS Wales bodies	-	-	-	-	-	-	680	198	878
Disposals other than by sale	-	-	-	-	(343)	(1,082)	-	(23)	(1,448)
Impairments	-	2,391	-	-	-	-	-	-	2,391
Charged during the year	-	2,168	8	-	3,970	4,951	4,515	254	15,866
At 31 March 2011	-	16,410	17	-	34,862	24,864	17,368	2,050	95,571

Net book value

at 31 March 2010	20,867	55,218	131	21,562	14,999	16,766	19,749	864	150,156
Net book value at 1 April 2010	20,867	55,218	131	21,562	15,016	16,766	20,893	864	151,317
Net book value at 31 March 2011	19,393	51,707	123	29,600	12,344	17,428	30,560	703	161,858

Net book value at 31 March 2011 comprises :

Purchased	19,393	45,539	123	29,600	12,032	17,428	30,560	703	155,378
Donated	-	6,168	-	-	312	-	-	-	6,480
Total 31 March 2011	19,393	51,707	123	29,600	12,344	17,428	30,560	703	161,858

Asset Financing:

Owned	19,393	50,546	123	29,600	12,344	17,428	20,912	693	151,039
Held on finance lease	-	1,161	-	-	-	-	9,648	10	10,819
Total 31 March 2011	19,393	51,707	123	29,600	12,344	17,428	30,560	703	161,858

The net book value of land, buildings and dwellings at 31 March 2011 comprises :

	£000
Freehold	68,550
Long Leasehold	1,161
Short Leasehold	1,512
	<u>71,223</u>

Summarised Accounts of NHS Trusts in Wales 2010-11

12. Property, plant and equipment (continued):

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 March 2009</b>	<b>27,469</b>	<b>62,590</b>	<b>144</b>	<b>9,265</b>	<b>44,282</b>	<b>36,603</b>	<b>29,228</b>	<b>2,431</b>	<b>212,012</b>
Prior period adjustment	-	-	-	-	25	-	171	-	196
<b>At 1 April 2009</b>	<b>27,469</b>	<b>62,590</b>	<b>144</b>	<b>9,265</b>	<b>44,307</b>	<b>36,603</b>	<b>29,399</b>	<b>2,431</b>	<b>212,208</b>
Indexation	-	-	-	139	774	706	-	29	1,648
Revaluation	(3,866)	4,809	(4)	-	-	-	-	-	939
Additions - purchased	-	1,417	-	17,095	966	-	2,140	10	21,628
Additions - donated	-	-	-	-	12	-	-	-	12
Transfers from/into other NHS Wales bodies	60	179	-	-	(1)	-	-	-	238
Transfers from/(into) non NHS Wales bodies	-	-	-	-	-	-	2	11	13
Reclassifications	-	1,367	-	(4,907)	1,377	638	1,525	-	-
Reclassified as held for sale	-	-	-	(30)	-	(187)	-	-	(217)
Disposals other than by sale	-	-	-	-	(1,118)	-	-	-	(1,118)
Impairments	(2,796)	(3,293)	-	-	(146)	-	-	-	(6,235)
<b>At 31 March 2010</b>	<b>20,867</b>	<b>67,069</b>	<b>140</b>	<b>21,562</b>	<b>46,171</b>	<b>37,760</b>	<b>33,066</b>	<b>2,481</b>	<b>229,116</b>
<b>Depreciation</b>									
<b>At 31 March 2009</b>	-	7,639	9	-	28,610	16,330	8,928	1,332	62,848
Prior period adjustment	-	-	-	-	5	-	58	-	63
<b>At 1 April 2009</b>	-	7,639	9	-	28,615	16,330	8,986	1,332	62,911
Indexation	-	-	-	-	525	314	-	15	854
Revaluation	-	(2,985)	(9)	-	-	-	-	-	(2,994)
Reclassified as held for sale	-	-	-	-	-	(156)	-	-	(156)
Disposals other than by sale	-	-	-	-	(1,078)	-	-	-	(1,078)
Impairments	-	5,193	-	-	(122)	-	-	-	5,071
Charged during the year	-	2,004	9	-	3,215	4,506	3,187	270	13,191
<b>At 31 March 2010</b>	-	11,851	9	-	31,155	20,994	12,173	1,617	77,799
<b>Net book value at 31 March 2009</b>	<b>27,469</b>	<b>54,951</b>	<b>135</b>	<b>9,265</b>	<b>15,672</b>	<b>20,273</b>	<b>20,300</b>	<b>1,099</b>	<b>149,164</b>
<b>Net book value at 1 April 2009</b>	<b>27,469</b>	<b>54,951</b>	<b>135</b>	<b>9,265</b>	<b>15,692</b>	<b>20,273</b>	<b>20,413</b>	<b>1,099</b>	<b>149,297</b>
<b>Net book value at 31 March 2010</b>	<b>20,867</b>	<b>55,218</b>	<b>131</b>	<b>21,562</b>	<b>15,016</b>	<b>16,766</b>	<b>20,893</b>	<b>864</b>	<b>151,317</b>
<b>Net book value at 31 March 2010 comprises :</b>									
<b>Purchased</b>	20,867	48,825	131	21,562	14,785	16,766	20,893	864	144,693
<b>Donated</b>	-	6,393	-	-	231	-	-	-	6,624
<b>Total 31 March 2010</b>	<b>20,867</b>	<b>55,218</b>	<b>131</b>	<b>21,562</b>	<b>15,016</b>	<b>16,766</b>	<b>20,893</b>	<b>864</b>	<b>151,317</b>
<b>Asset Financing:</b>									
<b>Owned</b>	20,867	53,809	131	21,562	15,016	16,766	10,173	854	139,178
<b>Held on finance lease</b>	-	1,409	-	-	-	-	10,720	10	12,139
<b>Total 31 March 2010</b>	<b>20,867</b>	<b>55,218</b>	<b>131</b>	<b>21,562</b>	<b>15,016</b>	<b>16,766</b>	<b>20,893</b>	<b>864</b>	<b>151,317</b>
<b>The net book value of land, buildings and dwellings at 31 March 2010 comprises :</b>									
									£000
<b>Freehold</b>									73,352
<b>Long Leasehold</b>									1,838
<b>Short Leasehold</b>									1,025
									<u>76,215</u>

