

**ANNUAL ACCOUNTS  
2005-06**

# Pembrokeshire and Derwen NHS Trust

## **Foreword**

These accounts for the year ended 31 March 2006 have been prepared by the Pembrokeshire and Derwen 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 functions of the Trust are the provision of acute and community services to Pembrokeshire and mental health and learning disability services to Carmarthenshire, Ceredigion and Pembrokeshire.

**INCOME AND EXPENDITURE FOR THE YEAR ENDED  
31 MARCH 2006**

	Note	£000	2004-05 £000
<b>Income from activities</b>	3	<b>117,011</b>	110,975
<b>Other operating income</b>	4	<b>5,535</b>	5,304
<b>Total income</b>		<b>122,546</b>	116,279
<b>Operating expenses</b>	5	<b>(123,265)</b>	(116,909)
<b>Operating surplus/(deficit)</b>		<b>(719)</b>	(630)
Costs of fundamental reorganisation/restructuring		<b>0</b>	0
Profit/(loss) on disposal of fixed assets	8	<b>(21)</b>	(26)
<b>Surplus/(deficit) before interest</b>		<b>(740)</b>	(656)
Interest receivable		<b>311</b>	301
Interest payable	9	<b>6</b>	8
Other finance costs	16	<b>(40)</b>	(35)
<b>Surplus/(deficit) for the financial year</b>		<b>(463)</b>	(382)
Public Dividend Capital dividends payable		<b>(2,029)</b>	(1,908)
<b>Retained surplus/(deficit) for the year</b>	17	<b>(2,492)</b>	(2,290)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2006**

		2004-05
	Note	£000
Surplus/(deficit) for the financial year before dividend payments		(382)
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	1,160
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	124
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(57)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<hr/>
Total recognised gains and losses for the financial year		845
Prior period adjustment	17	0
		<hr/>
<b>Total gains and losses recognised in the financial year</b>		<b>1,038</b>
		<hr/>

**BALANCE SHEET AS AT 31 MARCH 2006**

			31 March	
				2005
	Note	£000	£000	£000
<b>Fixed assets</b>				
Intangible assets	10	54		13
Tangible assets	11	77,654		69,232
			<u>77,708</u>	<u>69,245</u>
<b>Current assets</b>				
Stocks and work-in-progress	12	1,665		1,495
Debtors	13	5,545		8,025
Investments	14	0		0
Cash at bank and in hand	18.3	884		910
<b>Total current assets</b>			<u>8,094</u>	<u>10,430</u>
Creditors: amounts falling due within 1 year	15		<u>(9,304)</u>	<u>(8,675)</u>
<b>Net current assets/(liabilities)</b>			<u>(1,210)</u>	<u>1,755</u>
<b>Total assets less current liabilities</b>			<b>76,498</b>	71,000
Creditors: amounts falling due after more than one year	15		<b>(11,538)</b>	(11,065)
Provisions for liabilities and charges	16		<u>(3,591)</u>	<u>(3,577)</u>
<b>Total assets employed</b>			<u><b>61,369</b></u>	<u>56,358</u>
<b>Financed by:</b>				
<b>Taxpayer's equity</b>				
Public dividend capital	23.2		<b>54,763</b>	48,761
Revaluation reserve	17		<b>16,819</b>	15,315
Donated asset reserve	17		<b>352</b>	355
Government grant reserve	17		<b>0</b>	0
Other reserves	17		<b>0</b>	0
Income and expenditure reserve	17		<u>(10,565)</u>	<u>(8,073)</u>
<b>Total taxpayer's equity</b>			<u><b>61,369</b></u>	<u>56,358</u>

Signed on behalf of the Board on 29 June 2006

Chairman: LJ George

Chief Executive K Thomson

Adopted by the Board on 29 June 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006**

	Note	£000	£000	2004-05 £000
<b>Operating activities</b>				
Net cash inflow from operating activities	18.1		<b>5,316</b>	2,940
<b>Returns on investments and servicing of finance</b>				
Interest received		<b>309</b>		309
Interest paid		<b>0</b>		0
Interest element of finance leases		<b>6</b>		8
			<b>315</b>	317
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>				
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		<b>(10,164)</b>		(7,144)
Receipts from sale of tangible fixed assets		<b>2</b>		47
Payments to acquire/ receipts from sale of intangible assets		<b>(17)</b>		(13)
			<b>(10,179)</b>	(7,110)
<b>Net cash inflow/(outflow) from capital expenditure</b>				
Public dividend capital dividends paid			<b>(2,022)</b>	(2,311)
<b>Management of liquid resources</b>				
Purchase of current asset investments		<b>0</b>		0
Sale of investments		<b>0</b>		0
			<b>0</b>	0
<b>Net cash inflow/(outflow) from management of liquid resources</b>				
<b>Net cash inflow/(outflow) before financing</b>				
			<b>(6,570)</b>	(6,164)
<b>Financing</b>				
Public dividend capital received		<b>6,479</b>		1,771
Public dividend capital repaid (not previously accrued)		<b>(477)</b>		0
Public dividend capital repaid (accrued in previous period)		<b>0</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>500</b>		2,444
Loan advances/brokerage repaid		<b>0</b>		0
Other capital receipts		<b>72</b>		124
Capital element of finance leases		<b>(30)</b>		(32)
			<b>6,544</b>	4,307
<b>Net cash inflow/(outflow) from financing</b>				
<b>Increase/(decrease) in cash</b>	18.2		<b>(26)</b>	(1,857)

## 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 Draft Capital Accounting Manual, however these may be varied with approval of the Assembly. 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 cost 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 cost 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 income is received from a non-NHS body for a specific activity which is to be delivered in the following financial year, that income is deferred. However, income from other NHS bodies cannot be 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 £5,000 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 Trust's estate.

