

# Pontypridd & Rhondda NHS Trust

## **Foreword**

These accounts for the year ended 31 March 2007 have been prepared by the Pontypridd & Rhondda NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form in which the National Assembly for Wales has, with the approval of Treasury, directed.

The main function of the Trust is the provision of acute and community health services for the population of Rhondda and Taff Ely.

**INCOME AND EXPENDITURE FOR THE YEAR ENDED  
31 MARCH 2007**

	Note	£000	2005-06 £000
<b>Income from activities</b>	3	<b>164,029</b>	151,186
<b>Other operating income</b>	4	<b>12,654</b>	12,456
<b>Total income</b>		<b>176,683</b>	163,642
<b>Operating expenses</b>	5	<b>(171,836)</b>	(160,014)
<b>Operating surplus</b>		<b>4,847</b>	3,628
Costs of fundamental reorganisation/restructuring		<b>0</b>	0
Profit/(loss) on disposal of fixed assets	8	<b>(1)</b>	921
<b>Surplus before interest</b>		<b>4,846</b>	4,549
Interest receivable		<b>630</b>	764
Interest payable	9	<b>(16)</b>	(16)
Other finance costs	16	<b>(27)</b>	(29)
<b>Surplus for the financial year</b>		<b>5,433</b>	5,268
Public Dividend Capital dividends payable		<b>(5,521)</b>	(5,250)
<b>Retained surplus/(deficit) for the year</b>	17	<b>(88)</b>	18

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

		2005-06
	Note	£000
Surplus for the financial year before dividend payments		5,268
Fixed asset impairment losses	17	0
Unrealised surplus on fixed assets revaluations/indexation	17	3,240
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	294
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(155)
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		8,647
Prior period adjustment	17	0
		<u>0</u>
<b>Total gains and losses recognised in the financial year</b>		<b><u>8,647</u></b>

**BALANCE SHEET AS AT 31 MARCH 2007**

			31 March	
			2006	
	Note	£000	£000	£000
<b>Fixed assets</b>				
Intangible assets	10	0		0
Tangible assets	11	178,534		159,311
Investment assets	11.4	0		0
			<u>178,534</u>	159,311
<b>Current assets</b>				
Stocks and work-in-progress	12	1,699		1,616
Debtors	13	7,357		4,788
Investments	14	0		0
Cash at bank and in hand	18.3	3,348		3,348
<b>Total current assets</b>			<u>12,404</u>	9,752
Creditors: amounts falling due within 1 year	15		<u>(13,921)</u>	(11,225)
<b>Net current liabilities</b>			<u>(1,517)</u>	(1,473)
<b>Total assets less current liabilities</b>			<u>177,017</u>	157,838
Creditors: amounts falling due after more than one year	15		0	(6)
Provisions for liabilities and charges	16		<u>(5,200)</u>	(4,239)
<b>Total assets employed</b>			<u>171,817</u>	153,593
<b>Financed by:</b>				
<b>Taxpayer's equity</b>				
Public dividend capital	23.2		103,334	97,350
Revaluation reserve	17		63,172	51,301
Donated asset reserve	17		1,867	1,481
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		<u>3,444</u>	3,461
<b>Total taxpayer's equity</b>			<u>171,817</u>	153,593

Signed on behalf of the Board on 25th June 2007

Chairman : Professor Sir Adrian Webb

Chief Executive : Mrs. M S Foster

Adopted by the Board on 25th June 2007

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

	Note	£000	£000	2005-06 £000
<b>Operating activities</b>				
Net cash inflow from operating activities	18.1		<b>13,942</b>	13,298
<b>Returns on investments and servicing of finance</b>				
Interest received		<b>631</b>		776
Interest paid		<b>0</b>		0
Interest element of finance leases		<b>(16)</b>		(16)
<b>Net cash inflow from returns on investments and servicing of finance</b>			<b>615</b>	760
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		<b>(15,431)</b>		(7,510)
Receipts from sale of tangible fixed assets		<b>0</b>		3,917
Payments to acquire/ receipts from sale of intangible assets		<b>0</b>		0
<b>Net cash outflow from capital expenditure</b>			<b>(15,431)</b>	(3,593)
Public dividend capital dividends paid			<b>(5,471)</b>	(5,206)
<b>Management of liquid resources</b>				
Purchase of current asset investments		<b>0</b>		0
Sale of investments		<b>0</b>		0
<b>Net cash inflow/(outflow) from management of liquid resources</b>			<b>0</b>	0
<b>Net cash inflow/(outflow) before financing</b>			<b>(6,345)</b>	5,259
<b>Financing</b>				
Public dividend capital received		<b>5,984</b>		0
Public dividend capital repaid (not previously accrued)		<b>0</b>		(5,489)
Public dividend capital repaid (accrued in previous period)		<b>(167)</b>		0
Government loans received: short term		<b>0</b>		0
Government loans repaid: short term		<b>0</b>		0
Loan advances/brokerage received		<b>0</b>		0
Loan advances/brokerage repaid		<b>0</b>		0
Other capital receipts		<b>534</b>		236
Capital element of finance leases		<b>(6)</b>		(6)
<b>Net cash inflow/(outflow) from financing</b>			<b>6,345</b>	(5,259)
<b>Increase/(decrease) in cash</b>	18.2		<b>0</b>	0

## Notes to the accounts

### 1. Accounting policies and other information

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

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income recognition

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

#### 1.4 Intangible fixed assets

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

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

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

#### 1.5 Tangible fixed assets

##### i. Capitalisation

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

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

## **ii. Valuation**

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

Land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the 'All in Tender Price Index' published by the Building Cost Information Service. The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Valuations are carried out by the District Valuers of the Inland Revenue at 5 yearly intervals. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury. The last asset valuations were carried out as at 30 September 2002 and were reflected in the 2002-03 balance sheet values.

