

Cardiff and Vale NHS Trust

Foreword

These accounts for the year ended 31 March 2009 have been prepared by the Cardiff and Vale NHS Trust under schedule 9 section 178 Para 3 (1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers, with the approval of the Treasury, directed.

The main functions of the Trust are set out within its published aims. The aims of the Trust are those which underpin the National Health Service (NHS) across the United Kingdom. Within the resources available we wish to work in partnership with our stakeholders to excel in treating illness, promoting health and supporting healthcare education, research and development.

The Trust holds a unique role within the healthcare network in Wales by working alongside the Cardiff University in providing healthcare, education, research and development. As a teaching Trust, we intend to be at the forefront of developments by providing innovative services for patients and to continually increase the standard of care being provided.

Within this framework our specific aims include:

- 1) The provision of a comprehensive range of acute, community, mental health and dental care services for the residents of Cardiff and the Vale of Glamorgan Council areas, Rhymney Valley and parts of the old counties of Gwent and Mid Glamorgan.
- 2) The maintenance and development of a range and volume of specialist services for the population of South Wales and beyond.
- 3) The development of an academic clinical partnership with the Cardiff University.
- 4) The development of new ways of working in partnership with our healthcare partners and stakeholders.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2009

	Note	£000	2007-08 £000
Income from activities	3	583,818	535,866
Other operating income	4	105,343	104,033
Total income		689,161	639,899
Operating expenses	5	(674,870)	(628,026)
Operating surplus/(deficit)		14,291	11,873
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(92)	(129)
Surplus/(deficit) before interest		14,199	11,744
Interest receivable	9	1,180	2,151
Interest payable	9	(329)	(302)
Other finance costs	16	(102)	(102)
Surplus/(deficit) for the financial year		14,948	13,491
Public Dividend Capital dividends payable		(14,920)	(13,445)
Retained surplus/(deficit) for the year	17	28	46

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

		2007-08
		£000
	Note	£000
Surplus/(deficit) for the financial year before dividend payments		13,491
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	64,669
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	1,638
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(594)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		79,204
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>(4,352)</u>
		<u>79,204</u>

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£000	£000	31-Mar 2008 £000
Fixed assets				
Intangible assets	10	591		582
Tangible assets	11	478,568		480,767
Investment assets	11.4	0		0
			<u>479,159</u>	<u>481,349</u>
Current assets				
Stocks and work-in-progress	12	9,079		8,886
Debtors	13	59,906		50,117
Investments	14	91		16,900
Cash at bank and in hand	18.3	500		3,348
Total current assets			<u>69,576</u>	<u>79,251</u>
Creditors: amounts falling due within 1 year	15		<u>(71,737)</u>	<u>(75,766)</u>
Net current assets/(liabilities)			<u>(2,161)</u>	<u>3,485</u>
Total assets less current liabilities			<u>476,998</u>	<u>484,834</u>
Creditors: amounts falling due after more than one year	15		(1,391)	(1,463)
Provisions for liabilities and charges	16		<u>(36,232)</u>	<u>(31,645)</u>
Total assets employed			<u>439,375</u>	<u>451,726</u>
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2	261,093		254,172
Revaluation reserve	17	166,711		186,761
Donated asset reserve	17	7,924		8,050
Government grant reserve	17	91		0
Other reserves	17	0		0
Income and expenditure reserve	17	3,556		2,743
Total taxpayer's equity		<u>439,375</u>		<u>451,726</u>

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	£000	£000	2007-08 £000
Operating activities				
Net cash inflow from operating activities	18.1		34,381	21,891
Returns on investments and servicing of finance				
Interest received		1,299		2,152
Interest paid		0		0
Interest element of finance leases		(333)		(307)
Net cash inflow/(outflow) from returns on investments and servicing of finance			966	1,845
Capital expenditure				
Payments to acquire tangible fixed assets		(47,327)		(27,966)
Receipts from sale of tangible fixed assets		213		86
Payments to acquire/ receipts from sale of intangible assets		(299)		(171)
Payments to acquire/ receipts from sale of fixed asset investments		0		0
Net cash inflow/(outflow) from capital expenditure			(47,413)	(28,051)
Public dividend capital dividends paid			(16,633)	(11,283)
Management of liquid resources				
Purchase of current asset investments		(229,500)		(494,445)
Sale of investments		246,400		496,920
Net cash inflow/(outflow) from management of liquid resources			16,900	2,475
Net cash inflow/(outflow) before financing			(11,799)	(13,123)
Financing				
Public dividend capital received		21,882		12,571
Public dividend capital repaid (not previously accrued)		(14,961)		(221)
Public dividend capital repaid (accrued in previous period)		0		0
Government loans received: short term		0		0
Government loans repaid: short term		0		0
Loan advances/brokerage received		0		0
Loan advances/brokerage repaid		0		0
Other capital receipts		2,059		802
Capital element of finance leases		(29)		(29)
Net cash inflow/(outflow) from financing			8,951	13,123
Increase/(decrease) in cash	18.2		(2,848)	0

Notes to the accounts

1. Accounting policies and other information

The Welsh Assembly Ministers have directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS trust manual for accounts which shall be agreed with HM Treasury. The accounting policies contained in the manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual to the extent that they are meaningful and appropriate to the NHS, as determined by the National Assembly for Wales as approved by HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. Standard accounting policies are laid down in the manual for accounts and the Capital Accounting Manual. If a change in accounting policy is made it will be disclosed and accounted for in accordance with FRS18 and FRS3.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

i. Capitalisation

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

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

ii. Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices provided from the District Valuer via the Assembly.

Professional valuations are carried out by the District Valuers of the Inland Revenue at 5 yearly intervals. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury. The last asset valuations were carried out as at 1 April 2007 and were reflected in the 2007-08 balance sheet values.

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties, including surplus land, the valuations are carried out at open market value.

Adjustments arising from the five-yearly and indexed revaluations are in the first instance taken to the relevant Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses where there is a credit balance for that impaired asset in the revaluation reserve, otherwise ordinarily they will be charged to the income and expenditure statement, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in value when newly constructed assets are brought into use are charged in full to the Income & Expenditure account.

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

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

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

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount.

iii. Depreciation

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

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

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

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale. Where there have been any significant changes to the useful economic life or residual values of assets, the reason and effect should be disclosed in the year of change.

1.6 Fixed Asset Investments

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

1.7 Donated fixed assets

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

1.8 Government grants

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

1.9 Cash, Bank and Overdrafts

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

1.10 Leases

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

1.11 Private Finance Initiative

The NHS follows HM Treasury's 'Technical Note 1 (Revised) How to account for PFI transactions' which provides practical guidance for the application of the FRS5 amendment and the guidance Land and Buildings in PFI schemes version 2. PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator in operating a property and for access to the property itself .

where the balance of risks and rewards of ownership is borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by a charge to the Income and Expenditure account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.12 Stocks and work-in-progress

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

1.13 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- * there is a clearly defined project;
- * the related expenditure is separately identifiable;
- * the outcome of the project has been assessed with reasonable certainty as to:
 - * its technical feasibility;
 - * its resulting in a product or service which will eventually be brought into use;
- * adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. The trust is unable to disclose the total amount of research and development expenditure charged in the income and expenditure account (a requirement of SSAP 13) because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.14 Provisions

The trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. In accordance with FRS 12 provisions are only recognised where the transfer of economic benefit is probable, and the amount can be reasonably estimated. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

1.15 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

- A possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the Trust's control;

- A present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- A present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the NHS Trust's control. Contingent assets are disclosed only where the future inflow of economic benefit is considered to be probable.

