

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

Summarised accounts of local health boards and NHS trusts in Wales for the year ended
31 March 2019.

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

NHS (Wales) Summarised Accounts

Local Health Boards and

NHS Trusts in Wales

2018-19

NHS Wales Summarised Accounts 2018-19

FOREWORD

Introduction

1. The Welsh Ministers are required to prepare Summarised Accounts from the individual accounts of NHS Wales organisations. The foreword is prepared on the audited accounts.
2. In 2018-19 the Local Health Boards (LHBs) and NHS Trusts were summarised into single summarised accounts. These Summarised Accounts of the LHBs and NHS trusts has been prepared to comply with the Accounts Direction given by HM Treasury in accordance with Section 178, Schedule 9, Para 5(4) of the National Health Service (NHS) Wales Act 2006 (the Act).
3. The Auditor General for Wales is required to examine, certify and report on the Summarised Account (Section 178, Schedule 9 para 5(6) of the Act).
4. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2018-19 which include the results of the LHBs and NHS Trusts.
5. The chief executives of the individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.
6. In my capacity as Additional Accounting Officer, I have financial responsibility for health service expenditure. Accordingly, I have signed the combined Summarised Accounts of the LHBs and NHS trusts.

Summarised Accounts

7. The Summarised Accounts of the LHBs and NHS trusts have been prepared in compliance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) issued by HM Treasury as applied to the NHS in Wales, as applicable to the Summarised Accounts and specifically excluding a Statement of Parliamentary Supply. The 2018-19 Summarised Accounts for NHS Wales, have been prepared, to include seven LHBs and three NHS trusts.
8. The 2017-18 Summarised Accounts comparators from LHBs and the NHS trusts have been merged into single Summarised Accounts and interparty activity between LHBs and NHS trusts have been eliminated.

9. The Summarised Accounts of the LHBs and NHS Trusts do not include Health Education and Improvement Wales (HEIW). HEIW was established as a Special Health Authority under the Act on the 5th October 2017. HEIW has prepared statutory accounts for its first period of account for 5th October 2017 to 31st March 2019.

Local Health Boards

10. LHBs were established under section 11 and Schedule 2 of the National Health Service (Wales) Act 2006.
11. In 2018-19 the seven LHBs in Wales planned, secured and delivered healthcare services in their areas :
- Abertawe Bro Morgannwg University Health Board
 - Aneurin Bevan University Health Board
 - Betsi Cadwaladr University Health Board
 - Cardiff & Vale University Health Board
 - Cwm Taf University Health Board
 - Hywel Dda University Health Board
 - Powys Teaching Health Board
12. From 1st April 2019, following the transfer of the responsibility for healthcare for the residents of the Bridgend Borough from Abertawe Bro Morgannwg University Health Board to Cwm Taf University Health Board. The LHBs (Area Change) (Wales) (Miscellaneous Amendments) Order 2019 (2019 No 349 (W.83)) changed the names to Swansea Bay University Health Board and Cwm Taf Morgannwg University Health Board, respectively.

NHS Trusts

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

Performance against statutory and administrative financial duties

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

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

Local Health Board Performance - Statutory Financial Duties

17. For LHBs, the first financial duty is to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved resource limit, including any other sums received. The first assessment of the rolling 3 year duty took place at the end of 2016-17.
18. The second financial duty – to prepare an Integrated Medium Term Plan to secure compliance with the first financial duty, and for the plan to be approved by the Welsh Ministers - was effective from the 2014-15 financial year and is assessed annually. Failure to comply with the planning duty, including not submitting a plan and not having the plan approved by the Minister, is a breach of this second statutory financial duty. The plan is required to be approved prior to the Accountable Officer signing of the financial statements for the first year of each three-year plan. In practice the Minister seeks to confirm approval of plans by the 30th June in the first year of the plan. Performance against this second financial duty, including any breach of this duty, is reported in the Annual Accounts of the LHBs each year, including the Annual Governance Statement.
19. In 2018-19, three LHBs (Aneurin Bevan, Cwm Taf and Powys) incurred expenditure within revenue resource allocations over the rolling 3 year assessment and met their first financial duty.
20. Four LHBs failed to achieve financial balance; that is to manage aggregate expenditure within aggregate revenue resource allocations over the rolling 3 year assessment and therefore failed to meet the first financial duty (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda).
21. All LHBs kept expenditure within capital resource allocations.
22. The Welsh Government has provided cash support to all boards in deficit to enable them to meet their normal cash commitments including payroll expenditure. This cash assistance is repayable in future financial years when appropriate and improved Integrated Medium Term plans are developed and approved. At 31 March 2019 the amounts repayable by LHB are;

- Abertawe Bro Morgannwg	£63.271m
- Betsi Cadwaladr	£114.694m
- Cardiff & Vale	£54.849m
- Hywel Dda	£160.964m

Welsh Government does not require any repayments to be made in 2019-20.

23. Three LHBs (Aneurin Bevan, Cwm Taf and Powys) met their statutory duty to submit an integrated three year plan for the period 2018-19 to 2020-21 which was approved by the Minister for Health & Social Services.
24. Four LHBs (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) were unable to develop approvable three year plans for the period 2018-19 to 2020-21 for approval by the Minister and therefore did not meet their second financial duty.
25. Four LHBs (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) have received qualified regularity audit opinions and a substantive narrative report placed upon their accounts, as a consequence of their failure to achieve their first financial duty. The substantive narrative reports also cover the failure of the four LHBs to achieve their second financial duty in relation to approved Integrated Medium Term Plans.
26. Four LHBs (Aneurin Bevan, Cardiff & Vale, Cwm Taf Morgannwg (formerly Cwm Taf) and Powys) have submitted three year plans covering the period 2019-20 to 2021-22, which have been approved by the Minister for Health & Social Services.
27. Three LHBs (Swansea Bay (formerly Abertawe Bro Morgannwg), Betsi Cadwaladr and Hywel Dda) have been unable to submit approvable three year plans covering the period 2019-20 to 2021-22 and are instead preparing annual operating plans. Further comment on the progress of LHBs integrated three year plans is set out in the NHS Summarised Accounts Annual Governance Statement.
28. At the end of March 2019, one LHB (Betsi Cadwaladr) remained in special measures, two LHBs (Abertawe Bro Morgannwg and Hywel Dda) remained in targeted intervention and two LHBs (Cardiff and Vale and Cwm Taf) were in enhanced monitoring, in accordance with the Welsh Government escalation arrangements. Further comment on the monitoring and escalation arrangements for LHBs is set out in the NHS Summarised Accounts Annual Governance Statement.
29. The details of the LHBs first and second financial duty compliance, surpluses and deficits are set out in Annex 1 to this Foreword.