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

## **iii. Depreciation**

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

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



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

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

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale. Useful asset lives are not included in the proforma accounts and should be included, 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 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.

### **1.7 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 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.

### **1.10 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.

### **1.11 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.

### **1.12 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.

### **1.13 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. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

### **1.14 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.

### **1.15 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 special payments 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.

#### **1.16 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 2005-06 was £8,996,442 (£8,429,886 for 2004-05).

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. 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 NHS pensions Agency 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 contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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

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

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

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

#### **1.17 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.

#### **1.18 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.

#### **1.19 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.

#### **1.20 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.

#### **1.21 Public Dividend Capital Dividends**

A charge, reflecting the 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 average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General.

#### **1.22 Pooled budgets**

The Trust has no pooled budgets.

## **2. Segmental reporting**

[The Trust has no business segments as defined in SSAP25 - Segmental Reporting.](#)

3. Income from activities	2004-05	
	£000	£000
Local health boards	110,890	103,663
Health Commission Wales	2	10
NHS trusts	1,057	403
Strategic health authorities and primary care trusts	0	0
Foundation Trusts	0	0
Local authorities	1,024	676
National Assembly for Wales	3,273	5,471
Non NHS:		
Private patient income	42	38
Overseas patients (non-reciprocal)	9	16
Road Traffic Act charges	255	206
Other income from activities	459	492
<b>Total</b>	<b>117,011</b>	<b>110,975</b>

RTA income is subject to a provision for doubtful debts of 8.7% to reflect expected rates of collection.

Income from National Assembly for Wales includes £nil (2004-05 £nil ) in respect of a funding adjustment to off-set the effect of FRS11 on the accounts.

4. Other operating income	2004-05	
	£000	£000
Patient transport services	55	46
Education, training and research	2,253	2,237
Charitable and other contributions to expenditure	477	402
Transfer from the donated asset reserve	82	57
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	202	69
Other income:		
Provision of laundry, pathology, payroll services	162	448
Accommodation and catering charges	650	707
Mortuary fees	29	25
Staff payments for use of cars	166	171
Business unit (please state)	0	0
Other	1,459	1,142
<b>Total</b>	<b>5,535</b>	<b>5,304</b>

Other income includes the following:

Staff secondments and recharges	885	863
Contributions from clients	364	88
Welfare foods	40	49

## 5. Operating expenses

### 5.1 Operating expenses comprise

	£000	2004-05 £000
Goods and services from other NHS bodies	2,711	2,258
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	164	128
Directors' costs	726	448
Staff costs	94,591	88,808
Supplies and services - clinical	10,483	10,766
Supplies and services - general	1,566	1,730
Establishment	3,508	3,717
Transport	188	172
Premises	4,312	4,558
Depreciation and amortisation	3,215	2,890
Fixed asset impairments and reversals	0	0
Audit fees	136	133
Other auditors' remuneration	0	1
Losses, special payments and irrecoverable debts	495	465
Other operating expenses	1,170	835
<b>Total</b>	<b>123,265</b>	<b>116,909</b>

Staff costs includes a charge in respect of actual and expected costs of Agenda for Change for the period 1 October 2004 to 31 March 2006. Agenda for Change is standardised pay bands for the majority of staff working in the NHS and has been implemented by the Trust during the current financial year.

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

	£000	2004-05 £000
<b>Increase/decrease in provision for future payments:</b>		
Clinical negligence	392	1,115
Personal injury	270	236
All other losses and special payments	79	68
Defence legal fees and other administrative costs	3	5
Gross increase/decrease in provision for future payments	744	1,424
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	2	0
Irrecoverable debts	(204)	23
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(47)</b>	<b>(982)</b>
<b>Total charge</b>	<b>495</b>	<b>465</b>

Personal injury includes £217,901 (2004-05 £109,749) in respect of permanent injury benefits

Contributions to the Welsh Risk Pool have not been payable directly by Trusts since 1 April 2004.

### 5.3 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2004-05 £000	£000	2004-05 £000
Operating leases which expire:				
Within 1 year	0	0	143	100
Between 1 and 5 years	0	0	207	208
After 5 years	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>350</b>	<b>308</b>

Operating expenses include £804,155 for operating lease rentals (2004-05 £504,028).  
and £80,999 for hire of plant/machinery (2004-05 £77,798).

### 5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2004-05 £000
Non-executive directors' remuneration	80	0	80	78
Executive directors' remuneration:				
basic salaries	357	212	569	424
benefits	1	1	2	3
performance related bonuses	0	0	0	0
pension contributions paid	41	24	65	55
Sub-total	479	237	716	560
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>479</b>	<b>237</b>	<b>716</b>	<b>560</b>

No performance related bonuses were paid to any Director of the Trust during the financial year 2005-06.

