

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

Summarised accounts of local health boards NHS trusts and special health authority in Wales for the year ended 31 March 2021.

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para 1 & Para 5(2)

NHS (Wales) Summarised Accounts
Local Health Boards, NHS Trusts and
Special Health Authority in Wales
2020-21

NHS Wales Summarised Accounts 2020-21

FOREWORD

Introduction

1. The Welsh Ministers are required to prepare Summarised Accounts from the individual accounts of NHS Wales organisations. The foreword is prepared on the audited accounts.
2. In 2018-19, the Local Health Boards (LHBs) and NHS Trusts were summarised into single summarised accounts for the first time. In 2019-20, the annual accounts of Health Education and Improvement Wales (HEIW), were included as part of the Summarised Accounts. These Summarised Accounts of the LHBs and NHS trusts and Special Health Authority have been prepared to comply with the Accounts Direction given by HM Treasury in accordance with Section 178, Schedule 9, Para 5(4) of the National Health Service (NHS) Wales Act 2006 (the Act).
3. The Auditor General for Wales (AGW) is required to examine, certify and report on the Summarised Account (Section 178, Schedule 9 para 5(6) of the Act).
4. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2020-21 which include the results of the LHBs, NHS Trusts and HEIW.
5. The chief executives of the 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.
6. In my capacity as Additional Accounting Officer, I have financial responsibility for health service expenditure. Accordingly, I have signed the Summarised Accounts of the LHBs and NHS trusts and Special Health Authorities.

Summarised Accounts

7. The Summarised Accounts of the LHBs, NHS trusts and Special Health Authorities have been prepared in compliance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) issued by HM Treasury as applied to the NHS in Wales, as applicable to the Summarised Accounts and specifically excluding a Statement of Parliamentary Supply. The 2020-21 Summarised Accounts for NHS Wales, have been prepared, to include seven LHBs, three NHS trusts and one Special Health Authority (HEIW).

Local Health Boards

8. LHBs were established under section 11 and Schedule 2 of the National Health Service (Wales) Act 2006.
9. In 2020-21 the seven LHBs in Wales planned, secured and delivered healthcare services in their areas :
 - Aneurin Bevan University Health Board
 - Betsi Cadwaladr University Health Board
 - Cardiff & Vale University Health Board
 - Cwm Taf Morgannwg University Health Board
 - Hywel Dda University Health Board
 - Powys Teaching Health Board
 - Swansea Bay University Health Board

NHS Trusts

10. NHS trusts were established under section 18 of the National Health Service (Wales) Act 2006. They receive most of their income from the Welsh Government, the LHBs and the Welsh Health Specialised Services Committee (WHSSC) which is hosted by Cwm Taf Morgannwg University Health Board.
11. There are currently three NHS Trusts in Wales, each with an All-Wales focus. These are the Welsh Ambulance Services Trust for emergency services, Velindre University NHS Trust offering specialist services in cancer care and a range of national support services and Public Health Wales, the unified Public Health organisation in Wales.

Special Health Authorities

12. Health Education and Improvement Wales (HEIW) was established as a Special Health Authority under the Act on the 5th October 2017. They were included as part of the NHS Wales Summarised Accounts for the first time in 2019-20 in accordance with the Treasury's accounts Direction.

Performance against statutory and administrative financial duties

13. Welsh Health Circular (2016) 054 clarifies the statutory financial duties of LHBs and NHS trusts in Wales further to the NHS Finance (Wales) Act 2014, and is effective from 2016-17 financial year, replacing Welsh Health Circular 2015 (014). [WHC \(2016\) 054](#)

14. Section 175 6A of the NHS (Wales) Act 2006 requires the Welsh Ministers to report in relation to each three year accounting period, to the Welsh Parliament before the end of the financial year following that period on whether each LHB has complied with the first financial duty. The LHB Statutory Financial Duties commentary below, contained within these NHS Summarised Accounts, is laid before the National Assembly for Wales and accordingly discharges this duty.

Local Health Board Performance - Statutory Financial Duties

15. For LHBs, the first financial duty is to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved resource limit, including any other sums received. The first assessment of the rolling 3 year duty took place at the end of 2016-17, and is undertaken annually.
16. The second financial duty – to prepare an Integrated Medium Term Plan to secure compliance with the first financial duty, and for the plan to be approved by the Welsh Ministers - was effective from the 2014-15 financial year and is assessed annually. Failure to comply with the planning duty, including not submitting a plan and not having the plan approved by the Minister, is a breach of this second statutory financial duty. The plan is required to be approved prior to the Accountable Officer signing of the financial statements for the first year of each three-year plan. In practice the Minister seeks to confirm approval of plans by the 30th June in the first year of the plan. Performance against this second financial duty, including any breach of this duty, is reported in the Annual Accounts of the LHBs each year, including the Annual Governance Statement. Due to the pandemic, the process for the 2020-23 integrated plan was paused in spring 2020 and a temporary quarterly planning arrangement put in place for 2020-21. As a result the extant planning duty for 2020-21 remains the requirement to submit and have approved a 2019-22 integrated plan, as set out in the NHS Wales Planning Framework 2019-22.
17. In 2020-21, three LHBs (Aneurin Bevan, Cwm Taf Morgannwg and Powys) incurred expenditure within revenue resource allocations over the rolling 3 year assessment and therefore met their first financial duty.
18. Four LHBs failed to achieve financial balance; that is to manage aggregate expenditure within aggregate revenue resource allocations over the rolling 3 year assessment and therefore failed to meet the first financial duty (Betsi Cadwaladr, Cardiff & Vale, Hywel Dda and Swansea Bay).
19. All LHBs kept expenditure within capital resource allocations.
20. On 6 July 2020, the Minister for Health and Social Services confirmed in a Written Statement that when an organisation that has previously been in deficit achieves its three year break even duty, it will not be required to repay any historic deficits incurred before it achieves the statutory duty.
21. He also confirmed that the strategic cash support provided to organisations in deficit will no longer be repayable. The Welsh Government has provided strategic cash
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support totalling nearly £486 million to these organisations to enable them to meet their financial obligations to staff and suppliers whilst in deficit.

22. As stated in para 16 above the process for the 2020-23 integrated plan was paused and replaced with quarterly planning arrangements. As a result, four LHBs (Aneurin Bevan, Cardiff and Vale, Cwm Taf Morgannwg and Powys) met their statutory duty to submit an integrated three year plan for the period 2019-20 to 2022-23 based on their 2019-20 to 2021-22 plans approved by the Minister for Health and Social Services.
23. Three LHBs (Betsi Cadwaladr, Hywel Dda and Swansea Bay) were unable to develop approvable three year plans for the period 2019-20 to 2021-22 for approval by the Minister and therefore did not meet their second financial duty, as the duty has been carried forward into 2020-21 to 2022-23 with the pausing of the IMTPs.
24. Four LHBs (Betsi Cadwaladr, Cardiff & Vale, Hywel Dda and Swansea Bay) received qualified regularity audit opinions and a substantive narrative report placed upon their accounts, as a consequence of their failure to achieve their first financial duty. The substantive narrative reports also cover the failure of the three LHBs to achieve their second financial duty in relation to approved Integrated Medium Term Plans with the exception of Cardiff and Vale.
25. In 2020-21, all LHBs and NHS Trusts were again subject to an Emphasis of Matter statement in their audit opinion from the AGW in respect of contingent liabilities arising from the Ministerial Direction issued in December 2019 for the pension scheme for clinicians who incur tax charges for undertaking work in 2019/20. HEIW, were also subject to this in their audit opinion.
26. All LHBs received a true and fair audit opinion from the Auditor General for Wales for 2020-21, in respect of the annual accounts.
27. At the end of March 2021 one LHB (Cwm Taf Morgannwg) remained in special measures for Maternity Services, two LHBs (Hywel Dda and Swansea Bay), were downgraded from targeted intervention to enhance monitoring. To reflect the improvement in their performance, Betsi Cadwaladr were de-escalated from Special Measures to Targeted Intervention. Further comment on the monitoring, escalation and intervention arrangements for LHBs is set out in the NHS Summarised Accounts Annual Governance Statement.
28. The details of the LHBs' performance against the first and second financial duties, and their surpluses and deficits are set out in Annexes 1 and 4 to this Foreword.

NHS Trust Performance - Statutory Financial Duties

29. For NHS trusts, the first financial duty is to ensure over a rolling three year period that expenditure is covered by income. No NHS trust breached their first financial duty for the rolling three year period to 2020-21. During 2020-21, all three trusts achieved operating surpluses.
 30. As stated in paragraph 16, the paused planning process also applied to NHS Trusts.
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As a result, all three NHS trusts also met the second financial duty for 2020-21 to submit an integrated three year plan based on the plans for the period 2019-20 to 2021-22 which were approved by the Minister for Health and Social Services.

31. Two trusts received unqualified true and fair and regularity audit opinions from the Auditor General for Wales for 2020-21.
32. Velindre University NHS Trust were subject to a qualified audit opinion. Note 16.1 of their financial statements discloses an inventory balance of £95.564 million as at 31 March 2021. Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, the Auditor General for Wales, was unable to observe and re-perform parts of the Trust's count of its inventories on 31 March 2021. As a result, he was unable to obtain the required audit assurance by alternative means, and therefore was unable to determine whether the Trust's reported year-end inventory balance of £95.564 million was materially true and fair.
33. The details of the NHS trusts' first and second financial duty compliance, surpluses and deficits are set out in Annexes 2 and 4 to this Foreword.

External financing limit

34. As part of the process of controlling public expenditure, the Welsh 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 Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to LHBs or the SHA.
35. Due to the circumstances that arose as a result of COVID 19, the suspension of the National Loan Fund temporary deposit facility and the requirement to issue year-end capital adjustments, the requirement to achieve the administrative External Financing Target was suspended in 2019-20 and this suspension has been continued into 2020-21.

Health Education and Improvement Wales Performance - Statutory Financial Duties

36. HEIW was required to prepare an annual plan for 2019-20 and move to a three-year cycle from 2020-23 in accordance with the NHS Wales Planning Framework. Due to the pandemic, the process for the 2020-2023 integrated plan was paused in spring 2020 and a temporary quarterly planning arrangement put in place for 2020-21. HEIW is therefore not subject to a Second Financial Duty for the period of account to 31 March 2021 given the temporary arrangements and there being no extant administrative duty in place.

Prompt Payment Performance

37. All NHS Wales bodies are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay 95% of 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.
38. The performance of each NHS Wales body, 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.
39. The number of non NHS invoices paid within 30 days ranged from 97.2 to 93.0% for NHS bodies, with an average for the year of 95.4% (2019-20 95.8%). Full details are contained within the statutory accounts of the NHS organisations.

Statement of Financial Position Issues

Clinical Negligence Provisions

40. At 31st March 2021, known actual and anticipated liabilities for clinical negligence totalled £652.539 million (2019-20 £684.279 million) in LHBs and NHS Trusts. These provisions are calculated on the basis of claims against the organisations, where it is assessed that there is a probable chance of the claim being settled.
41. Excluded from the provisions calculations included within the Summarised Accounts is a further estimated £1,351.431 million (2019-20 £1,103.571 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities, as the likelihood of settlement is assessed as possible, rather than probable.
42. The figures at paragraph 40 and 41 reflect the gross liability for claims against the NHS trusts and LHBs before considering amounts recoverable from the Welsh Risk Pool (WRP). LHBs and NHS trusts in Wales are able (subject to managing claims in accordance with Putting Things Right guidance) to recover the costs of clinical negligence claims above £25,000 from the WRP.

Welsh Risk Pool (WRP)

43. The Welsh Risk Pool (WRP) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The WRP 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.
 44. The Pool is managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre University NHS Trust. The reimbursement of claims by the Pool is managed by the Welsh Risk Pool Committee comprising representatives from NHS
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trusts, LHBs and the Welsh Government.

45. Velindre University NHS Trust's liability is 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 with the members of the pool for claims settlements exceeding the funding to the Pool by NHS Wales.
46. The Welsh Risk Pool provision is disclosed separately for clarity at note 20.2 of the NHS Wales summarised accounts. This amounted to £1,133 million at 31st March 2021 (2019-20 £1,134million). The provision includes Structured Settlement liabilities – where claim settlements are to be paid over a future period in regular payments, usually annually, rather than by a lump sum of £467.783 million (2019-20 £441.063 million).
47. As the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist, the summarised account note 14 includes current and non-current receivables with the Welsh Government in respect of Welsh Risk Pool liabilities. The Welsh Government's Core Resource Accounts will reflect the Welsh Risk Pool liabilities at 31 March 2021 as a provision.
48. The provision decreased in 2020-21 by £0.958 million (2019-20 increased by £52.381 million). The number of new matters opened in year, assessed as probable or certain, was 549 compared to 527 in 2019-20.
49. Putting Things Right (PTR) is the NHS Wales process for raising concerns about care and treatment so that the NHS body can look into what may have gone wrong and try to make it better. Research shows that high reporting is a positive indicator of an open and supportive patient safety culture where the reporting of serious incidents enables full investigations of every case for continuous learning and improvement in the quality of services provided. NHS organisations in Wales are supported by 1000 Lives Improvement, which is part of Public Health Wales. The team leads national work on a range of quality improvement initiatives including healthcare associated infections, sepsis and surgical complications.
50. During the year, the WRP made payments of £74.159 million (2019-20: £69.705 million) in relation to claims. Of this £67.958 million related to clinical negligence claims and £2.328 million related to personal injury claims (2019-20 £66.827 million and £1,162 million respectively).

Sustainability Reporting

51. Subsequent to the HMT Simplifying and Streamlining Accounts Project, there is no requirement in the Government Financial Reporting Manual (FRoM) for public sector bodies to produce a standalone Sustainability Report, although entities may choose to include one should they so wish. Mandatory reporting requirements are retained against the high level indicators under the Greening Government Commitments, in addition to performance against financial and non-financial reporting areas.
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52. Guidance issued by HMT on Sustainability Reporting is not applicable to the devolved government of Wales, however Wales is unique in the UK in having sustainable development as its central organising principle, established in the Wellbeing of Future Generations (Wales) Act. Sustainability reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting.
53. To ease the reporting burden, in line with HM Treasury Financial Reporting Manual, NHS Wales bodies were not required to include this in 2020-21 as part of their Performance Report and were allowed to disclose the details on their websites when the relevant metrics were available as a standalone document.

Annual Quality Statement

54. In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS organisations to publish an Annual Quality Statement as part of the NHS organisations' annual reports. For 2020-21, this requirement was suspended and issues in relation to quality in NHS bodies were reported as part of the Performance Reports of each NHS body.

GP Indemnity – Future Liabilities Scheme and Existing Liabilities Scheme

55. In May 2018 the Minister agreed to introduce a state backed scheme to provide clinical negligence covering claims arising from 1 April 2019 for providers of GP services in Wales from 1 April 2019 Future Liability Scheme (FLS). Subsequently, Shared Services Partnership Legal and Risk Services (LARS) launched the General Medical Practice Indemnity (GMPI) on 1 April.
56. In July 2018, the Minister further agreed to introduce from 1 April 2019 an Existing Liability Scheme (ELS), covering claims made before 1 April 2019, subject to legal and financial due diligence and satisfactory discussions with the three Medical Defence Organisations (MDOs), who have provided indemnity cover.
57. The GMPI is underpinned by new secondary legislation, The NHS (Clinical Negligence Scheme) (Wales) Regulations 2019 which came into force on 1 April 2019. In March 2019, the Minister also issued a Direction to Velindre NHS Trust to enable LARS to operate the Scheme.
58. An Existing Liability Scheme, was set up to administer the clinical liability claims of GPs up to 31 March 2019. Arrangements were finalised with Medical Protection Society and the Medical and Dental Defence Union Scotland to manage for respective interim periods. Welsh Government is liable for all claims under the ELS pre 31 March 2019, whilst all claims after 1 April 2019 are the liabilities of the respective Health Board where the incident occurred. The administration of the ELS
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LARS will commence administering the schemes when the respective arrangements with MPS and MDDUS expire.

59. In last year's Foreword, I reported that the Medical Defence Union had applied for Judicial Review against the Welsh Ministers in respect of their decision to introduce an FLS without introducing any, or any fair or proportionate, Existing Liabilities Scheme for MDU's General Practitioner members in Wales. On 11 May 2021, the Medical Defence Union applied to the High Court of Justice to discontinue its claim and on 11 June 2021 consent to discontinue was given by the Court.

60. Negotiations with the Medical Defence Union to establish an Existing Liabilities Scheme were not concluded in 2020-21 and currently remain ongoing.

Events after the Reporting Period

61. The NHS Wales Informatics Service (NWIS) which was hosted by Velindre University Trust since 1 April 2010 ceased to be hosted by the Trust on 1 April 2021, and became a new Special Health Authority, Digital Health & Care Wales. Assets and liabilities held at 31 March 2021 and reported in these accounts will be reviewed and split accordingly between both organisations once audited accounts have been finalised.

COVID 19 Funding

62. Additional funding allocated to NHS Wales bodies in the financial year 2020-21 was £1,170.484 million revenue funding and £133.112 million capital funding.

Dr Andrew Goodall
Director General and Additional Accounting Officer, Welsh Government Health and Social Services Group, and
Chief Executive of NHS Wales

29 July 2021

Annex 1 Local Health Board Financial Duties

First Financial Duty

- Revenue Resource Limit

Under/(Over) spend against revenue resource allocation limit

| | 2018-19 | 2019-20 | 2020-21 | Three year duty |
|----------------------------------|----------|----------|----------|-----------------|
| | £000 | £000 | £000 | £000 |
| Aneurin Bevan University LHB | 235 | 32 | 245 | 512 |
| Betsi Cadwaladr University LHB | (41,279) | (38,696) | 490 | (79,485) |
| Cardiff and Vale University LHB | (9,872) | 58 | 90 | (9,724) |
| Cwm Taf Morgannwg University LHB | 16 | 883 | 88 | 987 |
| Hywel Dda University LHB | (35,438) | (34,943) | (24,910) | (95,291) |
| Powys Teaching LHB | 65 | 55 | 143 | 263 |
| Swansea Bay University LHB | (9,879) | (16,284) | (24,304) | (50,467) |
| All local health boards | (96,152) | (88,895) | (48,158) | (233,205) |

Health Boards operating within resource allocation

| | | | | |
|--------------|----|----|----|----|
| Number | 3 | 4 | 5 | 3 |
| Percentage % | 43 | 57 | 71 | 43 |

- Capital Resource Limit

Under/(Over) spend against capital resource allocation limit

| | 2018-19 | 2019-20 | 2020-21 | Three year duty |
|----------------------------------|---------|---------|---------|-----------------|
| | £000 | £000 | £000 | £000 |
| Aneurin Bevan University LHB | 41 | 28 | 13 | 82 |
| Betsi Cadwaladr University LHB | 15 | 24 | 61 | 100 |
| Cardiff and Vale University LHB | 74 | 89 | 104 | 267 |
| Cwm Taf Morgannwg University LHB | 10 | 24 | 47 | 81 |
| Hywel Dda University LHB | 25 | 31 | 60 | 116 |
| Powys Teaching LHB | 12 | 3 | 27 | 42 |
| Swansea Bay University LHB | 40 | 28 | 28 | 96 |
| All local health boards | 217 | 227 | 340 | 784 |

Health Boards operating within resource allocation

| | | | | |
|--------------|-------|-------|-------|-------|
| Number | 7 | 7 | 7 | 7 |
| Percentage % | 100.0 | 100.0 | 100.0 | 100.0 |

Annex 2 NHS Trust Financial Duties

First Financial Duty

- Break Even Duty

| | 2018-19 £000 | 2019-20 £000 | 2020-21 £000 | Three year duty £000 |
|--|-----------------|-----------------|-----------------|-------------------------|
| Retained Surplus | | | | |
| Public Health Wales NHS Trust | 26 | 42 | 77 | 145 |
| Velindre University NHS Trust | 55 | 41 | 1,222 | 1,318 |
| Welsh Ambulances Services NHS Trust | 57 | 45 | 70 | 172 |
| Adjusted Surplus | | | | |
| Public Health Wales NHS Trust | 26 | 42 | 32 | 100 |
| Velindre University NHS Trust | 31 | 24 | 38 | 93 |
| Welsh Ambulances Services NHS Trust | 57 | 45 | 70 | 172 |
| All NHS Trusts Adjusted Surplus | <u>114</u> | <u>111</u> | <u>140</u> | <u>365</u> |
| All NHS Trusts operating within Break Even (Adjusted Surplus) | | | | |
| No | 3 | 3 | 3 | 3 |
| Percentage % | 100 | 100 | 100 | 100 |

The adjusted surplus takes into consideration FReM accounting treatment, that the funding element for assets donated by third parties either by gift of the asset or by way of funds to acquire assets, should be recognised as income as required by IAS 20.