NHS Trust Performance - Statutory Financial Duties

30. For NHS trusts the first financial duty is to ensure over a rolling three year period that expenditure is covered by income. No NHS trust breached their first financial duty for the rolling three year period to 2018-19. During 2018-19, all three trusts achieved operating surpluses.

31. All three NHS trusts met the second financial duty for 2018-19 to submit an integrated three year plan for the period 2018-19 to 2020-21 which was approved by the Minister for Health & Social Services.
32. All three trusts received unqualified true and fair and regularity audit opinions from the Auditor General for Wales for 2018-19.
33. All three NHS trusts have submitted three year plans for 2019-20 to 2021-22 which have been approved by the Minister for Health & Social Services. Further comment on the progress of NHS trusts integrated three year plans is set out in the NHS Summarised Accounts Annual Governance Statement.
34. The details of the NHS trusts first and second financial duty compliance, surpluses and deficits are set out in Annex 2 to this Foreword.

External financing limit

35. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to LHBs.
36. In 2018-19, the overall external financing limit for NHS trusts was £15.043 million and each of the trusts in Wales stayed within their individual external financing limits. Performance against this duty for each NHS trust is set out in Annex 3 to this Foreword.

Prompt Payment Performance

37. LHBs and NHS trusts are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay 95% of non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
38. The performance of each LHB and NHS trust in Wales, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 3 to this Foreword.
39. The number of non NHS invoices paid within 30 days ranged from 94.8% to 97.4% for NHS bodies, with an average for the year of 95.2% for LHBs and 97.1% for NHS trusts (2017-18 94.5% and 96.6%). Full details are contained within the statutory accounts of the NHS organisations.

Statement of Financial Position Issues

Clinical Negligence Provisions

40. At 31st March 2019, known actual and anticipated liabilities for clinical negligence claims totalled £653.571 million (2017-18 £685.131million), where it is assessed that there is a probable chance of the claim being settled. These provisions are calculated on the basis of claims against the organisations, where it is assessed that there is a probable chance of the claim being settled.
41. Excluded from the provisions calculations included within the Summarised Accounts is a further estimated £951.918 million (2017-18 £834.714 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities, as the likelihood of settlement is assessed as possible, rather than probable.

Welsh Risk Pool Services (WRPS)

42. The figures at paragraph 40 and 41 reflect the gross liability for claims against the NHS trusts and LHBs before considering amounts recoverable from the Welsh Risk Pool Services (WRPS). LHBs and NHS trusts in Wales are able (subject to managing claims in accordance with Putting Things Right guidance) to recover the costs of clinical negligence claims above £25,000 from the WRPS.
43. The Welsh Risk Pool Services was established to assist all Welsh NHS organisations with risk management and settlement of claims. The WRPS is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.
44. Welsh Risk Pool Services is managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre University NHS Trust. The reimbursement of claims by WRPS is managed by the Welsh Risk Pool Committee comprising representatives from NHS trusts, LHBs and the Welsh Government.
45. Velindre University NHS Trust's liability is limited to the funds available in the WRPS. The ultimate liability to meet claims rests jointly with the members of the WRPS for claims less than £25,000 and with the members of the pool for claims settlements exceeding the funding to the WRPS by Welsh Government.
46. The Welsh Risk Pool Services provision is disclosed separately for clarity at note 20.2 of the NHS Wales summarised accounts. This amounted to £1,081m at 31st March 2019 (2017-18 £1,063m). The provision includes Structured Settlement liabilities – where claim settlements are to be paid over a future period in regular payments, usually annually, rather than by a lump sum of £422.515m (2017-18 £369.466m).

47. As the Welsh Government must meet the liabilities of the Welsh Risk Pool Services, should the NHS bodies cease to exist, the summarised account note 14 includes current and non-current receivables with the Welsh Government in respect of Welsh Risk Pool Services liabilities. The Welsh Government's Core Resource Accounts will reflect the Welsh Risk Pool Services liabilities at 31 March 2019 as a provision.
48. The provision increased in 2018-19 by £18.226 million (2017-18 £196.354 million). It should be noted that despite fewer case numbers, provision values have remained high. High value cases in particular have become more expensive due to a number of factors including:-
- Impact of the PIDR change in 2016/17
 - Increasing complexity of high value cases
 - Cases litigated at court involve far more work
 - Increasing life longevity of claimants.

The number of new matters opened in year, assessed as probable or certain, was 436 compared to 763 in 2017/18.

49. Putting Things Right (PTR) is the NHS Wales process for raising concerns about care and treatment so that the NHS body can look into what may have gone wrong and try to make it better. Research shows that high reporting is a positive indicator of an open and supportive patient safety culture where the reporting of serious incidents enables full investigations of every case for continuous learning and improvement in the quality of services provided. NHS organisations in Wales are supported by 1000 Lives Improvement, which is part of Public Health Wales. The team leads national work on a range of quality improvement initiatives including healthcare associated infections, sepsis and surgical complications.
50. During the year, the WRP made payments of £104.727 million (2017-18: £80.685 million) in relation to claims. Of this £96.489 million related to clinical negligence claims and £6.481 million related to personal injury claims (2017-18 £77.121 million and £3.376 million respectively).

Sustainability Reporting

51. Subsequent to the HMT Simplifying and Streamlining Accounts Project, there is no requirement in the Government Financial Reporting Manual (FReM) for public sector bodies to produce a standalone Sustainability Report, although entities may choose to include one should they so wish. Mandatory reporting requirements are retained against the high level indicators under the Greening Government Commitments, in addition to performance against financial and non-financial reporting areas.

52. Guidance issued by HMT on Sustainability Reporting is not applicable to the devolved government of Wales, however Wales is unique in the UK in having sustainable development as its central organising principle, established in the Wellbeing of Future Generations (Wales) Act. Sustainability reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting.
53. The LHBs and NHS trusts in Wales are required therefore to include the mandatory sustainability reporting requirements within the Performance Report section of the Annual Report and Accounts, (due for publication no later than 1st July 2019) and provide a summary of performance in accordance with guidance issued in the NHS Manual for Accounts. The option to produce a standalone report within the Performance Report is retained in Wales.

Annual Quality Statement

54. In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS organisations to publish an Annual Quality Statement as part of the NHS organisations' annual reports.
55. The Annual Quality Statement will bring together each year, a summary highlighting how the organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.
56. For 2018-19 the Annual Quality Statement for individual health boards and NHS trusts should be published no later than 1st July 2019.