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

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

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

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

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

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

## **iii. Depreciation**

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

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

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

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

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

### **1.6 Fixed Asset Investments**

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

### **1.7 Donated fixed assets**

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

### **1.8 Government grants**

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

### **1.9 Cash Bank and Overdrafts**

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

### **1.10 Leases**

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

### **1.11 Private Finance Initiative**

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



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

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

#### **1.12 Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to the current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

#### **1.13 Research and development**

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

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

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

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

#### **1.14 Provisions**

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

#### **1.15 Contingent Liabilities**

Contingent liabilities are recognised where the NHS Trust has

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

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

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

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

### **1.16 Losses and special payments**

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

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

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

### **1.17 Pension costs**

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State. As a consequence it is not possible for the trust to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2006-07 was £12,900,868 (£11,736,176 for 2005-06)

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

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

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

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

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

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

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

#### **1.18 Liquid resources**

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. [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 27 to the accounts.

### **1.22 Public Dividend Capital Dividends**

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

### **1.23 EU Emission Trading Scheme**

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

## **2. Segmental reporting**

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

**3. Income from activities**

	<b>£000</b>	2005-06 £000
Local health boards	<b>158,786</b>	144,125
Health Commission Wales	<b>1,233</b>	397
NHS trusts	<b>1,402</b>	1,356
Strategic health authorities and primary care trusts	<b>359</b>	39
Foundation Trusts	<b>0</b>	0
Local authorities	<b>950</b>	1,160
National Assembly for Wales	<b>89</b>	3,130
Non NHS:		
Private patient income	<b>60</b>	57
Overseas patients (non-reciprocal)	<b>6</b>	1
Road Traffic Act charges/NHS Injury Costs Recovery (ICR) Scheme	<b>791</b>	702
Other income from activities	<b>353</b>	219
<b>Total</b>	<b>164,029</b>	151,186

RTA/ICR income is subject to a provision for doubtful debts of 7.7% (2005-06 8.7%) to reflect expected rates of collection.

**4. Other operating income**

	<b>£000</b>	2005-06 £000
Patient transport services	<b>0</b>	0
Education, training and research	<b>5,376</b>	5,291
Charitable and other contributions to expenditure	<b>353</b>	349
Transfer from the donated asset reserve	<b>237</b>	155
Transfer from the government grant reserve	<b>0</b>	0
Non-patient care income generation schemes	<b>0</b>	0
Other income:		
Provision of laundry, pathology, payroll services	<b>3,432</b>	3,647
Accommodation and catering charges	<b>988</b>	1,020
Mortuary fees	<b>68</b>	63
Staff payments for use of cars	<b>166</b>	181
Business unit	<b>0</b>	0
Other	<b>2,034</b>	1,750
<b>Total</b>	<b>12,654</b>	12,456

## 5. Operating expenses

### 5.1 Operating expenses comprise

	£000	2005-06 £000
Goods and services from other NHS bodies	2,627	2,363
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	95	0
Directors' costs	799	684
Staff costs	127,719	119,724
Supplies and services - clinical	17,404	15,202
Supplies and services - general	2,770	2,769
Establishment	2,812	2,778
Transport	191	235
Premises	6,696	6,090
Depreciation	8,569	7,960
Amortisation	0	0
Fixed asset impairments and reversals	0	0
Audit fees	162	161
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	384	587
Other operating expenses	1,608	1,461
<b>Total</b>	<b>171,836</b>	<b>160,014</b>

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

	£000	2005-06 £000
<b>Increase/decrease in provision for future payments:</b>		
Clinical negligence	2,326	531
Personal injury	199	346
All other losses and special payments	5	2
Defence legal fees and other administrative costs	45	44
Gross increase/decrease in provision for future payments	2,575	923
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	51	201
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(2,242)</b>	<b>(537)</b>
<b>Total charge</b>	<b>384</b>	<b>58</b>

Personal injury includes £21,870 (2005-06 £75,950) in respect of permanent injury benefits

### 5.3 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2005-06 £000	£000	2005-06 £000
Operating leases which expire:				
Within 1 year	0	0	111	97
Between 1 and 5 years	0	0	201	218
After 5 years	251	245	0	0
<b>Total</b>	<b>251</b>	<b>245</b>	<b>312</b>	<b>315</b>

Operating expenses include £608,199 for operating lease rentals (2005-06 £691,851). and £99,659 for hire of plant/machinery (2005-06 £129,162).