The treatment of such income in public sector budgets follows Consolidated Budgeting Guidance, the impact of such income on the revenue position is accordingly adjusted for in the consideration of NHS trusts break-even position.

Annex 3 Special Health Authority (SHA)- Financial Duties

First Financial Duty

Health Education and Improvement Wales (HEIW) was established as a Special Health Authority (SHA). The Statutory financial duties are set out in Section 172 of the SHA section of the National Health Services (Wales) Act 2006. Section 172(1) sets out what is referred to as the First Financial Duty - a duty to secure that HEIW expenditure does not exceed the aggregate of the allotted to it for a financial year.

WHC/2019/004 clarified that the annual financial duty is set separately for revenue and capital resource allocations.

- Revenue Resource Limit

Under/(Over) spend against revenue resource allocation limit

| | 2020-21 |
|---|----------------|
| | £000 |
| Health Education and Improvement Wales | 95 |

- Capital Resource Limit

Under/(Over) spend against capital resource allocation limit

| | 2020-21 |
|---|----------------|
| | £000 |
| Health Education and Improvement Wales | 21 |

Annex 4 NHS Trust & Local Health Board Financial Duties.

Second Financial Duty

- Approved Integrated Medium Term Plan

| | Integrated medium term plan status |
|-------------------------------------|------------------------------------|
| Aneurin Bevan University LHB | ✓ |
| Betsi Cadwaladr University LHB | × |
| Cardiff and Vale University LHB | ✓ |
| Cwm Taf Morgannwg University LHB | ✓ |
| Hywel Dda University LHB | × |
| Powys Teaching LHB | ✓ |
| Swansea Bay University LHB | × |
| Public Health Wales NHS Trust | ✓ |
| Velindre University NHS Trust | ✓ |
| Welsh Ambulances Services NHS Trust | ✓ |

LHBs and NHS Trusts operating within approved IMTP

| | |
|--------|------|
| Number | 7 |
| % | 70.0 |

| | |
|--------------|---|
| Approved | ✓ |
| Not approved | × |

The second financial duty is an annual duty.

As a result of the Covid 19 pandemic and the cessation of certain work to release resources, the IMTP process was paused on 11th March 2020. At that point those with approved 3 year IMTPs remained extant and those in escalation (and in annual plan territory) also remained the same. Therefore to clarify the 2019-22 IMTPs are those which remain extant for 2020-21

The SHA with the agreement of the Welsh Government, has operated under an annual operating plan, which has been approved by Welsh Government.

Annex 5 Administrative Duties

NHS Trusts

- External Finance Limit Performance (EFL)

As a consequence of Covid 19, access to HMT temporary deposit facility was suspended at year end . This impacted on the NHS Trusts' ability to invest their cash, this resulted in the administrative EFL duty being suspended for 2020-21 and 2019-20.

Local Health Boards and NHS Trusts

- Public Sector Payment Policy performance (PSPP)

| | % of Non NHS bills paid within 30 days (by value and number) | | | |
|---|--|--------------|----------------|--------------|
| | 2020-21 | | 2019-20 | |
| | Value of bills | No. of bills | Value of bills | No. of bills |
| Aneurin Bevan University LHB | 95.5 | 96.3 | 97.0 | 97.2 |
| Betsi Cadwaladr University LHB | 97.9 | 96.0 | 97.4 | 95.3 |
| Cardiff and Vale University LHB | 96.4 | 96.2 | 96.1 | 95.8 |
| Cwm Taf Morgannwg University LHB | 94.5 | 93.8 | 94.5 | 95.5 |
| Hywel Dda University LHB | 96.5 | 95.3 | 97.1 | 96.2 |
| Powys Teaching LHB | 96.7 | 93.0 | 93.2 | 96.4 |
| Swansea Bay University LHB | 92.0 | 93.9 | 92.9 | 94.3 |
| Public Health Wales NHS Trust | 96.4 | 96.2 | 94.6 | 96.3 |
| Velindre University NHS Trust | 93.7 | 96.7 | 90.6 | 97.4 |
| Welsh Ambulances Services NHS Trust | 98.2 | 97.2 | 98.0 | 97.2 |
| Health Education and Improvement Wales | 99.3 | 95.9 | 99.6 | 95.2 |
| All (LHBs NHS trusts and Special Health Authorities) | 95.7 | 95.4 | 95.8 | 95.8 |
| Organisations operating within PSPP target \geq 95% | | | | |
| Number | | 8 | | 10 |
| Percentage % | | 72.7 | | 90.9 |

NHS WALES SUMMARISED ACCOUNTS OF THE LOCAL HEALTH BOARDS, NHS TRUSTS AND HEALTH EDUCATION AND IMPROVEMENT WALES

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

1. As Additional Accounting Officer for the Health and Social Services Group (HSSG), I am responsible for maintaining a governance framework to support the efficient and effective production and audit of the NHS Wales Summarised Accounts (the Summarised Accounts), comprising of the Local Health Boards (LHBs) and NHS Trusts in Wales and Special Health Authority (SHA).
2. This Statement is prepared in accordance with the Accounts Directions issued by HM Treasury for the Summarised Accounts, which require an Annual Governance Statement to be prepared, including information about the arrangements in place to assure the quality of the financial and other information included in the Summarised Accounts.
3. The governance framework for the Summarised Accounts are exercised in practice as a single process, and the Summarised Accounts were published for users as a single document for the first time in 2018-19. In 2019-20, the accounts of HEIW, a Special Health Authority, were also included as part of the Summarised Accounts.
4. The Summarised Accounts governance framework is designed to minimise the risks to the process of preparing and publishing the accounts. The accounts of individual NHS entities included in the summarisation are each subject to their own governance frameworks, details of which can be found in the Annual Governance Statements of the three NHS Trusts and the seven LHBs and HEIW.
5. The framework is intended to manage risk to a reasonable level, rather than to eliminate all risk of failure to the summarisation preparation process. It provides a high level, but not absolute, assurance of effectiveness. The framework is based on an ongoing process designed to identify and prioritise risks, to evaluate the likelihood of risks being realised and their potential impact and to manage them effectively.
6. In producing the Summarised Accounts, I rely on each Accountable Officer of the LHBs, NHS Trusts and HEIW to manage their own risks. The Accountable Officers are required to ensure the accounts of their respective organisations are properly prepared and presented in accordance with the Accounts Directions issued to them by the Welsh Ministers.

The Summarised Accounts governance framework

7. Matters relating to the governance of the preparation and audit of the Summarised Accounts are considered by the Health and Social Services Audit and Risk Assurance Committee. The Committee met on three occasions in the 2020-21 financial year and two further COVID briefings were separately held for independent members during the year.
8. During 2020-21, the Committee considered the following matters relating to the Summarised Account:
 - HSSG Risk Register
 - Protective Personal Equipment
 - Ministerial Direction in relation to NHS Pension arrangements
 - HSS Internal and external Audit recommendations
 - DG Assurance Statement
9. The work of the Committee provides me with support and assurance on the adequacy of governance arrangements for the Summarised Accounts. I am satisfied that the Committee operates in an effective manner and provides good support in the monitoring of risk, control and governance processes as these affect the Summarised Accounts.
10. The Summarised Accounts governance framework has been in place for the year ended 31 March 2021 and up to the date of approval of the accounts and accords with Treasury guidance, including the relevant aspects of the *Corporate Governance in Central Government Departments; Code of Good Practice* to the extent that this is deemed relevant and practical.

Risk Management

11. Risks arise to the preparation of the Summarised Accounts from the underlying LHB, NHS Trust and HEIW statutory accounts processes, and the Summarised Accounts preparation process.
 12. Preparation and publication of the Summarised Accounts is managed within the HSSG risk management framework, which in turn is part of the Welsh Government risk and control framework. Further details are set out in the Annual Governance Statement for the Welsh Government Consolidated Resource Account, which is laid separately before the Senedd. The Director of Finance, HSSG, is responsible on a day-to-day basis for managing risk, ensuring that the activities necessary for the production of the Summarised Accounts are properly planned, resourced and performed.
 13. In 2020-21 no risks in relation to the preparation of the Summarised Accounts met the risk score threshold for escalation and reporting in the HSSG Risk Register. Risks relating to the preparation of the Summarised Accounts process, including as a result of COVID 19 are outlined in para 18 below.
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14. The Summarised Accounts are prepared in accordance with the 2020-21 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or after 1 January 2018, and with the LHB / NHS Trust Manual For Accounts 2020-21. The Manual is also applicable to HEIW.
15. The LHB and NHS trust Manual for Accounts issued by the HSSG Finance Directorate complements the FReM by providing additional advice and guidance on interpretations specific to the NHS in Wales. The Manual for Accounts is key to the management of risk as it provides sector specific guidance on how to complete the annual accounts templates, supporting Financial Returns, and Memorandum Statements of debtor and creditor balances and income and expenditure transactions. Compliance with the Manual for Accounts is critical to ensuring the accurate and appropriate completion of the LHB, HEIW and NHS Trust accounts returns for the preparation of the Summarised Accounts.
16. The key risks managed in relation to the underlying accounts submitted by the LHBs, NHS Trusts and HEIW are:
- Inaccuracies in individual NHS entity accounts, which cumulatively result in materially misstated balances in the Summarised Accounts;
 - Failures to provide data;
 - Delays in submission of NHS entity accounts; and
 - Mismatching and / or non-elimination of intra-NHS entity transaction streams and balances, resulting in materially misstated figures.
17. HSSG Finance Directorate mitigate these risks through actions including:
- Preparation and issue annually of the Manual for Accounts, templates and supporting papers;
 - Participation in the NHS Wales Technical Accounting Group;
 - Preparation of the Summarised Accounts from audited statutory accounts;
 - Planning and engagement with NHS Wales entities to ensure clear understanding of requirements and delivery expectations;
 - Provision of support in the accounts preparation period to advise NHS entities on issues arising; and
 - Provision of templates, guidance, training and active management of intra-NHS agreement of balances process and matrices.
18. The main risks specific to the Summarised Accounts preparation process identified and managed in year were:
- Insufficient availability of appropriately skilled HSSG Finance staff to prepare the accounts;
 - The potential impact of COVID-19 on HSSG staff and of new disclosures to be included in the 2020-21 accounts in relation to COVID-19;
 - Inability to align timetables for NHS Wales bodies' accounts with the WG Summarised Accounts process as NHS audit planning commences earlier in the financial year than WG central planning. This is managed through HSSG
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- liaison and co-ordination with Audit Wales, WG Financial Control and NHS bodies;
- Late submission of quality assured LHB and NHS Trust and HEIW accounts properly presented and the lack of appropriate working papers;
 - Technical queries relating to the underlying accounts and the Summarised Accounts not being resolved in a timely manner between HSSG Finance, NHS organisations and Audit Wales;
 - Delayed issue of both draft and final NHS Manual for Accounts and accounts templates; and
 - Insufficient level of management review and scrutiny of the draft Summarised Accounts, including the relevant accounting and disclosure requirements, consolidation journals and supporting evidence, before submission to audit.
19. The logistical and other practical challenges posed to NHS bodies and Welsh Government of producing annual accounts by the COVID 19, were initially addressed by finance colleagues for the 2019-20 annual accounts process, when the full implications of working during the pandemic became apparent. For most organisations, after the lockdown was announced this meant that many accounts staff were instructed to stay home and were not allowed to work from NHS premises during the accounts preparation period. This required adaption to working remotely from home in order to prepare the annual accounts of NHS Wales bodies as well as these Summarised Accounts.
20. Building on the experiences from preparing the 2019-20 annual accounts in this new environment, plans were agreed with NHS bodies to prepare the 2020-21 accounts to a faster timescale. The accounts preparation and audit time was agreed with Audit Wales, NHS Directors of Finance and Welsh Government colleagues. As a result of these consultations, draft accounts were submitted by 30 April 2021 (22 May 2020) and final accounts were submitted by 11 June 2021 (30 June 2020). All organisations successfully managed to meet these submission dates. In difficult circumstances, this is an excellent achievement which required flexibility and adaptability in all organisations to deliver the annual accounts.
21. The financial year 2020-21, is the fifth year of assessment of the ‘first financial duty’ for LHBs and NHS Trusts in Wales. As set out in Welsh Health Circular (2016) 054¹ the ‘first financial duty’ relates to the balancing of expenditure and income or resources allocated over a three-year period of assessment.
22. The HSSG risk assessment process identified forecast deficits arising in several LHBs during 2020-21, and that consequent potential breaches of the first financial duty would lead to regularity qualifications in those LHB accounts, potentially impacting upon the regularity opinions of associated statutory accounts, including the NHS Summarised Accounts.

¹ [WHC \(2016\) 054](#)

Role of Internal Audit

23. The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector Internal Audit Standards. They undertake a full programme of work based on an analysis of the major risks facing each Group but they switched to an “agile” planning approach in 2019-20 to meet challenges in responding to the UK’s exit from the EU. This approach has again been continued during 2020-21. The process of the preparation of the Summarised Accounts was not included in the Internal Audit programme for HSSG in 2020-21.

Role of External Audit

24. The accounts of the individual NHS organisations are transmitted to HSSG Finance by auditors on behalf of the Auditor General for Wales (AGW), together with his audit opinion on the accounts of each body. This provides an independent assurance to Welsh Government that the data to be used to prepare the Summarised Accounts is authentic and agrees with the underlying source data from the audited LHB, NHS Trust and HEIW statutory accounts.
 25. The AGW opinion on the financial statements discloses whether they give a true and fair view of the state of affairs of LHBs, NHS Trusts and HEIW for the financial year ending 31 March 2021 and whether they have been prepared in accordance with paragraph 3 (1) of Schedule 9 Section 178 to the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury. The opinion on regularity states whether the expenditure and income have been applied to the purposes intended by the Welsh Parliament and the financial transactions conform to the authorities which govern them.
 26. At the end of each financial year, the Accountable Officer in each LHB, NHS Trust and HEIW is required to present a Governance Statement alongside the audited Financial Statements. The Governance Statement is reviewed by the auditor to identify any material inconsistencies with the audited financial statements.
 27. The Summarised Account is subject to audit by the Auditor General for Wales, who issues an audit certificate and report to the Senedd on the Summarised Accounts under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. On completion of the audit annually an ‘Audit of Financial Statements Report’ is prepared by Audit Wales and issued to the Director General HSSG as Additional Accounting Officer for his consideration, prior to the approval of the Summarised Accounts.
 28. Additionally, the Auditor General for Wales prepares a ‘NHS Financial Statements Audits’ summary report for the HSSG Finance Division on the preparation and audit of the LHBs, NHS Trusts and HEIW’s financial statements, which makes recommendations to improve the quality and efficiency of future years’ accounts preparation. HSSG receive, respond to and implement the agreed recommendations contained in these reports annually, which serve to enhance the overall quality of preparation of the underlying NHS accounts. All issues noted
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in the 2019-20 Report have been completed and actions taken reported to Audit Wales.

Information Governance

29. In preparing the Summarised Accounts, HSSG Finance does not collect any personal data from NHS organisations other than that placed in the public domain in the underlying accounts. Summarised accounts information collected from NHS organisations is held within the Welsh Government records management systems.
30. All LHBs and NHS Trusts have programmes of action in place to achieve compliance with the requirements of the General Data Protection Regulations (GDPR) which came into force on 25 May 2018.
31. All LHBs, two NHS Trusts and HEIW, have reported significant data security lapses including those reported to the Information Commissioner during 2020-21. In all cases, appropriate subsequent action has been taken to ensure that the risks to data security are mitigated. Details of the data lapses and actions taken can be found in the Annual Governance Statements of the seven LHBs reporting, Public Health Wales NHS Trust, Velindre University NHS Trust and HEIW.

Interim changes to Governance Frameworks due to COVID-19

32. All bodies have confirmed in their Annual Governance Statements that in managing the response to the pandemic, there were limitations on Boards and Committees being able to physically meet due to the dangers of congregating in the same venues. In accordance with the Public Bodies (Admissions to Meetings) Act 1960 organisations are required to meet in public. As a result of the health risk linked to the pandemic there were limitations on public gatherings and it was not possible to allow the public to attend meetings of Boards and Committees. In several organisations Standing Orders have been temporarily amended to enable organisations to meet their duties. The range of alternative arrangements, such as holding Board Meetings using video communication systems, ensuring only essential business is dealt with, use of consent agendas are set out in the respective Annual Reports of LHBs, NHS Trusts and HEIW.

Financial Guidance issued to NHS Wales' organisations in relation to COVID 19

33. On 11 March 2020, the World Health Organisation formally declared the outbreak of the coronavirus as a pandemic. Subsequently, on 23 March 2020, the Prime Minister took the unprecedented decision to impose the first national lockdown in the United Kingdom. The onset of the crisis developed late in the 2019-20 financial year and the scale of the challenge of protecting the NHS and economy
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has dominated the objectives of the UK and Welsh Governments from March 2020 onwards.

34. In my Statement last year, I described the actions which the NHS Wales Health Department took to assist NHS Wales bodies during the first phase of the pandemic. The existing guidance in relation to governance was revised to give support to organisations and provide them with clarity on expectations during the first phase of the pandemic. At this point NHS bodies were experiencing unprecedented challenges caused by service disruption and staff shortages. The following guiding principles were issued to NHS Wales bodies:-

- Finance would not be a barrier to delivering the operational needs of the service in response to the COVID-19 pandemic and needs would be managed and monitored in a structured manner;
- Funds would flow to and from NHS Wales' organisations in a timely manner;
- Organisations would be expected to work together to ensure that services were not disrupted during this period as a result of cross-border flows and commissioning;
- Requests for COVID-19 funding would be facilitated through a simplified process that balances financial governance and operational need; and
- Organisations would track both the additional costs arising from COVID-19, and reductions in expenditure due to COVID-19 (i.e. reduced elective activity) in a structured and transparent manner.