12.2 Non-current assets held for sale

	Land	Buildings, including dwellings	Other property plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance b/f 1 April 2010</b>	-	-	-	-	-	-
Plus assets classified as held for sale in year	175	-	-	-	-	<b>175</b>
<b>Balance c/f 31 March 2011</b>	<b>175</b>	-	-	-	-	<b>175</b>
Balance b/f 1 April 2009	-	-	-	-	-	-
Plus assets classified as held for sale in year	-	-	61	-	-	<b>61</b>
Less assets sold in year	-	-	(61)	-	-	<b>(61)</b>
Balance c/f 31 March 2010	-	-	-	-	-	-

The £175k above relates to three Ambulance Stations that have been identified as surplus to requirements and have received NHS trust Board approval for disposal.

Disposals are anticipated within the next financial year.



13. Intangible assets

	Computer software purchased	Computer software internally developed	Development expenditure internally generated	Total
<b>Cost or valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 31 March 2010	227	-	-	227
Prior period adjustment	18,211	2,298	690	21,199
<b>At 1 April 2010</b>	<b>18,438</b>	<b>2,298</b>	<b>690</b>	<b>21,426</b>
Additions				
- purchased	3,291	1,027	-	4,318
Reclassifications	-	690	(690)	-
<b>Gross cost at 31 March 2011</b>	<b>21,729</b>	<b>4,015</b>	<b>-</b>	<b>25,744</b>
<b>Amortisation</b>				
At 31 March 2010	97	-	-	97
Prior period adjustment	11,694	391	-	12,085
<b>Accumulated amortisation at 1 April 2010</b>	<b>11,791</b>	<b>391</b>	<b>-</b>	<b>12,182</b>
Charged during the year	3,697	580	-	4,277
<b>Accumulated amortisation at 31 March 2011</b>	<b>15,488</b>	<b>971</b>	<b>-</b>	<b>16,459</b>
<b>Net book value at 31 March 2010</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>130</b>
Net book value at 1 April 2010	6,647	1,907	690	9,244
<b>Net book value at 31 March 2011</b>	<b>6,241</b>	<b>3,044</b>	<b>-</b>	<b>9,285</b>
<b>Net book value</b>				
Purchased	6,241	-	-	6,241
Internally generated	-	3,044	-	3,044
<b>Total at 31 March 2011</b>	<b>6,241</b>	<b>3,044</b>	<b>-</b>	<b>9,285</b>