### 5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2005-06 £000
Non-executive directors' remuneration	90	0	90	90
Executive directors' remuneration:				
basic salaries	396	165	561	469
benefits	1	1	2	2
performance related bonuses	0	0	0	0
pension contributions paid	52	23	75	65
Sub-total	539	189	728	626
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
<b>Total</b>	<b>539</b>	<b>189</b>	<b>728</b>	<b>626</b>

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

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

From June 2006 an Interim Director of Nursing has been in post to cover long term absence. The salaries of both postholders are included in the above table.

**5.4 Directors' remuneration (continued):**

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

	Remuneration as director £000	Other remuneration £000	Total £000	2005-06 £000
<b>Chairman</b>				
Basic remuneration	39	0	39	39
Benefits	0	0	0	0
	<u>39</u>	<u>0</u>	<u>39</u>	<u>39</u>
<b>Chief Executive</b>				
Basic salaries	108	0	108	102
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>108</u>	<u>0</u>	<u>108</u>	<u>102</u>
Pension contributions	15	0	15	15
	<u>123</u>	<u>0</u>	<u>123</u>	<u>117</u>
<b>Highest paid director*</b>				
Basic salaries	21	124	145	143
Benefits	0	1	1	1
Performance related bonuses	0	0	0	0
	<u>21</u>	<u>125</u>	<u>146</u>	<u>144</u>
Pension contributions	3	17	20	20
<b>Total</b>	<u>24</u>	<u>142</u>	<u>166</u>	<u>164</u>

\* the chief executive was not the highest paid director during the financial year 2006-07.

The highest paid Director during the financial year 2006-07 was the Medical Director. The position was held by Dr. P S Davies until his retirement in July 2006. The current Medical Director is Mrs. S C Sullivan.



## 6. Employee costs and numbers

6.1 Employee costs	Permanent	Staff on	Agency	Total	2005-06
	Staff	inward	temporary		
		second- ment	and cont- ract staff		
	£000	£000	£000	£000	£000
Salaries and wages	106,627	82	987	107,696	101,393
Social security costs	7,824	0	0	7,824	7,181
Pension costs	12,901	0	0	12,901	11,736
Other pension costs	0	0	0	0	0
<b>Total</b>	<b>127,352</b>	<b>82</b>	<b>987</b>	<b>128,421</b>	<b>120,310</b>

## 6.2 Average number of employees

	Permanent	Staff on	Agency	Total	2005-06
	Staff	inward	temporary		
		second- ment	and cont- ract staff		
	Number	Number	Number	Number	Number
Medical and dental	305	1	5	311	305
Ambulance staff	0	0	0	0	0
Administrative and estates	700	1	5	706	676
Healthcare assistants and other support staff	479	0	0	479	475
Nursing, midwifery and health visiting staff	1,789	0	5	1,794	1,758
Nursing, midwifery and health visiting learners	16	0	0	16	20
Scientific, therapeutic and technical staff	503	0	1	504	486
Social care staff	0	0	0	0	0
Other	70	0	0	70	72
<b>Total</b>	<b>3,862</b>	<b>2</b>	<b>16</b>	<b>3,880</b>	<b>3,792</b>

## 6.3 Employee benefits

The trust does not have an employee benefit scheme.

## 6.4 Trust management costs

	£000	Percentage of total income	2005-06	
			£000	Percentage of total income
Trust management costs	6,747	3.8%	6,305	3.9%
Income	176,683		163,642	

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 2006-07 (prior year 2005-06) there were 14 (13) 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 £649,706 (£690,228).

## 7. Public Sector Payment Policy - Measure of Compliance

### 7.1 Prompt payment code - measure of compliance

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

	Number	£000	2005-06 £000
<b>NHS</b>			
Total bills paid 2006-07	1,729	6,897	6,174
Total bills paid within target	1,697	6,867	6,136
Percentage of bills paid within target	98.1%	99.6%	99.4%
<b>Non-NHS</b>			
Total bills paid 2006-07	52,032	45,003	36,927
Total bills paid within target	51,196	44,783	36,714
Percentage of bills paid within target	98.4%	99.5%	99.4%
<b>Total</b>			
Total bills paid 2006-07	53,761	51,900	43,101
Total bills paid within target	52,893	51,650	42,850
Percentage of bills paid within target	98.4%	99.5%	99.4%

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

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

## 8. Profit (loss) on disposal of fixed assets

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

	2005-06
	£000
Profit on disposal of land and buildings	931
Loss on disposal of land and buildings	0
Profit on disposal of plant and equipment	0
Loss on disposal of plant and equipment	(10)
Profit on disposal of intangible fixed assets	0
Loss on disposal of intangible fixed assets	0
	<u>921</u>
	<u>(1)</u>

## 9. Interest payable

	2005-06
	£000
Government borrowing	0
Finance leases and PFI schemes	16
Other	0
	<u>16</u>
	<u>16</u>

## 10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	0	0	0	0	0
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Accumulated amortisation at 1 April 2006	0	0	0	0	0
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2007	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net book value at 1 April 2006	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net book value at 31 March 2007</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>