1.16 Losses and special payments

Losses and special payments are items that the National Assembly for Wales would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled. Losses and special payments are charged to the income and expenditure account on an accruals basis. However, note 22 is compiled directly from the losses and compensations register which is prepared on a cash basis.

The Trust accounts for all losses and special payments gross (including assistance from the Welsh Risk Pool). The Trust accrues or provides for the best estimate of its future payouts for certain or probable liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

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

1.17 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

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

a) Full actuarial (funding) valuation

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

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

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

b) FRS17 Accounting valuation

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

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

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

Scheme provisions from 1 April 2008

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

1.18 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at, or close to, their carrying amounts are treated as liquid resources in the cashflow statement. [The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.](#)

1.19 Value added tax

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

1.20 Foreign Exchange

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

1.21 Third party assets

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

1.22 Public Dividend Capital Dividends

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

1.23 EU Emission Trading Scheme

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

1.24 Financial Instruments

• Financial assets

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

Financial assets are initially recognised at fair value.

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

o Financial assets at fair value through profit and loss

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

o 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.

o Available for sale financial assets

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

o 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 balance sheet date, the Trust 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 income statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

• Financial liabilities

Financial liabilities are recognised on the balance sheet when the Trust 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.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

o Financial liabilities at fair value through profit and loss

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 income statement. The net gain or loss incorporates any interest earned on the financial asset.

o 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.

2. Segmental reporting

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

3. Income from activities

	£000	2007-08 £000
Local health boards	383,020	366,974
Health Commission Wales	155,548	144,639
NHS trusts	4,658	4,871
Strategic health authorities and primary care trusts	2,996	2,429
Foundation Trusts	0	0
Local authorities	3,808	3,222
Welsh Assembly Government	26,564	7,178
Non NHS:		
Private patient income	2,591	2,460
Overseas patients (non-reciprocal)	122	209
Injury Costs Recovery (ICR) Scheme	2,918	2,213
Other income from activities	1,593	1,671
Total	583,818	535,866

The Welsh Assembly Government Income includes £13.961m funding in respect of Impairments and Accelerated Depreciation.

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

4. Other operating income

	£000	2007-08 £000
Patient transport services	0	0
Education, training and research	81,182	79,317
Charitable and other contributions to expenditure	1,510	1,403
Transfer from the donated asset reserve	1,872	583
Transfer from the government grant reserve	94	10
Non-patient care income generation schemes	1,130	3,628
Rental income from finance leases	0	0
Rental income from operating leases	68	46
Other income:		
Provision of laundry, pathology, payroll services	3,557	3,353
Accommodation and catering charges	2,267	2,223
Mortuary fees	92	97
Staff payments for use of cars	0	0
Business unit (please state)	0	0
Other	13,571	13,373
Total	105,343	104,033

Other income of £13,571k includes the following sources:

Non Staff SLA's with Cardiff University	4,306	3,749
Programme Management Unit Funding	1,531	2,061
Informing Healthcare Funding	322	715
Funding re capital charges and minor capital schemes	287	830
Medical Physics & RASS SLA's	770	665
Funding re All Wales Oracle Team	1,304	409
Total	8,520	8,429

5. Operating expenses

5.1 Operating expenses comprise

	£000	2007-08 £000
Goods and services from other NHS bodies	14,183	12,483
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	5,359	4,422
Directors' costs	1,072	1,053
Staff costs	459,777	439,629
Supplies and services - clinical	119,056	109,634
Supplies and services - general	6,772	6,407
Consultancy Services	856	1,283
Establishment	11,397	11,431
Transport	1,149	873
Premises	25,082	22,870
Depreciation	21,620	16,937
Amortisation	290	264
Fixed asset impairments and reversals (Property, plant and equipment)	6,033	0
Fixed asset impairments and reversals (Intangible assets)	0	0
Impairments & reversals of financial assets (by class)	0	0
Audit fees	298	267
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	1,903	1,715
Other operating expenses	23	(1,242)
Total	674,870	628,026

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

	£000	2007-08 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence	12,722	2,240
Personal injury	628	715
All other losses and special payments	108	37
Defence legal fees and other administrative costs	480	504
Gross increase/(decrease) in provision for future payments	13,938	3,496
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	296	154
Less: income received/ due from Welsh Risk Pool	(12,331)	(1,935)
Total charge	1,903	1,715

Personal injury includes £0.154m (2007-08 £0.166m) in respect of permanent injury benefits

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

	Land and buildings		Other leases	
	£000	2007-08 £000	£000	2007-08 £000
Operating leases which expire:				
Within 1 year	4	4	229	202
Between 1 and 5 years	254	51	196	338
After 5 years	270	420	0	0
Total	528	475	425	540

5.3.2 Operating expenses include:

	£000	2007-08 £000
Other operating lease rentals	963	1,133
Hire of plant and machinery	1,921	1,642
Total	2,884	2,775

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2007-08 £000
Non-executive directors' remuneration	134	0	134	137
Executive directors' remuneration:				
basic salaries	737	0	737	721
benefits	9	0	9	14
performance related bonuses	0	0	0	0
pension contributions paid	103	0	103	100
Sub-total	983	0	983	972
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
Total	983	0	983	972

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

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

5.4 Directors' remuneration (continued):

The remuneration of the Chairman, Chief Executive and (where the Chief Executive is not the highest paid director) the highest paid director is as follows:

	Remuneration as director £000	Other remuneration £000	Total £000	2007-08 £000
Chairman				
Basic remuneration	56	0	56	53
Benefits	0	0	0	0
	<u>56</u>	<u>0</u>	<u>56</u>	<u>53</u>
Chief Executive				
Basic salaries	169	0	169	166
Benefits	7	0	7	7
Performance related bonuses	0	0	0	0
	<u>176</u>	<u>0</u>	<u>176</u>	<u>173</u>
Pension contributions	24	0	24	23
	<u>200</u>	<u>0</u>	<u>200</u>	<u>196</u>
Highest paid director*				
Basic salaries	194	0	194	192
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>194</u>	<u>0</u>	<u>194</u>	<u>192</u>
Pension contributions	27	0	27	27
Total	<u>221</u>	<u>0</u>	<u>221</u>	<u>219</u>

* the Medical Director was the highest paid director during the period to 31 March 2009.

During the year 2 individuals occupied the post of Chairman

	£000
S Jones 01/04/2008 - 31/12/2008	42
D Francis 01/01/2009 - 31/03/2009	14
	<u>56</u>

6. Employee costs and numbers

6.1 Employee costs	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2007-08
	£000	£000	£000	£000	£000
Salaries and wages	382,031	18	5,161	387,210	370,992
Social security costs	28,629	0	0	28,629	27,358
Employer pension contributions to NHSBA	44,862	0	0	44,862	42,183
Other pension costs	1	0	0	1	0
Total	455,523	18	5,161	460,702	440,533

6.2 Average number of employees

6.2 Average number of employees	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2007-08
	Number	Number	Number	Number	Number
Medical and dental	1,164	0	12	1,176	1,097
Ambulance staff	0	0	0	0	0
Administrative and estates	2,331	0	20	2,351	2,386
Healthcare assistants and other support staff	1,023	0	0	1,023	1,010
Nursing, midwifery and health visiting staff	4,982	0	31	5,013	4,897
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	2,430	0	3	2,433	2,357
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	11,930	0	66	11,996	11,747

6.3 Employee benefits

The Trust does not have an employee benefit scheme.