13. Intangible assets (continued)

	Computer software purchased	Computer software internally developed	Develop- ment expenditure internally generated	Total
Cost or valuation	£000	£000	£000	£000
At 31 March 2009	227	-	-	227
Prior period adjustment	18,211	2,298	690	21,199
<b>At 1 April 2009</b>	<b>18,438</b>	<b>2,298</b>	<b>690</b>	<b>21,426</b>
<b>Gross cost at 31 March 2010</b>	<b>18,438</b>	<b>2,298</b>	<b>690</b>	<b>21,426</b>
<b>Amortisation</b>				
At 31 March 2009	61	-	-	61
Prior period adjustment	7,698	257	-	7,955
<b>Accumulated amortisation at 1 April 2009</b>	<b>7,759</b>	<b>257</b>	<b>-</b>	<b>8,016</b>
Charged during the year 2010	4,032	134	-	4,166
	<b>11,791</b>	<b>391</b>	<b>-</b>	<b>12,182</b>
<b>Net book value at 31 March 2009</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>166</b>
Net book value at 1 April 2009	10,679	2,041	690	13,410
<b>Net book value at 31 March 2010</b>	<b>6,647</b>	<b>1,907</b>	<b>690</b>	<b>9,244</b>
<b>Net book value</b>				
Purchased	6,647	-	-	6,647
Internally Generated	-	1,907	690	2,597
<b>Total at 31 March 2010</b>	<b>6,647</b>	<b>1,907</b>	<b>690</b>	<b>9,244</b>

**14. Revaluation reserve balance for intangible assets**

The NHS trusts have no revaluation reserve balances for intangible assets.

**15. Impairments**

Impairments in the period arose from:	2010-11		2009-10	
	Property, plant & equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
			<b>Restated</b>	
Loss or damage from normal operations	-	-	14	-
Changes in market price	-	-	10,027	-
Other (specify)	<b>3,490</b>	-	556	-
<b>Total</b>	<b>3,490</b>	-	<b>10,597</b>	-
Impairments charged in the year to the revaluation reserve	-	-	14	-
Operating expenses in Statement of Comprehensive Income	<b>3,490</b>	-	10,583	-

**16. Capital commitments**

Commitments under capital expenditure contracts at the Statement of Financial Position sheet date were:

	<b>31 March 2011</b>	<b>31 March 2009</b>
	£000	£000
Property, plant and equipment	4,797	2,367
Intangible assets	2,613	-
<b>Total</b>	<b>7,410</b>	<b>2,367</b>

**17. Other financial assets**

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
<b>Non-current</b>		
<b>Total</b>	<u>-</u>	<u>-</u>
<b>Current</b>		
Financial assets carried at fair value through income statement	<u>15,000</u>	<u>8,500</u>
<b>Total</b>	<u>15,000</u>	<u>8,500</u>

**18. Other assets**

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
<b>Non-current</b>		
<b>Total</b>	<u>-</u>	<u>-</u>
<b>Current</b>		
<b>Total</b>	<u>-</u>	<u>-</u>

The NHS trusts have no disclosures for other assets.

**19. Inventories**

**19.1 Inventories**

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
Drugs	634	328
Consumables	1,662	1,137
Energy	1	2
Other	<b>1,102</b>	1,158
<b>Total</b>	<b><u>3,399</u></b>	<b><u>2,625</u></b>

**19.2 Inventories recognised in expenses**

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>

**20. Trade and other receivables**

**20.1 Trade and other receivables**

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
<b>Current</b>		<b>Restated</b>
Welsh Assembly Government	8,458	1,692
Welsh Health Specialised Services Committee/Health Commission Wales	342	-
Welsh Health Boards	5,175	22,482
Non - Welsh Trusts	553	526
Other NHS	1,571	912
Welsh Local Authorities	168	-
Capital Debtors	251	-
Other debtors	7,436	4,499
Provision for irrecoverable debts	(370)	(495)
Other prepayments and accrued income	4,114	3,229
Sub-total	<b><u>27,698</u></b>	<b><u>32,845</u></b>
<b>Non-current</b>		
Sub-total	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total trade and other receivables</b>	<b><u>27,698</u></b>	<b><u>32,845</u></b>

The prior year was restated as a result of the merger accounting treatment required by the FReM for the transfer of Informing Healthcare function from ABMU Health Board to NWIS hosted by Velindre.