**11. Tangible fixed assets****11.1 Tangible assets at the balance sheet date:**

	Assets under								Total £000
	Land £000	Buildings, excluding dwellings £000	Dwellings £000	construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	
<b>Cost or valuation</b>									
At 1 April 2006	10,147	151,759	576	4,173	28,528	186	3,510	2,605	<b>201,484</b>
Indexation	544	12,215	46	336	787	5	0	72	<b>14,005</b>
<b>Additions</b>									
- purchased	0	1,293	29	12,489	1,164	0	181	72	<b>15,228</b>
- donated	0	0	0	14	520	0	0	0	<b>534</b>
- government granted	0	0	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	1,292	0	(1,292)	0	0	0	0	<b>0</b>
Impairments	0	0	0	0	0	0	0	0	<b>0</b>
Other in-year revaluations	0	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	(71)	0	0	(1,244)	0	(160)	0	<b>(1,475)</b>
<b>At 31 March 2007</b>	<b>10,691</b>	<b>166,488</b>	<b>651</b>	<b>15,720</b>	<b>29,755</b>	<b>191</b>	<b>3,531</b>	<b>2,749</b>	<b>229,776</b>
<b>Depreciation</b>									
At 1 April 2006	0	16,590	28	0	21,643	145	2,388	1,379	<b>42,173</b>
Indexation	0	1,333	2	0	597	4	0	38	<b>1,974</b>
Reclassifications	0	0	0	0	0	0	0	0	<b>0</b>
Impairments	0	0	0	0	0	0	0	0	<b>0</b>
Reversal of impairments	0	0	0	0	0	0	0	0	<b>0</b>
Other in-year revaluations	0	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	(71)	0	0	(1,243)	0	(160)	0	<b>(1,474)</b>
Provided during the year	0	5,734	8	0	2,323	13	225	266	<b>8,569</b>
<b>At 31 March 2007</b>	<b>0</b>	<b>23,586</b>	<b>38</b>	<b>0</b>	<b>23,320</b>	<b>162</b>	<b>2,453</b>	<b>1,683</b>	<b>51,242</b>
<b>Net book value</b>									
at 1 April 2006	10,147	135,169	548	4,173	6,885	41	1,122	1,226	<b>159,311</b>
<b>Net book value</b>									
at 31 March 2007	10,691	142,902	613	15,720	6,435	29	1,078	1,066	<b>178,534</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>0</b>	<b>220</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>220</b>
<b>The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>

The Trust Board has deemed that Gilfach Goch and Tonypany Health Centres will become surplus to requirements in 2009 upon completion of new builds. The District Valuer's assessment of open market value in 2009 for Gilfach Goch is £150k and for Tonypany £250k. Depreciation has been accelerated accordingly to achieve their open market value at disposal date.

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

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

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	0	0	185	0	0	0	0	0	<b>185</b>
Indexation	0	0	15	0	0	0	0	0	<b>15</b>
Additions	0	0	29	0	0	0	0	0	<b>29</b>
Disposals	0	0	0	0	0	0	0	0	<b>0</b>
Depreciation	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>229</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>229</b>

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March	
	2006	
	£000	£000
Freehold	153,986	145,628
Long leasehold	220	236
Short leasehold	0	0
<b>Total</b>	<b>154,206</b>	<b>145,864</b>

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

The Trust has no fixed asset investments.

12. Stocks and work-in-progress	31 March	
	2006	
	£000	£000
Raw materials and consumables	1,699	1,616
Work-in-progress	0	0
Finished processed goods	0	0
<b>Total</b>	<b>1,699</b>	<b>1,616</b>

13. Debtors	31 March	
	2006	
	£000	£000
<b>Amounts falling due within one year:</b>		
Welsh Risk Pool	2,940	923
NHS debtors	1,999	1,771
PDC dividend debtors	25	75
Other debtors	2,086	1,739
Provision for irrecoverable debts	(155)	(196)
Other prepayments and accrued income	179	179
Sub-total	<b>7,074</b>	<b>4,491</b>
<b>Amounts falling due after more than one year:</b>		
Welsh Risk Pool	0	0
NHS debtors	0	0
Other prepayments and accrued income	283	297
Other debtors	0	0
Sub-total	<b>283</b>	<b>297</b>
<b>Total</b>	<b>7,357</b>	<b>4,788</b>

**14. Current Asset Investments**

	31 March 2006	
	£000	£000
Government securities	0	0
Local authorities	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

	31 March 2006	
	£000	£000
<b>Amounts falling due within one year:</b>		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	17	21
NHS creditors	2,232	2,257
Non-NHS trade creditors - revenue	1,421	1,145
Non-NHS trade creditors - capital	850	519
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	2,783	2,608
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	5	5
Obligations under PFI schemes	0	0
Other creditors - superannuation	0	0
Other creditors - all other creditors	1,022	969
Accruals	5,591	3,701
Deferred income	0	0
Sub-total	<b>13,921</b>	<b>11,225</b>
<b>Amounts falling due after more than one year:</b>		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	6
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	<b>0</b>	<b>6</b>
<b>Total</b>	<b>13,921</b>	<b>11,231</b>

NHS creditors include:

£1617k outstanding pensions contributions at 31 March 2007 (£1481k at 31 March 2006).