No remuneration was waived by directors and no allowances were paid in lieu.

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

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

	Remuneration as director £000	Other remuneration £000	Total £000	2004-05 £000
<b>Chairman</b>				
Basic remuneration	39	0	39	35
Benefits	2	0	2	1
	<u>41</u>	<u>0</u>	<u>41</u>	<u>36</u>
<b>Chief Executive</b>				
Basic salaries	162	0	162	91
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>162</u>	<u>0</u>	<u>162</u>	<u>91</u>
Pension contributions	16	0	16	13
	<u>178</u>	<u>0</u>	<u>178</u>	<u>104</u>
<b>Highest paid director*</b>				
Basic salaries	25	144	169	114
Benefits	0	1	1	2
Performance related bonuses	0	0	0	0
	<u>25</u>	<u>145</u>	<u>170</u>	<u>116</u>
Pension contributions	3	15	18	16
<b>Total</b>	<u>28</u>	<u>160</u>	<u>188</u>	<u>132</u>

\* where the chief executive was not the highest paid director during the financial year 2005-06.

The post of Chief Executive was held by two individuals during the 2005-06 financial year, remuneration is disclosed as follows;

	Remuneration as director £000	Other remuneration £000	Total £000
<b>Mr F O'Sullivan</b>			
<b>Chief Executive to 30 June 2005</b>			
Basic salaries	70	0	70
Benefits	0	0	0
Performance related bonuses	0	0	0
	<u>70</u>	<u>0</u>	<u>70</u>
Pension contributions	3	0	3
	<u>73</u>	<u>0</u>	<u>73</u>
<b>Mrs M Hodgeon</b>			
<b>Acting Chief Executive from 1 March 2005</b>			
Basic salaries	92	0	92
Benefits	0	0	0
Performance related bonuses	0	0	0
	<u>92</u>	<u>0</u>	<u>92</u>
Pension contributions	13	0	13
	<u>105</u>	<u>0</u>	<u>105</u>



## 6. Employee costs and numbers

6.1 Employee costs	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2004-05
	£000	£000	£000	£000	£000
Salaries and wages	77,038	451	2,812	80,301	75,248
Social security costs	5,831	0	0	5,831	5,263
Pension costs	8,996	0	0	8,996	8,430
Other pension costs	108	0	0	108	235
<b>Total</b>	<b>91,973</b>	<b>451</b>	<b>2,812</b>	<b>95,236</b>	<b>89,176</b>

During the year salaries of £218,585 (2004-05, £220,384) were capitalised and are not included above.

### 6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2004-05
	Number	Number	Number	Number	Number
Medical and dental	220	3	11	234	219
Ambulance staff	0	0	0	0	0
Administrative and estates	546	0	0	546	501
Healthcare assistants and other support staff	537	0	0	537	522
Nursing, midwifery and health visiting staff	1,173	0	15	1,188	1,211
Nursing, midwifery and health visiting learners	23	0	0	23	27
Scientific, therapeutic and technical staff	386	1	2	389	387
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
<b>Total</b>	<b>2,885</b>	<b>4</b>	<b>28</b>	<b>2,917</b>	<b>2,867</b>

### 6.3 Employee benefits

The Trust does not have an employee benefit scheme.

6.4 Trust management costs	2004-05		2004-05	
	£000	Percentage of total income	£000	Percentage of total income
Trust management costs	5,115	4.2%	4,880	4.2%
Income	122,546		116,279	

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 2005-06 (prior year 2004-05) there were 10 (12) 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 Pension Scheme) will be £295,785 (£836,189).

### 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	2004-05 £000
<b>NHS</b>			
Total bills paid 2005-06	1,564	5,435	4,095
Total bills paid within target	1,422	4,922	3,635
Percentage of bills paid within target	90.9%	90.6%	88.8%
<b>Non-NHS</b>			
Total bills paid 2005-06	46,061	39,148	30,788
Total bills paid within target	43,811	37,821	29,007
Percentage of bills paid within target	95.1%	96.6%	94.2%
<b>Total</b>			
Total bills paid 2005-06	47,625	44,583	34,883
Total bills paid within target	45,233	42,743	32,642
Percentage of bills paid within target	95.0%	95.9%	93.6%

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

	2004-05 £	2004-05 £
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:

	2004-05 £000	£000
Profit on disposal of land and buildings	0	0
Loss on disposal of land and buildings	(17)	0
Profit on disposal of plant and equipment	2	0
Loss on disposal of plant and equipment	(6)	(26)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
	<u>(21)</u>	<u>(26)</u>

## 9. Interest payable

	2004-05 £000	£000
Government borrowing	0	0
Finance leases and PFI schemes	(6)	(8)
Other	0	0
	<u>(6)</u>	<u>(8)</u>

## 10. Intangible fixed assets

	Software licences £000	Licences and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2005	13	0	0	0	13
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	29	0	0	0	29
Other revaluations	0	0	0	0	0
Additions	17	0	0	0	17
Disposals	0	0	0	0	0
Gross cost at 31 March 2006	<u>59</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>59</u>
Accumulated amortisation at 1 April 2005	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	5	0	0	0	5
Disposals	0	0	0	0	0
Accumulated amortisation 31 March 2006	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
Net book value at 1 April 2005	<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13</u>
<b>Net book value at 31 March 2006</b>	<b><u>54</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>54</u></b>