35. To reflect the significant effect on how organisations would be required to operate in this unprecedented environment, new guidance was issued to NHS Wales bodies on 30 March 2020 which offered following principles to be applied in decision-making:

- Given the immediate challenges presented by the pandemic, it was recognised that routine financial arrangements and disciplines would face disruption and the need to adapt on an interim basis. Due consideration is given to regularity in relying on legal powers, propriety and meeting the standards of 'Managing Welsh Public Money', and value for money supported by an assessment of the realistic options available at the time
 - Decisions taken must be rational and justifiable with due consideration of all options and risk. If approval is required then it should be sought, and justification for decisions should be recorded, if not at the time then subsequently.
 - Individuals and organisations should ensure that decision making conduct is in line with Nolan Principles, with integrity at the heart of decisions and with no conflict of interest affecting or appearing to affect decisions.
 - A continued focus on good governance and potential fraud is essential.
 - Organisations should seek advice of Welsh Government officials and ensure the continual involvement of Audit Wales in their activities to refocus decision making processes.
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36. The immediate challenges presented by COVID-19, inevitably meant that routine financial arrangements and disciplines would be disrupted and would need to adapt on an interim basis. In this environment there was a necessity to provide clear minimal expectations and a supportive framework for organisations to consider what functions NHS bodies should maintain or not in the situation. There was a need to ensure that:
- Clear and pragmatic financial arrangements are in place which minimise disruptions to the system
 - Business continuity arrangements are effective
 - Frameworks to support effective decision making are clear
 - Core financial assumptions and positions are clear and monitored, but with a light touch approach whilst maintaining sufficient clarity on minimum key measures.

Financial Governance

37. The maintenance of financial control and stewardship of public funds remained a critical duty throughout 2020-21 during the NHS Wales response to COVID-19. Chief Executives, Accountable Officers and Boards were expected to comply with their legal responsibilities and have regard to their duties as set out in Managing Welsh Public Money and other related guidance. Any financial mismanagement during this period was expected to be managed in the same way as under normal operating conditions.
38. Organisations were expected to ensure that systems were in place to support decision-making at pace whilst maintaining appropriate controls and governance. This related to:
- Ensuring appropriate schemes of delegation were in place and compliance with SFIs. This included ensuring effective authorisation and signatory systems to minimise any disruption
 - Financial information should be collected in support of COVID-19 which is auditable and evidenced and supported by good documentation of key decisions
 - Delegation limits and approvals should be documented and followed, having been approved by the Board. The arrangements should also be sufficiently robust and flexible to ensure that authorisation and decisions can take place in the absence of key staff.
39. To assist bodies with the financial challenges they faced additional funding in 2020-21 for treatment of COVID 19 was allocated to NHS Wales bodies amounting to £1.170 billion for revenue and £133 million for capital purposes.

Core Financial Systems & Processes

40. NHS Wales Shared Services Partnership outlined the business continuity arrangements in respect of key financial processes including payroll, procurement and accounts payable. These systems were able to operate via remote working with limited disruption.

41. Organisations were required to ensure that robust business continuity arrangements were put in place covering core financial systems, monitoring and reporting. This involved maintaining control over inventory and stocks to ensure that supply chains operated effectively under pressure at times of high demand.
42. At the same time, NHS Wales' organisations were required to continue to pay suppliers and other NHS bodies (including NHS England providers) on a timely basis, to ensure that the economy was protected.

Significant governance issues in the underlying accounts

43. The Governance Statements of the LHBs, NHS Trusts and HEIW set out how successfully the organisation has coped with the challenges it faced. These Governance Statements provide evidence on the governance, risk management and control in order to provide a coherent and consistent reporting mechanism, including identification of significant control and governance issues. The full details can be found in the annual accounts of each LHB, NHS Trust in Wales and HEIW, which are laid separately before the Welsh Parliament.
 44. The degree of change implemented across organisations has been remarkable, new ways of working were introduced within days and weeks which would have taken months and years to introduce prior to the pandemic. This has been an intensely challenging period where governance functions flexed dynamically to respond to the pandemic. It has required dynamic responses which have presented opportunities in addition to the risks. The need to respond and recover from the pandemic will be with organisations and wider society throughout 2021-22 and beyond. The learning that has been embedded throughout the revised governance arrangements will enable bodies to emerge stronger and with a focus on recovery.
 45. I have considered the Governance Statements, the associated audit reports on the statutory accounts of the NHS organisations in Wales and other information available to me from internal and external sources. This included the detail from the formal scrutiny undertaken of all NHS organisations as part of the Welsh Government's governance framework via the:
 - Bi-annual JET process (Welsh Government/NHS body Joint Executive Team meetings), that have resumed recently following a pause due to COVID 19;
 - Regular cycle of Integrated Quality Planning and Delivery meetings (Welsh Government/NHS organisations), typically bi-monthly however regularity will be increased with organisations where a need is identified;
 - Planning and Response Group which met on a weekly basis in 2020-21 to ensure rapid and effective decision making in relation to COVID 19 and to manage system risks
 - Monthly NHS Wales Executive Board meetings, with more regular contacts with CEOs from February 2020 to focus on COVID 19;
 - weekly Health and Social Care Group Executive Director Team (EDT) meetings aligned to EDT Contingencies to ensure continued focus on reset of business alongside continued focus on COVID 19 risk;
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- Monthly Welsh Government intervention meetings with organisations in escalation; these were proportionate and some of these were paused last year;
 - Regular Welsh Government intervention meetings with organisations in escalation;
 - Regular meetings with NHS Peer groups, Planners and Operational leads;
 - Cwm Taf Morgannwg University Health Board at both official and Ministerial level.
46. Information from the formal accountability mechanisms are considered alongside routine information from monthly monitoring returns and other ad hoc meetings. Through this process I have identified the following as significant governance issues in the underlying accounts.

Significant internal control or governance issues

47. All LHBs, NHS Trusts and HEIW have declared their assessment within their respective Annual Governance Statements that generally sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2020-21. However in the Accountable Officers' assessments of effectiveness, areas of weakness or improvements required are noted and full details are contained in each individual body's own statements.
48. The three NHS Trusts have concluded that there are no significant internal control or governance issues. All LHBs acknowledge there are areas of internal control or governance where improvements are required.
49. The HEIW Annual Report did not identify any significant control or governance issues.

NHS Escalation and Intervention arrangements

50. In accordance with the Welsh Government NHS Escalation and Intervention Arrangements, seven out of eleven NHS Wales organisations remain in routine monitoring. Two bodies are in enhanced monitoring, one body has moved from Special Measure to Targeted Intervention, and only one body now remains in Special Measures. The details are set out below :
- **Betsi Cadwaladr University Health Board** was placed in Special Measures on 8 June 2015, as a result of long-standing concerns regarding leadership, governance and progress. An improvement programme has been ongoing throughout the intervening years and on 24 November 2020, the Minister for Health and Social Services announced in a Written Statement that the Health Board would be taken out of Special Measures with immediate effect and de-escalated to Targeted Intervention status.
 - **Swansea Bay University** and **Hywel Dda University** are in enhanced monitoring. In the case of Hywel Dda the outstanding intervention concern relates to finance and in Swansea Bay concerns remain on finance and in some performance areas.
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- Control issues were raised in connection with maternity services at **Cwm Taf University Health Board** in 2018-19. Welsh Government commissioned the Royal College of Obstetrics and Gynaecologists to undertake an independent review of these services, undertaken jointly with the Royal College of Midwives. In 2019, HIW and Audit Wales undertook a Joint Review into Quality Governance of the Health Board. As a result, the organisation was placed into Targeted Intervention for leadership and Culture, Trust and Confidence and Quality Governance and Maternity Services into Special Measures. An Independent Maternity Services Oversight Panel (IMSOP) was appointed to oversee this and Cwm Taf University Health Board has continued to deliver improvements during 2020-21 with 50 of the 70 recommendations now completed. The IMSOP have reported that the Health Board has made good progress despite their changing circumstances, including progression against the maturity matrices, with all three domains of Safe and Effective Care, Quality of Management and Leadership and Quality of Women’s and Families Experience all now assessed as being in the “Results” phase. The Maternity Improvement Team will continue to progress this work into 2021-22. The areas of work in need of improvement in response to Targeted Intervention will also continue to be taken forward in 2021-22 with scrutiny via self- assessment against the Maturity matrix, and via collective consideration by Welsh Government, Health Inspectorate Wales and Audit Wales.
- Details on how each organisation in enhanced monitoring, targeted intervention or special measures has taken action in 2020-21 to address the concerns identified are set out in the Governance Statements of Hywel Dda and Swansea Bay University, Betsi Cadwaladr and Cwm Taf Morgannwg Health Boards.

Assurances and compliance

51. All NHS Wales bodies have stated that they are compliant with the Corporate Governance Code to the extent it relates to NHS public sector organisations in Wales, and that they are satisfied they are complying with the main principles of the Code with no material exceptions.
52. The NHS Head of Internal Audit provides an annual overall opinion to the Board of each NHS organisation on governance, risk management and control. The role of NHS Internal Audit is to provide an independent and objective opinion on the system of control. The work of NHS Internal Audit is undertaken in accordance with public sector internal audit standards, the scope of the work is agreed with the Audit Committee of each organisation and is focussed on significant risk areas and local improvement priorities.
53. The annual assurance opinions for the Head of Internal Audit assessment on the overall adequacy of each organisation’s governance, risk management and control processes are provided within a range from ‘No Assurance’ to ‘Substantial Assurance’. All LHBs, NHS trusts and HEIW received a ‘Reasonable Assurance’ opinion. The Head of Internal Audit’s opinion, details of the basis of that opinion, audit assignments with ‘Limited Assurance’ opinions, actions and responses to

Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS organisations.

54. Welsh Government requests quarterly notification from all LHBs, NHS Trusts and HEIW of all No Assurance and Limited Assurance internal audit reports received in that period. Limited Assurance reports and organisational responses to them are discussed as part of the tripartite escalation and intervention arrangements between Welsh Government, HEIW and Audit Wales. They are viewed as one of the indicators of the effectiveness of governance mechanisms in place in organisations.

55. Four LHBs received qualified audit opinions for 2020-21 in respect of the regularity opinion of the Auditor General for Wales. The qualified opinion is on the basis that the health boards did not achieve their statutory financial duty set out in the National Health Service (Wales) Act 2006 section 175 (1) *to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years.* The LHBs affected and their accumulated revenue deficits over the 3 year period of assessment are as follows:

| | |
|-----------------|------------|
| Betsi Cadwaladr | (£79.500m) |
| Cardiff & Vale | (£9.700m) |
| Hywel Dda | (£95.300m) |
| Swansea Bay | (£50.500m) |

56. It is anticipated that due to the qualification of these underlying LHB accounts the Summarised Accounts of the LHBs will also receive a qualified regularity opinion. This anticipated qualification does not reflect the preparation and summarisation process of the Summarised Account, or the 'true and fair' opinion, it arises as a consequence of four LHBs generating financial deficits over the statutory duty assessment period 2018-19 to 2020-21. Those overall deficits constitute irregular expenditure.

57. All three NHS Trusts in Wales met their financial duty under Schedule 4 Paragraph 2 of the National Health Service (Wales) Act 2006 to 'ensure that its revenue is not less than sufficient, taking one financial year with another' measured over a rolling three year period.

58. HEIW met its annual duty to not exceed its revenue resource limit.

59. Under the NHS Finance (Wales) Act 2014, Schedule 4 Paragraph 2(2) of the National Health Service (Wales) Act 2006 and the NHS Wales Planning Framework health boards and NHS Trusts are required to prepare and submit an Integrated Medium Term Plan to the Welsh Government for approval by the Minister for Health & Social Services by the 30th June annually.

60. The impact of COVID-19 in March 2020 meant that the IMTP process was formally paused. Even though plans had been submitted in January 2020, these were not formally reviewed or submitted to the Minister for approval as it was acknowledged that these plans were no longer deliverable in light of the emerging

public health emergency. The process for the 2020-23 integrated plan was paused in spring 2020 and a temporary quarterly planning arrangement put in place for 2020-21. Where approvals had been given in relation to the 2019-22 IMTPs, these remain extant, as set out in the NHS Wales Planning Framework 2019-22.

61. Therefore, for the 2020-21 financial year Betsi Cadwaladr, Hywel Dda and Swansea Bay University Health Boards did not meet their statutory duty to have an approved integrated medium term plan in place and operated on quarterly plans for the financial year. Aneurin Bevan, Cardiff and Vale and Cwm Taf Morgannwg University Health Boards and Powys Teaching Health Board met their statutory duty to have an approved integrated medium term plan in place.
62. All three NHS Trusts met their statutory duty to have an approved integrated medium term plan in place for the 2020-21 financial year.
63. HEIW with the agreement of Welsh Government operate on an annual planning cycle and this was approved in March 2019. Due to the pandemic, the process for the 2020-2023 integrated plan was paused in spring 2020 and a temporary quarterly planning arrangement put in place for 2020-21. HEIW's 2020-21 plan was approved in phases by their Board in May 2020, July 2020 and November 2020. As a result, HEIW did not have a formal administrative duty to have an approved plan for 2020-21. As HEIW only had an annual duty to report in 2019-20, there was no extant formal planning duty to report against.

Future Planning 2021-22 to 2024-25

64. Quarterly operational plans were introduced as an interim measure for 2020-21 and a series of Operating Frameworks were issued during the year. In December 2020 the Planning Framework 2021-22 was issued requiring organisations to develop an annual plan for 2021-22. The position with COVID-19 recognised that the NHS needed to plan in the context of ongoing, significant uncertainty, with agility and flexibility. These interim arrangements of both quarterly and annual plans reflected the difficulty for any organisation to produce, and achieve board approval for, a balanced three year plan with any degree of certainty.
65. It was agreed that with the pandemic still prevalent that organisations would not be in a position to return to the three year planning cycle at this point in time. Organisations responded with their one year plans for 2021-22 and these were submitted to Welsh Government by 30 June. These will be subject to a review process and feedback will be given through a series of 'parameter letters' from the Chief Executive of NHS Wales to each organisation.
66. To support this an NHS Wales IMTP Planning Framework 2022-2025 is being developed with the intention to be issued this autumn. Despite the challenges that are still being faced and the balance that is needed to plan for the continuing response to COVID-19 and whole system, longer term recovery and sustainability, it is now considered appropriate to return to the IMTP cycle. As such the Planning Framework issued this autumn will require IMTPs for 2022-2025.

Ministerial Direction Pensions tax annual allowance – Scheme Pays arrangements 2019/20

67. In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government have taken action to support circumstances where pensions tax rules are impacting upon clinical staff who want to work additional hours, and have determined that:
- Clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement.
68. Welsh Government, on behalf of NHS Wales bodies, will pay the members who opt for reimbursement of their pension, a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction.
69. This scheme will be funded directly by the Welsh Government to the NHS Business Services Authority Pension Division, the administrators on behalf of the Welsh claimants.
70. Clinical staff have until 31 March 2022 to opt for this scheme and the ability to make changes up to 31 July 2026.
71. At the date of approval of these accounts, there was insufficient data of take-up of the scheme by the Welsh clinical staff to enable a reasonable assessment of future take up to be made. As no reliable estimate can therefore be made to support the creation of a provision at 31 March 2021, the existence of an unquantified contingent liability is instead disclosed.
72. In 2020-21, the Auditor General for Wales has again included an emphasis of matter reference in his audit opinion for all LHBs and NHS Trusts, with respect to the Ministerial Direction which also applies to HEIW in 2020-21.

Other matters reported by the Auditor General for Wales

Basis for Qualified Opinion – Velindre University NHS Trust ‘limitation of scope’ opinion

73. The Velindre University NHS Trust annual accounts were subject to a qualified limitation of scope opinion on their financial statements. Note 16.1 of the financial statements discloses an inventory balance of £95.564 million as at 31 March 2021. Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, the Auditor General for Wales, was unable to observe and re-perform parts of the Trust’s count of its inventories on 31 March 2021. As a result, he was unable to obtain the required audit assurance by alternative means, and therefore was unable to determine whether

the Trust's reported year-end inventory balance of £95.564 million was materially true and fair.

74. It is important to emphasise that the AGW was not reporting that he considered the inventory balance to be materially misstated, but rather he was unable to substantiate whether it was materially true and fair.

Disclosure of information to auditors

75. As the Additional Accounting Officer, I confirm that there is no relevant audit information of which the Auditor General for Wales is unaware. I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the external auditor is aware of that information.

Review of effectiveness

76. As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the HSSG Audit and Risk Assurance Committee and comments made by the external auditors in their management letter and the Audit of Financial Statements Report.
77. I am satisfied that the risks in relation to the preparation of the Summarised Account are generally well managed and that the internal controls provide an appropriate framework to assure the process of consolidation.
78. As independent bodies that have a statutory duty to manage their finances Welsh Government expects the health bodies to take the action needed to meet their financial targets. The legislation introduced in 2014 provided LHBs and Trusts more flexibility to manage their finances over a three-year period. Three LHBs and all Trusts met this requirement in 2020-21. HEIW is required to meet its financial duty on an annual basis.
79. As Chief Executive NHS Wales, I continue to work closely with the LHBs and NHS Trusts and HEIW to address the significant governance issues identified, in particular to ensure that learning is shared across NHS Wales organisations.
80. The Finance Delivery Unit monitors and manages financial risk in NHS Wales and enables the Welsh Government to respond at pace where organisations are in financial failure. It has provided assurance to me, the HSSG Finance Director and the Minister, on the revised plans that have been put in place following the suspension of the planning process in 2020-21 and the quarterly plans which have replaced the IMTPs.

81. Through the NHS Escalation and Intervention arrangements I will continue to work with the Auditor General for Wales and Healthcare Inspectorate Wales to share information and respond when issues of concern become apparent in NHS bodies in Wales.
82. The most significant event of the year has been the need to ensure that all NHS Wales bodies were able to meet their duty to continued service delivery on treating the most urgent healthcare needs and ensure that NHS Wales was not overwhelmed in meeting its duties. Inevitably, providing existing healthcare services during the pandemic has meant that maintaining normal access to NHS services, including screening, diagnosis, testing and treatment, has not been possible and this has created risks for individual NHS bodies to manage in terms of timely access to screening, diagnosis and treatment. This will be the challenge facing all NHS bodies in the immediate future.
83. All NHS and care services have had to adapt to the aim of keeping as many people at home as possible but also making sure that those needing timely healthcare (including screening, diagnosis, testing and treatment) receive it. This was the case during the first and second peaks of high COVID -19 infection rates in communities and in response to the pressure on staff and services; particularly so during the second wave in late 2020.
84. NHS Wales bodies have worked within the NHS Wales Operating Framework to keep essential services within community, primary and secondary care, and allowed for flexibility and adaptability to respond to peaks of community transmission rates.
85. All bodies are considering and addressing through planning and quarterly updates from the Welsh Government, four types of harm from the pandemic:
- Harm from COVID-19 itself;
 - Harm from an overwhelmed NHS and social care system;
 - Harm from reduction in non COVID-19 activity;
 - Harm from wider societal actions and lockdowns.

I am sincerely grateful to all NHS staff for the continued, tireless efforts during these challenging times. Many have shown commitment and resilience, often at great personal sacrifice. I would extend this gratitude to my own staff for the commitment and energy they have shown throughout the year.

86. The need to respond and recover from the pandemic will be with the Welsh Government and wider society throughout the next year and for the years ahead, as we look to address very significant backlogs of care. Plans are being developed to allow the NHS make an effective recovery from the crisis it has faced since the Pandemic first struck the country in February 2020.

87. The degree of change implemented across organisations has been remarkable, new ways of working were introduced within days and weeks which would have taken months and years to introduce prior to the pandemic. It has required dynamic responses which have presented opportunities in addition to the risks. The need to respond and recover from the pandemic will be with organisations and wider society throughout 2021-22 and beyond.
88. Some of the changes that have been adapted to the way organisations work, such as the rapid expansion of digital infrastructure to support virtual consultations, will carry on as critical components of service delivery in the immediate future. In addition, the learning that has been embedded throughout the revised governance arrangements will enable bodies to emerge stronger and with a focus on recovery.

Dr Andrew Goodall

Director General, Health and Social Services Group,

Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

29 July 2021

Summarised Financial Statement
Local Health Boards, NHS Trusts
and Special Health Authorities in Wales

Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales.