**15.2 Loan advance/strategic assistance funding**

31 March  
2006

<b>Amounts falling due:</b>	<b>£000</b>	<b>£000</b>
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

**15.3 Finance lease obligations**

31 March  
2006

<b>Payable:</b>	<b>Total £000</b>	<b>£000</b>
Within one year	21	21
Between one and two years	0	22
Between two and five years	0	0
After five years	0	0
Sub-total	<u>21</u>	<u>43</u>
Less finance charges allocated to future periods	(16)	(32)
<b>Total</b>	<u><b>5</b></u>	<u><b>11</b></u>

**15.4 Finance lease commitments**

Pontypridd & Rhondda NHS Trust has entered into no new contracts to lease (building assets) under finance leases during the financial year 2006/07.

## 16. Provisions for liabilities and charges

	At 1 April 2006 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2007 £000
Clinical negligence	645	0	0	2,530	(204)	(291)	0	2,680
Personal injury	1,024	0	0	334	(135)	(160)	15	1,078
All other losses and special payments	0	0	0	5	0	(5)	0	0
Defence legal fees and other administration	165	0	0	121	(76)	(62)		148
<b>Sub-total</b>	<b>1,834</b>	<b>0</b>	<b>0</b>	<b>2,990</b>	<b>(415)</b>	<b>(518)</b>	<b>15</b>	<b>3,906</b>
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	590			0	0	(52)	12	550
Restructurings	0			0	0	0		0
Other	1,815			601	0	(1,672)		744
<b>Total</b>	<b>4,239</b>	<b>0</b>	<b>0</b>	<b>3,591</b>	<b>(415)</b>	<b>(2,242)</b>	<b>27</b>	<b>5,200</b>

### Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	2,680	0	0	2,680
Personal injury	1,078	0	0	1,078
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	148	0	0	148
Pensions - former directors	0	0	0	0
Pensions - other staff	52	207	291	550
Restructuring	0	0	0	0
Other	744	0	0	744
<b>Total</b>	<b>4,702</b>	<b>207</b>	<b>291</b>	<b>5,200</b>

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



## 17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2006 as previously stated	51,301	1,481	0	0	3,461	56,243
Prior period adjustment					0	0
At 1 April 2006 as restated	51,301	1,481	0	0	3,461	56,243
Transfer from income and expenditure account					(88)	(88)
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	11,942	89	0			12,031
Transfer of realised profits/ (losses)	(71)	0	0		71	0
Receipt of donated/government granted assets		534	0			534
Depreciation, impairment and disposal of donated/government granted assets		(237)	0			(237)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
<b>At 31 March 2007</b>	<b>63,172</b>	<b>1,867</b>	<b>0</b>	<b>0</b>	<b>3,444</b>	<b>68,483</b>

**18. Notes to the cash flow statement**

<b>18.1 Reconciliation of operating surplus to net cash inflow from operating activities:</b>	<b>£000</b>	2005-06 £000
Total operating surplus/(deficit)	<b>4,847</b>	3,628
Depreciation charge	<b>8,569</b>	7,960
Fixed asset impairment and reversals	<b>0</b>	0
Transfer from the donated asset reserve	<b>(237)</b>	(155)
Transfer from the government grant reserve	<b>0</b>	0
(Increase)/decrease in stocks	<b>(83)</b>	43
(Increase)/decrease in debtors	<b>(2,619)</b>	759
Increase/(decrease) in creditors	<b>2,504</b>	(533)
Increase/(decrease) in provisions	<b>961</b>	1,596
<b>Net cash inflow from operating activities before restructuring costs</b>	<b>13,942</b>	13,298
Payments in respect of fundamental reorganisation/restructuring	<b>0</b>	0
<b>Net cash inflow from operating activities</b>	<b>13,942</b>	13,298

<b>18.2 Reconciliation of net cash flow to movement in net debt</b>	<b>£000</b>	2005-06 £000
Increase/(decrease) in cash in the period	<b>0</b>	0
Cash inflow from new debt	<b>0</b>	0
Cash inflow from loan advance/brokerage	<b>0</b>	0
Cash outflow from debt repaid and finance lease capital payments	<b>6</b>	6
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<b>0</b>	0
<b>Change in net debt resulting from cash flows</b>	<b>6</b>	6
Non-cash changes in debt	<b>0</b>	3
Net debt at 1 April	<b>3,337</b>	3,328
<b>Net debt at 31 March</b>	<b>3,343</b>	3,337

### 18.3 Analysis of changes in net debt

	At 1 April 2006 £000	Cash flows £000	Non-cash changes £000	At 31 March 2007 £000
OPG cash at bank	3,342	(85)		3,257
Commercial Cash at bank and in hand	6	85		91
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	(11)	6	0	(5)
Current asset investments	0	0	0	0
	<b>3,337</b>	<b>6</b>	<b>0</b>	<b>3,343</b>

### 19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £14.748m (and in 2005-06 were £26.189m). £14.686m relates to professional fees, infrastructure and construction works on the Ysbyty Cwm Rhondda Hospital. The Ysbyty Cwm Rhondda Hospital construction works commenced in 2005/06. The full development is expected to be completed in 2008. The planned cost of the scheme is expected to be £36.791m, which is being funded by the Welsh Assembly Government.