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

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account		Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				£000	£000					
At 1 April 2005	4,911	59,509	1,285	3,493	11,227	66	2,540	68	<b>83,099</b>	
Indexation	235	1,158	22	85	237	1	54	2	<b>1,794</b>	
Additions										
- purchased	7	1,523	0	7,758	353	9	435	0	<b>10,085</b>	
- donated	0	0	0	0	72	0	0	0	<b>72</b>	
- government granted	0	0	0	0	0	0	0	0	<b>0</b>	
Reclassifications	891	2,674	(262)	(3,595)	263	0	0	0	<b>(29)</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	0	0	0	(1,185)	(28)	(723)	(33)	<b>(1,969)</b>	
<b>At 31 March 2006</b>	<b>6,044</b>	<b>64,864</b>	<b>1,045</b>	<b>7,741</b>	<b>10,967</b>	<b>48</b>	<b>2,306</b>	<b>37</b>	<b>93,052</b>	
<b>Depreciation</b>										
At 1 April 2005	0	4,296	97	0	7,446	60	1,900	68	<b>13,867</b>	
Indexation	0	80	2	0	157	1	41	2	<b>283</b>	
Reclassifications	0	(212)	(20)	232	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	0	0	0	(1,178)	(28)	(723)	(33)	<b>(1,962)</b>	
Provided during the year	0	2,131	33	0	946	1	99	0	<b>3,210</b>	
<b>At 31 March 2005</b>	<b>0</b>	<b>6,295</b>	<b>112</b>	<b>232</b>	<b>7,371</b>	<b>34</b>	<b>1,317</b>	<b>37</b>	<b>15,398</b>	
<b>Net book value</b>										
at 1 April 2005	4,911	55,213	1,188	3,493	3,781	6	640	0	<b>69,232</b>	
<b>Net book value</b>										
<b>at 31 March 2006</b>	<b>6,044</b>	<b>58,569</b>	<b>933</b>	<b>7,509</b>	<b>3,596</b>	<b>14</b>	<b>989</b>	<b>0</b>	<b>77,654</b>	
<b>Net book value of assets held under finance leases and hire purchase contracts</b>										
<b>Total</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42</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>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>	

Of the totals at 31 March 2006, £nil related to land valued at open market value and £nil related to buildings, installations and fittings valued at open market value.

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

**11.2 Fixed asset investments at the balance sheet included in fixed assets comprise:**

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

<b>11.3 The net book value of land and buildings at the balance sheet date comprise:</b>	31 March 2005	
	<b>£000</b>	£000
Freehold	<b>65,504</b>	61,238
Long leasehold	<b>0</b>	0
Short leasehold	<b>42</b>	74
<b>Total</b>	<b>65,546</b>	<b>61,312</b>

<b>12. Stocks and work-in-progress</b>	31 March 2005	
	<b>£000</b>	£000
Raw materials and consumables	<b>1,665</b>	1,495
Work-in-progress	<b>0</b>	0
Finished processed goods	<b>0</b>	0
<b>Total</b>	<b>1,665</b>	<b>1,495</b>

<b>13. Debtors</b>	31 March 2005	
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Welsh Risk Pool	<b>982</b>	1,678
NHS debtors	<b>2,052</b>	4,344
PDC dividend debtors	<b>345</b>	352
Other debtors	<b>1,591</b>	1,585
Provision for irrecoverable debts	<b>(119)</b>	(323)
Other prepayments and accrued income	<b>694</b>	389
Sub-total	<b>5,545</b>	8,025
<b>Amounts falling due after more than one year:</b>		
Welsh Risk Pool	<b>0</b>	0
NHS debtors	<b>0</b>	0
Other prepayments and accrued income	<b>0</b>	0
Other debtors	<b>0</b>	0
Sub-total	<b>0</b>	0
<b>Total</b>	<b>5,545</b>	<b>8,025</b>

**14. Investments**

	31 March 2005	
	£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 2005	
	£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	0	0
NHS creditors	2,481	1,812
Non-NHS trade creditors - revenue	1,025	822
Non-NHS trade creditors - capital	587	328
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	1,795	1,181
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	27	29
Obligations under PFI schemes	0	0
Other creditors - superannuation	0	0
Other creditors - all other creditors	1,545	2,231
Accruals	1,404	2,152
Deferred income	440	120
Sub-total	<b>9,304</b>	<b>8,675</b>
<b>Amounts falling due after more than one year:</b>		
Loan advance/brokerage	11,538	11,038
Obligations under finance leases and hire purchase contracts	0	27
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>11,538</b>	<b>11,065</b>
<b>Total</b>	<b>20,842</b>	<b>19,740</b>

NHS Creditors include £1,151,686 outstanding pensions contributions at 31 March 2006 (£1,053,879 at 31 March 2005).

Other creditors - all other creditors include £714,442 in respect of arrears of pay due to staff who have been assimilated to Agenda for Change pay bands.