6.4 Trust management costs

	£000	Percentage of total income	2007-08	
			£000	Percentage of total income
Trust management costs	23,654	3.4%	22,175	3.5%
Income	689,161		639,899	

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

6.5 Retirement costs due to ill-health

During 2008-09 (prior year 2007-08) there were 29 (24) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Business Services Authority - Pensions Division) will be £1,667,126 (£1,163,061).

7. Public Sector Payment Policy - Measure of Compliance**7.1 Prompt payment code - measure of compliance**

The Assembly requires that Trusts pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Assembly has set as part of the Trust financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery or receipt of a valid invoice, whichever is the later.

	Number	£000	2007-08 £000
NHS			
Total bills paid	4,069	28,378	31,771
Total bills paid within target	3,999	28,328	31,643
Percentage of bills paid within target	98.3%	99.8%	99.6%
Non-NHS			
Total bills paid	237,785	234,190	200,493
Total bills paid within target	227,339	222,408	192,793
Percentage of bills paid within target	95.6%	95.0%	96.2%
Total			
Total bills paid	241,854	262,568	232,264
Total bills paid within target	231,338	250,736	224,436
Percentage of bills paid within target	95.7%	95.5%	96.6%

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

	£	2007-08 £
Amounts included within Interest Payable (note 9) arising from claims made under this legislation and compensation paid to cover debt recovery costs.	0	0

8. Other Gains and Losses

	2007-08	2007-08
	£000	£000
Profit on disposal of land and buildings	0	0
Loss on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	1	14
Loss on disposal of plant and equipment	(93)	(131)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	(12)
Profit on disposal of fixed assets investments	0	0
Loss on disposal of fixed asset investments	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at FV through profit & loss	0	0
Change in fair value of financial liabilities carried at FV through profit & loss	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
	<u>(92)</u>	<u>(129)</u>

9. Finance Costs

	2007-08	2007-08
	£000	£000
Interest payable:		
Government borrowing	0	0
Bank loans and overdrafts	0	0
Late payment of commercial debt	0	0
Finance leases and PFI schemes	329	302
Other	0	0
Interest payable total	<u>329</u>	<u>302</u>
Interest revenue:		
Bank accounts	721	1,250
Impaired financial assets	0	0
Other financial assets	459	901
Interest revenue total	<u>1,180</u>	<u>2,151</u>

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	1,204	0	0	0	1,204
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions purchased	299	0	0	0	299
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2009	1,503	0	0	0	1,503
Accumulated amortisation at 1 April 2008	622	0	0	0	622
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	290	0	0	0	290
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2009	912	0	0	0	912
Net book values at 1 April 2008:					
Purchased	582	0	0	0	582
Donated	0	0	0	0	0
Government granted	0	0	0	0	0
Total	582	0	0	0	582
Net book values at 31 March 2009:					
Purchased	591	0	0	0	591
Donated	0	0	0	0	0
Government granted	0	0	0	0	0
Total	591	0	0	0	591

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	dwellings	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	189,528	248,247	7,268	11,140	72,140	1,952	9,306	229	539,810
Indexation	(28,428)	7,447	218	271	2,164	59	0	7	(18,262)
Additions									
- purchased	518	20,196	0	15,985	5,121	245	1,213	0	43,278
- donated	0	0	0	1,322	161	0	28	0	1,511
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	298	8,519	0	(8,575)	0	0	(242)	0	0
Impairments	0	(5,410)	(88)	(668)	(64)	0	0	0	(6,230)
Other in-year revaluations	273	575	1	0	0	0	0	0	849
Disposals	0	0	0	0	(3,284)	0	(71)	0	(3,355)
At 31 March 2009	162,189	279,574	7,399	19,475	76,238	2,256	10,234	236	557,601
Depreciation									
At 1 April 2008		8,786	229	37	44,303	1,144	4,337	207	59,043
Indexation		264	7	1	1,329	34	0	6	1,641
Reclassifications		65	0	(7)	0	0	(58)	0	0
Impairments		(145)	(26)	(26)	0	0	0	0	(197)
Reversal of impairments		0	0	0	0	0	0	0	0
Other in-year revaluations		(13)	(12)	0	0	0	0	0	(25)
Disposals		0	0	0	(2,981)	0	(68)	0	(3,049)
Provided during the year		12,706	143	0	7,092	191	1,484	4	21,620
At 31 March 2009		21,663	341	5	49,743	1,369	5,695	217	79,033
Net book value at 1 April 2008	189,528	239,461	7,039	11,103	27,837	808	4,969	22	480,767
Net book value at 31 March 2009	162,189	257,911	7,058	19,470	26,495	887	4,539	19	478,568
Net book value of assets held under finance leases and hire purchase contracts									
Total	9	1,389	0	0	0	0	0	0	1,398
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:									
Total	0	65	0	0	0	0	0	0	65

Of the totals at 31 March 2009, £245,000 related to land valued at open market value and £630,000 related to buildings, installations and fittings valued at open market value.

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

During 2008/09, the Trust commissioned a firm of chartered surveyors (DTZ Ltd) to review the remaining lives previously allocated to its buildings by the District Valuer. The result of this asset reliving exercise resulted in the majority of the Trust's buildings being allocated increased useful lives. The impact of this reliving exercise has been to reduce the in year (2008/09) buildings depreciation charge by £4.569m. The Trust has also had to charge accelerated depreciation on Whitchurch Hospital which has been earmarked for disposal. The additional in year depreciation charge in relation to this amounted to £7.3m.

11.2 Fixed asset investments as a result of PFI contracts at the balance sheet included in Note 11.1 comprise:

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	14,801	14,648	0	0	0	0	0	0	29,449
Indexation	(2,220)	439	0	0	0	0	0	0	(1,781)
Revaluation	0	0	0	0	0	0	0	0	0
Additions	518	512	0	0	0	0	0	0	1,030
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2009	13,099	15,599	0	0	0	0	0	0	28,698

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

	£000	31 March 2008 £000
Freehold	416,533	416,261
Long leasehold	28,178	29,814
Short leasehold	1,917	1,056
Total	446,628	447,131

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

comprise:

The Trust has no fixed asset investments.