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 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, Health and Social Services Group, Chief Executive NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities for the Summarised Account of Local Health Boards, NHS Trusts and Special Health Authorities in Wales includes 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 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, NHS Trusts and Special Health Authorities in Wales at the year end and their net operating costs and cash flows for the financial year.

I confirm that the Foreword, Annual Governance Statement and Accounts as a whole are fair, balanced and understandable and I take personal responsibility for these and the judgement required for doing so.

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.

Dr Andrew Goodall, Director General, Health and Social Services Group,
Chief Executive NHS Wales
29 July 2021

The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd

Opinion on financial statements

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards, NHS Trusts and Special Health Authority in Wales for the year ended 31 March 2021 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 Taxpayers' Equity and the related notes, including a summary of significant accounting policies, and the financial duties notes in Annexes 1, 2, 3 and 4. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards, NHS Trusts and the Special Health Authority in Wales collectively as at 31 March 2021 and of their net expenditure for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Qualified opinion on regularity

In my opinion, except for the irregular expenditure of £234.967 million explained in the paragraph below, in all material respects, the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Basis for qualified opinion on regularity

Betsi Cadwaladr, Cardiff and Vale, Hywel Dda and Swansea Bay University Local Health Boards have breached their revenue resource limits by collectively spending £234.967 million over the £13,964 million that they were authorised to spend in the three-year period 2018-19 to 2020-21. This spend constitutes irregular expenditure. Further detail is set out in my Report on page 7.

Basis of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Local Health Boards, NHS Trusts and the Special Health Authority in Wales in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Emphasis of Matter

I draw attention to Note 21.1 of the financial statements, which describes the impact of a Ministerial Direction issued on 18 December 2019 to the Permanent Secretary of the Welsh Government in respect of clinicians' pension tax liabilities. My opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the Local Health Boards, NHS Trusts and the Special Health Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Additional Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the NHS (Wales) Summarised Accounts, other than the financial statements and my auditor's report thereon. The Additional Accounting Officer is responsible for the other information contained within the NHS (Wales) Summarised Accounts. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and the Foreword has been prepared in accordance with directions issued by HM Treasury; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with directions issued by HM Treasury.

Matters on which I report by exception

In the light of the knowledge and understanding of the Local Health Boards, NHS Trusts and the Special Health Authority in Wales and their environment obtained in the course of the audit, I have not identified material misstatements in the Foreword or Annual Governance Statement.

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

- adequate accounting records have not been kept;
 - the financial statements are not in agreement with the accounting records and returns; or
 - I have not received all the information and explanations I require for my audit.
-

Responsibilities

Responsibilities of the Additional Accounting Officer for the financial statements

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out on 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, for being satisfied that they give a true and fair view and for such internal control as the Additional Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Additional Accounting Officer is responsible for assessing the Local Health Boards, NHS Trusts and the Special Health Authority in Wales' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- obtaining an understanding of the framework of authority for the Local Health Boards, NHS Trusts and the Special Health Authority as well as other legal and regulatory frameworks that they operate in, focusing on those laws and regulations that had a direct effect on the financial statements.
- reviewing the 2020-21 accounts and audit opinions for each of the Local Health Boards, NHS Trusts and the Special Health Authority.

In addition to the above, my procedures to respond to identified risks included the following:

- addressing the risk of fraud through management override of controls, checking transactions and balances to the underlying audited NHS accounts and testing the appropriateness of journal entries and consolidation adjustments.

I also communicated potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Local Health Boards, NHS Trusts and the Special Health Authority in Wales' controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

The Additional Accounting Officer is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Report

Please see my Report on pages 7 to 8.

Adrian Crompton
Auditor General for Wales
2 August 2021

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the Senedd

Introduction

Under paragraph 5 of Schedule 9 to the NHS (Wales) Act 2006, I am responsible for auditing, certifying and reporting on the Summarised Financial Statement, Local Health Boards, NHS Trusts and Special Health Authorities in Wales. I am reporting on these financial statements for the year ended 31 March 2021 to draw attention to three key matters for my audit. These are the failure of four Local Health Boards against the first financial duty and consequential qualification of my 'regularity' opinion, the failure of three Local Health Boards of the second financial duty, and the implications of the ministerial direction on senior clinicians' pensions. I have not qualified my 'true and fair' opinion in respect of any of these matters.

Financial duties

Local Health Boards (LHBs) and NHS Trusts are required to meet two statutory financial duties – known as the first and second financial duties. Health Education and Improvement Wales Special Health Authority (HEIW) was required to meet one statutory financial duty for the year ending 31 March 2021.

For 2020-21 three of the seven LHBs and all three NHS Trusts met both of these duties. HEIW also met its one financial duty.

For 2020-21 three of the seven LHBs failed to meet both financial duties, and a fourth failed to meet the first financial duty. As a result, I qualified my regularity opinions on each of the four LHBs that failed the first financial duty and issued narrative reports alongside my audit certificates for each of them.

Failure of the first financial duty

The **first financial duty** gives additional flexibility to LHBs and NHS Trusts by allowing them to balance their income with their expenditure over a three-year rolling period. The three-year period being measured under this duty this year is 2018-19 to 2020-21.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Cardiff and Vale, Hywel Dda and Swansea Bay University Local Health Boards did not manage their revenue expenditure within their resource allocation over this three-year period. Their combined cumulative revenue resource limits of £13,964 million over the three years were exceeded by £234.967 million.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the resource allocation (i.e. spending limit) for those three years exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend.

Failure of the second financial duty

The **second financial duty** requires LHBs and NHS Trusts to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB or NHS Trust will be deemed to have met this duty for 2020-21 if it submitted a 2019-20 to 2021-22 plan approved by its Board to the Welsh Ministers who then approved it by the 30 June 2019. This duty is unchanged from last year because due to the pandemic, the duty to prepare a new three-year plan for the period 2020-21 to 2022-23 was paused, leaving the previous year's duty in place.

As shown in Annex 4 to the Foreword, Betsi Cadwaladr, Hywel Dda and Swansea Bay University Health Boards did not meet its second financial duty to have an approved three-year integrated medium-term plan in place for the period 2019-20 to 2021-22.

Ministerial direction on senior clinicians' pensions

NHS Pension scheme and pension tax legislation is not devolved to Wales. HM Treasury's changes to the tax arrangements on pension contributions in recent years included the reduction in the Annual Allowance limit from over £200k in 2011-12 to £40k in 2018-19. As a result, in cases where an

individual's pension contributions exceed certain annual and / or lifetime pension contribution allowance limits, then they are taxed at a higher rate on all their contributions, creating a sharp increase in tax liability.

In a Written Statement on 13 November 2019, the Minister for Health and Social Services had noted that NHS Wales bodies were: 'regularly reporting that senior clinical staff are unwilling to take on additional work and sessions due to the potentially punitive tax liability'. In certain circumstances this could lead to additional tax charges in excess of any additional income earned.

On 18 December 2019, the First Minister (mirroring earlier action by the Secretary of State for Health and Social Care for England) issued a Ministerial Direction to the Permanent Secretary to proceed with plans to commit to making payments to clinical staff to restore the value of their pension benefits packages. If NHS clinicians opted to use the 'Scheme Pays' facility to settle annual allowance tax charges arising from their 2019-20 NHS pension savings (i.e. settling the charge by way of reduced annual pension, rather than by making an immediate one-off payment), then their NHS employers would meet the impact of those tax charges on their pension when they retire.

The Ministerial Direction was required because this solution could be viewed by HMRC to constitute tax planning and potentially tax avoidance, hence making the expenditure irregular. Managing Welsh Public Money (which mirrors its English equivalent) specifically states that 'public sector organisations should not engage in...tax evasion, tax avoidance or tax planning'.

A Ministerial Direction does not make regular what would otherwise be irregular, but it does move the accountability for such decisions from the Accounting Officer to the Minister issuing the direction.

The solution applies only to annual allowance tax charges arising from an increase in the benefits accrued in the NHS Pension Scheme during the tax year ended 5 April 2020. For the tax year ended 5 April 2021, the Chancellor increased the thresholds for the tapered annual allowance and, as a result, it is anticipated that the risk to the supply of clinical staff has been mitigated.

LHBs, NHS Trusts and the Special Health Authority currently have insufficient information to calculate and recognise an estimate of the potential costs of compensating senior clinical staff for pension benefits that they would otherwise have lost, by using the 'Scheme Pays' arrangement. As a result no expenditure is recognised in the financial statements but as required all LHBs, NHS Trusts and the Special Health Authority disclosed a contingent liability in their financial statements. This contingent liability is disclosed in Note 21.1 in the Summarised Financial Statement, Local Health Boards, NHS Trusts and Special Health Authorities in Wales.

All NHS bodies will be held harmless for the impact of the Ministerial Direction, however in my opinion any transactions included in the LHB, NHS Trust and Special Health Authority's financial statements to recognise this liability would be irregular and material by their nature. This is because the payments are contrary to paragraph 5.6.1 of Managing Public Money and constitute a form of tax planning which will leave the Exchequer as a whole worse off. The Minister's direction alone does not regularise the scheme. Furthermore, the arrangements are novel and contentious and potentially precedent setting.

I have not modified my regularity opinion in this respect this year because as set out above, no expenditure has been recognised in the year ended 31 March 2021. I have however placed an Emphasis of Matter paragraph in my audit report to highlight this issue and, have prepared this report to bring the arrangement to the attention of the Senedd.

Adrian Crompton
Auditor General for Wales

2 August 2021

Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

| | Note | 2020-21 £000 | 2019-20 £000 |
|---|------|-------------------------|------------------|
| Expenditure on Primary Healthcare Services | 2.1 | 1,559,627 | 1,505,483 |
| Expenditure on healthcare from other providers | 2.2 | 1,093,042 | 920,921 |
| Expenditure on Hospital, Community Health Services and by Special Health Authorities | 2.3 | 6,931,798 | 5,872,210 |
| | | 9,584,467 | 8,298,614 |
| Less: Income | 3 | (1,034,767) | (813,231) |
| Net operating costs before interest and other gains and losses | | 8,549,700 | 7,485,383 |
| Investment Income | 4 | (22) | (319) |
| Other (Gains) | 5 | (297) | (2,722) |
| Finance costs | 6 | 7,201 | 6,981 |
| Net operating costs for the financial year | | 8,556,582 | 7,489,323 |
| | | 2020-21 £000 | 2019-20 £000 |
| Other Comprehensive Net Expenditure | | | |
| Net loss/(gain) on revaluation of property, plant and equipment | | (36,370) | (19,168) |
| Loss/(gain) on other reserve movements | | - | (3) |
| Net loss/(gain) on revaluation of PPE & Intangible assets held for sale | | (10) | 103 |
| Impairment and reversals | | 4 | 161 |
| Other comprehensive net expenditure for the year | | (36,376) | (18,907) |
| Total comprehensive net expenditure for the year | | 8,520,206 | 7,470,416 |

The notes on pages 14 to 63 form part of these accounts

Statement of Financial Position as at 31 March 2021

| | Notes | 31 March 2021 £000 | 31 March 2020 £000 |
|--|-------|--------------------------|--------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10.1 | 3,766,781 | 3,601,608 |
| Intangible assets | 11 | 47,063 | 41,853 |
| Trade and other receivables | 14 | 823,763 | 872,166 |
| Other financial assets | 15 | 554 | 586 |
| Total non-current assets | | 4,638,161 | 4,516,213 |
| Current assets | | | |
| Inventories | 13.1 | 175,597 | 84,683 |
| Trade and other receivables | 14 | 713,618 | 553,803 |
| Other financial assets | 15 | 32 | 31 |
| Cash and cash equivalents | 16 | 109,496 | 82,425 |
| Sub total | | 998,743 | 720,942 |
| Non-current assets classified as "Held for Sale" | 10.2 | 2,402 | 2,642 |
| Total current assets | | 1,001,145 | 723,584 |
| Total assets | | 5,639,306 | 5,239,797 |
| Current liabilities | | | |
| Trade and other payables | 17 | (1,460,540) | (958,742) |
| Borrowings | 18 | (1,624) | (1,991) |
| Provisions | 20 | (365,336) | (312,956) |
| Total current liabilities | | (1,827,500) | (1,273,689) |
| Net current assets/ (liabilities) | | (826,355) | (550,105) |
| Non-current liabilities | | | |
| Trade and other payables | 17 | (58,446) | (54,668) |
| Borrowings | 18 | (1,059) | (2,675) |
| Provisions | 20 | (868,568) | (909,407) |
| Total non-current liabilities | | (928,073) | (966,750) |
| Total assets employed | | 2,883,733 | 2,999,358 |
| Financed by : | | | |
| Taxpayers' equity | | | |
| PDC | | 222,208 | 202,871 |
| General Fund | | 2,097,616 | 2,250,057 |
| Revaluation reserve | | 563,909 | 546,430 |
| Total taxpayers' equity | | 2,883,733 | 2,999,358 |

The notes on pages 14 to 63 form part of these accounts

Dr Andrew Goodall, Director General, Health and Social Services Group, Chief Executive NHS Wales
29 July 2021

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2021

| | Public Dividend Capital £000 | General Fund £000 | Revaluation reserve £000 | Total reserves £000 |
|---|------------------------------------|-------------------------|--------------------------------|---------------------------|
| Changes in taxpayers' equity for 2020-21 | | | | |
| Balance at 1 April 2020 | 202,871 | 2,250,057 | 546,430 | 2,999,358 |
| Net operating cost for the year | | (8,556,582) | - | (8,556,582) |
| Net gain/(loss) on revaluation of property, plant and equipment | | - | 36,370 | 36,370 |
| Net gain/(loss) on revaluation of PPE and Intangible assets held for sale | | - | 10 | 10 |
| Impairments and reversals | | - | (4) | (4) |
| Transfers between reserves | | 18,896 | (18,896) | - |
| Release of reserves to SoCNE | | 1 | (1) | - |
| Total recognised income and expense for 2020-21 | | (8,537,685) | 17,479 | (8,520,206) |
| New Public Dividend Capital received | 20,262 | | | 20,262 |
| Public Dividend Capital repaid in year | (925) | | | (925) |
| Net Welsh Government funding (LHB and SHA only) | | 8,222,958 | | 8,222,958 |
| Notional Welsh Government Funding (LHB and SHA only) | | 162,286 | | 162,286 |
| Balance at 31 March 2021 | 222,208 | 2,097,616 | 563,909 | 2,883,733 |

The notes on pages 14 to 63 form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2020

| | Public Dividend Capital £000 | General Fund £000 | Revaluation reserve £000 | Total reserves £000 |
|---|------------------------------------|-------------------------|--------------------------------|---------------------------|
| Changes in taxpayers' equity for 2019-20 | | | | |
| Balance at 1 April 2019 | 189,316 | 2,131,154 | 541,713 | 2,862,183 |
| Net operating cost for the year | | (7,489,323) | - | (7,489,323) |
| Net gain/(loss) on revaluation of property, plant and equipment | | - | 19,168 | 19,168 |
| Net gain/(loss) on revaluation of PPE and Intangible assets held for sale | | - | (103) | (103) |
| Impairments and reversals | | - | (161) | (161) |
| Other reserve movements | | 3 | - | 3 |
| Transfers between reserves | | 14,187 | (14,187) | - |
| Total recognised income and expense for 2019-20 | | (7,475,133) | 4,717 | (7,470,416) |
| New Public Dividend Capital received | 14,411 | | | 14,411 |
| Public Dividend Capital repaid in year | (123) | | | (123) |
| Other movements in PDC in year | (733) | | | (733) |
| Net Welsh Government funding (LHB and SHA only) | | 7,445,513 | | 7,445,513 |
| Notional Welsh Government Funding (LHB and SHA only) | | 148,523 | | 148,523 |
| Balance at 31 March 2020 | 202,871 | 2,250,057 | 546,430 | 2,999,358 |

The notes on pages 14 to 63 form part of these accounts

Statement of Cash Flows for year ended 31 March 2021

| | 2020-21 £000 | 2019-20 £000 |
|--|---------------------|--------------------|
| Cash flows from operating activities | Notes | |
| Net operating costs for the financial year | (8,556,582) | (7,489,323) |
| Movements in Working Capital | 27 287,353 | (46,868) |
| Other cash flow adjustments | 28 610,670 | 604,650 |
| Provisions utilised | 20 (137,338) | (133,086) |
| Net cash outflow from operating activities | (7,795,897) | (7,064,627) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (414,026) | (368,474) |
| Proceeds from disposal of property, plant and equipment | 9,665 | 5,950 |
| Purchase of intangible assets | (14,671) | (16,291) |
| Proceeds from disposal of intangible assets | 23 | 1 |
| Net cash outflow from investing activities | (419,009) | (378,814) |
| Net cash outflow before financing | (8,214,906) | (7,443,441) |
| Cash flows from financing activities | | |
| Welsh Government LHB funding (including LHB and SHA capital) | 8,222,958 | 7,445,513 |
| Public Dividend Capital received | 20,262 | 14,411 |
| Public Dividend Capital repaid | (925) | (123) |
| Other capital receipts | - | 365 |
| Cash transferred (to) / from other NHS bodies | (318) | - |
| Net financing | 8,241,977 | 7,460,166 |
| Net increase in cash and cash equivalents | 27,071 | 16,725 |
| Cash and cash equivalents at 1 April | 82,425 | 65,700 |
| Cash and cash equivalents at 31 March | 109,496 | 82,425 |

The notes on pages 14 to 63 form part of these accounts

Notes to the Accounts

1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Local Health Boards, NHS Trusts and Special Health Authorities in Wales (subsequently, collectively referred to as NHS Wales' organisations), shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2020-21 Manual for Accounts. The accounting policies contained in that manual follow the 2020-21 Financial Reporting Manual (FRoM), conformity with the requirements of the Companies Act 2006, except for IFRS 16 Leases, which is deferred until 1st April 2022; to the extent that they are meaningful and appropriate to the NHS in Wales.

Where the 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 NHS Wales organisation for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS Wales' organisations 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 and inventories.

1.2. Accounts Format

The NHS (Wales) Summarised Account combine the accounts of the seven Local Health Boards (LHBs), the three NHS Wales Trusts (NHSTs) and the Special Health Authority. In preparing the summarised financial statements, where appropriate adjustments for the effects of interparty transactions have been made.

1.3. 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.

1.4. Income and funding

The main source of funding for the LHBs and SHAs are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the LHB and SHA. Welsh Government 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 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 Government is credited to the General Fund.

Miscellaneous income is income which relates directly to the operating activities of the LHB/SHA and is not funded directly by the Welsh Government. The income of the NHS Wales Trusts is recorded in the income note.

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.

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. Only non-NHS income may be deferred.

From 2018-19, IFRS 15 Revenue from Contracts with Customers has been applied, as interpreted and adapted for the public sector, in the FREM. It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. The potential amendments identified as a result of the adoption of IFRS 15 are significantly below materiality levels.

1.5. Employee benefits

1.5.1. Short-term employee benefits

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

1.5.2. 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.

The latest NHS Pension Scheme valuation results indicated that an increase in benefit required a 6.3% increase (14.38% to 20.68%) which was implemented from 1 April 2019.

As an organisation within the full funding scope, the joint (in NHS England and NHS Wales) transitional arrangement operated in 2019-20 where employers in the Scheme would continue to pay 14.38% employer contributions under their normal monthly payment process, in Wales the additional 6.3% being funded by Welsh Government directly to the Pension Scheme administrator, the NHS Business Services Authority (BSA the NHS Pensions Agency).

However, NHS Wales' organisations are required to account for **their staff** employer contributions of 20.68% in full and on a gross basis, in their annual accounts. Payments made on their behalf by Welsh Government are accounted for on a notional basis. For detailed information see Note 32 Other(Note 32.4) within these accounts.

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 NHS Wales organisation 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 NHS Wales organisation's 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.