**15.2 Loan advance/strategic assistance funding**

31 March  
2005

<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	8,238	8,238
In five years or more	3,300	2,800
Sub-total	<u>11,538</u>	<u>11,038</u>
Wholly repayable within five years	8,238	8,238
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	3,300	2,800
Sub-total	<u>11,538</u>	<u>11,038</u>
Total repayable after five years by instalments	3,300	2,800

**Details of loan/brokerage:**

A PDC Loan Advance of £2.8m was received from the former Welsh Office in March 1998. This loan will be written off by the Welsh Assembly Government when the Trust has achieved breakeven for two consecutive years without strategic assistance funding.

A loan of £2.444m was received from the Assembly in March 2003, further loan of £3.350m from the Assembly in the 2003-04 financial year and further loan of £2.444m from the Assembly in the 2004-05 financial year. These loans are to be repaid by 31 March 2009 under the terms of the existing Recovery Plan.

In the current financial year the Trust received a PDC Loan Advance of £0.5m from the Assembly. The terms of repayment have not yet been agreed.

**15.3 Finance lease obligations**

31 March  
2005

<b>Payable:</b>	<b>Total £000</b>	<b>£000</b>
Within one year	24	24
Between one and two years	0	24
Between two and five years	0	0
After five years	0	0
Sub-total	<u>24</u>	<u>48</u>
Less finance charges allocated to future periods	3	8
<b>Total</b>	<u>27</u>	<u>56</u>

**15.4 Finance lease commitments**

The Trust has not entered into any contracts to lease assets under a finance lease during the financial year.

## 16. Provisions for liabilities and charges

	At 1 April 2005 £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 2006 £000
Clinical negligence	1,276	0	0	1,020	(628)	(1,099)	0	569
Personal injury	1,295	0	0	338	(68)	(132)	40	1,473
All other losses and special payments	0	0	0	79	0	(45)	0	34
Defence legal fees and other administration	146	0	0	112	(109)	(54)		95
<b>Sub-total</b>	<b>2,717</b>	<b>0</b>	<b>0</b>	<b>1,549</b>	<b>(805)</b>	<b>(1,330)</b>	<b>40</b>	<b>2,171</b>
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	240			82	(215)	(20)	0	87
Restructurings	0			0	0	0		0
Other	620			1,333	(566)	(54)		1,333
<b>Total</b>	<b>3,577</b>	<b>0</b>	<b>0</b>	<b>2,964</b>	<b>(1,586)</b>	<b>(1,404)</b>	<b>40</b>	<b>3,591</b>

### Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	569	0	0	569
Personal injury	217	230	1,026	1,473
All other losses and special payments	34	0	0	34
Defence legal fees and other administration	79	16	0	95
Pensions - former directors	0	0	0	0
Pensions - other staff	82	0	5	87
Restructuring	0	0	0	0
Other	1,333	0	0	1,333
<b>Total</b>	<b>2,314</b>	<b>246</b>	<b>1,031</b>	<b>3,591</b>

Provisions arising during the year includes £190,712 relating to the change in discount rate from 3.5% to 2.2% on the 1 April 2005.

The Trust estimates that in 2006-07 it will receive £488,489 and in 2007-08 and beyond £ nil from the Welsh Risk Pool in respect of the losses and special payments (including clinical negligence).

Other provisions includes £1,324,706 in respect of the expected pay costs of staff that have yet to be assimilated to Agenda for Change bay bands. The Trust has received additional income towards the cost of Agenda for Change from the Assembly and local health boards. Payments to staff will be made in 2006-07.



## 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 2005 as previously stated	15,315	355	0	0	(8,073)	7,597
Prior period adjustment					0	0
At 1 April 2005 as restated	15,315	355	0	0	(8,073)	7,597
Transfer from income and expenditure account					(2,492)	(2,492)
Impairments	0	0	0			0
Surplus / (deficit) on revaluation / indexation of fixed assets	1,504	7	0			1,511
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		72	0			72
Depreciation, impairment and disposal of donated/government granted assets		(82)	0			(82)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
<b>At 31 March 2006</b>	<b>16,819</b>	<b>352</b>	<b>0</b>	<b>0</b>	<b>(10,565)</b>	<b>6,606</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>	2004-05 £000
Total operating surplus/(deficit)	<b>(719)</b>	(630)
Depreciation charge	<b>3,215</b>	2,890
Fixed asset impairment and reversals	<b>0</b>	0
Transfer from the donated asset reserve	<b>(82)</b>	(57)
Transfer from the government grant reserve	<b>0</b>	0
(Increase)/decrease in stocks	<b>(170)</b>	7
(Increase)/decrease in debtors	<b>2,137</b>	(3,113)
Increase/(decrease) in creditors	<b>921</b>	2,896
Increase/(decrease) in provisions	<b>14</b>	947
<b>Net cash inflow from operating activities before restructuring costs</b>	<b>5,316</b>	2,940
Payments in respect of fundamental reorganisation/restructuring	<b>0</b>	0
<b>Net cash inflow from operating activities</b>	<b>5,316</b>	2,940

<b>18.2 Reconciliation of net cash flow to movement in net debt</b>	<b>£000</b>	2004-05 £000
Increase/(decrease) in cash in the period	<b>(26)</b>	(1,857)
Cash inflow from new debt	<b>0</b>	0
Cash inflow from loan advance/brokerage	<b>(500)</b>	(2,444)
Cash outflow from debt repaid and finance lease capital payments	<b>30</b>	32
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<b>0</b>	0
<b>Change in net debt resulting from cash flows</b>	<b>(496)</b>	(4,269)
Non-cash changes in debt	<b>0</b>	0
Net debt at 1 April	<b>(10,185)</b>	(5,916)
<b>Net debt at 31 March</b>	<b>(10,681)</b>	(10,185)