	£000	31 March 2008 £000
	0	0
	0	0
	0	0
	0	0
	0	0

12. Stocks and work-in-progress

	£000	31 March 2008 £000
Raw materials and consumables	9,079	8,886
Work-in-progress	0	0
Finished processed goods	0	0
Total	9,079	8,886

13. Debtors

31 March

2008

Amounts falling due within one year:	£000	£000
Welsh Risk Pool	27,244	13,634
NHS debtors	12,796	13,602
Non-NHS trade debtors	9,565	10,926
PDC dividend debtors	596	0
Other debtors	705	611
Provision for irrecoverable debts	(1,441)	(2,291)
Other prepayments and accrued income	2,194	1,676
Sub-total	51,659	38,158
Amounts falling due after more than one year:		
Welsh Risk Pool	1,861	6,121
NHS debtors	0	0
Non-NHS trade debtors	2,653	1,933
Other prepayments and accrued income	3,733	3,905
Other debtors	0	0
Sub-total	8,247	11,959
Total	59,906	50,117

Provision for irrecoverable debts (impairment of receivables):

Balance at 1 April	2291	2332
Provided in year	357	233
Written-off in year	(1,207)	(274)
Recovered during year	0	0
Balance at 31 March	1441	2291

Debtors past due date but not impaired:

Up to 3 months	2529	1421
3 to 6 months	677	1698
More than 6 months	3563	2773
Total	6769	5892

Other debtors include £0 prepaid pension contributions 2008-09 (2007-08 £0)

Of the Debtors past due (but not impaired) greater than six months old, £3.322m relates to RTA and personal injury income which is generally considered collectable (2007-08 £2.533m).

14. Current Asset Investments

		31 March 2008
	£000	£000
Government securities	0	16,900
Local authorities	0	0
EU Emission Trading Scheme	91	0
Other	0	0
Total	91	16,900

Other financial asset investments**Current**

	£000	£000
Financial assets carried at fair value through profit and loss	0	0
Held to maturity investments at amortised cost	0	0
Available for sale financial assets carried at fair value	91	0
Loans carried at amortised costs	0	16,900
Total	91	16,900

Non current

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

15. Creditors

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

31 March
2008

Amounts falling due within one year:	£000	£000
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	1,215	862
NHS creditors	11,256	10,060
Non-NHS trade creditors - revenue	16,018	13,475
Non-NHS trade creditors - capital	7,148	9,686
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	9,897	9,419
VAT	0	0
PDC dividend payable	0	1,117
Obligations under finance leases and hire purchase contracts	29	30
Obligations under PFI schemes	44	254
Other creditors - superannuation	0	0
Other creditors - all other creditors	5,694	6,648
Accruals	18,770	22,436
Deferred income	1,666	1,779
Sub-total	71,737	75,766
Amounts falling due after more than one year:		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	396	424
Obligations under PFI schemes	995	1,039
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	1,391	1,463
Total	73,128	77,229

Other creditors include:

£55,690 for payments due in future years under arrangements to buy out the liability for early retirements (none over 5 instalments); and £5,610,301 outstanding pensions contributions at 31 March 2009 (£5,142,758 at 31 March 2008).

The Other Creditors Figure includes £0.699m owed to WEQAS in respect of surpluses generated by that body which have been recorded and retained on their behalf by Cardiff and Vale NHS Trust.

15.2 Loan advance(strategic assistance funding)

31 March

2008

Amounts falling due:**£000****£000**

In one year or less	0	0
Between one and two years	0	0
Between two and five years	0	0
In five years or more	0	0
Sub-total	<u>0</u>	<u>0</u>
Wholly repayable within five years	0	0
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Sub-total	<u>0</u>	<u>0</u>
Total repayable after five years by instalments	0	0

Other financial liabilities**Current****£000****£000**

Financial liabilities carried at fair value through profit and loss

0

0

Non Current

Financial liabilities carried at fair value through profit and loss

0

0

15.3 Finance lease obligations		31 March
Payable:	Total	2008
	£000	£000
In one year or on demand	188	189
In more than 1 year but no longer than 2	188	189
In more than 2 years but no longer than 5	564	566
After five years	2,046	2,231
Sub-total	2,986	3,175
Less finance charges allocated to future periods	(2,561)	(2,721)
Total Net Obligations	425	454

15.4 Finance lease commitments

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

16. Provisions for liabilities and charges

	At 1 April 2008 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 30 March 2009 £000
Clinical negligence	18,371	0	0	17,012	(4,290)	(2,941)	0	28,152
Personal injury	3,270	0	0	1,181	(553)	(656)	50	3,292
All other losses and special payments	0	0	0	108	0	(108)	0	0
Defence legal fees and other administration	866	0	0	969	(489)	(625)		721
Sub-total	22,507	0	0	19,270	(5,332)	(4,330)	50	32,165
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	2,368			152	0	(222)	52	2,350
Restructurings	0			0	0	0		0
Other	6,770			928	(178)	(5,803)		1,717
Total	31,645	0	0	20,350	(5,510)	(10,355)	102	36,232

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	26,395	1,757	0	28,152
Personal injury	1,060	566	1,666	3,292
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	610	111	0	721
Pensions - former directors	0	0	0	0
Pensions - other staff	218	825	1,307	2,350
Restructuring	0	0	0	0
Other	1,717	0	0	1,717
Total	30,000	3,259	2,973	36,232

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

Other provisions include £1.147m for Agenda for Change.

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2008 as previously stated	186,761	8,050	0	0	2,743	197,554
Prior period adjustment	0				0	0
At 1 April 2008 as restated	186,761	8,050	0	0	2,743	197,554
Transfer from income and expenditure account					28	28
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	(19,265)	235	0			(19,030)
Transfer of realised profits/ (losses)	(30)	0	0		30	0
Receipt of donated/government granted assets		1,511	185			1,696
Depreciation, impairment and disposal of donated/government granted assets		(1,872)	(94)			(1,966)
Reserves eliminated on dissolution	0			0	0	0
Other transfers between reserves	(755)	0	0	0	755	0
Other reserve movements				0		0
At 31 March 2009	166,711	7,924	91	0	3,556	178,282

Revaluation reserve for intangible assets (included above):

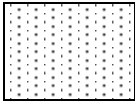
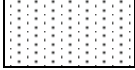
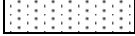
At 1 April	0
Detailed changes	0
Detailed changes	0
Detailed changes	0
At 31 March	0

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2007-08 £000
Total operating surplus/(deficit)	14,291	11,873
Depreciation and amortisation charge	21,910	17,201
Fixed asset impairment and reversals	6,033	0
Transfer from the donated asset reserve	(1,872)	(584)
Transfer from the government grant reserve	(94)	(10)
(Increase)/decrease in stocks	(193)	(1,242)
(Increase)/decrease in debtors	(9,864)	(2,728)
Increase/(decrease) in creditors	(417)	7,623
Increase/(decrease) in provisions	4,587	(10,242)
Net cash inflow from operating activities before restructuring costs	34,381	21,891
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	34,381	21,891

18.2 Reconciliation of net cash flow to movement in net debt	£000	2007-08 £000
Increase/(decrease) in cash in the period	(2,848)	0
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	0
Cash outflow from debt repaid and finance lease capital payments	29	29
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(16,900)	(2,475)
Change in net debt resulting from cash flows	(19,719)	(2,446)
Non-cash changes in debt	91	0
Net debt at 1 April	19,809	22,255
Net debt at 31 March	181	19,809

18.3 Analysis of changes in net debt

	At 1 April 2008 £000	Cash flows £000	Non-cash changes £000	At 31 March 2009 £000
Cash at OPG	3,741	(1,883)		1,858
Cash at commercial bank and in hand	(393)	(965)		(1,358)
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	0	0	0
Finance leases	(450)	29	0	(421)
Current asset investments	16,910	(16,900)	91	101
	19,808	(19,719)	91	180

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £11,697,000 (and in 2007-08 were £21,907,000).