**20.2 Receivables past their due date but not impaired**

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
By up to 3 months	1,236	1,449
By 3 to 6 months	455	943
By more than 6 months	776	405
<b>Balance at end of financial year/period</b>	<b>2,467</b>	<b>2,797</b>

**20.3 Provision for the impairment of receivables**

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
		<b>Restated</b>
Balance at beginning of the year	(495)	(438)
Transfer to other NHS Wales body	-	8
Amount written off during the year	103	40
Amount recovered during the year	66	131
(Increase)/decrease in receivables impaired	(44)	(236)
<b>Balance at 31 March</b>	<b>(370)</b>	<b>(495)</b>

21. Cash and cash equivalents

	31 March 2011 £000	31 March 2010 £000
Opening Balance	2,875	2,437
Transfer to PHW NHS Trust on 1 October 2009	-	519
Net change in year	<b>6,336</b>	<b>(81)</b>
<b>Closing Balance</b>	<b>9,211</b>	2,875
<b>Made up of:</b>		
Cash with Office of Paymaster General	10,067	3,117
Commercial banks	64	400
Cash in hand	30	28
Current investments	-	-
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>10,161</b>	3,545
Bank overdraft - OPG	<b>(793)</b>	-
Bank overdraft - Commercial	<b>(157)</b>	<b>(670)</b>
<b>Cash &amp; cash equivalents as in Statement of Cash Flows</b>	<b>9,211</b>	2,875

**22. Trade and other payables**

**22.1 Trade and other payables at the**

**Statement of Financial Position date consist of:**

	<b>31 March 2011</b>	<b>31 March 2010 Restated</b>
<b>Current</b>	<b>£000</b>	<b>£000</b>
Welsh Assembly Government	3,285	1,663
Welsh Health Specialised Services Committee/Health Commission Wales	340	-
Welsh Health Boards	2,896	5,824
Other NHS	9,496	6,652
Welsh Local Authorities	229	-
Other Local Authorities	6	-
Income tax and social security	2,242	2,838
Non-NHS trade payables - revenue	5,873	4,978
Non-NHS trade payables - capital	9,640	8,447
Rentals due under operating leases	137	-
Pensions: staff	1,368	2,540
Accruals	9,282	8,778
Deferred Income	1,032	79
Other liabilities - all other payables	876	981
Sub-total	<u>46,702</u>	<u>42,780</u>
<b>Non-current</b>		
Non-NHS trade payables - capital	-	458
Sub-total	<u>-</u>	<u>458</u>
<b>Total</b>	<u>46,702</u>	<u>43,238</u>

The prior year was restated as a result of the adjustments for

- the removal of the cost of capital creditor due to HM Treasury's Clear Line of Sight project; and
- the merger accounting treatment required by the FRem for the transfer of Informing Healthcare function from ABMU Health Board to NWIS hosted by Velindre.



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**Summarised Accounts of NHS Trusts in Wales 2010-11**

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**23. Borrowings**

<b>Current</b>	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Finance lease liabilities	<b>1,448</b>	1,405
<b>Total</b>	<b><u>1,448</u></b>	<b><u>1,405</u></b>
<b>Non-current</b>		
Bank overdraft - OPG	<b>793</b>	-
Bank overdraft - Commercial bank	<b>157</b>	670
Loans from:		
Welsh Assembly Government	-	8,141
Finance lease liabilities	<b>10,862</b>	12,248
<b>Total</b>	<b><u>11,812</u></b>	<b><u>21,059</u></b>

**23.2 Loan advance/strategic assistance funding**

	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due:</b>		
Between two and five years	-	8,141
Sub-total	<b><u>-</u></b>	<b><u>8,141</u></b>
Wholly repayable within five years	-	8,141
Sub-total	<b><u>-</u></b>	<b><u>8,141</u></b>

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**24. Other financial liabilities**

The trusts have no current or non-current financial liabilities carried at fair value through statement of income and expenditure.