### 18.3 Analysis of changes in net debt

	At 1 April 2005 £000	Cash flows £000	Non-cash changes £000	At 31 March 2006 £000
Cash at OPG bank	600	(63)		537
Cash at commercial bank and in hand	310	37		347
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	(11,038)	(500)	0	(11,538)
Finance leases	(57)	30	0	(27)
Current asset investments	0	0	0	0
	<b>(10,185)</b>	<b>(496)</b>	<b>0</b>	<b>(10,681)</b>

### 19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £ 2,718,136 (and in 2004-05 were £ 8,495,687 ).

### 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 2005-06 accounts for the following amounts:	£000	31 March 2005 £000
Legal claims for alleged medical or employer negligence	2,501	7,516
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	<b>2,501</b>	<b>7,516</b>
Amount recovered under insurance arrangements in the event of these claims being successful	<b>(1,674)</b>	<b>(6,626)</b>
Net contingent liability	<b>827</b>	<b>890</b>

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.

## 22. 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 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	24	1,098,442	8	529,114
Personal injury	19	132,385	3	21,385
All other losses and special payments	52	44,864	66	49,853
<b>Total</b>	<b>95</b>	<b>1,275,691</b>	<b>77</b>	<b>600,352</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>			
99RR6MN0019	335,000	335,000	335,000
<b>Sub-total</b>	<b>335,000</b>	<b>335,000</b>	<b>335,000</b>
<b>All other cases</b>	<b>940,691</b>	<b>1,760,578</b>	<b>265,352</b>
<b>Total cases</b>	<b>1,275,691</b>	<b>2,095,578</b>	<b>600,352</b>

### 23.1 Movements in Government funds

	2004-05
	£000
Surplus/(deficit) for the financial year	(463)
Public dividend capital dividends	(1,908)
<b>Subtotal</b>	<b>(2,492)</b>
Gains/(losses) from revaluation/indexation of purchased fixed assets	1,504
Impairment of fixed assets	0
New public dividend capital	6,479
Public dividend capital repaid	(477)
Public dividend capital repayable	0
New loans from Government	500
Government loans repaid	0
Transfers from the donated asset reserve	0
Additions to/ transfers from the government grant reserve	0
Addition/(reduction) in other reserves	0
Net addition/(reduction) to Government funds	5,514
Opening Government funds at 1 April	67,041
Before deducting prior period adjustment of	0
<b>Closing Government funds</b>	<b>72,555</b>

### 23.2 Movements in public dividend capital

	2004-05
	£000
At 1 April 2005	48,761
New PDC issued in year	6,479
PDC due but not issued	0
PDC repaid in year	(477)
PDC repayable	0
<b>At 31 March 2006</b>	<b>54,763</b>

## 24. Financial performance targets

The Trust has met 2 out of its 3 of its financial targets. Details are given below:

24.1 Breakeven	£000
Target retained surplus	0
Actual retained surplus	(2,492)
Variance	<u>2,492</u>

**The Trust has not broken even in 2005-06.**

With effect from 2003-04 trusts are required to achieve a breakeven financial position each and every year except where a recovery plan has been approved by the Welsh Assembly Government in accordance with WHC (2004)34 Statutory Financial Duties of NHS Trusts and Local Health Boards. Where an approved recovery plan is in place achievement of the breakdown duty will be measured over the life of the plan.

Formal approval to the Trust's Recovery Plan (the Strategic Change and Efficiency Plan) was issued by the Assembly on 20 May 2004. The approved plan requires the Trust achieve financial balance in 2005-06 and repay loan funding of some £8.2m between 2006-07 and 2008-09.

A deficit of £2.492m is recorded in 2005-06 and further loan funding of £0.5m has been provided by the Assembly. There are a number of reasons for the deficit;

- failure to sustain the previous years financial position due to additional locum and agency medical expenditure and bank and agency nurse expenditure in year
- failure to achieve savings targets that were set during the year
- a shortfall of funding for the National Finance Agreement, and
- a shortfall of funding for the costs of the implementation of Agenda for Change.

A deficit of £3.6m is now being forecast for the 2006-07 financial year.

The Trust has been instructed by the Assembly to prepare a further Strategic Change and Efficiency Plan. The plan is to identify both a return to financial balance in 2006-07 and repayment of loan funding. This plan has not yet been approved by the Assembly as at this time the plan is not able to address the repayment of loan across the Dyfed health community. As a consequence the Assembly has not been able to agree a revised breakeven target for 2005-06 for the Trust and the Trust has failed its breakeven duty in 2005-06.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2005		
	£000	£000	£000
External financing limit set by the Assembly		6,502	6,049
Cash flow financing	6,570		6,164
Finance leases taken out in the year	0		0
Other capital receipts	(72)		(124)
External financing requirement		<u>6,498</u>	<u>6,040</u>
Undershoot /(overshoot)		<u>4</u>	<u>9</u>

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

### 24.3 Creditor payment

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

Total number of non-NHS bills paid 2005-06	<b>2005-06</b> <b>46,061</b>
Total number of non-NHS bills paid within target	<b>43,811</b>
Percentage of non-NHS bills paid within target	<b>95.1%</b>

**The Trust has met the target.**

## 25. Related Party transactions

Pembrokeshire & Derwen NHS Trust is a body corporate established by order of the Secretary of State.