20. Post balance sheet events

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

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2008-09 accounts for the following amounts:		31 March 2008 £000	£000
Legal claims for alleged medical or employer negligence	11,840	17,522	
Doubtful debts	0	0	
Other	0	0	
Total value of disputed claims	11,840	17,522	
Amount recovered under insurance arrangements in the event of these claims being successful	(10,031)	(16,216)	
Net contingent liability	1,809	1,306	

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

Contingent assets

The Trust has no contingent assets.

Equal pay claims

The process of assessing these claims is at an early stage and as a result there is significant uncertainty regarding both the likelihood of success of any claims and the liability of the Trust if any claims were to be successful. No cases have yet been heard at an employment tribunal and it is unlikely that any of these cases will be settled in the short term. As a result of this uncertainty, no provision has been made for any potential costs which may arise.

22. Losses and special payments

Losses and special payments are charged to the income and expenditure account in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore this note is compiled on a cash basis.

Gross loss to the Exchequer

Number of cases and associated amounts paid out or written-off during the financial year

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	56	2,941,330	39	3,608,252
Personal injury	65	655,903	37	330,732
All other losses and special payments	469	1,584,610	469	1,584,610
Total	590	5,181,843	545	5,523,594

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

	<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
	£	£	£
Cases exceeding £250,000			
00RRBMN0018	0	940,000	0
04RWMMN0010	0	404,000	404,000
04RWMMN0012	21,750	564,250	564,250
04RWMMN0031	485,000	900,915	0
05RWMMN0034	102,750	262,750	262,750
06RWMMN0001	320,000	320,000	320,000
06RWMMN0050	4,000	407,000	407,000
07RWMMN0037	0	634,112	0
07RWMMN0047	17,500	332,500	332,500
08RWMMN0038	500,000	500,000	0
09RWMBD0030	305,792	305,792	305,792
Sub-total	1,756,792	5,571,319	2,596,292
All other cases	3,425,051	4,898,712	2,927,302
Total cases	5,181,843	10,470,031	5,523,594

23.1 Movements in Government funds

2007-08

	£000	£000
Surplus/(deficit) for the financial year	14,948	13,491
Public dividend capital dividends	(14,920)	(13,445)
Subtotal	28	46
Gains/(losses) from revaluation/indexation of purchased fixed assets	(19,295)	65,710
Impairment of fixed assets	0	0
New public dividend capital	21,882	9,576
Public dividend capital repaid	(14,961)	(221)
Public dividend capital repayable	0	0
Public dividend capital extinguished	0	0
New loans from Government	0	0
Government loans repaid	0	0
Government loans extinguished	0	0
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	91	(10)
Addition/(reduction) in other reserves	0	0
Net addition/(reduction) to Government funds	(12,255)	75,101
Opening Government funds at 1 April	442,093	366,992
Before deducting prior period adjustment of	0	0
Closing Government funds	429,838	442,093

23.2 Movements in public dividend capital

2007-08

	£000	£000
At 1 April 2008	254,172	244,817
New PDC issued in year	21,882	12,571
PDC due but not issued	0	(2,995)
PDC repaid in year	(14,961)	(221)
PDC repayable	0	0
Public dividend capital extinguished	0	0
At 31 March 2009	261,093	254,172

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	28
Variance	(28)

The Trust has achieved both its in year and on-going break even duty in 2008-09.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2008		
	£000	£000	£000
External financing limit set by the Assembly		9,740	12,321
Cash flow financing	11,799		13,123
Finance leases taken out in the year	0		0
Other capital receipts	(2,059)		(802)
External financing requirement		9,740	12,321
Undershoot (overshoot)		0	0

The Trust has achieved its external financing limit.

24.3 Creditor payment

The Trust is required to pay 95% of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice (whichever is the later). The Trust has achieved the following results:

Total number of non-NHS bills paid	2008-09
	237,785
Total number of non-NHS bills paid within target	227,339
Percentage of non-NHS bills paid within target	95.6%

The Trust has met the target.

25. Related Party transactions

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

During the year, other than the individuals set out below, there were no other material related party transactions involving other board members or key senior management staff.

Two people who held office as Non Executive Directors of the Trust during 2008-9, Mr S Jones (Chairman) and Mr R Hutchings were also unpaid Council members of Cardiff University

Mr S Harries is Director of Development and is also an unpaid Trustee of Cardiff University pension fund.

Lady M Webb is a Non Executive Director of The Trust and her spouse is a Non Executive Director of the Welsh Assembly Government.

Mr H L Young is a Non Executive Director of The Trust and also provides professional advice on health issues to the Welsh Assembly Government on an unpaid basis.

Mrs S Elsmore is a Non Executive director of the Trust and also was seconded to the Welsh Assembly Government for part of the financial year.

Mr M Pendlebury is a Non Executive Director of the Trust and is also an emeritus professor of Cardiff University. He received no salary from the university during 2008-9.

Dr B Boylan was the Associate Medical Director for Primary Care during 2008/9. During this time he performed a similar function for Gwent Healthcare NHS Trust.

Mr Simon Rogers was Head of Performance with the Trust during 2008-9. During the same period he acted as an associate with Ernst & Young LLP.

The material transactions involving the related parties were as follows:

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Cardiff University	8,649	7,242	1,242	1,152
The Welsh Assembly Government	31,595	121,132	24	2,058
Ernst & Young LLP	37	0	5	0
Gwent NHS Trust	2,386	1,340	554	203

The Trust has close links with Cardiff University which includes the sharing of staff as well as sharing accommodation on the University Hospital of Wales Site. The University is therefore treated as a related party and their transactions are shown above.

The Assembly is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is responsible. Included in such entities are the Trust's main purchasers of Health Care Services, i.e. Cardiff LHB (£242m) the Vale LHB (£80m), Caerphilly LHB (£20m) and Health Commission Wales (£156m). The Trust also receives £43m from 19 other Local Health Boards.

The Trust is a member of the Welsh Risk Pool for Clinical Negligence and Personal Injury claims. The Trust has received settlement payments of £3.116m in respect of claims made.

The corporate body is a registered charity and as a Corporate Trustee the Trust Board were responsible for the management of charitable expenditure of £2.2m in the year connected with the University Hospital of Wales, Llandough, Whitchurch and Community Services. The audited accounts of the Funds held on Trust are included in the annual report to the Charity Commission and are available on request.

The Assembly Government has not notified us of any related parties relating to Ministers in 2008-09.

26. Other/ Private finance transactions

26.1 The Trust has one PFI operational scheme deemed to be off-balance sheet

	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance sheet</u> - gross	3,346
Amortisation of PFI deferred asset	0
Net charge to operating expenses	3,346

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

	£000
PFI scheme which expires:	
Within one year	
Years 2-5 (inclusive)	
Years 6-10 (inclusive)	
Years 11-15 (inclusive)	
Years 16-20 (inclusive)	
Years 21-25 (inclusive)	3,392
Years 26-30 (inclusive)	

	£000
Estimated capital value of the PFI scheme	13,847

Contract start date:	01/02/2002
Contract end date:	31/01/2033

Scheme Description

On 31st March 2000, a 31 year Private Finance Initiative (PFI) Contract was signed between the Trust and IMC (Impregilo/Macob consortium) for the provision of a new hospital to be built on the former St. David's site. The hospital, which opened on 1st March 2002 provides a range of services but primarily services linked to the care for older people.