1.5.3. NEST Pension Scheme

An alternative pensions scheme for employees not eligible to join the NHS Pensions scheme has to be offered. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

1.6. 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.

1.7. Property, plant and equipment

1.7.1. 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 NHS Wales organisation;
- 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.

1.7.2. 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.

Land and buildings used for services or for administrative purposes are stated in the Statement of Financial Position (SoFP) 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

HM Treasury 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' organisations 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.

In 2017-18 a formal revaluation exercise was applied to land and properties. 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 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.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that the impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure (SoCNE).

From 2015-16, IFRS 13 Fair Value Measurement must be complied with in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Where there is no single class of asset that falls within IFRS 13, disclosures should be for material items only.

In accordance with the adaptation of IAS 16 in table 6.2 of the FReM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the NHS organisation or the asset which would prevent access to the market at the reporting date. If the NHS organisation could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus,

an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

1.7.3. 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 carrying value of the item replaced is written-out and charged to the SoCNE. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated. For All Wales Capital Schemes that are completed in a financial year, NHS Wales organisations are required to obtain a revaluation during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses.

1.8. Intangible assets

1.8.1. Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the 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 NHS Wales organisation; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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.

1.8.2 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.

1.9. Depreciation, amortisation and impairments

Freehold land, assets 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 NHS Wales Organisation expects to obtain economic benefits or service potential from the asset. This is specific to the NHS Wales organisation 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 NHS Wales organisation 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.

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 SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. 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.

1.10. Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits there from can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.11 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 SoCNE. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

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 adjusted. The asset is derecognised when it is scrapped or demolished.

1.12. 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.

1.12.1. The NHS Wales organisation 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 charged directly to the SoCNE.

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.

1.12.2. The NHS Wales organisation as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS Wales organisation 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 NHS Wales organisation'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.

1.13. Inventories

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the weighted average or "first-in first-out" cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.14. 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 (SoCF), cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.15. Provisions

Provisions are recognised when the NHS Wales organisation has a present legal or constructive obligation as a result of a past event, it is probable that the NHS Wales organisation 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 the discount rate supplied by HM Treasury.

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 NHS Wales organisation 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 NHS Wales organisation 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.

1.15.1. Clinical negligence and personal injury costs

The Welsh Risk Pool Services (WRPS) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was implemented in 2020-21 and 2019-20. The WRP is hosted by Velindre NHS Trust.

1.15.2. Future Liability Scheme (FLS) - General Medical Practice Indemnity (GMPI)

The FLS is a state backed scheme to provide clinical negligence General Medical Practice Indemnity (GMPI) for providers of GMP services in Wales.

In March 2019, the Minister issued a Direction to Velindre NHS Trust to enable Legal and Risk Services to operate the Scheme. The GMPI is underpinned by new secondary legislation, The NHS (Clinical Negligence Scheme) (Wales) Regulations 2019 which came into force on 1 April 2019.

GMP Service Providers are not direct members of the GMPI FLS, their qualifying liabilities are the subject of an arrangement between them and their relevant LHB, which is a member of the scheme. The qualifying reimbursements to the LHB are not subject to the £25,000 excess.

1.16. Financial Instruments

From 2018-19 IFRS 9 Financial Instruments has applied, as interpreted and adapted for the public sector, in

the FReM. The principal impact of IFRS 9 adoption by NHS Wales' organisations, was to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM recognised the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that included the date of initial application in the opening general fund within Taxpayer's equity.

1.17. Financial assets

Financial assets are recognised on the SoFP when the NHS Wales organisation 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.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

IFRS 9 requirements required a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS 9 to construct a provision matrix.

1.17.1. 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.

1.17.2. 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 SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.17.3 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.

1.17.4. 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 SoCNE on de-recognition.

1.17.5. 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 SOFP date, the NHS Wales organisation assesses 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 SoCNE and the carrying amount of the asset is reduced directly, or through a provision of 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 SoCNE 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.

1.18. Financial liabilities

Financial liabilities are recognised on the SOFP when the NHS Wales organisation 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.

1.18.1. Financial liabilities are initially recognised at fair value

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

1.18.2. Financial liabilities at fair value through the 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 SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.18.3. 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.

1.19. Value Added Tax (VAT)

Most of the activities of the NHS Wales organisation are outside the scope of VAT and, in general, output tax

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

1.20. Foreign 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 SoCNE. At the SoFP date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.21. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Wales organisation has no beneficial interest in them. Details of third party assets are given in the Notes to the accounts.

1.22. Losses and Special Payments

Losses and special payments are items that the Welsh 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 SoCNE on an accruals basis, including losses which would have been made good through insurance cover had the NHS Wales organisation 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.

The NHS Wales organisation accounts for all losses and special payments gross (including assistance from the WRP).

The NHS Wales organisation accrues or provides for the best estimate of future pay-outs for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Due to the interparty eliminations required for the summarisation process, expected reimbursements from the WRP are included within the debtor balance due from the Welsh Government. For those claims where the probability of settlement is between 5- 50%, the liability is disclosed as a contingent liability.

1.23. Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying

assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.24. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the SoFP date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool.

Significant estimations are also made for continuing care costs resulting from claims post 1 April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.

estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilities are adjusted in the following reporting period.

1.24.1. Provisions

The NHS Wales organisation provides for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Following settlement to individual claimants by the NHS Wales organisation, the full cost is recognised in year and matched to income (less a £25K excess) via a WRPS debtor, until reimbursement has been received from the WRPS Committee.

1.24.2. Probable & Certain Cases – Accounting Treatment

A provision for these cases is calculated in accordance with IAS 37.

The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership.

The solicitors estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of minus 0.75%.

Future liabilities for certain & probable cases with a probability of 95% -100% and 50% - 94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

Further details re the calculation of provisions and the periodical payment orders are contained within the accounts of Velindre NHS Trust.

1.25 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 NHS Wales organisation 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’.

1.25.1. Services received

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

1.25.2. 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 NHS Wales organisation’s approach for each relevant class of asset in accordance with the principles of IAS 16.

1.25.3. 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 SoCNE.

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 SoCNE.

1.25.4. Lifecycle replacement

Components of the asset replaced by the operator during the contract (‘lifecycle replacement’) are capitalised where they meet the NHS Wales organisation’s 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.

1.25.5. Assets contributed by the NHS Wales organisation 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 NHS Wales organisation's SoFP.

1.25.6. Other assets contributed by the NHS Wales organisation to the operator

Assets contributed (e.g. cash payments, surplus property) by the NHS Wales organisation 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 NHS Wales organisation, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the NHS Wales organisation through the asset being made available to third party users.

1.26. 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 NHS Wales organisation, 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 NHS Wales organisation. 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.

1.27. Absorption accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

1.28. Accounting standards that have been issued but not yet been adopted

The following accounting standards have been issued and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM.

IFRS14 Regulatory Deferral Accounts Not EU-endorsed.*
Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable.

IFRS 16 Leases is to be effective from 1st April 2022.

IFRS 17 Insurance Contracts, Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

1.29. Accounting standards issued that have been adopted early

During 2020-21 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

1.30. Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.31. Public Dividend Capital (PDC) and PDC dividend

PDC represents taxpayers' equity in the NHS Wales Trusts. At any time the 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 Wales organisation. 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 Government ceased.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

| | Cash limited £000 | Non-cash limited £000 | 2020-21 Total £000 | 2019-20 £000 |
|---------------------------------------|-------------------------|-----------------------------|--------------------------|------------------|
| General Medical Services | 589,505 | - | 589,505 | 559,482 |
| Pharmaceutical Services | 162,687 | (23,503) | 139,184 | 132,592 |
| General Dental Services | 172,936 | (549) | 172,387 | 188,897 |
| General Ophthalmic Services | 9,450 | 33,154 | 42,604 | 43,347 |
| Other Primary Health Care expenditure | 46,707 | - | 46,707 | 44,876 |
| Prescribed drugs and appliances | 569,302 | (62) | 569,240 | 536,289 |
| Total | 1,550,587 | 9,040 | 1,559,627 | 1,505,483 |

2.2 Expenditure on healthcare from other providers

| | 2020-21 £000 | 2019-20 £000 |
|---|------------------|-----------------|
| Goods and services from other non Welsh NHS bodies | 311,460 | 289,252 |
| Local Authorities | 185,920 | 102,210 |
| Voluntary organisations | 51,814 | 53,764 |
| NHS Funded Nursing Care | 48,582 | 44,054 |
| Continuing Care | 415,617 | 370,607 |
| Private providers | 77,887 | 61,034 |
| Specific projects funded by the Welsh Assembly Government | 319 | - |
| Other | 1,443 | - |
| Total | 1,093,042 | 920,921 |

2020-21

2.3 Expenditure on Hospital, Community Health Services and by Special Health Authorities

| | 2020-21 £000 | 2019-20 £000 |
|---|------------------|------------------|
| Directors' costs | 20,312 | 20,269 |
| Operational Staff costs | 4,576,994 | 4,046,408 |
| Non operational trainee staff costs | 62,340 | - |
| Single lead employer Staff Trainee Cost | 10,422 | - |
| Collaborative Bank Staff Cost | 203 | - |
| Supplies and services - clinical | 848,647 | 710,814 |
| Supplies and services - general | 184,146 | 131,160 |
| Consultancy Services | 15,497 | 13,068 |
| Establishment | 87,005 | 89,087 |
| Transport | 29,345 | 31,685 |
| Premises | 388,296 | 222,826 |
| HEIW - Non Medical Education and Training | 89,614 | 88,111 |
| HEIW - Post Graduate Medical Dental & Pharmacy Education | 3,325 | 4,007 |
| External Contractors | 5,138 | 4,578 |
| Depreciation | 201,999 | 188,631 |
| Amortisation | 13,116 | 12,626 |
| Fixed asset impairments and reversals (Property, plant & equipment) | 94,331 | 87,004 |
| Impairments and reversals of non-current assets held for sale | 209 | 350 |
| Audit fees | 3,346 | 3,194 |
| Losses, special payments and irrecoverable debts | 145,956 | 195,023 |
| Research and Development | 5,466 | 4,371 |
| NWSSP centrally purchased Covid assets issued free of charge to other organisations | 100,247 | - |
| Other operating expenses | 45,844 | 18,998 |
| Total | 6,931,798 | 5,872,210 |

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

| | 2020-21 £000 | 2019-20 £000 |
|--|-----------------|-----------------|
| Increase/(decrease) in provision for future payments: | £000 | £000 |
| Clinical negligence | | |
| - Secondary care | 134,890 | 136,262 |
| - Primary care | 70 | - |
| - Redress Secondary Care | 2,184 | 3,326 |
| - Redress Primary Care | (182) | - |
| Personal injury | 7,842 | 13,023 |
| All other losses and special payments | 10,219 | 2,841 |
| Defence legal fees and other administrative costs | 7,632 | 6,586 |
| WRPS Structured Settlements | (11,977) | 32,423 |
| Gross increase/(decrease) in provision for future payments | 150,678 | 194,461 |
| Irrecoverable debts | (106) | (828) |
| Less: income received/ due for reimbursement | (4,616) | 1,390 |
| Total | 145,956 | 195,023 |
| | £ | £ |
| Permanent injury included within personal injury: | 2,665,896 | 7,919,794 |

3. Income

| | 2020-21 | 2019-20 |
|--|-------------------------|-----------------------|
| | £000 | £000 |
| Foundation Trusts | 789 | 1,634 |
| Other NHS England bodies | 24,649 | 34,077 |
| Other NHS bodies | 380 | 582 |
| Local authorities | 65,715 | 58,800 |
| Welsh Government | 238,272 | 164,922 |
| Welsh Government Funding - Welsh Risk Pool Reimbursements | | |
| NHS Wales Secondary Health Sector | 120,386 | 170,523 |
| NHS Wales Redress | 2,491 | 2,056 |
| Welsh Government Income for Hosted bodies | 334,699 | 128,426 |
| Non NHS: | | |
| Prescription charge income | 132 | 47 |
| Dental fee income | 8,991 | 35,790 |
| Private patient income | 2,762 | 7,356 |
| Overseas patients (non-reciprocal) | 420 | 1,201 |
| Injury Costs Recovery (ICR) Scheme | 6,535 | 9,478 |
| Other income from activities | 17,774 | 14,628 |
| Income Generation | 1,272 | 1,499 |
| Education, training and research | 54,945 | 58,954 |
| Charitable and other contributions to expenditure | 10,749 | 11,880 |
| Receipt of Covid centrally purchased assets from other organisations | 2,577 | - |
| Receipt of donated assets | 2,103 | 6,242 |
| Receipt of Government granted assets | 7,732 | 339 |
| Non-patient care income generation schemes | 3,190 | 5,204 |
| Deferred income released to revenue | 2,350 | 3,025 |
| Contingent rental income from finance leases | 127 | 113 |
| Rental income from operating leases | 462 | 1,102 |
| Other income: | | |
| Provision of laundry, pathology, payroll services | 7,332 | 5,028 |
| Accommodation and catering charges | 10,749 | 17,895 |
| Mortuary fees | 2,372 | 1,998 |
| Staff payments for use of cars | 4,617 | 4,407 |
| Business units | 21 | 9 |
| Other | 100,174 | 66,016 |
| Total | <u>1,034,767</u> | <u>813,231</u> |

ICR income is subject to a provision for impairment to reflect expected rates of collection. The exact provision varies between NHS bodies. Details may be found in the underlying accounts

2020-21

4. Investment Income

| | 2020-21 | 2019-20 |
|-----------------------------|----------------|------------|
| | £000 | £000 |
| Interest revenue : | | |
| Bank accounts | 5 | 299 |
| Other loans and receivables | - | 2 |
| Other financial assets | 17 | 18 |
| Total | 22 | 319 |

5. Other gains and losses

| | 2020-21 | 2019-20 |
|--|----------------|--------------|
| | £000 | £000 |
| Gain/(loss) on disposal of property, plant and equipment | 69 | 357 |
| Gain/(loss) on disposal of intangible assets | (5) | - |
| Gain/(loss) on disposal of assets held for sale | 233 | 2,365 |
| Total | 297 | 2,722 |

6. Finance costs

| | 2020-21 | 2019-20 |
|--|----------------|--------------|
| | £000 | £000 |
| Interest on obligations under finance leases | 73 | 86 |
| Interest on obligations under PFI contracts | | |
| main finance cost | 3,900 | 4,147 |
| contingent finance cost | 3,157 | 2,881 |
| Interest on late payment of commercial debt | - | 2 |
| Total interest expense | 7,130 | 7,116 |
| Provisions unwinding of discount | (477) | (233) |
| Periodical Payment Order unwinding of discount | 548 | 98 |
| Total | 7,201 | 6,981 |

7. Operating leases

LHB, NHS Trust and SHA as lessee

Detailed disclosures are made in the individual LHB, Trust and SHA accounts.

| Payments recognised as an expense | 2020-21 | 2019-20 |
|--|----------------|----------------|
| | £000 | £000 |
| Minimum lease payments | 42,844 | 34,958 |
| Total | 42,844 | 34,958 |
| Total future minimum lease payments | | |
| Payable | £000 | £000 |
| Not later than one year | 30,829 | 29,168 |
| Between one and five years | 62,359 | 60,345 |
| After 5 years | 66,571 | 74,822 |
| Total | 159,759 | 164,335 |

LHB and NHS Trust as lessor

| | 2020-21 | 2019-20 |
|--|----------------|----------------|
| | £000 | £000 |
| Rental revenue | £000 | £000 |
| Rent | 1,311 | 1,339 |
| Other | 121 | 113 |
| Total revenue rental | 1,432 | 1,452 |
| Total future minimum lease payments | | |
| Receivable | £000 | £000 |
| Not later than one year | 1,649 | 1,259 |
| Between one and five years | 4,666 | 2,671 |
| After 5 years | 4,472 | 4,057 |
| Total | 10,787 | 7,987 |

8. Employee benefits and staff numbers

| 8.1 Employee costs | Permanent Staff | Staff on Inward Secondment | Agency Staff | Specialist Trainee (SLE) Staff | Collaborative Bank Staff | Other | Total | |
|--|------------------|----------------------------|----------------|--------------------------------|--------------------------|---------------|------------------|-----------|
| | £000 | £000 | £000 | £000 | £000 | £000 | 2020-21 | 2019-20 |
| Salaries and wages | 3,552,272 | 24,342 | 157,090 | 30,621 | 124 | 66,684 | 3,831,133 | 3,338,621 |
| Social security costs | 333,024 | 116 | - | 2,393 | 8 | 1,428 | 336,969 | 309,268 |
| Employer contributions to NHS Pension Scheme | 586,908 | 128 | - | 2,899 | 17 | 336 | 590,288 | 542,838 |
| Other pension costs | 2,365 | - | - | - | - | - | 2,365 | 1,722 |
| Other employment benefits | - | - | - | - | - | (3) | (3) | - |
| Termination benefits | 568 | - | - | - | - | - | 568 | 533 |
| Total | 4,475,137 | 24,586 | 157,090 | 35,913 | 149 | 68,445 | 4,761,320 | 4,192,982 |

| | | | | | | | | |
|--------------------|--|--|--|--|--|--|------------------|-----------|
| Charged to capital | | | | | | | 10,399 | 11,644 |
| Charged to revenue | | | | | | | 4,750,921 | 4,181,338 |
| | | | | | | | 4,761,320 | 4,192,982 |

Net movement in accrued employee benefits (untaken staff leave accrual included in above)

90,063 (328)

The full employee costs reported above are included in note 2.1 Expenditure on Primary Healthcare Services and note 2.3 Expenditure on Hospital, Community Health Services and by Special Health Authorities.

The annual leave accrual of £90,063k includes the leave accruals for both Non Covid and Covid activity (the latter being the major contributor in 2020-21).

8.2 Average number of employees

| | Permanent Staff | Staff on Inward Secondment | Agency Staff | Specialist Trainee (SLE) Staff | Collaborative Bank Staff | Other | Total | |
|---|-----------------|----------------------------|--------------|--------------------------------|--------------------------|------------|---------------|---------|
| | Number | Number | Number | Number | Number | Number | 2020-21 | 2019-20 |
| Administrative, clerical and board members | 18,507 | 202 | 261 | - | - | 48 | 19,018 | 18,201 |
| Medical and dental | 6,466 | 80 | 123 | 689 | - | 404 | 7,762 | 7,726 |
| Nursing, midwifery registered | 23,152 | 12 | 1,293 | 1 | 5 | 6 | 24,469 | 23,697 |
| Professional, Scientific, and technical staff | 3,748 | 16 | 15 | - | - | 7 | 3,786 | 3,362 |
| Additional Clinical Services | 17,297 | 1 | 63 | - | - | 10 | 17,371 | 16,169 |
| Allied Health Professions | 6,023 | 9 | 94 | - | - | 46 | 6,172 | 5,866 |
| Healthcare Scientists | 1,779 | 6 | 39 | - | - | 5 | 1,829 | 1,782 |
| Estates and Ancillary | 7,085 | - | 404 | - | - | 59 | 7,548 | 6,855 |
| Students | 456 | - | - | - | - | - | 456 | 58 |
| Total | 84,513 | 326 | 2,292 | 690 | 5 | 585 | 88,411 | 83,716 |

8.3. Retirements due to ill-health

2020-21 2019-20

| | | | |
|--------------------------------------|--|------------------|-----------|
| Number | | 99 | 65 |
| Estimated additional pension costs £ | | 3,560,990 | 3,195,404 |

The estimated additional pension costs of these ill-health retirements have been calculated on an average basis and are borne by the NHS Pension Scheme. The above early retirement information relates to the LHBs and NHS Trusts, there were no early retirements in the SHA.