**25. Other liabilities**

<b>Current</b>	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Lease incentives	2	-
	<u>2</u>	<u>-</u>
	<u>2</u>	<u>-</u>
<b>Non-current</b>		
Lease incentives	2	-
	<u>2</u>	<u>-</u>
	<u>2</u>	<u>-</u>

Summarised Accounts of NHS Trusts in Wales 2010-11

26. Provisions

	At 1 April 2010	Transfer of provisions Non Current to Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>							
Clinical negligence	542	-	829	(272)	(96)	-	1,003
Personal injury	1,184	87	1,758	(1,445)	(526)	107	1,165
All other losses and special payments	11	-	431	(373)	(53)	-	16
Defence legal fees and other administration	214	-	209	(114)	(124)		185
Pensions relating to: other staff	39	14	24	(41)	-	4	40
Other	1,404	(237)	1,058	(947)	(8)		1,270
<b>Total</b>	<b>3,394</b>	<b>(136)</b>	<b>4,309</b>	<b>(3,192)</b>	<b>(807)</b>	<b>111</b>	<b>3,679</b>
<b>Non Current</b>							
Personal injury	4,603	735	427	-	-	-	5,765
Pensions relating to: other staff	353	(14)	(6)	-	-	-	333
Other	691	(585)	-	-	-		106
<b>Total</b>	<b>5,647</b>	<b>136</b>	<b>421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,204</b>
<b>TOTAL</b>							
Clinical negligence	542	-	829	(272)	(96)	-	1,003
Personal injury	5,787	822	2,185	(1,445)	(526)	107	6,930
All other losses and special payments	11	-	431	(373)	(53)	-	16
Defence legal fees and other administration	214	-	209	(114)	(124)		185
Pensions relating to: other staff	392	-	18	(41)	-	4	373
Other	2,095	(822)	1,058	(947)	(8)		1,376
<b>Total</b>	<b>9,041</b>	<b>-</b>	<b>4,730</b>	<b>(3,192)</b>	<b>(807)</b>	<b>111</b>	<b>9,883</b>

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2015	Between 1 Apr 2015 to 31 March 2020	Thereafter	Total
Clinical negligence	1,003	-	-	1,003
Personal injury	2,249	1,651	3,030	6,930
All other losses and special payments	16	-	-	16
Defence legal fees and other administration	185	-	-	185
Pensions - other staff	149	150	74	373
Other	1,376	-	-	1,376
<b>Total</b>	<b>4,978</b>	<b>1,801</b>	<b>3,104</b>	<b>9,883</b>

Included within "Other" Provisions are:-

- £712k unpaid annual leave entitlement to staff in respect of frozen holiday leave entitlement agreed a number of years ago for a proportion of trust's employees (the whole of this provision is included within 1 year as it could be paid out at any time).
- £558k Annex U entitlement, in respect of trainees Agenda for Change arrears, which was agreed in 2010/11 for a proportion of trust's employees (the whole of this provision is included within 1 year as it could be paid out at any time).
- £106k the cost of decommissioning of Caesium sources.

£822k in the "Transfers between Current and Non Current" column reflects the movement of the Personal Injury Benefit from "Other" to "Personal Injury" category.

Summarised Accounts of NHS Trusts in Wales 2010-11

26. Provisions

	At 1 April 2009	Transfer of provisions (to)/from other NHS Wales Bodies	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2010
	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>							
Clinical negligence	112	-	904	(246)	(228)	-	542
Personal injury	1,184	-	1,732	(759)	(1,067)	94	1,184
All other losses and special payments	-	-	236	(185)	(40)	-	11
Defence legal fees and other administration	173	-	218	(76)	(101)		214
Pensions relating to: other staff	51	-	(17)	1	-	4	39
Other	3,434	50	679	(2,296)	(463)		1,404
<b>Total</b>	<b>4,954</b>	<b>50</b>	<b>3,752</b>	<b>(3,561)</b>	<b>(1,899)</b>	<b>98</b>	<b>3,394</b>
<b>Non Current</b>							
Personal injury	4,018	-	585	-	-	-	4,603
Pensions relating to: other staff	540	-	(187)	-	-	-	353
Other	106	647	31	-	(93)		691
<b>Total</b>	<b>4,664</b>	<b>647</b>	<b>429</b>	<b>-</b>	<b>(93)</b>	<b>-</b>	<b>5,647</b>
<b>TOTAL</b>							
Clinical negligence	112	-	904	(246)	(228)	-	542
Personal injury	5,202	-	2,317	(759)	(1,067)	94	5,787
All other losses and special payments	-	-	236	(185)	(40)	-	11
Defence legal fees and other administration	173	-	218	(76)	(101)		214
Pensions relating to: other staff	591	-	(204)	1	-	4	392
Other	3,540	697	710	(2,296)	(556)		2,095
<b>Total</b>	<b>9,618</b>	<b>697</b>	<b>4,181</b>	<b>(3,561)</b>	<b>(1,992)</b>	<b>98</b>	<b>9,041</b>