### 20. Post balance sheet events

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

### 21. Contingencies

#### Contingent Liabilities

		31 March 2006 £000
Provision has not been made in the 2006-07 accounts for the following amounts:		
Legal claims for alleged medical or employer negligence	17,566	4,526
Doubtful debts	0	0
Other		0
Total value of disputed claims	<b>17,566</b>	4,526
Amount recovered under insurance arrangements in the event of these claims being successful	<b>(16,420)</b>	(3,238)
Net contingent liability	<b>1,146</b>	1,288

The Trust has received three formal claims under equal pay legislation. 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. Three cases have been referred to employment tribunal. It is unlikely that any of these cases will be settled within the next two years.

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

#### Contingent assets

The Trust has no contingent assets.

## 22. Losses and special payments

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

### Gross loss to the Exchequer

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

	Amounts paid out in year		Approved to write-off in year	
	Number	£	Number	£
Clinical negligence	14	291,969	6	93,075
Personal injury	24	160,366	16	131,837
All other losses and special payments	27	8,667	27	8,667
<b>Total</b>	<b>65</b>	<b>461,002</b>	<b>49</b>	<b>233,579</b>

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £250,000</b>			
Include case reference	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>All other cases</b>	<b>461,002</b>	<b>1,073,629</b>	<b>233,579</b>
<b>Total cases</b>	<b>461,002</b>	<b>1,073,629</b>	<b>233,579</b>

**23.1 Movements in Government funds**

	2005-06	
	£000	£000
Surplus/(deficit) for the financial year	5,433	5,268
Public dividend capital dividends	<u>(5,521)</u>	<u>(5,250)</u>
<b>Subtotal</b>	<b>(88)</b>	18
Gains/(losses) from revaluation/indexation of purchased fixed assets	11,942	3,200
Impairment of fixed assets	0	0
New public dividend capital	5,984	0
Public dividend capital repaid	0	(5,489)
Public dividend capital repayable	0	(167)
New loans from Government	0	0
Government loans repaid	0	0
Transfers from the donated asset reserve	0	2
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	<u>0</u>	<u>0</u>
Net addition/(reduction) to Government funds	17,838	(2,436)
Opening Government funds at 1 April	152,112	154,548
Before deducting prior period adjustment of	<u>0</u>	<u>0</u>
<b>Closing Government funds</b>	<b><u>169,950</u></b>	<b><u>152,112</u></b>

**23.2 Movements in public dividend capital**

	2005-06	
	£000	£000
At 1 April 2006	97,350	103,006
New PDC issued in year	5,984	0
PDC due but not issued	0	0
PDC repaid in year	0	(5,489)
PDC repayable	<u>0</u>	<u>(167)</u>
<b>At 31 March 2007</b>	<b><u>103,334</u></b>	<b><u>97,350</u></b>

## 24. Financial performance targets

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

	2005-06	
<b>24.1 Breakeven</b>	<b>£'000</b>	<b>£'000</b>
Target retained surplus	0	0
Actual retained deficit	(88)	18
Variance	<u>88</u>	<u>(18)</u>

**The Trust has broken even in 2006-07.**

The variance of £88k is within the materiality threshold determined by the Welsh Assembly Government for the achievement of the breakeven duty. The deficit has been offset against the I & E reserve brought forward.

	31 March		
<b>24.2 External financing</b>	<b>2006</b>		
<b>The Trust is given an external financing limit which it is permitted to undershoot</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
External financing limit set by the Assembly		5,811	(5,495)
Cash flow financing	6,345		(5,259)
Finance leases taken out in the year	0		0
Other capital receipts	(534)		(236)
External financing requirement		<u>5,811</u>	<u>(5,495)</u>
Undershoot (overshoot)		<u>0</u>	<u>0</u>

**The Trust has achieved its external financing limit.**

### 24.3 Creditor payment

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

	<b>2006-07</b>	2005-06
Total number of non-NHS bills paid	52,032	52,454
Total number of non-NHS bills paid within target	51,196	51,768
Percentage of non-NHS bills paid within target	98.4%	98.7%

**The Trust has met the target.**

## 25. Related Party transactions

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

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

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

	INCOME RECEIVED/DUE £000 2006-07	INCOME RECEIVED/DUE £000 2005-06
Welsh Assembly Government	5,105	8,317
Health Commission Wales	1,233	438
Bro Morgannwg NHS Trust	1,027	724
North Glamorgan NHS Trust	1,554	1,447
Velindre NHS Trust	1,135	1,078
Bridgend Local Health Board	2,607	2,413
Caerphilly Local Health Board	1,181	1,039
Cardiff Local Health Board	2,331	1,867
Merthyr Local Health Board	1,648	1,136
Rhondda Cynon Taff Local Health Board	150,109	137,528
Vale of Glamorgan Local Health Board	1,131	888
<b>TOTAL</b>	<b><u>169,061</u></b>	<b><u>156,875</u></b>

The Trust has also received revenue and capital payments from Pontypridd & Rhondda NHS Trust Charitable Funds totalling £0.353m ( £0.376m in 2005-06) the Trustees for which are also members of the Trust Board.