8.4 Employee benefits

LHBs do not disclose any employee benefit schemes. Two of the NHS Trusts and the Special Health Authority disclose employee benefit schemes. Please refer to their underlying accounts for further details.

8.5 Pension costs

PENSION COSTS

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2021, is based on valuation data as 31 March 2020, updated to 31 March 2021 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018).

The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

c) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 8% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 3% of this.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,240 and £50,000 for the 2020-2021 tax year (2019-2020 £6,136 and £50,000).

Restrictions on the annual contribution limits were removed on 1st April 2017.

9. The Late Payment of Commercial Debts (Interest) Act 1998

| | 2020-21 | 2019-20 |
|---|---------------------|--------------|
| | £ | £ |
| Amounts included within finance costs from claims made under this legislation | 221 | 2,984 |
| Compensation paid to cover debt recovery costs under this legislation | 3,061 | 1,348 |
| Total | <u>3,282</u> | <u>4,332</u> |

2020-21

10.1 Property, plant and equipment

| | Land £000 | Buildings, excluding dwellings £000 | Dwellings £000 | Asset under construction & payments on account £000 | Plant and machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|---|----------------|--|-------------------|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|------------------|
| Cost or valuation at 1 April 2020 | 375,627 | 2,653,556 | 50,079 | 452,431 | 690,111 | 82,281 | 247,792 | 36,381 | 4,588,258 |
| Indexation | (5,773) | 44,318 | 1,296 | - | - | - | - | - | 39,841 |
| Additions - purchased | 7,272 | 47,350 | 18 | 207,732 | 111,464 | 2,447 | 44,570 | 7,788 | 428,641 |
| Additions - donated | - | 213 | - | 9 | 1,714 | 11 | 141 | 12 | 2,100 |
| Additions - government granted | - | - | - | - | 4,763 | - | 3 | - | 4,766 |
| Transfer from/into other NHS bodies | - | - | - | - | 1,346 | (1,346) | - | - | - |
| Reclassifications | - | 440,874 | 339 | (469,277) | 5,969 | 13,798 | 7,227 | 18 | (1,052) |
| Revaluations | (4) | (7,862) | (11) | - | 5 | - | - | - | (7,872) |
| Reversal of impairments | - | 35,445 | 157 | - | - | - | - | - | 35,602 |
| Impairments | (1,639) | (137,199) | - | - | (574) | - | (62) | - | (139,474) |
| Reclassified as held for sale | (387) | (207) | - | - | (493) | (4,260) | - | - | (5,347) |
| Disposals | (7,162) | (154) | - | (835) | (25,269) | (657) | (10,806) | (2,236) | (47,119) |
| At 31 March 2021 | 367,934 | 3,076,334 | 51,878 | 190,060 | 789,036 | 92,274 | 288,865 | 41,963 | 4,898,344 |
| Depreciation at 1 April 2020 | - | 280,222 | 4,762 | 1,792 | 469,298 | 51,708 | 156,581 | 22,287 | 986,650 |
| Indexation | - | 9,005 | 135 | - | - | - | - | - | 9,140 |
| Transfers from/into other NHS bodies | - | - | - | - | (974) | 974 | - | - | - |
| Reclassifications | - | 1,792 | - | (1,792) | (2) | - | - | 2 | - |
| Revaluations | - | (13,530) | (11) | - | - | - | - | - | (13,541) |
| Reversal of impairments | - | 7 | 3 | - | - | - | - | - | 10 |
| Impairments | - | (9,266) | - | - | (280) | - | (5) | - | (9,551) |
| Reclassified as held for sale | - | (152) | - | - | (210) | (4,260) | - | - | (4,622) |
| Disposals | - | (102) | - | - | (24,794) | (641) | (10,749) | (2,236) | (38,522) |
| Provided during the year | - | 97,392 | 1,701 | - | 57,464 | 8,497 | 33,230 | 3,715 | 201,999 |
| At 31 March 2021 | - | 365,368 | 6,590 | - | 500,502 | 56,278 | 179,057 | 23,768 | 1,131,563 |
| Net book value at 1 April 2020 | 375,627 | 2,373,334 | 45,317 | 450,639 | 220,813 | 30,573 | 91,211 | 14,094 | 3,601,608 |
| Net book value at 31 March 2021 | 367,934 | 2,710,966 | 45,288 | 190,060 | 288,534 | 35,996 | 109,808 | 18,195 | 3,766,781 |
| Net book value at 31 March 2021 comprises : | | | | | | | | | |
| Purchased | 363,785 | 2,663,712 | 45,288 | 190,020 | 275,036 | 35,985 | 109,023 | 17,525 | 3,700,374 |
| Donated | 4,149 | 45,369 | - | 40 | 9,070 | 11 | 748 | 659 | 60,046 |
| Government Granted | - | 1,885 | - | - | 4,428 | - | 37 | 11 | 6,361 |
| | 367,934 | 2,710,966 | 45,288 | 190,060 | 288,534 | 35,996 | 109,808 | 18,195 | 3,766,781 |
| Asset financing : | | | | | | | | | |
| Owned | 365,147 | 2,628,094 | 43,074 | 190,060 | 287,995 | 35,996 | 107,150 | 18,195 | 3,675,711 |
| Held on finance lease | - | 1,264 | - | - | - | - | 2,658 | - | 3,922 |
| On-SoFP PFI contracts | 2,787 | 81,608 | 2,214 | - | 539 | - | - | - | 87,148 |
| Total | 367,934 | 2,710,966 | 45,288 | 190,060 | 288,534 | 35,996 | 109,808 | 18,195 | 3,766,781 |
| The net book value of land, buildings and dwellings at 31 March 2021 comprises : | | | | | | | | | £000 |
| Freehold | | | | | | | | | 3,010,930 |
| Long Leasehold | | | | | | | | | 99,373 |
| Short Leasehold | | | | | | | | | 13,885 |
| | | | | | | | | | 3,124,188 |

The land and buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. LHBS, NHSTs and SHA are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

10.1 Property, plant and equipment

| 2019-20 | 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 |
|--|----------------|--|-------------------|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|------------------|
| Cost or valuation at 1 April 2019 | 380,599 | 2,542,239 | 49,272 | 403,033 | 661,134 | 86,388 | 220,807 | 33,754 | 4,377,226 |
| Indexation | (3,030) | 26,840 | 865 | - | - | - | - | - | 24,675 |
| Additions - purchased | 146 | 25,233 | 24 | 251,585 | 47,626 | 2,977 | 35,303 | 3,501 | 366,395 |
| Additions - donated | - | 2,659 | - | 1,243 | 1,587 | - | 462 | 213 | 6,164 |
| Additions - government granted | - | 93 | - | 197 | - | - | 19 | - | 309 |
| Transfer from/into other NHS bodies | - | - | - | (1) | 66 | (66) | - | - | (1) |
| Reclassifications | 396 | 173,498 | 13 | (203,596) | 14,599 | 3,532 | 4,347 | 682 | (6,529) |
| Revaluations | (124) | (22,466) | (204) | - | 22 | - | - | - | (22,772) |
| Reversal of impairments | (10) | 24,567 | 109 | - | - | - | - | - | 24,666 |
| Impairments | (529) | (118,055) | - | (30) | - | - | (125) | - | (118,739) |
| Reclassified as held for sale | (1,821) | (1,044) | - | - | (729) | (8,427) | - | (33) | (12,054) |
| Disposals | - | (8) | - | - | (34,194) | (2,123) | (13,021) | (1,736) | (51,082) |
| At 31 March 2020 | 375,627 | 2,653,556 | 50,079 | 452,431 | 690,111 | 82,281 | 247,792 | 36,381 | 4,588,258 |
| Depreciation at 1 April 2019 | - | 213,244 | 3,409 | 1,792 | 451,149 | 53,143 | 138,380 | 21,039 | 882,156 |
| Indexation | - | 4,859 | 67 | - | - | - | - | - | 4,926 |
| Transfers from/into other NHS bodies | - | - | - | - | 67 | (66) | - | - | 1 |
| Reclassifications | - | 38 | - | - | (52) | 52 | (417) | - | (379) |
| Revaluations | - | (21,573) | (369) | - | - | - | - | - | (21,942) |
| Reversal of impairments | - | (472) | 1 | - | - | - | - | - | (471) |
| Impairments | - | (6,598) | - | - | - | - | - | - | (6,598) |
| Reclassified as held for sale | - | (54) | - | - | (729) | (8,427) | - | (33) | (9,243) |
| Disposals | - | (8) | - | - | (33,574) | (2,115) | (12,998) | (1,736) | (50,431) |
| Provided during the year | - | 90,786 | 1,654 | - | 52,437 | 9,121 | 31,616 | 3,017 | 188,631 |
| At 31 March 2020 | - | 280,222 | 4,762 | 1,792 | 469,298 | 51,708 | 156,581 | 22,287 | 986,650 |
| Net book value at 1 April 2019 | 380,599 | 2,328,995 | 45,863 | 401,241 | 209,985 | 33,245 | 82,427 | 12,715 | 3,495,070 |
| Net book value at 31 March 2020 | 375,627 | 2,373,334 | 45,317 | 450,639 | 220,813 | 30,573 | 91,211 | 14,094 | 3,601,608 |
| Net book value at 31 March 2020 comprises : | | | | | | | | | |
| Purchased | 371,393 | 2,326,475 | 45,317 | 450,292 | 210,626 | 30,369 | 90,194 | 13,541 | 3,538,207 |
| Donated | 4,234 | 44,974 | - | 347 | 10,150 | 189 | 986 | 536 | 61,416 |
| Government Granted | - | 1,885 | - | - | 37 | 15 | 31 | 17 | 1,985 |
| | 375,627 | 2,373,334 | 45,317 | 450,639 | 220,813 | 30,573 | 91,211 | 14,094 | 3,601,608 |
| Asset financing : | | | | | | | | | |
| Owned | 372,785 | 2,290,378 | 43,097 | 450,639 | 219,792 | 30,573 | 86,768 | 14,094 | 3,508,126 |
| Held on finance lease | - | 1,466 | - | - | 304 | - | 4,443 | - | 6,213 |
| On-SoFP PFI contracts | 2,842 | 81,490 | 2,220 | - | 717 | - | - | - | 87,269 |
| Total | 375,627 | 2,373,334 | 45,317 | 450,639 | 220,813 | 30,573 | 91,211 | 14,094 | 3,601,608 |

The net book value of land, buildings and dwellings at 31 March 2020 comprises :

| | £000 |
|-----------------|------------------|
| Freehold | 2,681,786 |
| Long Leasehold | 105,841 |
| Short Leasehold | 6,651 |
| | 2,794,278 |

Valuers 'material uncertainty, in valuation. The disclosure relates to the materiality in the five valuation reports not the underlying account materiality.

78,409

10. Property, plant and equipment (continued)**10.2 Non-current assets held for sale**

| | Land | Buildings, including dwelling | Other property, plant and equipment | Total |
|---|--------------|--|--|----------------|
| | £000 | £000 | £000 | £000 |
| Balance brought forward 1 April 2020 | 1,652 | 990 | - | 2,642 |
| Plus assets classified as held for sale in the year | 387 | 55 | 283 | 725 |
| Revaluation | 10 | - | - | 10 |
| Less assets sold in the year | (711) | (55) | - | (766) |
| Less impairment of assets held for sale | - | (12) | (197) | (209) |
| Balance carried forward 31 March 2021 | 1,338 | 978 | 86 | 2,402 |
| Balance brought forward 1 April 2019 | 1,494 | 1,113 | - | 2,607 |
| Plus assets classified as held for sale in the year | 1,821 | 990 | - | 2,811 |
| Revaluation | (15) | - | - | (15) |
| Less assets sold in the year | (1,648) | (763) | - | (2,411) |
| Less impairment of assets held for sale | - | (350) | - | (350) |
| Balance carried forward 31 March 2020 | 1,652 | 990 | - | 2,642 |

11. Intangible non-current assets

| | Software (purchased) | Software (internally generated) | Licences and trademarks | Development expenditure- internally generated | Carbon Reduction Commitment | Total |
|--|-------------------------|---------------------------------------|-------------------------------|--|-----------------------------------|-----------------|
| 2020-21 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2020 | 89,108 | 8,135 | 19,411 | 729 | 30 | 117,413 |
| Reclassifications | 1,052 | - | - | - | - | 1,052 |
| Additions- purchased | 11,533 | 1,447 | 2,886 | 686 | - | 16,552 |
| Additions- donated | 28 | - | - | - | - | 28 |
| Transfers | 531 | 191 | - | - | - | 722 |
| Disposals | (13,800) | (2,065) | (1,558) | - | (30) | (17,453) |
| Gross cost at 31 March 2021 | 88,452 | 7,708 | 20,739 | 1,415 | - | 118,314 |
| Amortisation at 1 April 2020 | 61,489 | 3,090 | 10,888 | 93 | - | 75,560 |
| Provided during the year | 9,086 | 1,015 | 2,890 | 125 | - | 13,116 |
| Disposals | (13,801) | (2,066) | (1,558) | - | - | (17,425) |
| Amortisation at 31 March 2021 | 56,774 | 2,039 | 12,220 | 218 | - | 71,251 |
| Net book value at 1 April 2020 | 27,619 | 5,045 | 8,523 | 636 | 30 | 41,853 |
| Net book value at 31 March 2021 | 31,678 | 5,669 | 8,519 | 1,197 | - | 47,063 |
| NBV at 31 March 2021 | | | | | | |
| Purchased | 31,545 | 5,669 | 8,512 | 915 | - | 46,641 |
| Donated | 112 | - | 7 | - | - | 119 |
| Government Granted | 21 | - | - | - | - | 21 |
| Internally generated | - | - | - | 282 | - | 282 |
| Total at 31 March 2021 | 31,678 | 5,669 | 8,519 | 1,197 | - | 47,063 |

11. Intangible non-current assets

| | Software (purchased) | Software (internally generated) | Licences and trademarks | Development expenditure- internally generated | Carbon Reduction Commitment | Total |
|--|-------------------------|---------------------------------------|----------------------------|--|-----------------------------------|----------------|
| 2019-20 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2019 | 80,962 | 6,381 | 14,872 | 500 | 196 | 102,911 |
| Revaluation | (365) | - | - | - | - | (365) |
| Reclassifications | 5,461 | - | 1,069 | - | - | 6,530 |
| Additions- purchased | 9,635 | 2,229 | 3,464 | 229 | - | 15,557 |
| Additions- donated | 73 | - | 6 | - | - | 79 |
| Additions- government granted | 29 | - | - | - | - | 29 |
| Disposals | (6,687) | (475) | - | - | (166) | (7,328) |
| Gross cost at 31 March 2020 | 89,108 | 8,135 | 19,411 | 729 | 30 | 117,413 |
| Amortisation at 1 April 2019 | 59,126 | 2,863 | 7,727 | - | - | 69,716 |
| Reclassifications | 18 | - | 361 | - | - | 379 |
| Provided during the year | 9,031 | 702 | 2,800 | 93 | - | 12,626 |
| Disposals | (6,686) | (475) | - | - | - | (7,161) |
| Amortisation at 31 March 2020 | 61,489 | 3,090 | 10,888 | 93 | - | 75,560 |
| Net book value at 1 April 2019 | 21,836 | 3,518 | 7,145 | 500 | 196 | 33,195 |
| Net book value at 31 March 2020 | 27,619 | 5,045 | 8,523 | 636 | 30 | 41,853 |
| NBV at 31 March 2020 | | | | | | |
| Purchased | 27,433 | 5,045 | 8,510 | 229 | 30 | 41,247 |
| Donated | 159 | - | 6 | - | - | 165 |
| Government Granted | 27 | - | 7 | - | - | 34 |
| Internally generated | - | - | - | 407 | - | 407 |
| Total at 31 March 2020 | 27,619 | 5,045 | 8,523 | 636 | 30 | 41,853 |

12. Impairments

| | 2020-21 | 2019-20 |
|---|--|--------------------------------|
| | Property, plant & equipment | Property, plant & equipment |
| | £000 | £000 |
| Impairments arising from : | | |
| Abandonment in the course of construction | 38 | - |
| Unforeseen obsolescence | 106 | - |
| Changes in market price | 506 | 51,353 |
| Others | 130,980 | 62,203 |
| Reversal of impairments | (35,055) | (24,965) |
| Total of all impairments | <u>96,575</u> | <u>88,591</u> |

Analysis of impairments charged to reserves in year :

| | | |
|---|----------------------|----------------------|
| Charged to the Statement of Comprehensive Net Expenditure | 94,540 | 87,301 |
| Charged to Revaluation Reserve | 2,035 | 1,290 |
| Total | <u>96,575</u> | <u>88,591</u> |

13.1 Inventories

| | 31 March | 31 March |
|--------------|-----------------------|----------------------|
| | 2021 | 2020 |
| | £000 | £000 |
| Drugs | 29,988 | 29,753 |
| Consumables | 140,153 | 50,975 |
| Energy | 1,042 | 1,058 |
| Other | 4,414 | 2,897 |
| Total | <u>175,597</u> | <u>84,683</u> |

Of which held at realisable value

-

-

DH donated assets

At 31 March 2021 £1,105k of the £7,732k assets legally transferred to Velindre NHST by DHSSC, were held as NWSSP stock items in the Velindre NHST accounts. The balance of £6,627k were transferred to and accounted for by the other NHS Wales bodies. See Note 32.1 Impact of Covid 19 for further details in relation to the DHSCC transfer of assets.