Events after the Reporting Period

Reconfiguration of healthcare services

57. The reconfiguration of the healthcare services for the people in the Bridgend County Council Borough, from Abertawe Bro Morgannwg University Health Board to Cwm Taf University Local Health Board are contained in the underlying accounts of the relevant bodies. From 1st April 2019 these bodies will be operating as Swansea Bay University ULHB and Cwm Taf Morgannwg ULHB respectively.

Cwm Taf Morgannwg Maternity Services

58. The Royal College of Obstetricians & Gynaecologists and the Royal College of Midwives, jointly undertook a review of Cwm Taf Morgannwg University Healthboard's maternity services, which was commissioned by the Minister for Health & Social Services. The results of the report in April 2019 highlighted a number of failures in the LHBs services. As a consequence the Minister for Health and Social Services increased Cwm Taf Morgannwg University Healthboard escalation level to 'Targeted Intervention' for the organisation as a whole and put maternity services into 'Special Measures', the highest level of escalation.

GP Indemnity – Future Liabilities Scheme and Existing Liabilities Scheme

59. In May 2018 the Minister agreed to introduce a state backed scheme to provide clinical negligence covering claims arising from 1 April 2019 for providers of GP services in Wales from 1 April 2019 Future Liability Scheme (FLS).
60. In July 2018, the Minister also agreed to introduce from 1 April 2019 an Existing Liability Scheme (ELS), covering claims made before 1 April 2019, subject to legal and financial due diligence and satisfactory discussions with the three Medical Defence Organisations (MDOs), who have provided indemnity cover.
61. In January 2019, the Minister agreed to NHS Wales Shared Services Partnership - Legal and Risk Services (LARS) as the preferred partner to administer the Future Liability Scheme (FLS) with effect from 1 April 2019. Subsequently, Shared Services Partnership Legal and Risk Services (LARS) launched the General Medical Practice Indemnity (GMPI) on 1 April.
62. The GMPI is underpinned by new secondary legislation, The NHS (Clinical Negligence Scheme) (Wales) Regulations 2019 which came into force on 1 April 2019. In March 2019, the Minister also issued a Direction to Velindre University NHS Trust to enable LARS to operate the Scheme.
63. Discussions are currently ongoing with Medical Defence Organisations for the set-up of an Existing Liability Scheme, and this scheme has not yet been established. Liabilities relating to claims made in respect of events before 1st April 2019 remain with the Medical Defence Organisations.

Dr Andrew Goodall
Director General, Health and Social Services Group
Chief Executive NHS Wales
3 July 2019

Annex 1 Local Health Board Financial Duties

First Financial Duty - Revenue Resource Limit	Underspend / (overspend) against revenue resource allocation limit			Three year total
	2016-17	2017-18	2018-19	
	£000	£000	£000	£000
Abertawe Bro Morgannwg University Local Health Board	(39,316)	(32,417)	(9,879)	(81,612)
Aneurin Bevan University Local Health Board	49	246	235	530
Betsi Cadwaladr University Local Health Board	(29,784)	(38,838)	(41,279)	(109,901)
Cardiff and Vale University Local Health Board	(29,243)	(26,853)	(9,872)	(65,968)
Cwm Taf University Local Health Board	18	23	16	57
Hywel Dda University Local Health Board	(49,613)	(69,430)	(35,438)	(154,481)
Powys Teaching Local Health Board	85	96	65	246
All local health boards	(147,804)	(167,173)	(96,152)	(411,129)
Number of local health boards operating within resource allocation	3	3	3	3
Percentage of local health boards operating within resource allocation	43%	43%	43%	43%

First Financial Duty - Capital Resource Limit	Underspend / (overspend) against capital resource allocation limit			Three year total
	2016-17	2017-18	2018-19	
	£000	£000	£000	£000
Abertawe Bro Morgannwg University Local Health Board	94	42	40	176
Aneurin Bevan University Local Health Board	42	78	41	161
Betsi Cadwaladr University Local Health Board	29	2	15	46
Cardiff and Vale University Local Health Board	78	88	74	240
Cwm Taf University Local Health Board	5	8	10	23
Hywel Dda University Local Health Board	30	38	25	93
Powys Teaching Local Health Board	17	5	12	34
All local health boards	295	261	217	773
Number of local health boards operating within resource allocation	7	7	7	7
Percentage of local health boards operating within resource allocation	100%	100%	100%	100%

Annex 1 (continued) Local Health Board Financial Duties

Second Financial Duty - Approved Integrated Medium Term Plan	Integrated Medium Term Plan
Abertawe Bro Morgannwg University Local Health Board	×
Aneurin Bevan University Local Health Board	✓
Betsi Cadwaladr University Local Health Board	×
Cardiff and Vale University Local Health Board	×
Cwm Taf University Local Health Board	✓
Hywel Dda University Local Health Board	×
Powys Teaching Local Health Board	✓
 Number of local health boards operating with approved IMTP	 3
 Percentage of local health boards operating with approved IMTP	 43%

The Second Financial Duty is an annual duty.

The test of duty for 2018/19 relates to IMTPs for 2018/19 to 2020/21.

Annex 2 NHS Trust Financial Duties

First Financial Duty Break Even Duty	Surplus / deficit against break- even			Three year duty £000
	2016-17 £000	2017-18 £000	2018-19 £000	
Retained Surplus				
Public Health Wales Trust	16	28	26	70
Velindre University NHS Trust	427	54	55	536
Welsh Ambulance Services NHS Trust	44	70	57	171
Adjusted Surplus				
Public Health Wales Trust	16	28	26	70
Velindre University NHS Trust	35	49	31	115
Welsh Ambulance Services NHS Trust	44	70	57	171
All NHS trusts adjusted Surplus	95	147	114	356
Number of NHS trusts operating within Break-even	3	3	3	3
Percentage of NHS trusts operating within Break-even	100%	100%	100%	100%

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

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

Second Financial Duty Approved Integrated Medium Term Plan	Integrated Medium Term Plan
Public Health Wales Trust	✓
Velindre University NHS Trust	✓
Welsh Ambulance Services NHS Trust	✓
Number of NHS trusts operating with approved IMTP	3
Percentage of NHS trusts operating with approved IMTP	100%

Annex 3 Local Health Board and NHS Trust Administrative Duties

Public Sector Payment Policy Performance (PSPP)

The NHS organisations are 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).