Included within "Other" Provisions are:-

£793k unpaid annual leave entitlement to staff in respect of frozen holiday leave entitlement agreed a number of years ago for a proportion of trusts' employees. The whole of this provision is included within 1 year as this could be paid out at any time.

£10k expected costs relating to the Agenda for Change initiative.

£204k for Voluntary Early Release.

£160k in respect of the trusts' obligations as a tenant for building dilapidations (the cost of undertaking all work necessary to bring the building up to the required standard).

£106k Decommissioning Caesium Source.

Summarised Accounts of NHS Trusts in Wales 2010-11

27.1 Finance lease obligations (as lessee) continued

Amounts payable under finance leases:

LAND

The NHS trusts have no amounts payable under finance leases relating to land.

<b>BUILDINGS</b>	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Minimum lease payments</b>		
Within one year	391	391
Between one and five years	489	880
Less finance charges allocated to future periods	(105)	(145)
Minimum lease payments	<u>775</u>	<u>1,126</u>
Included in:		
Current borrowings	352	331
Non-current borrowings	<u>423</u>	<u>795</u>
	<u>775</u>	<u>1,126</u>
<b>Present value of minimum lease payments</b>		
Within one year	352	331
Between one and five years	423	795
Present value of minimum lease payments	<u>775</u>	<u>1,126</u>
Included in:		
Current borrowings	352	331
Non-current borrowings	<u>423</u>	<u>795</u>
	<u>775</u>	<u>1,126</u>
<b>OTHER</b>	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Minimum lease payments</b>		
Within one year	1,497	1,511
Between one and five years	6,272	6,126
After five years	5,744	7,351
Less finance charges allocated to future periods	(1,977)	(2,461)
Minimum lease payments	<u>11,536</u>	<u>12,527</u>
Included in:		
Current borrowings	1,097	1,074
Non-current borrowings	<u>10,439</u>	<u>11,453</u>
	<u>11,536</u>	<u>12,527</u>
<b>Present value of minimum lease payments</b>		
Within one year	1,097	1,074
Between one and five years	5,074	4,762
After five years	5,365	6,691
Present value of minimum lease payments	<u>11,536</u>	<u>12,527</u>
Included in:		
Current borrowings	1,097	1,074
Non-current borrowings	<u>10,439</u>	<u>11,453</u>
	<u>11,536</u>	<u>12,527</u>

**27.2 Finance lease receivables (as lessor)**

The NHS trusts have no finance lease receivables as lessor.

**27.3 Finance Lease Rental Revenue**

The NHS trusts have no finance lease rental revenue.

**28. Finance lease commitments**

The NHS trusts have not entered into any new contracts to lease (building assets) under finance leases during 2010-11.

**29. Private finance transactions**

**Private Finance Initiatives (PFI) / Public Private Partnerships (PPP)**

The NHS trusts have no PFI or PPP schemes deemed to be "on or off balance sheet."

### 30. Financial risk

IFRS 7, 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 trusts have previously had with health authorities and Health Commission Wales and now with Welsh Health Specialised Services Committee 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 IFRS 7 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 NHS trusts' treasury management operations are carried out by the finance department within parameters defined formally within the NHS trusts' standing financial instructions and policies agreed by the board of directors. NHS trust treasury activity is subject to review by the NHS trusts' internal auditors.

#### **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.

#### **Credit Risk**

Because the majority of the trusts' income comes from contracts with other public sector bodies, the trusts have low exposure to credit risk. The maximum exposures are in receivables from customers as disclosed in the Trade and other receivables note.

#### **General**

The powers of the NHS trusts to invest and borrow are limited. The Boards have determined that in order to maximise income from cash balances held, any balance of cash which is not required will be invested. The trusts do not borrow from the private sector. All other financial instruments are held for the sole purpose of managing the cash flow of the trusts on a day to day basis or arise from the operating activities of the trusts. The management of risks around these financial instruments therefore relates primarily to the trusts' overall arrangements for managing risks to their financial position, rather than the trusts' treasury management procedures.