13.2 Inventories recognised in expenses

| | 31 March | 31 March |
|--|-----------------------|----------------------|
| | 2021 | 2020 |
| | £000 | £000 |
| Inventories recognised as an expense in the period | 184,433 | 57,130 |
| Write-down of inventories (including losses) | 5,870 | 72 |
| Total | <u>190,303</u> | <u>57,202</u> |

14. Trade and other receivables

| Current | 31 March 2021 £000 | 31 March 2020 £000 |
|--|-----------------------------------|--------------------------|
| Welsh Government | 522,206 | 410,931 |
| Non - Welsh Trusts | 3,876 | 6,794 |
| Other NHS | 3,107 | 5,785 |
| Local Authorities | 44,036 | 30,281 |
| Capital debtors - tangibles | 624 | 427 |
| Other debtors | 86,496 | 70,743 |
| Provision for irrecoverable debts | (23,210) | (22,214) |
| Other prepayments | 67,731 | 43,079 |
| Other accrued income | 8,752 | 7,977 |
| Sub total | 713,618 | 553,803 |
| Non-current | | |
| Welsh Government | 816,440 | 861,947 |
| Other NHS | 22 | - |
| Other debtors | 4,614 | 6,179 |
| Provision for irrecoverable debts | (1,269) | (1,543) |
| Other prepayments | 1,199 | 2,908 |
| Other accrued income | 2,757 | 2,675 |
| Sub total | 823,763 | 872,166 |
| Total | 1,537,381 | 1,425,969 |
| Receivables past their due date but not impaired | | |
| By up to three months | 43,813 | 51,426 |
| By three to six months | 4,353 | 4,121 |
| By more than six months | 9,596 | 7,890 |
| | 57,762 | 63,437 |
| Expected Credit Losses (ECL)/ Provision for Impairment of Receivables | | |
| Balance at 1 April | (23,757) | (26,543) |
| Amount written off during the year | 507 | 1,194 |
| Amount recovered during the year | 675 | 144 |
| (Increase) / decrease in receivables impaired | (1,910) | 1,423 |
| Bad debts recovered during year | 6 | 25 |
| Balance at 31 March | (24,479) | (23,757) |
| Receivables VAT | | |
| Trade receivables | 7,243 | 7,136 |
| Other | 5,365 | 2,355 |
| Total | 12,608 | 9,491 |

15. Other Financial Assets

| | Current | | Non-current | |
|-------------------------|-----------------|----------|--------------------|----------|
| | 31 March | 31 March | 31 March | 31 March |
| | 2021 | 2020 | 2021 | 2020 |
| | £000 | £000 | £000 | £000 |
| Financial assets | | | | |
| Loans at amortised cost | 32 | 31 | 554 | 586 |
| Total | 32 | 31 | 554 | 586 |

16. Cash and cash equivalents

| | 2020-21 | 2019-20 |
|--|----------------|---------|
| | £000 | £000 |
| Balance at 1 April | 82,425 | 65,700 |
| Net change in cash and cash equivalent balances | 27,071 | 16,725 |
| Balance at 31 March | 109,496 | 82,425 |
| Made up of: | | |
| Cash held at Government Banking Service (GBS) | 108,632 | 81,474 |
| Commercial banks | 523 | 515 |
| Cash in hand | 341 | 436 |
| Total Cash | 109,496 | 82,425 |
| Cash and cash equivalents as in Statement of Financial Position | 109,496 | 82,425 |
| Cash and cash equivalents as in Statement of Cash Flows | 109,496 | 82,425 |

17. Trade and other payables

| Current | 31 March 2021 £000 | 31 March 2020 £000 |
|--|-----------------------------------|--------------------------|
| Welsh Government | 120,736 | 7,874 |
| Other NHS | 78,460 | 71,327 |
| Taxation and social security payable / refunds | 23,126 | 17,352 |
| VAT payable to HMRC | 2,136 | 229 |
| Other taxes payable to HMRC | 8,857 | 6,047 |
| NI contributions payable to HMRC | 38,690 | 30,062 |
| Non-NHS payables revenue | 204,425 | 183,406 |
| Local Authorities | 86,222 | 91,493 |
| Capital Creditors - Tangibles | 80,754 | 65,897 |
| Capital Creditors - Intangibles | 4,007 | 2,126 |
| Rentals due under operating leases | 206 | 23 |
| Obligations under finance leases, HP contracts | 1 | 513 |
| Imputed finance lease element of on SoFP PFI contracts | 4,801 | 4,158 |
| Pensions: staff | 31,505 | 24,445 |
| Non NHS Accruals | 733,424 | 428,634 |
| Deferred Income: | | |
| Deferred Income brought forward | 8,551 | 10,460 |
| Deferred Income Additions | 2,887 | 3,244 |
| Transfer to / from current/non current deferred income | (301) | - |
| Released to SoCNE | (3,682) | (5,153) |
| Other creditors | 63,036 | 35,845 |
| PFI assets – deferred credits | 18 | 22 |
| Payments on account | (27,319) | (19,262) |
| Total | 1,460,540 | 958,742 |
| Non-current | | |
| Welsh Government | 7,000 | - |
| Local Authorities | 321 | - |
| Rentals due under operating leases | 1,723 | 1,552 |
| Imputed finance lease element of on SoFP PFI contracts | 48,249 | 53,052 |
| Non NHS Accruals | 699 | - |
| Deferred Income Additions | 301 | - |
| Other creditors | 103 | - |
| PFI assets – deferred credits | 50 | 64 |
| Sub-total | 58,446 | 54,668 |
| Total | 1,518,986 | 1,013,410 |

18. Borrowings

| | Current | | Non-current | |
|---------------------------|-----------------|----------|--------------------|----------|
| | 31 March | 31 March | 31 March | 31 March |
| | 2021 | 2020 | 2021 | 2020 |
| | £000 | £000 | £000 | £000 |
| Finance lease liabilities | 1,624 | 1,991 | 1,059 | 2,675 |
| Total | 1,624 | 1,991 | 1,059 | 2,675 |

19. Other financial liabilities

No other financial liabilities were reported by the summarised organisations.

20. Provisions

20.1 Consolidated

| | At 1 April 2020 | Structured settlement cases transferred to Risk Pool | 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 2021 |
|---|--------------------|--|---|--|----------------------------|--------------------------------|--------------------|--------------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Current | | | | | | | | | |
| Clinical negligence | | | | | | | | | |
| Secondary Care | 251,052 | (43,456) | (12,908) | 116,551 | 109,903 | (81,696) | (48,692) | (183) | 290,571 |
| Primary Care | - | - | - | - | 70 | - | - | - | 70 |
| Redress Secondary care | 3,418 | - | (664) | 20 | 4,046 | (1,878) | (1,866) | - | 3,076 |
| Redress Primary care | - | - | - | - | (219) | 43 | 37 | - | (139) |
| Personal injury | 11,735 | - | (134) | (1,219) | 8,124 | (4,781) | (1,848) | (134) | 11,743 |
| All other losses and special payments | 102 | - | (1,325) | - | 10,227 | (7,764) | (8) | - | 1,232 |
| Defence legal fees and other administration | 8,906 | - | - | 2,385 | 8,737 | (5,562) | (3,831) | - | 10,635 |
| Structured Settlements - WRPS | 14,555 | 988 | - | - | 15,785 | (14,873) | (1,892) | 548 | 15,111 |
| Pensions relating to other staff | 1,701 | - | (6) | 797 | 1,316 | (1,748) | (414) | (69) | 1,577 |
| Other | 21,487 | - | (590) | 55 | 17,883 | (4,085) | (3,290) | - | 31,460 |
| Total | 312,956 | (42,468) | (15,627) | 118,589 | 175,872 | (122,344) | (61,804) | 162 | 365,336 |
| Non Current | | | | | | | | | |
| Clinical negligence | | | | | | | | | |
| Secondary Care | 429,768 | (9,566) | (4,521) | (116,531) | 82,623 | (13,873) | (8,944) | - | 358,956 |
| Redress Secondary care | 41 | - | - | (40) | 5 | - | (1) | - | 5 |
| Personal injury | 34,634 | - | - | 1,219 | 1,975 | (259) | (409) | (87) | 37,073 |
| Defence legal fees and other administration | 5,941 | - | - | (2,385) | 3,113 | (741) | (387) | - | 5,541 |
| Structured Settlements - WRPS | 426,508 | 52,034 | - | - | 3,866 | - | (29,736) | - | 452,672 |
| Pensions relating to other staff | 10,278 | - | - | (797) | 111 | - | (2) | (4) | 9,586 |
| Other | 2,237 | - | - | (55) | 2,784 | (121) | (110) | - | 4,735 |
| Total | 909,407 | 42,468 | (4,521) | (118,589) | 94,477 | (14,994) | (39,589) | (91) | 868,568 |
| TOTAL | | | | | | | | | |
| Clinical negligence | | | | | | | | | |
| Secondary Care | 680,820 | (53,022) | (17,429) | 20 | 192,526 | (95,569) | (57,636) | (183) | 649,527 |
| Primary Care | - | - | - | - | 70 | - | - | - | 70 |
| Redress Secondary care | 3,459 | - | (664) | (20) | 4,051 | (1,878) | (1,867) | - | 3,081 |
| Redress Primary care | - | - | - | - | (219) | 43 | 37 | - | (139) |
| Personal injury | 46,369 | - | (134) | - | 10,099 | (5,040) | (2,257) | (221) | 48,816 |
| All other losses and special payments | 102 | - | (1,325) | - | 10,227 | (7,764) | (8) | - | 1,232 |
| Defence legal fees and other administration | 14,847 | - | - | - | 11,850 | (6,303) | (4,218) | - | 16,176 |
| Structured Settlements - WRPS | 441,063 | 53,022 | - | - | 19,651 | (14,873) | (31,628) | 548 | 467,783 |
| Pensions relating to other staff | 11,979 | - | (6) | - | 1,427 | (1,748) | (416) | (73) | 11,163 |
| Other | 23,724 | - | (590) | - | 20,667 | (4,206) | (3,400) | - | 36,195 |
| Total | 1,222,363 | - | (20,148) | - | 270,349 | (137,338) | (101,393) | 71 | 1,233,904 |

Expected timing of cash flows:

| | In year to 31 March 2022 | Between 1 April 2022 - 31 March 2026 | Thereafter | Total |
|---|-----------------------------|--|----------------|------------------|
| | £000 | £000 | £000 | £000 |
| Clinical negligence | | | | |
| Secondary Care | 290,571 | 268,966 | 89,990 | 649,527 |
| Primary Care | 70 | - | - | 70 |
| Redress Secondary care | 3,076 | 5 | - | 3,081 |
| Redress Primary care | (139) | - | - | (139) |
| Personal injury | 11,743 | 11,701 | 25,372 | 48,816 |
| All other losses and special payments | 1,232 | - | - | 1,232 |
| Defence legal fees and other administration | 10,635 | 5,541 | - | 16,176 |
| Structured Settlements - WRPS | 15,111 | 63,205 | 389,467 | 467,783 |
| Pensions relating to other staff | 1,577 | 7,124 | 2,462 | 11,163 |
| Other | 31,460 | 3,746 | 989 | 36,195 |
| Total | 365,336 | 360,288 | 508,280 | 1,233,904 |

20. Provisions (continued)

20.2 Welsh Risk Pool

| | At 1 April 2020 | Structured settlement cases transferred to Risk Pool | 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 2021 |
|---|--------------------|--|---|--|-------------------------------|--|--------------------|--------------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Current | | | | | | | | | |
| Clinical negligence | | | | | | | | | |
| Secondary Care | 244,512 | (53,022) | (17,397) | 123,233 | 126,632 | (80,563) | (56,815) | (183) | 286,397 |
| Primary Care | - | - | - | - | 122 | - | - | - | 122 |
| Redress Secondary care | 3,335 | - | (664) | 34 | 3,451 | (1,611) | (1,702) | - | 2,843 |
| Personal injury | 4,803 | - | (134) | (1,060) | 5,663 | (1,504) | (1,358) | - | 6,410 |
| Defence legal fees and other administration | 4,668 | - | - | 1,080 | 2,766 | (1,694) | (1,288) | - | 5,532 |
| Structured Settlements - WRPS | 14,555 | 988 | - | - | 15,785 | (14,873) | (1,892) | 548 | 15,111 |
| Total | 271,873 | (52,034) | (18,195) | 123,287 | 154,419 | (100,245) | (63,055) | 365 | 316,415 |
| Non Current | | | | | | | | | |
| Clinical negligence | | | | | | | | | |
| Secondary Care | 431,038 | - | - | (123,354) | 61,390 | (4,786) | (5,100) | - | 359,188 |
| Redress Secondary care | 40 | - | - | (39) | 5 | - | - | - | 6 |
| Personal injury | 341 | - | - | 1,069 | 91 | - | (209) | - | 1,292 |
| Defence legal fees and other administration | 4,020 | - | - | (963) | 942 | (188) | (522) | - | 3,289 |
| Structured Settlements - WRPS | 426,508 | 52,034 | - | - | 3,866 | - | (29,736) | - | 452,672 |
| Total | 861,947 | 52,034 | - | (123,287) | 66,294 | (4,974) | (35,567) | - | 816,447 |
| TOTAL | | | | | | | | | |
| Clinical negligence | | | | | | | | | |
| Secondary Care | 675,550 | (53,022) | (17,397) | (121) | 188,022 | (85,349) | (61,915) | (183) | 645,585 |
| Primary Care | - | - | - | - | 122 | - | - | - | 122 |
| Redress Secondary care | 3,375 | - | (664) | (5) | 3,456 | (1,611) | (1,702) | - | 2,849 |
| Personal injury | 5,144 | - | (134) | 9 | 5,754 | (1,504) | (1,567) | - | 7,702 |
| Defence legal fees and other administration | 8,688 | - | - | 117 | 3,708 | (1,882) | (1,810) | - | 8,821 |
| Structured Settlements - WRPS | 441,063 | 53,022 | - | - | 19,651 | (14,873) | (31,628) | 548 | 467,783 |
| Total | 1,133,820 | - | (18,195) | - | 220,713 | (105,219) | (98,622) | 365 | 1,132,862 |
| Expected timing of cash flows: | | | | | | | | | |
| | | | | | In year to 31 March 2022 | Between 1 April 2022 - 31 March 2026 | Thereafter | | Total |
| | | | | | £000 | £000 | £000 | | £000 |
| Clinical negligence | | | | | | | | | |
| Secondary Care | | | | | 286,397 | 269,198 | 89,990 | | 645,585 |
| Primary Care | | | | | 122 | - | - | | 122 |
| Redress Secondary care | | | | | 2,843 | 6 | - | | 2,849 |
| Personal injury | | | | | 6,410 | 1,292 | - | | 7,702 |
| Defence legal fees and other administration | | | | | 5,532 | 3,289 | - | | 8,821 |
| Structured Settlements - WRPS | | | | | 15,111 | 63,204 | 389,468 | | 467,783 |
| Total | | | | | 316,415 | 336,989 | 479,458 | | 1,132,862 |

20. Provisions (continued)

20.3 Prior Year Consolidated

| | At 1 April 2019 | Structured settlement cases transferred to Risk Pool | Transfer of provisions to creditors | Transfer of provisions between current and non-current | Transfers (to) from other NHS Wales bodies | Arising during the year | Utilised during the year | Reversed unused | Unwinding of discount | At 31 March 2020 |
|---|------------------|--|-------------------------------------|--|--|-------------------------|--------------------------|------------------|-----------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Current | | | | | | | | | | |
| Clinical negligence | | | | | | | | | | |
| Secondary Care | 264,510 | (30,043) | (13,302) | 27,046 | - | 165,543 | (76,296) | (86,127) | (279) | 251,052 |
| Redress Secondary care | 2,063 | - | - | - | - | 5,389 | (1,931) | (2,103) | - | 3,418 |
| Personal injury | 9,168 | - | - | 427 | - | 9,167 | (5,498) | (1,545) | 16 | 11,735 |
| All other losses and special payments | 246 | - | - | - | - | 2,054 | (2,038) | (160) | - | 102 |
| Defence legal fees and other administration | 9,036 | - | - | 811 | - | 8,516 | (4,911) | (4,546) | - | 8,906 |
| Structured Settlements - WRPS | 13,819 | 627 | - | - | - | 14,693 | (13,972) | (710) | 98 | 14,555 |
| Pensions relating to former directors | 4 | - | - | - | - | - | (4) | - | - | - |
| Pensions relating to other staff | 1,771 | - | (6) | 1,328 | 223 | 769 | (2,018) | (364) | (2) | 1,701 |
| Other | 34,085 | - | (290) | (13) | (223) | 8,806 | (11,706) | (9,172) | - | 21,487 |
| Total | 334,702 | (29,416) | (13,598) | 29,599 | - | 214,937 | (118,374) | (104,727) | (167) | 312,956 |
| Non Current | | | | | | | | | | |
| Clinical negligence | | | | | | | | | | |
| Secondary Care | 386,988 | (1,968) | (4,950) | (27,046) | - | 137,009 | (12,113) | (48,152) | - | 429,768 |
| Redress Secondary care | - | - | - | - | - | 76 | 1 | (36) | - | 41 |
| Personal injury | 30,340 | - | - | (427) | - | 5,558 | (758) | (107) | 28 | 34,634 |
| Defence legal fees and other administration | 4,986 | - | - | (811) | - | 3,234 | (849) | (619) | - | 5,941 |
| Structured Settlements - WRPS | 408,696 | 31,384 | - | - | - | 4,326 | - | (17,898) | - | 426,508 |
| Pensions relating to former directors | 12 | - | - | - | - | - | (12) | - | - | - |
| Pensions relating to other staff | 10,595 | - | - | (1,328) | - | 1,040 | (30) | (2) | 3 | 10,278 |
| Other | 2,293 | - | - | 13 | - | 1,635 | (951) | (753) | - | 2,237 |
| Total | 843,910 | 29,416 | (4,950) | (29,599) | - | 152,878 | (14,712) | (67,567) | 31 | 909,407 |
| TOTAL | | | | | | | | | | |
| Clinical negligence | | | | | | | | | | |
| Secondary Care | 651,498 | (32,011) | (18,252) | - | - | 302,552 | (88,409) | (134,279) | (279) | 680,820 |
| Redress Secondary care | 2,063 | - | - | - | - | 5,465 | (1,930) | (2,139) | - | 3,459 |
| Personal injury | 39,508 | - | - | - | - | 14,725 | (6,256) | (1,652) | 44 | 46,369 |
| All other losses and special payments | 246 | - | - | - | - | 2,054 | (2,038) | (160) | - | 102 |
| Defence legal fees and other administration | 14,022 | - | - | - | - | 11,750 | (5,760) | (5,165) | - | 14,847 |
| Structured Settlements - WRPS | 422,515 | 32,011 | - | - | - | 19,019 | (13,972) | (18,608) | 98 | 441,063 |
| Pensions relating to former directors | 16 | - | - | - | - | - | (16) | - | - | - |
| Pensions relating to other staff | 12,366 | - | (6) | - | 223 | 1,809 | (2,048) | (366) | 1 | 11,979 |
| Other | 36,378 | - | (290) | - | (223) | 10,441 | (12,657) | (9,925) | - | 23,724 |
| Total | 1,178,612 | - | (18,548) | - | - | 367,815 | (133,086) | (172,294) | (136) | 1,222,363 |

21. Contingencies

21.1 Contingent liabilities

Provisions have not been made in the accounts for the following amounts :

| | 2020-21 £000 | 2019-20 £000 |
|--|----------------------|----------------------|
| Legal claims for alleged medical or employer negligence | | |
| Clinical negligence- Secondary care | 1,350,006 | 1,102,305 |
| Clinical negligence- Primary care | 270 | 76 |
| Clinical negligence- Redress Secondary care | 1,155 | 1,190 |
| Defence costs | 18,463 | 17,602 |
| Continuing Care health costs | 2,847 | 6,875 |
| Other | 3,138 | 1,948 |
| Total value of disputed claims | <u>1,375,879</u> | <u>1,129,996</u> |
| Less amounts recovered in the event of claims being successful | <u>(1,351,196)</u> | <u>(1,098,955)</u> |
| Net contingent liability | <u>24,683</u> | <u>31,041</u> |

Scheme Pays

In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government have taken action to support circumstances where pensions tax rules are impacting upon clinical staff who want to work additional hours, and have determined that:

clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement.

Welsh Government, on behalf of the NHS Wales organisations will pay the members who opt for reimbursement of their pension, a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction.

This scheme will be funded directly by the Welsh Government to the NHS Business Services Authority Pension Division, the administrators on behalf of the Welsh claimants.

Clinical staff have until 31 March 2022 to opt for this scheme and the ability to make changes up to 31 July 2026.

At the date of approval of these accounts, there was insufficient data of take-up of the scheme by the Welsh clinical staff to enable a reasonable assessment of future take up to be made. As no reliable estimate can therefore be made to support the creation of a provision at 31 March 2021, the existence of an unquantified contingent liability is instead disclosed.”

21.2 Contingent assets

The summarised organisations have no contingent asset disclosures.

22. Capital commitments

| Contracted capital commitments at 31 March for | 2020-21 £000 | 2019-20 £000 |
|---|-------------------------|-------------------------|
| Property, plant and equipment | 246,596 | 109,546 |
| Intangible assets | 7,159 | 3,032 |
| Total | <u>253,755</u> | <u>112,578</u> |

23. Losses and special payments LHB, NHS Trusts and SHA

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 during the financial year

| | Amounts paid out during period to 31 March 2021 | |
|-------------------------------------|--|--------------------|
| | Number | £ |
| Clinical negligence | 779 | 100,947,362 |
| Personal injury | 358 | 4,746,651 |
| All other losses & special payments | 1,622 | 9,236,446 |
| Total | 2,759 | 114,930,459 |

Analysis of cases in excess of £300,000

| | In year claims in excess of £300,000 | | Cumulative claims in excess of £300,000 | |
|---------------------|---|--------------------|--|--------------------|
| | Number | £ | Number | £ |
| Clinical Negligence | 48 | 71,164,245 | 145 | 215,216,704 |
| Personal Injury | 1 | 365,000 | 12 | 8,947,589 |
| Damage to Property | - | - | 1 | 2,018,694 |
| Stock write-off | 1 | 5,714,816 | 1 | 5,714,816 |
| | 50 | 77,244,061 | 159 | 231,897,803 |
| All other cases | 2,709 | 37,686,398 | | 85,625,241 |
| Total | 2,759 | 114,930,459 | | 317,523,044 |

The figures above do not include the cash payments made directly to the Structured Settlement claimants by the WRP.