Local Health Board

	% of Non NHS bills paid within 30 days (by value and number)			
	Value of bills	Number of bills	Value of bills	Number of bills
	2017-18	2017-18	2018-19	2018-19
	%	%	%	%
Abertawe Bro Morgannwg University Local Health Board	93.2	94.0	94.5	94.8
Aneurin Bevan University Local Health Board	97.0	96.8	96.8	95.1
Betsi Cadwaladr University Local Health Board	97.4	94.0	97.9	95.0
Cardiff and Vale University Local Health Board	94.6	92.2	95.7	95.0
Cwm Taf University Local Health Board	96.4	95.4	95.9	96.1
Hywel Dda University Local Health Board	96.7	96.0	97.5	96.1
Powys Teaching Local Health Board	87.1	94.5	91.9	95.8
All local health boards	95.7	94.5	96.4	95.2
Number of LHBs operating within PSPP target \geq 95%		3		6
Percentage of LHBs operating within PSPP \geq 95%		43%		86%

NHS Trust

	% of Non NHS bills paid within 30 days (by value and number)			
	Value of bills	Number of bills	Value of bills	Number of bills
	2017-18	2017-18	2018-19	2018-19
	%	%	%	%
Public Health Wales Trust	95.9	95.6	95.5	96.0
Velindre University NHS Trust	98.4	96.0	98.1	97.4
Welsh Ambulance Services NHS Trust	98.4	98.1	98.1	97.0
All NHS trusts	98.1	96.6	97.8	97.1
Number of NHS trusts operating within PSPP \geq 95%		3		3
Percentage of NHS trusts operating within PSPP \geq 95%		100%		100%

NHS Trust External Finance Limit Performance (EFL)

	External Finance Limit
	2018-19
Public Health Wales Trust	✓
Velindre University NHS Trust	✓
Welsh Ambulance Services NHS Trust	✓
Number of NHS trusts operating within EFL limit	3
Percentage of NHS trusts operating within EFL limit	100%

NHS WALES SUMMARISED ACCOUNTS OF THE LOCAL HEALTH BOARDS AND NHS TRUSTS

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

The Summarised Accounts governance framework

7. Matters relating to the governance of the preparation and audit of the Summarised Accounts are considered by the Health and Social Services Audit and Risk Committee. The Committee met on three occasions in the 2018-19 financial year.
8. During 2018-19, the Committee considered the following matters relating to the Summarised Account:
 - HSSG Risk Register.
 - 2018-19 Wales Audit Office Audit Plan – National Health Service (NHS) Summarised Accounts
9. The work of the Committee provides me with support and assurance on the adequacy of governance arrangements for the Summarised Accounts. I am satisfied that the Committee operates in an effective manner and provides good support in the monitoring of risk, control and governance processes as these affect the Summarised Accounts.
10. The Summarised Accounts governance framework has been in place for the year ended 31 March 2019 and up to the date of approval of the accounts and accords with Treasury guidance, including the relevant aspects of the *Corporate Governance in Central Government Departments; Code of Good Practice* to the extent that this is deemed relevant and practical.

Risk Management

11. Risks arise to the preparation of the Summarised Accounts from the underlying LHB and NHS Trust statutory accounts processes, and the Summarised Accounts preparation process.
12. Preparation and publication of the Summarised Accounts is managed within the HSSG risk management framework, which in turn is part of the Welsh Government risk and control framework. Further details are set out in the Annual Governance Statement for the Welsh Government Consolidated Resource Account, which is laid separately before the National Assembly for Wales. The Director of Finance, HSSG, is responsible on a day-to-day basis for managing risk, ensuring that the activities necessary for the production of the Summarised Accounts are properly planned, resourced and performed.
13. In 2018-19 no risks in relation to the preparation of the Summarised Accounts met the risk score threshold for escalation and reporting in the HSSG Risk Register.

14. The Summarised Accounts are prepared in accordance with the 2018-19 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or after 1 January 2018, and with the LHB / NHS Trust Manual For Accounts 2018-19.
15. The LHB and NHS trust Manual for Accounts issued by the HSSG Finance Directorate complements the FReM by providing additional advice and guidance on interpretations specific to the NHS in Wales. The Manual for Accounts is key to the management of risk as it provides sector specific guidance on how to complete the annual accounts proformas, supporting Financial Returns, and Memorandum Statements of debtor and creditor balances and income and expenditure transactions. Compliance with the Manual for Accounts is critical to ensuring the accurate and appropriate completion of the LHB and NHS Trust accounts returns for the preparation of the Summarised Accounts.
16. The key risks managed in relation to the underlying accounts submitted by the LHBs and the NHS Trusts are:
- Inaccuracies in individual NHS entity accounts, which cumulatively result in materially mis-stated balances in the Summarised Accounts;
 - Failures to provide data;
 - Delays in submission of NHS entity accounts; and
 - Mis-matching and / or non-elimination of intra-NHS entity transaction streams and balances, resulting in materially mis-stated figures.
17. HSSG Finance Directorate mitigate these risks through actions including:
- Preparation and issue annually of the Manual for Accounts, templates and supporting papers;
 - Participation in the NHS Wales Technical Accounting Group;
 - Preparation of the Summarised Accounts from audited statutory accounts;
 - Planning and engagement with LHBs and NHS Trusts to ensure clear understanding of requirements and delivery expectations;
 - Provision of support in the accounts preparation period to advise NHS entities on issues arising; and
 - Provision of templates, guidance, training and active management of intra-NHS agreement of balances process and matrices.
18. The main risks specific to the Summarised Accounts preparation process identified and managed in year were:
- Insufficient availability of appropriately skilled HSSG Finance staff to prepare the accounts;
 - Inability to align timetables for LHB and NHS Trust accounts with the WG Summarised Accounts process as NHS audit planning commences earlier in the financial year than WG central planning. This is managed through HSSG liaison and co-ordination with WAO, WG Financial Control and NHS bodies;
 - Late submission of quality assured LHB and NHS Trust accounts properly presented and the lack of appropriate working papers;

- Technical queries relating to the underlying accounts and the Summarised Accounts not being resolved in a timely manner between HSSG Finance, NHS organisations and Wales Audit Office;
- Delayed issue of both draft and final NHS Manual for Accounts and accounts templates; and
- Insufficient level of management review and scrutiny of the draft Summarised Accounts, including the relevant accounting and disclosure requirements, consolidation journals and supporting evidence, before submission to audit.
- The format changes in creating a model to present a merged LHB & NHST Summarised Accounts and intra- party eliminations.

19. 2018-19 is the third year of assessment of the ‘first financial duty’ for LHBs and NHS Trusts in Wales. As set out in Welsh Health Circular (2016) 054¹ the ‘first financial duty’ relates to the balancing of expenditure and income or resources allocated over a three-year period of assessment.

20. The HSSG risk assessment process identified forecast deficits arising in LHBs during 2018-19, and that consequent potential breaches of the first financial duty would lead to regularity qualifications in the LHB accounts, potentially impacting upon the regularity opinions of associated statutory accounts, including the NHS Summarised Accounts.

21. LHBs and NHS trusts were designated within the budget motion of the Welsh Government for 2018-19 in the Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2018.