The estimated capital value of the scheme is £13.847m and the annual payments to be made for the the provision of the site and for a range of facilities management services is £3.4m.

The Contract covers the following main areas:

Bullet Payment plus share of surplus land sale profits in 2002

The Trust pays an annual availability charge for the provision of the hospital building. A reduction in the charge was secured (value £4.457m over the 30 year period) for the payment of a bullet lump sum payment of £3.2m plus a share in land sale profits of £0.4m paid in 2002. This resulted in the need to set up a deferred asset for £4.457m which is being written back to income and expenditure over the 30 year period.

Residual interests in the assets

At the end of the 31 year period the hospital will pass to the Trust for nil consideration. The recognition of this future asset therefore needs to be built up over the period of the contract by splitting the unitary charge between the cost of the service provided under the contract and the acquisition of the residual interest. The aim of building up the residual interest is to ensure that at the end of the contract the accumulated balance should exactly match the estimated fair value of the asset(s) received. At April 1st 2007 the District Valuer reported that the property is currently valued as being worth £15.54m to the Trust at the end of the contract.

The present value of the residual interest is £6.538m and this has been recorded as a fixed asset investment within note 11.2. The value of this interest will be regularly reviewed in accordance with NHS valuation guidelines. The provision created by the recognition of the residual interest will be amortised over the life of the contract on an annual basis. The provision has been recorded in Note 15 as £0.044m and £0.997m (< and > one year).

26. Other/ Private finance transactions (continued)

26.2 Public Private Partnerships

In addition to the St David's PFI Scheme set out previously in Note 26.1, the Trust has four other Public Private Partnerships (PPP) Schemes as set out below:

UHW Car Park

In 1996/7 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust with the exclusive rights for the Private Partner (Impregilo UK Ltd) to collect all car park income, (at rates set out in the contract), in exchange for the building of a multi storey car park and infrastructure works with a capital cost of £6.7m. Impregilo UK Ltd later sold their interests to VINCI Park Ltd in 2001.

At the end of 20 years, the Trust will receive the residual interest in the multi storey car parks and the reversionary interest in the land for nil consideration. These assets are included in the Trust's balance sheet (note 11) with current values of £5.883m for the buildings and £12.295m for the land.

The value of these assets at the end of the 20 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2008/09 was £0.679m

Concourse

In 1998/99 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust, together with the rights for a Private Partner (Gentian Ltd) to collect rent from shop outlets, in exchange for the building of a Concourse entrance to the hospital, with a capital cost of £1.982m.

At the end of the 20 years the Trust will receive the residual interest in the Concourse building and the reversionary interest in the land for nil consideration. These assets are included in the Trust's balance sheet (note 11) with current values of £2.052m for the buildings and £0.804m for the land. The value of these assets at the end of the 20 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2008/09 was £0.089m

Sterile Services

In 1999/2000 the former UHW Trust leased land and a building to a private contractor (Sterile Services International Ltd - a member of the Impregilo SPA Group) for an initial period of 10 years, with an option to extend for a further 5 years. SSI Ltd sold this interest to In Health Limited in 2004.

The Trust pays the contractor £1.9m per annum for the services the company provides in sterilising surgical packs to be used in patient services. As part of the contract, the contractor refurbished the building and has provided service equipment at a cost of £1.8m. The contract is due to expire in May 2009 and the Trust has indicated that it won't be extending the contract term, the Trust will therefore have to pass £0.6m to the contractor as payment for the capital work

The Trust is accounting for the current discounted value of the residual interest (£1.125m) in the assets in note 11 and the value of the assets at the end of the 10 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2008/09 was £0.037m.

As part of the scheme, the Trust should have written-off certain costs in 1999/2000. This was corrected in 2001/02 by writing off costs to the value of £0.298m within operating expenses and by setting up a deferred creditor to be written back over the remainder of the 10 year period.

26. Other/ Private finance transactions (continued)

26.2 Public Private Partnerships (continued)

Llandough Hospital Staff Accommodation

On 28th October 1999, the former University Hospital and Llandough NHS Trust entered into an agreement with Charter Housing for the design, construction, fit out and the subsequent operation of its staff accommodation at Llandough Hospital. The Contract period is 25 years; however Charter Housing have since undergone a restructure which has seen a transfer of its interest in the Contract to Fairlake Properties Limited. This transfer was completed during 2007/8.

In return for the provision of the new serviced accommodation, the Trust transferred a parcel of surplus land to Charter on which seven of its existing properties resided. These properties were subsequently demolished and the land sold off by Charter. The accommodation is located on the remaining land, which had previously housed three additional properties. This is granted to Charter under a 99 year head lease for a peppercorn rent, Charter then leases the properties back to the Trust in return for an annual unitary payment of £0.037m. The Trust then leases the property back to Charter under a 27 year sub-underlease.

The value of the property transferred to Charter in 1999/2000 was £0.763m. In return the Trust established a prepayment in its accounts of £0.694m equivalent to the premium on the underlease. This prepayment is being released over the 25 year life of the contract effectively reducing the annual unitary charge, the annual effect of which is £0.028m.

27. Third party assets

The Trust held £282,127 cash at bank and in hand at 31 March 2009 (31 March 2008: £296,384) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

28. Financial instruments

28.1 Financial Risk Management

FRS 29, Financial Instruments: disclosures, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationships that the NHS Trust has previously had with Health Authorities and now with Health Commission Wales and Local Health Boards, and the way those Health bodies are financed, NHS Trusts are not exposed to the degree of financial risk faced by business entities.

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

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

Credit risk

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

Liquidity Risk

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

Interest-rate risks

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

Foreign currency risk

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

28.2 Financial Assets

	At fair value through Profit & Loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	0	500	0	500
Other financial assets	0	0	91	91
At 31 March 2009	0	500	91	591
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	0	3348	0	3348
Other financial assets	0	16900	0	16900
At 31 March 2008 (Prior year)	0	20248	0	20248

28.3 Financial liabilities

	At fair value through Profit & Loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	1391	1391
Other financial liabilities	0	0	0
At 31 March 2009	0	1391	1391
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	1463	1463
Other financial liabilities	0	0	0
At 31 March 2008 (Prior year)	0	1463	1463

29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
2008-09				
Welsh Assembly Government	2,058	0	24	0
Welsh Local Health Boards	7,283	0	1,329	0
Welsh NHS Trusts	3,068	0	2,970	0
Health Commission Wales	53	0	937	0
All English Health Bodies	1,282	0	5,958	0
All N. Ireland Health Bodies	21	0	0	0
All Scottish Health Bodies	31	0	22	0
Miscellaneous	656	0	16	0
Credit note provision	(582)	0		
Sub total	13,870	0	11,256	0
Other Central Government Bodies				
Other Government Departments*	5,284	0	191	0
Revenue & Customs	913	0	17	0
Local Authorities	1,544	0	582	0
Balances with Public Corporations and trading funds	0	0	237	0
Balances with bodies external to Government	30,048	8,247	59,454	1,391
TOTAL	51,659	8,247	71,737	1,391
2007-08				
Welsh Assembly Government	1,351	0	0	0
Welsh Local Health Boards	8,768	0	1,614	0
Welsh NHS Trusts	3,821	0	2,609	0
Health Commission Wales	622	0	0	0
All English Health Bodies	856	0	5,594	0
All N. Ireland Health Bodies	8	0	2	0
All Scottish Health Bodies	39	0	7	0
Miscellaneous	305	0	234	0
Credit note provision	(856)	0	0	0
Sub total	14,914	0	10,060	0
Other Central Government Bodies				
Other Government Departments*	2,202	1,922	124	0
Revenue & Customs	401	0	4	0
Local Authorities	1,758	0	675	0
Balances with Public Corporations and trading funds	0	0	188	0
Balances with bodies external to Government	18,883	10,037	64,715	1,463
TOTAL	38,158	11,959	75,766	1,463

30. Pooled budgets

The Trust had no pooled budget projects in 2008-9.