24. Finance leases obligations (as lessee)

Amounts payable under finance leases:

| Buildings | 31 March 2021 | 31 March 2020 |
|--|--------------------------|------------------|
| | £000 | £000 |
| Minimum lease payments | - | 210 |
| Within one year | - | 210 |
| Less finance charges allocated to future periods | - | (2) |
| Minimum lease payments | <u>-</u> | <u>208</u> |
| Present value of minimum lease payments | | |
| Within one year | <u>-</u> | <u>206</u> |
| Present value of minimum lease payments | <u>-</u> | <u>206</u> |

24. Finance leases obligations (as lessee)

24.1 Amounts payable under finance leases:

| Other | 31 March 2021 | 31 March 2020 |
|--|--------------------------|------------------|
| | £000 | £000 |
| Minimum lease payments | | |
| Within one year | 1,659 | 2,367 |
| Between one and five years | 1,066 | 2,718 |
| Less finance charges allocated to future periods | (42) | (113) |
| Minimum lease payments | <u>2,683</u> | <u>4,972</u> |
| Present value of minimum lease payments | | |
| Within one year | 1,624 | 2,296 |
| Between one and five years | 1,059 | 2,676 |
| After five years | - | (1) |
| Present value of minimum lease payments | <u>2,683</u> | <u>4,971</u> |

24.2 Finance lease receivables (as lessor)

Amounts receivable under finance leases:

The LHBs, NHSTs and SHA have no amounts receivable under finance leases as lessor.

25. Private Finance Initiative contracts

The NHSTs and SHA have no PFI Contracts, the information below relates to LHBs only.

| 25.1 Commitments under off-SoFP PFI contracts | Off-SoFP PFI contracts | Off-SoFP PFI contracts |
|---|-------------------------------|------------------------|
| | 31 March 2021 | 31 March 2020 |
| | £000 | £000 |
| Total payments due within one year | 861 | 1,103 |
| Total payments due between 1 and 5 years | 3,200 | 3,359 |
| Total payments due thereafter | - | 603 |
| Total future payments in relation to PFI contracts | <u>4,061</u> | <u>5,065</u> |
| Total estimated capital value of off-SoFP PFI contracts | 3,300 | 4,482 |

25.2 Total obligations for on-Statement of Financial Position PFI contracts due

| | On SoFP PFI Capital element | On SoFP PFI Imputed interest | On SoFP PFI Service charges |
|--|------------------------------------|-------------------------------------|------------------------------------|
| | 31 March 2021 | 31 March 2021 | 31 March 2021 |
| | £000 | £000 | £000 |
| Total payments due within one year | 4,801 | 6,782 | 9,899 |
| Total payments due between 1 and 5 years | 20,120 | 25,407 | 41,281 |
| Total payments due thereafter | 28,129 | 31,189 | 42,591 |
| Total future payments in relation to PFI contracts | <u>53,050</u> | <u>63,378</u> | <u>93,771</u> |

| | On SoFP PFI Capital element | On SoFP PFI Imputed interest | On SoFP PFI Service charges |
|--|------------------------------------|-------------------------------------|------------------------------------|
| | 31 March 2020 | 31 March 2020 | 31 March 2020 |
| | £000 | £000 | £000 |
| Total payments due within one year | 4,158 | 6,682 | 10,335 |
| Total payments due between 1 and 5 years | 19,348 | 25,545 | 43,256 |
| Total payments due thereafter | 33,705 | 37,834 | 45,727 |
| Total future payments in relation to PFI contracts | <u>57,211</u> | <u>70,061</u> | <u>99,318</u> |

| | |
|--|---------|
| | £000 |
| Total present value of obligations for on-SoFP PFI contracts | 180,954 |

25. Private Finance Initiative contracts

| 25.3 Charges to expenditure | 2020-21 | 2019-20 |
|--|----------------|---------|
| | £000 | £000 |
| Service charges for On Balance sheet PFI contracts (excl interest costs) | 7,749 | 7,685 |
| Total expense for Off Balance sheet PFI contracts | 1,109 | 1,313 |
| The total charged in the year to expenditure in respect of PFI contracts | 8,858 | 8,998 |

| LHB are committed to the following annual charges by PFI scheme expiry date: | 31 March 2021 | 31 March 2020 |
|---|----------------------|---------------|
| | £000 | £000 |
| Not later than one year | 2,368 | 2,611 |
| Later than one year, not later than five years | 11,551 | 10,731 |
| Later than five years | 29,371 | 27,960 |
| Total | 43,290 | 41,302 |

The estimated annual payments in future years will vary from those which the LHBs are committed to make during the next year by the impact of movement in the Retail Prices Index.

25.4 Number of PFI contracts

| | Number of on SoFP PFI contracts | Number of off SoFP PFI contracts |
|--|--|---|
| Number of PFI contracts | 8 | 1 |
| Number of PFI contracts which individually have a total commitment > £500m | - | - |

26. 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, NHSTs and SHA are not exposed to the degree of financial risk faced by business entities. 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, NHSTs and SHA have limited powers to invest and NHSTs have limited powers to borrow, their financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs, NHSTs and SHA in undertaking their activities.

Currency risk

The LHBs, NHSTs and SHA are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHBs, NHSTs and SHA therefore have low exposure to currency rate fluctuations.

Interest rate risk

LHBs and SHA are not permitted to borrow and the great majority of NHSTs' financial assets and financial liabilities carry nil or fixed rates of interest. LHBs, NHSTs and SHA are not, therefore, exposed to significant interest-rate fluctuation risk.

Credit risk

The majority of the LHBs' and SHA funding derives from funds voted by the Welsh Government and the majority of the NHSTs' income comes from contracts with other public sector bodies. Therefore the LHBs, NHSTs and SHA have low exposure to credit risk. The maximum exposures are in receivables from customers as disclosed in the trade and other receivables note.

Liquidity risk

The LHBs and SHA are required to operate within cash limits set by the Welsh Government for the financial year and draw down funds from the Welsh Government as the requirement arises.

The Trusts' net operating costs are incurred under annual service agreements with various Health bodies, which are financed from resources voted annually by Parliament. NHSTs also largely finance their capital expenditure from funds made available from the Welsh Government under agreed borrowing limits.

The LHBs, NHSTs and SHA are not, therefore, exposed to significant liquidity risks.

27. Movements in working capital

| | 2020-21 £000 | 2019-20 £000 |
|---|-----------------|-----------------|
| Decrease / (increase) in inventories | (90,914) | (10,401) |
| (Increase) in trade and other receivables - non-current | 48,435 | (65,913) |
| (Increase) / decrease in trade and other receivables -current | (159,816) | (33,239) |
| (Decrease) in trade and other payables- non-current | 2,176 | (1,028) |
| Increase / (decrease) in trade and other payables- current | 501,435 | 61,611 |
| Total | 301,316 | (48,970) |
| Adjustment for accrual movements in fixed assets -creditors | (16,738) | 3,030 |
| Adjustment for accrual movements in fixed assets -debtors | 197 | (217) |
| Other adjustments | 2,578 | (711) |
| Total | 287,353 | (46,868) |

28. Other cash flow adjustments

| | 2020-21 £000 | 2019-20 £000 |
|---|-----------------|-----------------|
| Depreciation | 201,999 | 188,631 |
| Amortisation | 13,116 | 12,626 |
| (Gains)/Loss on Disposal | (297) | (2,722) |
| Impairments and reversals | 94,540 | 87,354 |
| Release of PFI deferred credits | (18) | (18) |
| Donated assets received credited to revenue but non-cash | (2,103) | (6,242) |
| Government Grant assets received credited to revenue but non-cash | (7,732) | (339) |
| Non-cash movements in provisions | 148,879 | 176,837 |
| Other movements | 162,286 | 148,523 |
| Total | 610,670 | 604,650 |

Other movements relate to the LHB notional 6.3% Staff Employer Pension Contributions funded directly to the NHSBA Pensions Division by Welsh Government. (see Note 32 Other for further details.)

29. Events after the end of the Reporting Period

29.1 Establishment of Digital Health & Care Wales Special Health Authority

The NHS Wales Informatics Service (NWIS) which was hosted by Velindre University Trust since 1 April 2010 ceased to be hosted by the Trust on 1 April 2021, and became a new Special Health Authority, Digital Health & Care Wales. Assets and liabilities held at 31 March 2021 and reported in these accounts will be reviewed and split accordingly between both organisations once audited accounts have been finalised.

29.2 Donation of Equipment to India

As a result of India experiencing a high level of coronavirus deaths and hospitals unable to meet the increased demand for treatment, in May 2021, Welsh Government requested NHS Wales Shared Services Partnership (NWSSP) to coordinate the release of surplus oxygen delivery equipment from across Wales to support the Indian healthcare system.

Several NHS Wales Organisations supplied equipment in response to this request.

29.3 Financial statements authorised for issue date

These financial statements were authorised for issue by the Director General, Health and Social Services Group, Chief Executive NHS Wales on 2 August 2021 the date they were certified by the Auditor General for Wales.

30. Related Party Transactions

The Welsh Government was regarded as a related party. During the year the LHBs, NHSTs and SHA had a significant number of material transactions with the Welsh Government and with other NHS bodies. All NHS Wales Bodies undertook related party transactions. The details of these can be found in the underlying accounts.

31. Third Party Assets

The details of the third party assets held by LHBs, NHSTs and SHA can be found in the underlying accounts .

32. Other

32.1 Impact of Covid 19

The need to plan and respond to the COVID-19 pandemic has had a significant impact on the NHS Wales organisations, the wider other UK NHS and society as a whole for over twelve months. This situation continues to require a dynamic response.

COVID-19 has presented the NHS Wales organisations with a number of opportunities in addition to the risks. The need to respond and recover from the pandemic will be with the organisation and wider society throughout 2021/22 and beyond. Their organisation's Governance Framework has been and will need to continue to be considered and respond to this need.

During the Covid 19 pandemic initial response, tangible equipment items and personal protective equipment were purchased centrally by the Department of Health and Social Care and NHS England on behalf of other UK NHS organisations. These items were provided free of charge to NHS Wales organisations through NHS Wales Shared Services Partnership (NWSSP). Notional transactions have been included within the underlying accounts of the NHS Wales organisations to reflect the charges in the organisations utilising the items.

The consumable costs were based on weighted average costs determined by NWSSP. The subsequent notional charges between NWSSP and the NHS Wales organisations stated in the underlying accounts have been eliminated in the NHS Wales Summarised Accounts as part of the inter-party elimination process.

Legal ownership of the DHSSC tangible equipment initially received on free loan was transferred to NHS Wales organisation by way of a non-cash backed Government Grant of £7.732m based on weighted average costs agreed with the DHSSC. Ownership was initially transferred to Velindre University NHS Trusts, host of NWSSP, through a signed memorandum of understanding. The ownership of the assets together with the associated element of the Government Grant was then transferred from Velindre to the relevant NHS Wales organisation utilising the assets.

Legal ownership of two assets purchased by NHS England remained with NHS England, whilst the asset was on free loan as at the 31 March 2021 in Betsi Cadwaladr and Hywel Dda University Health Boards. It is anticipated that legal ownership will transfer to these bodies in 2021-22.

32.2 Accounting Losses re Covid Contracts

Covid 19 contract costs should include all the costs negotiated in determining that cost. During the Covid 19 pandemic these have included additional costs required to provide the service or purchase the equipment required. The contract results in a legal liability. The revenue and

32. Other

contracts approval processes should cover all of these costs from an approvals perspective where they are above the delegated limit of the health body.

Consequential accounting losses (in the form of Ex gratia payments) arise where additional costs occur, for which a health body is not obliged to make or for which there is no statutory cover or legal liability. An example is a payment to compensate for financial loss resulting from an act or failure of the body or its servants which does not give rise to a legal liability or the payment of compensation claims or damages. Such payments must be clearly related to and arise from the services which the body is authorised or required to provide.

Ex gratia payments that are above the delegated limit of the health body or may be considered to be novel or contentious should follow the normal losses approval processes as outlined in Chapter 6 of the Manual for Accounts.

32. Other (continued)**32.3 Welsh Government Covid 19 Funding**

Details of Covid 19 Pandemic Welsh Government funding amounts provided to NHS Wales bodies:

| | 2020-21 |
|---|-------------------------|
| | £000 |
| Capital | |
| Capital Funding Field Hospitals | 50,022 |
| Capital Funding Equipment & Works | 77,013 |
| Capital Funding other | 6,077 |
| Welsh Government Covid 19 Capital Funding | <u>133,112</u> |
| Revenue | |
| Sustainability Funding | 331,181 |
| C-19 Pay Costs Q1 (Future Quarters covered by SF) | 53,846 |
| Field Hospital (Set Up Costs, Decommissioning & Consequential losses) | 136,080 |
| PPE (including All Wales Equipment via NWSSP) | 194,262 |
| TTP- Testing & Sampling - Pay & Non Pay | 55,232 |
| TTP - NHS & LA Tracing - Pay & Non Pay | 37,839 |
| Vaccination - Extended Flu Programme | 4,592 |
| Vaccination - COVID-19 | 27,728 |
| Bonus Payment | 104,939 |
| Annual Leave Accrual - Increase due to Covid | 92,075 |
| Urgent & Emergency Care | 25,578 |
| Support for Adult Social Care Providers | 27,201 |
| Hospices | 9,300 |
| Independent Health Sector | 27,677 |
| Mental Health | 10,203 |
| Other Primary Care | 10,776 |
| Other | 21,975 |
| Welsh Government Covid 19 Revenue Funding | <u>1,170,484</u> |

The Covid 19 Other Capital Funding relates to Cwm Taf Morgannwg ULHB and Velindre University NHS Trust. Further details may be found in the statutory accounts of these bodies.

32. Other (continued)**32.4 6.3% Staff Employer Pension Contributions - Notional Element**

The notional transactions are based on estimated costs for the twelve month period, calculated from actual Welsh Government expenditure for the 6.3% staff employer pension contributions as at month eleven and the actual LHB employer staff payments for month 12.

Transactions include notional expenditure in relation to the 6.3% paid to NHS BSA by Welsh Government and notional funding to cover that expenditure.

| 6.3% Notional NHS Pension Primary Statement Transactions | LHBs and | | 2020-21 | 2019-20 |
|--|--------------|---------------|---------------|-----------|
| | HEIW £000 | NHSTs £000 | Total £000 | Total |
| Statement of Comprehensive Net Expenditure for the year ended 31 March | | | | |
| Expenditure on Primary Healthcare Services | 3,167 | - | 3,167 | 2,896 |
| Expenditure on healthcare from other providers | 5 | - | 5 | 15 |
| Expenditure on Hospital, Community Health Services and by Special Health Authorities | 159,114 | 18,868 | 177,982 | 163,330 |
| | 162,286 | 18,868 | 181,154 | 166,241 |
| Less: Income | - | (18,868) | (18,868) | (17,718) |
| Net operating costs before interest and other gains and losses | 162,286 | - | 162,286 | 148,523 |
| Statement of Changes in Taxpayers' Equity | | | | |
| For the year ended 31 March | | | | |
| Net operating cost for the year | (162,286) | - | (162,286) | (148,523) |
| Notional Welsh Government Funding (LHB and SHA only) | 162,286 | - | 162,286 | 148,523 |
| Balance at 31 March | - | - | - | - |
| Statement of Cash Flows for year ended 31 March | | | | |
| Net operating cost for the financial year | (162,286) | - | (162,286) | (148,523) |
| Other cash flow adjustments | 162,286 | - | 162,286 | 148,523 |
| Net cash outflow from operating activities | - | - | - | - |

32. Other (continued)

32.5 IFRS 16 Implementation

The Financial Reporting Advisory Board (FRAB) and HM Treasury have agreed that the mandatory effective date for IFRS 16 in central government will be 1 April 2022. This represents a delay from the timeline previously agreed by FRAB and HM Treasury in March 2020, and is in light of the continuing unprecedented resource pressures caused by the COVID-19 pandemic.

Early adoption is permitted by HMT, from 1 April 2021 however in agreement with Welsh Government Finance, this approach is not being adopted for NHS Wales bodies.

All NHS Wales bodies will implement IFRS 16 from 1 April 2022.

THE NATIONAL HEALTH SERVICE IN WALES

ACCOUNTS DIRECTION GIVEN BY HM TREASURY UNDER PARAGRAPH 5(4) OF SCHEDULE 9 TO THE NATIONAL HEALTH SERVICE (WALES) ACT 2006

SUMMARISED ACCOUNTS OF NHS BODIES

1. HM Treasury directs that summarised accounts prepared by the Welsh Ministers under paragraph 5(2) of Schedule 9 to the National Health Service (Wales) Act 2006 (“the Summarised Accounts”) be prepared in respect of the financial year ended 31 March 2020 and subsequent financial years in the form specified in paragraphs 3 to 6 below.
2. In this direction, “NHS bodies” means-
 - a. those bodies to which paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 applies, or
 - b. if the Welsh Ministers elect to include Special Health Authorities in the Summarised Accounts prepared for a financial year, those bodies specified in paragraph 1 of that Schedule.

BASIS OF PREPARATION

3. The Summarised Accounts must be prepared from the audited accounts prepared by the NHS bodies for the relevant financial year to which the Summarised Accounts relate, and such supplementary material as is, in the Welsh Ministers’ view, reasonably necessary to produce the Summarised Accounts.

FORM AND CONTENT

4. The Summarised Accounts must be prepared in compliance with the relevant accounting principles and disclosure requirements of the version in force for the relevant financial year of:
 - a. The edition of the Government Financial Reporting Manual (FReM) issued by HM Treasury, to the extent that this direction specifies the content of the Summarised Accounts.
 - b. The NHS Manual for Accounts issued by the Welsh Government.
5. The Summarised Accounts must be prepared so as to:
 - a. give a true and fair view of the state of affairs of the NHS bodies collectively as at the end of the relevant financial year, and of the net

expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year then ended; and

- b. provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

6. The Summarised Accounts must be accompanied by:

a. A Foreword

The foreword shall include a statement that the Summarised Accounts have been prepared to comply with a direction given by HM Treasury in accordance with paragraph 5(4) of Schedule 9 to the National Health Service (Wales) Act 2006.

The foreword shall also contain a description of the statutory background and main functions of NHS bodies, together with a fair review of their operational and financial activities, and a summary of their performance against targets.

b. An Annual Governance Statement

The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the Summarised Accounts. The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the Summarised Accounts, including the role of Internal Audit.

The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and the official appointed by the Health and Social Services Group to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).

The Governance Statement shall include a statement by the Additional Accounting Officer confirming that there is no relevant audit information of which the Auditor General for Wales is unaware and that all the necessary steps have been taken to make the Additional Accounting Officer aware of any relevant audit information and to establish that the external auditor is aware of that information.

- c. A Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales.
- d. A Statement of Financial Position.

All of the material listed in a-d above must be signed and dated by the person serving as the Additional Accounting Officer for the NHS in Wales.

- 7. This direction supersedes all previous directions issued under paragraph 5(4) of Schedule 9 to the National Health Service (Wales) Act 2006.



Vicky Rock
Director, Public Spending Group
HM Treasury
July 2020