**26. Other/ Private finance transactions**

	2005-06	
	<b>£000</b>	£000
<b>26.1 The Trust has one PFI operational scheme deemed to be <u>off-balance</u> sheet</b>		
Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross	<b>248</b>	243
Amortisation of PFI deferred asset	<b>(29)</b>	<b>(28)</b>
Net charge to operating expenses	<b>219</b>	<b>215</b>

As a result of the District Valuer's valuation of the Trust Estate as at 30th September 2002 a residual value of £1.1 million has been attributed to the Royal Glamorgan staff residences which may revert to the Trust at the end of the contract. The Trust is therefore building up a residual asset over the remaining life of the contract and this has resulted in a reduction to the charge to operating expenses of £28,726.

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

	<b>£000</b>	£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)	<b>237</b>	233
Years 26-30 (inclusive)		

Estimated capital value of the PFI scheme	<b>£000</b>	
	<b>2,521</b>	
Contract start date:	<b>09/10/1998</b>	
Contract end date:	<b>21/09/2028</b>	

**Scheme Description**

The scheme covers the design, build, financing and operation of staff accommodation on the Royal Glamorgan Hospital site. The Trust entered into a project agreement with Charter Housing Association on the 9th October 1998.

**26.2 The Trust has no PFI operational schemes deemed to be on-balance sheet****26.3 The Trust has no Public Private Partnerships**



## 27. Third party assets

The Trust held £62,349 cash at bank and in hand at 31 March 2007 (31 March 2006: £34,634) which relates to monies held by the Trust on behalf of patients. The Trust also opened accounts in the name of individual patients, the balance of these accounts being £24,708 as at 31 March 2007 (£24,158 as at 31 March 2006). This has been excluded from cash at bank and in hand reported in these accounts.

## 28. Financial instruments

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

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

### Liquidity Risk

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

### Interest-rate risks

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

### Foreign currency risk

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

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

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

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

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

## 29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
<b>2006-07:</b>				
National Assembly for Wales	218	0	0	0
Welsh Local Health Boards	1,173	0	250	0
Welsh NHS Trusts	3,399	0	316	0
Health Commission Wales	43	0	0	0
All English Health Bodies	152	0	1,666	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	2	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-23	0		
Sub total	<u>4,964</u>	<u>0</u>	<u>2,232</u>	<u>0</u>
Other Central Government Bodies				
Other Government Departments	1	0	1	0
Revenue & Customs	205	0	2,783	0
Local Authorities	413	0	35	0
Balances with Public Corporations and trading funds	0	0	54	0
Balances with bodies external to Government	1,491	283	8,816	0
<b>TOTAL</b>	<b><u>7,074</u></b>	<b><u>283</u></b>	<b><u>13,921</u></b>	<b><u>0</u></b>
<b>2005-06:</b>				
National Assembly for Wales	537	0	167	0
Welsh Local Health Boards	873	0	341	0
Welsh NHS Trusts	1,358	0	230	0
Health Commission Wales	61	0	0	0
All English Health Bodies	39	0	1,519	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-99	0		
Sub total	<u>2,769</u>	<u>0</u>	<u>2,257</u>	<u>0</u>
Other Central Government Bodies				
Other Government Departments	0	0	1	0
Revenue & Customs	162	0	2,608	0
Local Authorities	243	0	31	0
Balances with Public Corporations and trading funds	0	0	0	0
Balances with bodies external to Government	1,317	297	6,328	6
<b>TOTAL</b>	<b><u>4,491</u></b>	<b><u>297</u></b>	<b><u>11,225</u></b>	<b><u>6</u></b>

Prior year figures for 2005-06 have been restated to reflect the reclassification of £592k Welsh Risk Pool Debtor from Balances with bodies external to Government to Welsh NHS Trusts.

### **30. Pooled budgets**

The Trust has no pooled budgets.

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

The National Assembly for Wales has 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 : 25th June 2007

Chief Executive : Mrs. M S Foster

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

The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The National Assembly for Wales, 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 Assembly 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 Assembly.

**By Order of the Board**

**Signed:**

Date : 25th June 2007

Chairman : Professor Sir Adrian Webb

Date : 25th June 2007

Chief Executive : Mrs. M S Foster

Date : 25th June 2007

Director of Finance : Mr. D H Lewis

## STATEMENT ON INTERNAL CONTROL

### 1. Scope of responsibility

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

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

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

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

### 3. Capacity to handle risk

The Risk Management process is led at Executive level and the Audit, Clinical Governance and Risk Management Committees are formal Committees of the Board. The Trust ensures that it receives competent advice on its arrangements for the management of risk and other systems of internal control.

The Trust's policy statement, which is prominently displayed throughout the organisation, reiterates the principle that the successful management of risk depends upon the commitment of staff at all levels, and the development of a culture of openness within a learning environment is an important factor. The respective levels of accountability for Directors, Managers, and staff are clearly specified in the Corporate Strategy, and in individual Directorate Policies.

Awareness of risks and the need to manage them is increasingly becoming integral to the routine activities of the Trust, and this is encouraged through ongoing training programmes, and the utilisation of risk factors in activities such as resource allocation and the system adopted for monitoring performance management.

The Trust is mindful that risks may impact on its stakeholders, and that risk management is not simply determined by internal factors. The Trust is committed to working in partnership with its stakeholders, and is cognisant of its responsibilities as a member of the wider NHS Community.

### 4. The risk and control framework

The result of the current year's assessment of the core Welsh Risk Management Standards is consistent with the achievements of previous years, and a reflection of organisation wide compliance with best practice.