Role of Internal Audit

22. The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector Internal Audit Standards. They undertake a full programme of work based on an analysis of the major risks facing each Group. The process of the preparation of the Summarised Accounts has not been included in the Internal Audit programme for HSSG in the current financial year.

Role of External Audit

23. The accounts of the individual NHS organisations are transmitted to HSSG Finance by auditors on behalf of the Auditor General for Wales (AGW), together with his audit opinion on the accounts of each body. This provides an independent assurance to Welsh Government that the data to be used to prepare the Summarised Accounts is authentic and agrees with the underlying source data from the audited LHB and NHS Trust statutory accounts.

¹ [WHC \(2016\) 054](#)

24. The AGW opinion on the financial statements discloses whether they give a true and fair view of the state of affairs of LHBs / NHS Trusts for the financial year ending 31 March 2019 and whether they have been prepared in accordance with paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury. The opinion on regularity states whether the expenditure and income have been applied to the purposes intended by the National Assembly and the financial transactions conform to the authorities which govern them.
25. At the end of each financial year, the Accountable Officer in each LHB and NHS Trust is required to present a Governance Statement alongside the audited Financial Statements. The Governance Statement is reviewed by the auditor to identify material inconsistencies with the audited financial statements.
26. The Summarised Account is subject to audit by the Auditor General for Wales, who issues an audit certificate and report to the National Assembly for Wales on the Summarised Accounts under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. On completion of the audit annually an 'Audit of Financial Statements Report' is prepared by the Auditor General for Wales and issued to the Director General HSSG as Additional Accounting Officer for his consideration, prior to the approval of the Summarised Accounts. The 'Audit of Financial Statements Report' is also reported to the Audit and Risk Committee noting any areas of concern or action required for the following year. HSSG Finance considers issues noted in the Financial Statements Report and undertake remedial actions accordingly.
27. Additionally, the Auditor General for Wales prepares a 'NHS Financial Statements Audits' summary report for the HSSG Finance Division on the preparation and audit of the LHB and NHS Trust financial statements, which makes recommendations to improve the quality and efficiency of future years' accounts preparation. HSSG receive, respond to and implement the agreed recommendations contained in these reports annually, which serve to enhance the overall quality of preparation of the underlying NHS accounts. All issues noted in the 2017-18 Report have been completed and actions taken reported to Wales Audit Office.

Information Governance

28. In preparing the Summarised Accounts, HSSG Finance does not collect any personal data from NHS organisations other than that placed in the public domain in the underlying accounts. Summarised accounts information collected from NHS organisations is held within the Welsh Government records management systems.
29. All LHBs and NHS Trusts have programmes of action in place to achieve compliance with the requirements of the General Data Protection Regulations (GDPR) which came into force on 25 May 2018. GDPR readiness has featured in reporting throughout 2018-19 to Executive and Committee members, with many organisations utilising the Information Commissioners Office '12 Steps to Readiness' guidance to assess changes required. Details of each organisations

actions can be found in their Annual Governance Statements.

30. Seven LHBs and two NHS Trusts have reported significant data security lapses including those reported to the Information Commissioner, during 2018-19. In all cases, appropriate subsequent action has been taken to ensure that the risks to data security are mitigated. Details of the data lapses and actions taken can be found in the Annual Governance Statements of the seven LHBs reporting lapses and Velindre University NHS Trust and Public Health Wales NHS Trust for the NHS trusts' reporting lapses.

Significant governance issues in the underlying accounts

31. The Governance Statements of the LHBs and NHS Trusts set out how successfully the organisation has coped with the challenges it faced. These Governance Statements provide evidence on the governance, risk management and control in order to provide a coherent and consistent reporting mechanism, including identification of significant control and governance issues. The full details can be found in the annual accounts of each LHB and NHS Trust in Wales, which are laid separately before the National Assembly for Wales².
32. I have considered the Governance Statements, the associated audit reports on the statutory accounts of the NHS organisations in Wales and other information available to me from internal and external sources. This includes the detail from the formal scrutiny undertaken of all NHS organisations as part of the Welsh Government's governance framework via the:
- Bi-annual JET process (Welsh Government/NHS body Joint Executive Team meetings);
 - Regular cycle of quality and delivery meetings (Welsh Government/NHS organisations), typically bi-monthly however regularity will be increased with organisations where a need is identified;
 - Monthly NHS Wales Executive Board meetings;
 - Bi-annual tripartite (WAO/HIW/Welsh Government) escalation framework meetings;
 - Monthly Welsh Government intervention meetings with organisations in escalation;
 - Regular Special Measures meeting with Betsi Cadwaladr UHB; and
 - Monthly Minister for Health and Social Services and Director General accountability meetings with the Betsi Cadwaladr UHB Chair and Chief Executive Officer

Information from the formal accountability mechanisms are considered alongside routine information from monthly monitoring returns and other ad hoc meetings. Through this process I have identified the following as significant governance issues in the underlying accounts.

² <http://www.assembly.wales/en/bus-home/Pages/Plenary.aspx?assembly=5&category=Laid%20Document>

Significant internal control or governance issues

- All LHBs and NHS Trusts have declared their assessment within their respective Annual Governance Statements that generally sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2018-19. However in the Accountable Officers' assessments of effectiveness, areas of weakness or improvements required are noted and full details are contained in each individual body's own statements.
- Five LHBs have concluded that there were no significant internal control or governance issues. All LHBs acknowledge there are areas of internal control or governance where improvements are required.
- Control issues have been raised in connection with maternity services at Cwm Taf University UHB, and further detail can be found within the Minister for Health and Social Services Written Statement 'Independent Maternity Services Oversight Panel – Cwm Taf Morgannwg University Health Board' which was published on the 23 May 2019.
- There are also continued significant issues at Betsi Cadwaladr UHB. An oral statement was recently made by the Minister for Health and Social Services on the 4 June 2019. Further details of internal control and governance issues are contained in each individual body's own statements.
- All three NHS trusts have reported a conclusion of no significant governance issues within their Annual Governance Statements whilst noting there are areas of internal control or governance where improvements are required.

Local health boards and NHS trust subject to escalation actions

- In accordance with the Welsh Government NHS Escalation and Intervention Arrangements, five out of ten NHS Wales organisations remain in routine monitoring, while five LHBs have been subject to escalation status in the 2018-19 financial year, details of which are set out below.
- **Betsi Cadwaladr University Health Board** was placed in special measures on the 8 June 2015. On the 4 June 2019 the Minister for Health and Social Services made an oral statement on the health boards' progress.
- Progress has been made in each of these areas that caused the Board to be placed in special measures. Maternity services and primary care out-of-hours services have both been de-escalated and are no longer special measures concerns. The health board has met a number of the expectations set out in the special measures improvement framework to be achieved by April this year. There have been improvements in governance and quality processes, board leadership, mental health services, engagement and partnership working, and achieving sustainable hours in general practice.