However the Trust had the following schemes which fell under the increased flexibilities provisions set out in the NHS Act 1999.

Mental Health Reablement Project.

This is a 3 year project with revenue costs of £0.117m in 2008/9. The partners in the scheme are Cardiff Council and the Cardiff Local Health Board. The project aims "to improve the co-ordination of care for an individual from assessment, care planning, and commissioning of services, to meet the needs of the individual".

Rehabilitation and Reablement Team.

The project expenditure in 2008/09 was £0.294m. The partners in the scheme are Cardiff Council and the Cardiff Local Health Board. The project aims to improve the provision of Community Rehabilitation and Reablement to the whole of Cardiff, with a focus on enhancing existing services currently available to patients in certain parts of Cardiff only. This will include the Cardiff Rapid Response/ Reablement team, the Elderly Care Assessment Service and the Acute Response Team.

Specialist Rehabilitation Liaison Nurse.

The project expenditure in 2008/09 was £0.040m. The partner in this scheme is the Vale of Glamorgan Council. The project aims to ensure that all patients with complex needs admitted to Llandough Hospital are given access to specialist assessment / rehabilitation in order to maximise timely recovery and independence; to improve links between the community services and specialist geriatric/rehabilitation services by providing access to urgent geriatric assessment and interventions and to reduce dependency levels and thus costs associated with long-term care/domiciliary care packages for an increasing ageing population.

Expansion of Vale Community Rehabilitation Team and Integration with Vale Short term Intervention Service.

The project expenditure in 2008/09 was £0.059m. The partner in this scheme is the Vale of Glamorgan Council and the project aims to work with the Vale Local Authority to progress the integration of the Vale Short-Term Intervention Service and Community Rehabilitation Team; to expand the therapy element of the service in order to be able to provide for the needs of a larger range of patients; to continue to work with the Local Authority to maximise patient outcomes/potential for living at home, thus reducing costs associated with long-term/care packages and to improve the co-ordination and administration for the above.

Child Health Occupational Therapy

The post is part of a project aimed at developing an integrated Paediatric Occupational Therapy provision for children and young people with complex needs living in the Cardiff area. It is hoped that it will lead to reducing the duplication of Occupational Therapy as well as streamlining access to Paediatric Occupational Therapy. The Post is funded under the Joint Special Working Grant administered by Cardiff Health Alliance. The Occupational Therapist is employed within the Paediatric Occupational Therapy Service for Cardiff and Vale Trust and will work within the remit of provision of specialist equipment and access to Disabled Facilities as identified within Cardiff County Council criteria. The project expenditure for the year was £0.042m.

31. Additional Information

2009/10 Financial Position

The Annual Operating Framework for 2009/10 is being progressed on a Cardiff and Vale wide basis and the financial position in respect of this has been consolidated ahead of the mid year reconfiguration.

The current financial projection is a net financial savings requirement of £60m, with significant financial pressure arising from the National Finance Agreement, delivery of the Access 2009 targets and Continuing NHS Healthcare. A Service and Financial Delivery Plan and programme structure has been implemented to address the service and financial challenge.

Re-organisation

The re-organisation of NHS Wales will see the establishment of Cardiff and Vale University LHB from 1 October 2009. Cardiff and Vale NHS Trust, Cardiff LHB and Vale of Glamorgan LHB will cease from 30 September 2009 and form part of the successor Cardiff and Vale University LHB. Transition arrangements have been established with workstreams considering the issues that need to be progressed. The Trust is completing a legacy statement.

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

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

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Date: 2009 Chief Executive

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

The directors are required under the National Health Service (Wales) Act 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Welsh Ministers with the approval of the Treasury;
- make judgements and estimates which are responsible and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

The directors confirm they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by the Welsh Ministers.

By Order of the Board

Signed:

Date:2009

Chairman:

Date:2009

Chief Executive:

Date:2009

Director of Finance:

STATEMENT ON INTERNAL CONTROL 2008/2009

1. Scope of responsibility

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

To ensure the effective management of risk in such a large Trust it is necessary to have clear lines of accountability/responsibility throughout the organisation. To assist me in the management of risk the following post holders have designated responsibilities.

- The Director of Corporate Management is responsible for ensuring that the Trust's overall duty for risk management is discharged appropriately and for ensuring that effective operational arrangements are in place.
- Executive Directors/General Managers/Directorate Managers are responsible for ensuring that risk is managed within their area of responsibility in accordance with Trust policies and procedures. They have a responsibility to identify, evaluate and manage operational risks and bring to the Board's attention emerging significant risks. Directorate Managers are ideally placed to pick up on these early warning indicators, which might identify where problems are developing; this information is then fed into Directorate and Service Group Risk Profiles.
- Specialist Central Functions including the Clinical Governance Support Department, Health, Safety and Environment Unit, Finance Directorate, Human Resources Directorate and others will assist Managers and myself by providing advice and support in their specialist areas.
- The Internal Audit Service work to provide annual assurance to myself and the Trust Board. They will evaluate the effectiveness of existing controls and risk management processes.

However, the most important aspect in the management of risk is the appreciation that everyone in the organisation has some responsibility for risk management and internal control in order to achieve their personal objectives and the Trust's overall aims and objectives.

In addition to the internal processes I have also communicated with the Welsh Assembly Government, South East Wales Regional Office and the appropriate Commissioners where there have been significant issues that present a risk to the Trust. These communications have either been as part of specific meetings arranged to discuss such issues or as part of the regular review meetings.

2. The purpose of the system on internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

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3. Capacity to handle risk

Leadership of the risk management process is provided by the Director of Corporate Management supported by his Executive Director colleagues and General Managers. To reflect the complexity of the organisation it is necessary to have a number of stages of risk management. In July 2008 the Audit and Governance Committee took on the overarching remit for considering risk and developing the Trusts Risk Profile. However the philosophy of the Trust remains that risk management is integrated throughout the organisation. Each of the Committees of the Trust Board has therefore considered appropriate risk related issues and provided assurance to the Trust Board accordingly.

To ensure that the Trust obtains the best possible advice it is policy that all advisors and support services staff are competent and appropriately qualified to perform their particular function. Each professional will identify in association with their manager ongoing development needs as part of their Individual Performance Review and Knowledge and Skills Framework.

A number of specialist training courses, mandatory training and development days take place throughout the year to ensure that staff are equipped to manage risk. The Trusts Mandatory Training Programme for updating staff of key legislative requirement/developments provides training for staff at agreed intervals. This is delivered via a combination of e-learning and tutor led sessions to help reduce the pressure of releasing staff to attend training.