Risk Management Policy and Strategy	100%
Risk Profile	100%
Incident and Hazard Reporting	94%
Governance	100%
Financial Management	99%

The Trust has through its management arrangements developed an infrastructure within which it can identify and manage risks that may otherwise affect the corporate body, its patients and staff:

- The Risk Management Strategy sets out the organisational arrangements for managing risk, and incorporates the Trusts Risk Management Goals.
- Directors, clinical and non-clinical managers, supervisors and staff have, or are receiving training relevant to their level of responsibility.
- Specialist staff are available to provide advice in managing clinical and non-clinical risks.

The comprehensive approach to the identification of risks includes the use of systematic proactive risk assessments, hazard and incident reports, complaints and claims outcomes, and the activities of Working Groups. The use of Risk Registers to catalogue risks and manage risk reduction plans is increasing and is monitored via reports to the Risk Management Committee.

The process outlined in the Risk Management Strategy, is applied to a broad spectrum of risk, ranging from actual or potential impact on the individual, statutory duty, business/operational, buildings/engineering/environmental/quality & finance; each being assessed and evaluated using a common methodology.

During the year the Risk Management Committee received and endorsed a comprehensive profile of the Trust's risk status across each of these areas; the profile detailed the potential risks to the organisation, the current degree of control, a perception of residual risk, and the additional actions required to further reduce the presenting risks.

The Trust Board receives assurance on the management of risk via; the Performance Management and Balanced Scorecards it receives; the reports of the Chair of the Risk Management Committee and the Annual Risk Management & Health and Safety Report.

The Trust has established a Project with the aim of: simplifying both the risk assessment and incident reporting systems which will be accessible to all staff via SharePoint and sharing information on a Trustwide basis.

## 5. Electronic Staff Record

During 2006-07 the Trust, as part of a Wales wide roll out, implemented a new payroll system, the 'Electronic Staff Record' (ESR), which went 'live' in November 2006. However there have been problems with the system in 2006/07, the main issues being:

Overall system performance

System errors, including:

- duplicate payments
- some instances of National Insurance and Tax being incorrectly calculated
- difficulties in producing P11Ds, and
- problems reconciling the Financial Ledger and PANISU figures

Despite these problems, audit work undertaken by Internal Audit and Wales Audit Office on the ESR system, does not indicate that any material errors have occurred as a result. In addition, to mitigate the control weaknesses and associated risks, the Trust has undertaken manual reconciliations in addition to considerable manual checking both before and after payroll runs reconciling total system values and individual payslips.

The Trust continues to liaise with ESR IT support to resolve the problems.

## 6. Review of effectiveness

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

The scrutiny of these arrangements is in part informed through the internal mechanisms already referred to, but also through the independent and impartial views and opinions expressed by a range of bodies which are external to the Trust.

These include:

- Wales Assembly Government
- External Audit
- Audit Commission
- Welsh Risk Pool
- Health Inspectorate Wales
- Accreditation Bodies, e.g. Pathology
- Health & Safety Executive
- Mental Health Act Commission
- Royal Colleges and other Academic bodies

The Trust Board is informed by its Executive Directors, its formal Committees, and by the External Auditor. The Board takes particular assurance from the detailed scrutiny given by its Audit Committee, which is in turn advised by both internal and external audit. The two additional newly constituted Committees covering Risk Management and Clinical Governance will also contribute towards informing and providing the Board, and myself with assurance on the effectiveness of the systems of internal control.

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

Date : 25th June 2007



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

I certify that I have audited the financial statements on pages 1 to 35 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 6 to 12.

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

**Respective responsibilities of Directors, the Chief Executive and Auditor**

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

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and part of the remuneration report to be audited are properly prepared in accordance with the National Health Service Act 1977 and Welsh Ministers' directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Trust has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 38 to 40 reflects the Trust's compliance with the Treasury and Welsh Ministers' guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

**Basis of audit opinion**

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

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

### **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Pontypridd & Rhondda NHS Trust as at 31 March 2007 and of its deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Welsh Ministers;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Welsh Ministers; and
- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

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

Jeremy Colman  
Auditor General for Wales  
27th June 2007

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

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

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

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

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

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

**FORM OF ACCOUNTS**

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

**ACCOUNTS OF THE TRUST**

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

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

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

a. the accounting and disclosure requirements of the Companies Act. The disclosure exemptions permitted by the Companies Act will not apply unless specifically authorised by the Assembly with the approval of the Treasury;

b. best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board, with the exception of the requirement contained in FRS 3 for the inclusion of a note showing historical cost profits and losses;

c. all relevant guidance given in "Government Accounting" and in "Trading Accounts: A Guide for the Government Departments and Non-Departmental Public Bodies" and in "The NHS Trust Manual for Accounts":

d. any disclosure and accounting requirements which the Assembly or Treasury may issue from time to time;

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

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

Signed by the authority of the National Assembly for Wales

Member of the Senior Civil Service  
**National Assembly for Wales**

## **SCHEDULE**

### **Foreword**

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

### **Income and Expenditure Account and Balance Sheet**

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

### **Cash Flow Statement**

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

### **Notes to the Account**

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