Mrs MP Barnaby was a Governor of Pembrokeshire College during 2005-06. In 2005-06 the Trust made payments of £29,060 to Pembrokeshire College.

The partner of Miss JS Wilkinson was a non-executive director of Dearden Search and Selection during 2005-06. In 2005-06 the Trust made payments of £16,353 to Dearden Search and Selection for services received.

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 regarded as the parent.

The Trust received income from Pembrokeshire Local Health Board during 2005-06 of £83,989,960, (2004-05, £78,725,794). The Trust also had a number of transactions with other Local Health Boards in the course of its activities, these included Carmarthen, Ceredigion and Powys Local Health Boards.

In addition, the Trust has had a significant number of material transactions with other NHS Trusts, and other Government Departments and other central and local Government bodies. In 2005-06 the Trust paid the Carmarthenshire NHS Trust £1,259,397 (2004-05, £1,056,310) in respect of payroll, internal audit services and facilities costs, Bro Morgannwg NHS Trust £765,686 (2004-05, £768,863) for the purchase of goods from Welsh Health Supplies, the Welsh Ambulance Service NHS Trust £667,720 (2004-05, £628,741) for patient transport services, and Ceredigion NHS Trust £242,536 (2004-05, £227,420) for facilities costs.

The Trust has also received revenue and capital payments from Pembrokeshire and Derwen NHS Trust Charitable Fund, of which Pembrokeshire and Derwen NHS Trust is the corporate Trustee.

## 26. Other/ Private finance transactions

The Trust has no PFI schemes deemed to be "on-balance sheet."

	<b>£000</b>
Amounts included within operating expenses in respect of PFI transactions deemed to be <b>off-balance</b> sheet - gross	<b>0</b>
Amortisation of PFI deferred asset	<b>13</b>
Net charge to operating expenses	<b>13</b>

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

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

The estimated annual payments in future years are not expected to be materially different from those which the trust is committed to make during the next year.

	<b>£000</b>
Estimated capital value of the PFI scheme	<b>150</b>
Contract start date:	<b>1 April 1996</b>
Contract end date:	<b>31 March 2006</b>

The contractual arrangement was actually concluded on 19 July 2005.

The PFI scheme is the management of a combined heat power (CHP) unit.

### 26.2 "Service" element of PFI schemes deemed to be **on-balance** sheet

The Trust had no PFI schemes deemed to be on-balance sheet.



## 27. Third party assets

The Trust held £289,949 cash at bank and in hand at 31 March 2006 (31 March 2005: £268,162) which relates to monies held by the Trust on behalf of patients.

## 28. Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationships that the NHS Trust has previously had with Health Authorities and now with Health Commission Wales and Local Health Boards, and the way those Health bodies are financed, the 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.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions are shown gross. Any amount expected in reimbursement against a provision and included in debtors, is separately disclosed.

The Trust has one finance lease obligation. The value of this liability at the balance sheet date is £26,758, the implicit interest rate for this liability was not identified in the lease agreement.

### 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 NHS Trust is not exposed to significant interest-rate risk.

### Foreign currency risk

The NHS Trust have negligible foreign currency income or expenditure.

**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
National Assembly for Wales	1,183	0	0	11,538
Welsh Local Health Boards	1,192	0	653	0
Welsh NHS Trusts	1,116	0	667	0
Health Commission Wales	2	0	0	0
All English Health Bodies	0	0	10	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	4	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-118	0		
Sub total	<b>3,379</b>	<b>0</b>	<b>1,330</b>	<b>11,538</b>
Other Central Government Bodies				
Other Government Departments*	19	0	1,163	0
Revenue & Customs	292	0	1,795	0
Local Authorities	333	0	428	0
Balances with Public Corporations and trading fund:	0	0	90	0
Balances with bodies external to Government	1,522	0	4,498	0
<b>TOTAL</b>	<b>5,545</b>	<b>0</b>	<b>9,304</b>	<b>11,538</b>

**\* Other Government Departments with Balances > £1m**

Other Government Departments includes £1,151,686 due to the NHS Pensions Agency.

**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: 29 June 2006

KWO Thomson, Chief Executive

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

The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The 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: 29 June.2006

Chairman: LJ George

Date: 29 June.2006

Chief Executive: KWO Thomson

Date: 29 June.2006

Director of Finance: KT Jones

## 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.

### 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 2006 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 accountable officer for risk management is the Chief Executive. The Director of Nursing and Quality has delegated responsibility for risk management across the Trust. Associate Medical Directors, General Managers and Heads of Department have delegated responsibility for risk management in their service areas.

All Trust staff have access to training and development in risk management. This training begins on induction into the organisation. Staff then have access to a broad range of training commensurate with their role in the organisation and contribution that they are expected to make to the risk management process. Training offered includes:

- Risk assessment
- Clinical risk management
- Root cause analysis/serious incident review

Over the past 12 months the Trust has worked hard to develop a culture where risk is seen as everyone's business. There is now a robust network of risk registers pertaining to all facets and areas of the Trust's business that are used to help manage the risks associated with the provision of safe high quality care.