- The special measures oversight has, however, identified other concerns across the whole system to deliver the progress needed in finance, planning and waiting-time performance. The health board has not met the expectations set out in the framework in these areas. Welsh Government has provided additional financial support to improve its planning and approach to deliver sustainable financial improvement. This will help to ensure it has a more robust plan for 2019-20 and a basis for sustainable financial planning for the future.
- **Abertawe Bro Morgannwg University Health Board** was escalated to targeted intervention status on the 7th September 2016. The health board was placed into targeted intervention as it had been unable to deliver their previously approved integrated medium term plan, had made insufficient progress with quality issues and had continuing performance challenges in areas such as unscheduled care and cancer.
- Abertawe Bro Morgannwg UHB has demonstrated progress in a number of the areas for which it was placed in targeted intervention, though further improvement is required before the organisation could be de-escalated. The health board will initially prepare a 1 year plan for 2019/20 and is working to finalise its 3 year plan in the summer of 2019. On 1 April 2019 Abertawe Bro Morgannwg University Health Board was renamed to Swansea Bay University Health Board.
- **Cardiff and Vale University Health Board** was escalated from enhanced monitoring to targeted intervention on the 7th September 2016. The health board was placed into targeted intervention to highlight the need for improvement on specific issues, mainly related to the 3 year plan.
- Performance in Cardiff and Vale University Health Board has continued to be amongst the best in Wales in key performance areas and the organisation was confident that its year end targets would be achieved. The health board has delivered its financial control total for 2018-19. The organisation has demonstrated significant progress in its planning, and has submitted an Integrated Medium Term Plan (IMTP) for 2019-2022 which has been approved by Welsh Government. In view of the improvements in service and financial performance, following the tripartite meeting in January 2019, Welsh Government decided that the organisation should be de-escalated to ‘enhanced monitoring’.
- **Cwm Taf University Health Board** was escalated to enhanced monitoring at a meeting at the beginning of January. Cwm Taf University Health Board was renamed to Cwm Taf Morgannwg University Health Board on 1 April 2019.
- Whilst acknowledging the health board has a good track record in terms of financial management and approved IMTPs, Welsh Government decided that the health board should have its escalation status raised from ‘routine arrangements’ to ‘enhanced monitoring’ to recognise a number of areas of concern relating to quality governance arrangements, including:

- Concerns about maternity services which have led to my recent statement and a joint review by the Royal College of Obstetricians and Gynaecologists and Royal College of Midwifery;
 - Ionising Radiation (Medical Exposure) Regulations (IR(ME)R) compliance, with the health board being non-compliant with the Health and Safety at Work Act requirements following a recent HIW inspection;
 - the need to ensure actions are in place to respond to a recent Human Tissue Authority inspection report;
 - concerns in respect of quality governance arrangements;
 - the quality of serious incident reporting requiring an external review of process to be commissioned to improve the local mechanisms;
 - concerns have been raised around the health board's response to actions contained within HIW inspection reports, finding that some actions have not been completed on follow-up visits;
 - Compliance with the Nurse Staffing Act and awaiting formal confirmation of compliance from the Board.
- Subsequently there has been an escalation of the Health Board to 'Targeted Intervention', with maternity services placed in Special Measures. These were decisions of the Minister, further detail can be found within the written statement published on 23 May 2019.
 - As the health board has a recently-appointed Chair and a number of new Independent Members, Welsh Government has decided that external support on quality governance expectations should be provided for the Chair and Independent Members.
 - **Hywel Dda University Health Board** was escalated from enhanced monitoring to targeted intervention on the 7th September 2016. The health board was placed into targeted intervention in order to highlight the need for improvement of specific issues, as the health board faces ongoing strategic, service and financial challenges.
 - The health board has remained in targeted intervention throughout 2018-19, with a focus on financial and workforce performance.
 - Hywel Dda UHB has made progress in key areas including progress towards delivery of its planned care commitments. The health board delivered its financial control total in 2018-19. The organisation has submitted a 1 year plan for 2019/20 and will continue to work towards agreement of a 3 year plan.
 - HSSG officials are taking action to support LHBs in escalation status. Each support requirement is specific to the LHB, however action includes:
 - Monthly intervention meetings with each health board on finance and performance;
 - Monthly planning team liaison meetings with each health board to support development of plans;

- Regular HSSG EDT session to discuss issues relating to escalated organisations;
 - Development of clear criteria for de-escalation for each health board;
 - Detailed review meeting on Financial Plan components and assumptions;
 - Scrutiny of service delivery, workforce and performance plans, linked to financial plan assessment for 2018/19;
 - BCUHB progress on milestones discussed at EDT Escalation meetings and regular meetings held with BCU Executive; and
 - Individual leads within Welsh Government in regular contact with BCU to monitor progress and improvement in the key areas set out in the improvement framework.
- Details on how each organisation in targeted intervention or special measures has taken action in 2018-19 to address the concerns identified are set out in the Governance Statements of Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda health boards.

Assurances and compliance

- All LHBs and NHS Trusts have stated that they are compliant with the Corporate Governance Code to the extent it relates to NHS public sector organisations in Wales, and that they are satisfied they are complying with the main principles of the Code with no material exceptions.
- The NHS Head of Internal Audit provides an annual overall opinion to the Board of each NHS organisation on governance, risk management and control. The role of NHS Internal Audit is to provide an independent and objective opinion on the system of control. The work of NHS Internal Audit is undertaken in accordance with public sector internal audit standards, the scope of the work is agreed with the Audit Committee of each organisation and is focussed on significant risk areas and local improvement priorities.
- The annual assurance opinions for the Head of Internal Audit assessment on the overall adequacy of each organisation's governance, risk management and control processes are provided within a range from 'No Assurance' to 'Substantial Assurance'. No LHBs or NHS trusts received a 'No Assurance' overall opinion for 2018-19. All LHBs and NHS trusts received a 'Reasonable Assurance' opinion, with the exception of Betsi Cadwaladr ULHB, which received a 'Limited Assurance' opinion. The Head of Internal Audit's opinion, details of the basis of that opinion, audit assignments with 'Limited' or 'No Assurance' opinions, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS organisations.