The Trust is also committed to improving the safety and quality of patient care. It has continued with the Safer Patient Initiative throughout the year and is fully committed to the 1000 Lives Campaign. These initiatives aim to improve patient safety and clinical outcomes through implementing evidence based processes and to drive forward system wide changes creating a safer environment for patients and staff.

4. The risk and control framework

During the year the Trust again ensured that the Service and Financial Delivery Plan was linked to the Corporate Risk Profile. The Risk Profile is developed utilising the Trusts Risk Rating and Profiling Procedure. This document allows for all risks to be assessed using a consistent approach. The Audit and Governance Committee considers the detail of the risk register and report regularly to the Trust Board. The highlights were as follows:-

- The Trust Board agreed the top risks to the organisation in June 2008. Further additions were made during the year as new risks became apparent.
- The Assurance Framework which provided assurance to the Board that these top risks were being managed was also approved in September 2008.
- The Trust Board received updates advising of the progress during the year to mitigate the risks and any areas that were causing concern.

The Trust has completed its Self Assessment against the Healthcare Standards which was submitted to Health Inspectorate Wales in accordance with specified timescales. The Trust has identified that it is 'Developing' in twenty six of the thirty one standards assessed. It considers itself to be 'Practicing' for five of the standards. Whilst there has been a slight improvement in some standards there have also been two standards that have been reduced from 'Practicing' to 'Developing.' Four Standards have been identified as key to supporting the risk management process and these are as follows:-

- Healthcare standard 14
- Healthcare standard 16
- Healthcare standard 27
- Healthcare standard 28

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The Internal Audit Department have undertaken a review of these standards which found that Cardiff and Vale NHS Trust has satisfactory assessment processes and review mechanisms in place for the Self Assessment of Healthcare Standards and the monitoring of the Healthcare Standards Improvement Action Plan. Both the Self Assessment and Action Plan were also found to involve the direct participation and scrutiny of Trust Executive and Non Executive Board Members. The level of assurance given as to the effectiveness of the system of internal control in place for the management of Healthcare Standards is significant assurance.

During the year a Healthcare Standards Group was established to ensure that the self assessment captured the good practice that is taking place across the Trust. A small team of Lead Managers collated this information and co-ordinated the self assessment and each Director has been allocated a number of standards. They have each approved the information submitted prior to its submission by the Chair and Chief Executive.

The Trust has been working to ensure that the items identified within the Healthcare Standards Improvement Plan have been actioned. During the year this has been monitored by the Clinical Governance Committee. Updates have also been submitted to the Regional Office via the Performance Management process.

The Healthcare Standards Improvement Plan following the 2008/2009 assessment will be approved by the Board of the new Cardiff and Vale University Local Health Board in October 2009. It will be a combined plan for the new organisation. Prior to this where appropriate action required for meeting the standards will be incorporated into Trust and individual objectives. These will be monitored as part of the individual performance review process.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

The Trust Board has a number of Committees which must ensure that risk is effectively managed. Each Committee has defined Terms of Reference which identify its aims and functions. They all provide either minutes or a report to the Trust Board to advise of any key risks and developments of which they should be aware. In July 2008 the Trust Board reviewed its Committee Structure and decided to further embed risk management in the function of all Committees. The Risk Management Committee was disbanded as a result and the Audit and Governance Committee took on many of its functions.

The Committees and functions that have specific responsibility for risk and compliance have operated in the following way.

STATEMENT ON INTERNAL CONTROL 2008/2009

- The Audit and Governance Committee – The Audit and Governance Committee met 6 times during the year. It received reports on compliance and risk management, reports from the Trust’s Internal Auditors, Counter Fraud Specialists and External Auditors. It also considered reports produced by the Wales Audit Office relating to performance and Value for Money reviews. As part of this process it agreed action that was required to address any shortfalls highlighted and seek to ensure best practice.
- The People, Places and Performance Committee considered performance across the Trust and issues relating to human resources and training.
- The Clinical Governance Committee provided the Trust Board with assurance relating to issues of a clinical nature. The membership consists of Trust employees and other stakeholders including service commissioners. It is chaired by a Non Executive Director.
- The Trust Health and Safety Committee facilitates the statutory responsibility imposed upon the Trust to consult with staff representatives on matters relating to health and safety. The membership of the Trust Health and Safety Committee is made up of accredited staff side health and safety representatives, managers of the Trust and various risk advisors. It met on a bi-monthly basis and was chaired by the Director of Corporate Management.
- Internal Audit provides an annual statement of assurance, which sets out an overall conclusion as to the adequacy of the systems of internal control operating within the organisation. The statement is based upon the work undertaken by Internal Audit as set out in the audit committee approved plan. The systems of internal control operating within the Trust, covered by the plan, are in general adequate. There were however a number of reports issued during the course of the year that identified, specific areas where the level of control was inadequate and areas of non compliance with existing controls. Management actions plans have been developed to strengthen the control weaknesses identified in these reports.

6. Significant internal control problems

During the year two external reviews were commissioned by the Minister for Health and Social Services. The first related to Orthopaedic Waiting times and the second was an “Assurance Review of the Trusts Processes, Leadership and Governance” An internal review titled “Review of Aspects of the Delivery of Orthopaedics” was also undertaken led by a Non Executive Director.

The findings of the reviews regarding Orthopaedics have been considered by the Trust Board and an Action Plan and Assurance Framework has been developed. As part of the assurance process the Internal Audit Department has a role in providing assurance to the Audit and Governance Committee who will receive regular reports. The Trust Board will also receive regular updates.

A draft report has been received following the review of Trust Processes, Leadership and Governance and this is currently being progressed.

Signed Chief Executive
(Board)

Date:..... (On behalf of the

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

I certify that I have audited the financial statements of Cardiff and Vale NHS Trust for the year ended 31 March 2009 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

The Directors and the Chief Executive are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with paragraph 3 of schedule 9 of the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, Cardiff and Vale NHS Trust has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Cardiff and Vale NHS Trust's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Cardiff and Vale NHS Trust's corporate governance procedures or its risk and control procedures.

I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

Basis of audit opinions

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Cardiff and Vale NHS Trust's circumstances, and are consistently applied and adequately disclosed.

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and that part of remuneration report to be audited.

Opinion

In my opinion:

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

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

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

Jeremy Colman
Auditor General for Wales
19 June 2009

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY

NHS TRUSTS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2008 and subsequent financial years in respect of the NHS Wales Trusts. The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the NHS Wales Trusts shall comply with:

(a) generally accepted accounting practice in the United Kingdom (UK GAAP);

(b) the accounting and disclosure requirements of the Companies Act;

(c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;

(d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FRM), as detailed in the NHS Wales Trust Manual for Accounts;

(e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

3. The account of the Trust for the year ended 31 March 2008 and subsequent years shall comprise a foreword, an income and expenditure account, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2006 and subsequent years, the account of the Trust shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

5. The account shall be signed and dated by the Chief Executive and Chairman of the Trust.

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.
7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.
8. Notes providing further explanations of figures in the accounts shall be made where it is considered appropriate for a proper understanding of the accounts.

Signed by the authority of Welsh Ministers

Signed :

Dated :