The Risk Management Strategy links the risk management function to the wider agenda of corporate and clinical governance and outlines the list of competent people in the Trust who are available to provide guidance and advice on specific risk management issues.

The Trust seeks to proactively manage risk by encouraging staff to report incidents when things go wrong. This helps facilitate a learning culture. Learning also occurs through the following mechanisms.

Externally:

- Via benchmarking with other trusts
- Joint working with other organisations and stakeholders e.g. the Regional Office of the Welsh Assembly Government and the Local Health Boards.
- Welsh Risk Managers Network
- National Patient Safety Agency

Internally:

- Root cause analysis or review of serious incidents, critical events and near misses.
- Directorate Clinical Governance and Risk Management Groups
- Divisional Learning from Events Groups
- Divisional Clinical Governance and Risk Management Co-ordinating Groups

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

Pembrokeshire and Derwen NHS Trust assesses and prioritises all significant risks. This process leads to the formulation of a Trust-wide risk profile that identifies the risks within the organisation which are significantly difficult to control. The risk assessment is a register of risks known to the Trust through a process of risk assessments across the whole organisation. Risk profiling underpins the overall risk management process and involves:

- The collection of information from all stakeholders about areas of perceived risk
- The willingness to report examples of latent and active errors soon after the event
- The management and reduction/elimination where possible of identified areas of risk

The Trust is committed to managing the risk inherent in the services it provides every day. It is not possible to manage a risk until it is known. The identification, assessment and documentation of risks are vital to the success of the risk management effort. Risk Management is a framework designed to identify the various causes of risk and hazard with the key objective of maintaining the safety of the stakeholders. It does this by proactively identifying risks and planning to meet new legislation and guidance. The Welsh Risk Management Standards make a key contribution to the effective management of risk. Following assessment by the Welsh Risk Pool and Internal Audit Agency the Trust scored in excess of 75% in all of the Core Standards for the year 2005-2006, the specific scores are indicated below:

- Standard No 1 Risk Management Policy and Strategy - 95%
- Standard No 2 Risk Assessment and Treatment - 100%
- Standard No 3 Incident and Hazard Reporting - 100%
- Standard No 37 Governance - 97%
- Standard No 38 Finance - 98%

Risk management is embedded in the organisation through:

- Integration of the Risk Management, Health, Safety and Environment Protection Strategy within existing processes/strategies and presentation of this in operational plans
- Comprehensive risk management systems for reporting and reviewing all incidents, serious incidents and near misses will be utilised by all divisions, directorates/services and departments to identify hazards and risks, and to manage trends. This will be integrated to include review of litigation and complaints in order to develop learning from the lessons.
- Appropriate clinical, organisational and quality improvements will be implemented within directorate/services and departments to minimise inherent clinical and other risks and information shared where corporate developments would benefit the service.

- Encouragement for all staff to report incidents, concerns and near misses as an essential part of the process of developing a proactive and open risk management, health, safety and environment protection culture.
  - Systematic and timely risk profiling will inform the development of divisional, directorate/service, departmental and Trust-wide risk registers and strategies.
  - Implementation and monitoring of the Welsh Risk Management Standards in each division directorate/service and department
- Directorates/services and departments complying with the requirements of the Health and Safety at Work etc Act 1974 (HSWA) and all other UK and EC statutes, legislation and regulations covering the Trust's activities.
- Codes of practice approved by the Health & Safety Executive will be adopted and Health, Safety and Environment Protection guidance will inform safe working practices and standards within directorate/services and departments.
  - Training of all staff in regard to organisational and clinical health and safety matters and any instruction in specific hazards associated with the work undertaken; special precautions, need for health surveillance and emergency procedures. Training for clinical skills and competencies will be undertaken according to identified need.

## 5. Review of effectiveness

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

Signed: KWO Thomson  
Chief Executive  
(on behalf of board)

Date: 29 June 2006

**THE CERTIFICATE AND REPORT OF THE AUDITOR  
GENERAL FOR WALES TO THE MEMBERS OF THE  
NATIONAL ASSEMBLY FOR WALES**

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

I certify that I have audited the financial statements on pages 1 to 33 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 11. 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 35 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 National Assembly for Wales directions made there under 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 National Assembly for Wales directions made there under, 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 review whether the statement on pages 36 to 38 reflects the Trust's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

**Basis of audit opinion**

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



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

In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements and that part of the remuneration report to be audited.

Without qualifying my opinion, I draw your attention to note 24.1, which sets out the financial position of the Trust and the actions being taken to achieve financial balance.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Pembrokeshire and Derwen NHS Trust as at 31 March 2006 and of its surplus/deficit, total recognised gains and losses and cash flows for the year then ended;
- 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 there under by the National Assembly for Wales; 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.

Jeremy Colman  
Auditor General for Wales  
6 July 2006

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

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

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

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

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

**FORM OF ACCOUNTS**

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

**ACCOUNTS OF THE TRUST**

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

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

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

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

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

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

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

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

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

Dated.....

Signed by the authority of the National Assembly for Wales

Signed.....

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

## **SCHEDULE**

### **Foreword**

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

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

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

### **Cash Flow Statement**

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

### **Notes to the Account**

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