- Welsh Government requests quarterly notification from all LHBs and NHS Trusts of all No Assurance and Limited Assurance internal audit reports received in that period, no ‘No Assurance’ reports were issued to LHBs or NHS Trusts for 2018-19. Limited Assurance reports and organisational responses to them are discussed as part of the tripartite escalation and intervention arrangements between Welsh Government, HIW and WAO. They are viewed as one of the indicators of the effectiveness of governance mechanisms in place in organisations.
- Four LHBs received a qualified audit opinion for 2018-19 in respect of the regularity opinion of the Auditor General for Wales. The qualified opinion is on the basis that the health boards did not achieve their statutory financial duty set out in the National Health Service (Wales) Act 2006 section 175 (1) *to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years*. The LHBs affected and their accumulated revenue deficits over the 3 year period of assessment are as follows:

Abertawe Bro Morgannwg	(£81.612m)
Betsi Cadwaladr	(£109.901m)
Cardiff & Vale	(£65.968m)
Hywel Dda	(£154.481m)

- Due to the qualification of these underlying LHB accounts the Summarised Accounts will also receive a qualified regularity opinion. This anticipated qualification does not reflect the preparation and summarisation process of the Summarised Account, or the ‘true and fair’ opinion, it arises as a consequence of four LHBs generating financial deficits over the statutory duty assessment period 2016-17 to 2018-19. Those overall deficits constitute irregular expenditure.
- All three NHS Trusts in Wales met their financial duty under Schedule 4 Paragraph 2 of the National Health Service (Wales) Act 2006 to ‘ensure that its revenue is not less than sufficient, taking one financial year with another’ measured over a rolling three year period.
- Under the NHS Finance (Wales) Act 2014, Schedule 4 Paragraph 2(2) of the National Health Service (Wales) Act 2006 and the NHS Wales Planning Framework health boards and NHS Trusts are required to prepare and submit an Integrated Medium Term Plan to the Welsh Government for approval by the Minister for Health & Social Services by the 30th June annually.
- For the 2018-19 financial year Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda University Health Boards did not meet their statutory duty to have an approved integrated medium term plan in place and operated an annual plan for the financial year. Aneurin Bevan and Cwm Taf University Health Boards and Powys Health Board met their statutory duty to have an approved integrated medium term plan in place.

- All three NHS Trusts met their statutory duty to have an approved integrated medium term plan in place for the 2018-19 financial year.
- In relation to the requirement to submit 2019-20 to 2021-22 integrated medium term plans for the period for approval, the plans for four health boards, Aneurin Bevan University, Cwm Taf Morgannwg University, Cardiff and Vale University and Powys Teaching Health Boards and all three NHS Trusts were approved by the Minister for Health and Social Services on the 27 March 2019.
- Swansea Bay, Betsi Cadwaladr and Hywel Dda were unable to develop, finalise and submit Board approved balanced integrated plans for the period 2019-20 to 2021-22, and instead are developing annual operating plans for 2019-20.

Disclosure of information to auditors

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

Review of effectiveness

34. As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the HSSG Audit and Risk Assurance Committee and comments made by the external auditors in their management letter and other reports.
35. I am satisfied that the risks in relation to the preparation of the Summarised Account are generally well managed and that the internal controls provide an appropriate framework to assure the process of consolidation.
36. The Welsh Government health and social services budget achieved a small revenue surplus in 2018-19 including managing the deficits incurred by four LHBs. The Welsh Government monitors and challenges health boards financial forecasts on a regular basis throughout the year. In 2018-19 four health boards indicated they would be unable to operate within allocations and planned for a deficit outturn. To maintain financial discipline with these organisation, Welsh Government set maximum deficit financial control totals as follows;
- Abertawe Bro Morgannwg - £10.0million
 - Betsi Cadwaladr - £ 35.0million
 - Cardiff & Vale - £9.9million
 - Hywel Dda - £35.55million

37. Abertawe Bro Morgannwg ,Cardiff and Vale and Hywel Dda all met these control totals. Betsi Cadwaladr failed to operate within their control total and overspent by £41.3 million.
38. As independent bodies that have a statutory duty to manage their finances Welsh Government expects the health boards to take the action needed to meet their financial targets. The legislation introduced in 2014 provided organisations more flexibility to manage their finances over a three year period. Six organisations met this requirement in 2018-19. Three organisations Abertawe Bro Morgannwg, Cardiff and Vale and Hywel Dda achieved an improved financial deficit position in 2018-19 compared to 2017-18.
39. Through the targeted intervention process, and special measures in the case of Betsi Cadwaladr, Welsh Government continues to provide challenge and support to those organisations that do not have approved medium term plans. The Escalation Framework will continue to be used to intervene in organisations whose plans or performance falls short of required standards.
40. As Chief Executive NHS Wales, I continue to work closely with the LHBs and NHS Trusts to address the significant governance issues identified, in particular to ensure that learning is shared across NHS Wales organisations.
41. A Finance Delivery Unit was established in February 2018 to monitor and manage more closely financial risk in NHS Wales and to enable the Welsh Government to respond at pace where organisations are in financial failure. From 2018-19, it has provided assurance to me, the HSSG Finance Director and the Minister, on the robust development and delivery of in-year and medium term financial and resource plans by NHS organisations.
42. Through the NHS Escalation and Intervention arrangements I will continue to work with the Auditor General for Wales and Healthcare Inspectorate Wales to share information and respond when issues of concern become apparent in NHS bodies in Wales.

Dr Andrew Goodall
Director General, Health and Social Services Group
Chief Executive and Additional Accounting Officer, for the NHS in Wales.
3 July 2019

Financial Statements
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NHS Trusts in Wales

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

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

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

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

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

In preparing the accounts Welsh Ministers are required to:

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

Dr Andrew Goodall, Director General, Health and Social Services Group,
Chief Executive NHS Wales
3 July 2019

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

Report on the audit of the financial statements

Opinion

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards and NHS Trusts in Wales for the year ended 31 March 2019 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes, including a summary of significant accounting policies, and the financial duties notes in Annexes 1 and 2. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRS) as adopted by the European Union.

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards and NHS Trusts in Wales collectively as at 31 March 2019 and of their net expenditure for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Basis for opinion

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

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Additional Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Local Health Boards and NHS Trusts in Wales' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Additional Accounting Officer is responsible for the other information in the Summarised Accounts. The other information comprises the Foreword and the Annual

Governance Statement. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Basis for Qualified Opinion on Regularity

Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and Vale and Hywel Dda University Local Health Boards have breached their revenue resource limits by collectively spending £412.0 million over the £12,661 million that they were authorised to spend in the three-year period 2016-17 to 2018-19. This spend constitutes irregular expenditure. Further detail is set out in my Report on page 6.

Opinion on regularity

In my opinion, except for the irregular expenditure of £412.0 million explained in the paragraph above, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Report on other requirements

Opinion on other matters

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

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

Matters on which I report by exception

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

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

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

Report

Please see my Report on page 6.