### 31. Contingencies

#### 31.1 Contingent liabilities

Provision has not been made in these accounts for the following amounts:	31 March 2011 £000	31 March 2010 £000
Legal claims for alleged medical or employer negligence	9,760	8,446
Other	-	1,000
Total value of disputed claims	9,760	9,446
Amount recovered under insurance arrangements in the event of these claims being successful	(8,937)	(7,454)
Net contingent liability	823	1,992

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.

#### 31.2 Contingent assets

The NHS trusts have no contingent assets.

### 32. Third party assets

The NHS trusts have no third party assets.



**33. Events after reporting period**

The NHS trusts have no events after the reporting period to disclose.

**34. Related Party Transactions**

The Welsh Assembly Government, local health boards and NHS trusts are regarded as related parties. During the year, the trusts' had a significant number of material transactions with the Welsh Assembly Government and with other NHS bodies.

All trusts disclosed other related party transactions, predominantly Local Authorities. Further details of transactions are given in the individual trust accounts.

**35. Losses and special payments**

Losses and special payments are charged to the income and expenditure statement in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared 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 during year to 31 March 2011		Approved to write-off year to 31 March 2011	
	Number	£	Number	£
Clinical negligence	11	271,974	5	50,151
Personal injury	137	1,342,580	43	365,863
All other losses and special payments	179	374,210	130	273,910
<b>Total</b>	<b>327</b>	<b>1,988,764</b>	<b>178</b>	<b>689,924</b>

Cases paid in 2010-11 where the cumulative sum exceeded £250,000 are as follows:

	No of cases	Cumulative amount £ 2010-11	Amounts paid out in year 2010-11 £
Clinical Negligence	2	1,404,365	-
Personal Injury	2	3,104,401	-
All other losses and payments	-	-	-
<b>Total</b>	<b>4</b>	<b>4,508,766</b>	<b>-</b>

## **THE NATIONAL HEALTH SERVICE – NHS TRUSTS IN WALES**

### **SUMMARISED ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 178, SCHEDULE 9, PARA 5(4) OF THE NATIONAL HEALTH SERVICES (WALES) ACT 2006**

1. H M Treasury directs that an account, summarised by consolidation, of the NHS Trusts in Wales shall be prepared in respect of the financial year ended 31 March 2010 and thereafter. The basis of preparation and form of accounts shall be set out in the following paragraphs and Schedules.

2. In this direction, unless the context otherwise requires, “the NHS Trusts” means each and every NHS Trust in Wales.

#### **BASIS OF PREPARATION**

3. The consolidated account of the NHS Trusts shall be prepared from the audited accounts of the NHS Trusts to which it relates and shall comply with:

- a) generally accepted accounting practice ( GAAP);
- b) the accounting and disclosure requirements of the Companies Act 2006;
- c) all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales and are in force for the financial year for which the accounts are to be prepared;
- d) all relevant guidance given in the NHS Trust Accounts (Wales) – Manual for accounts;
- e) the historical cost convention modified by the inclusion of non-current 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**

4. The consolidated account of NHS Trusts shall comprise a foreword, an income statement, a statement of financial position, and a cash flow statement, including such notes as are necessary to ensure a proper understanding of the accounts.

5. The consolidated account of NHS Trusts shall give a true and fair view of the state of affairs as at the end of the financial year and of its income and expenditure, gains and losses, and cashflows during the year.

6. The foreword and statement of financial position shall be signed by the Accounting Officer and dated.

#### **MISCELLANEOUS**

7. The direction shall be reproduced as an appendix to the published accounts.

8. This direction supersedes the direction dated 21 July 2009.

Chris Wobschall  
Head, Assurance and Financial Reporting Policy  
HM Treasury  
15 July 2010

**SCHEDULE 1  
APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES  
ACT AND ACCOUNTING REQUIREMENTS**

**Companies Act**

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS bodies shall be contained in the foreword.

**Accounting Standards**

1. NHS bodies are not required to include a note showing the historical cost profits and losses.

**SCHEDULE 2  
ADDITIONAL REQUIREMENTS**

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (2) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS bodies to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.