Responsibilities

Responsibilities of the Additional Accounting Officer for the financial statements

As explained more fully in the Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales, set out on page 2, the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006, and directions made by HM Treasury there under, for being satisfied that they give a true and fair view, and for such internal control as the Additional Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Responsibilities for regularity

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

I am responsible for expressing an opinion on whether 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.

Adrian Crompton
Auditor General for Wales
8 July 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

Introduction

NHS Trusts and Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.

For 2018-19 all three NHS Trusts and three of the seven LHBs met both of these duties.

For 2018-19 four of the seven LHBs failed to meet either of these duties. As a result, I placed a narrative report alongside my audit certificate at each of those four LHBs. I have decided to issue a narrative report on these Summarised Accounts to explain the position.

Failure of the first financial duty

The **first financial duty** gives additional flexibility to NHS Trusts and LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The third three-year reporting period under this duty is 2016-17 to 2018-19, and so it is measured this year for the third time.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and Vale and Hywel Dda University Local Health Boards did not manage their revenue expenditure within their resource allocation over this three-year period. Their combined cumulative revenue resource limits of £12,661 million over the three years were exceeded by £412.0 million.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the resource allocation (ie spending limit) for those three years exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend. As a result my regularity opinion on each of these four LHBs was qualified and consequently my regularity opinion on the Summarised Accounts is qualified.

Failure of the second financial duty

The **second financial duty** requires NHS Trusts and LHBs to prepare, and have approved by the Welsh Ministers, a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An NHS Trust or LHB will be deemed to have met this duty for 2018-19 if it submitted a 2018-19 to 2020-21 plan approved by its Board to the Welsh Ministers who then approved it by 30 June 2018.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and the Vale and Hywel Dda University Local Health Boards did not meet their second financial duty to have an approved three-year integrated medium term plan in place for the period 2018-19 to 2020-21.

Adrian Crompton
Auditor General for Wales
8 July 2019

Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Expenditure on Primary Healthcare Services	2.1	1,440,381	1,419,290
Expenditure on healthcare from other providers	2.2	879,801	830,267
Expenditure on Hospital and Community Health Services	2.3	5,267,991	5,245,134
		<u>7,588,173</u>	<u>7,494,691</u>
Less: Income	3	(876,039)	(1,006,258)
Net operating costs before interest and other gains and losses		6,712,134	6,488,433
Investment Income	4	(267)	(147)
Other (Gains)	5	(765)	(8,365)
Finance costs	6	4,509	2,172
Net operating costs for the financial year		6,715,611	6,482,093
		<u>2018-19</u> <u>£000</u>	<u>2017-18</u> <u>£000</u>
Other Comprehensive Net Expenditure			
Net (gain) on revaluation of property, plant and equipment		(15,985)	(133,281)
(Gain) on other reserves		(7)	-
Net loss on revaluation of PPE & Intangible assets held for sale		-	44
Impairment and reversals		510	10,297
Sub total		(15,482)	(122,940)
Other comprehensive net expenditure for the year		(15,482)	(122,940)
Total comprehensive net expenditure for the year		6,700,129	6,359,153

The notes on pages 12 to 56 form part of these accounts

Statement of Financial Position as at 31 March 2019

	Notes	31 March 2019 £000	31 March 2018 £000
Non-current assets			
Property, plant and equipment	10.1	3,492,081	3,314,085
Intangible assets	11	33,195	33,429
Trade and other receivables	14	806,178	790,064
Other financial assets	15	661	693
Total non-current assets		4,332,115	4,138,271
Current assets			
Inventories	13.1	74,282	68,082
Trade and other receivables	14	522,352	483,380
Other financial assets	15	32	526
Cash and cash equivalents	16	59,460	56,506
Sub total		656,126	608,494
Non-current assets classified as "Held for Sale"	10.2	2,607	955
Total current assets		658,733	609,449
Total assets		4,990,848	4,747,720
Current liabilities			
Trade and other payables	17	(894,626)	(856,712)
Borrowings	18	(965)	(1,550)
Provisions	20	(334,672)	(324,632)
Total current liabilities		(1,230,263)	(1,182,894)
Net current assets/ (liabilities)		(571,530)	(573,445)
Non-current liabilities			
Trade and other payables	17	(58,148)	(61,980)
Borrowings	18	(29)	(994)
Provisions	20	(843,910)	(830,993)
Total non-current liabilities		(902,087)	(893,967)
Total assets employed		2,858,498	2,670,859
Financed by :			
Taxpayers' equity			
PDC		189,316	172,746
General Fund		2,127,469	1,956,576
Revaluation reserve		541,713	541,537
Total taxpayers' equity		2,858,498	2,670,859

The notes on pages 12 to 56 form part of these accounts

Dr Andrew Goodall, Director General, Health and Social Services Group, Chief Executive NHS Wales
3 July 2019

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2019

	Public Dividend Capital £000	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2018-19				
Balance as at 31 March 2018	172,746	1,956,576	541,537	2,670,859
Adjustment for Implementation of IFRS 9	-	(6,016)	-	(6,016)
Balance at 1 April 2018	172,746	1,950,560	541,537	2,664,843
Net operating cost for the year		(6,715,611)	-	(6,715,611)
Net gain on revaluation of property, plant and equipment		-	15,985	15,985
Impairments and reversals		-	(510)	(510)
Transfers between reserves		15,299	(15,299)	-
Transfers (to) / from other bodies NHS Wales bodies		7	-	7
Total recognised income and expense for 2018-19		(6,700,305)	176	(6,700,129)
New Public Dividend Capital received	17,118			17,118
Public Dividend Capital repaid in year	(548)			(548)
Net Welsh Government funding (LHB only)		6,877,214		6,877,214
Balance at 31 March 2019	189,316	2,127,469	541,713	2,858,498

The notes on pages 12 to 56 form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2018

	Public Dividend Capital £000	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2017-18				
Balance at 1 April 2017	175,256	1,878,711	422,590	2,476,557
Net operating cost for the year		(6,482,093)	-	(6,482,093)
Net gain on revaluation of property, plant and equipment		-	133,281	133,281
Net (loss) on revaluation of assets held for sale		-	(44)	(44)
Impairments and reversals		-	(10,297)	(10,297)
Transfers between reserves		4,122	(4,122)	-
Transfers (to) / from other bodies NHS Wales bodies		(129)	129	-
Total recognised income and expense for 2017-18		(6,478,100)	118,947	(6,359,153)
New Public Dividend Capital received	960			960
Public Dividend Capital repaid in year	(3,470)			(3,470)
Net Welsh Government funding (LHB only)		6,555,965		6,555,965
Balance at 31 March 2018	172,746	1,956,576	541,537	2,670,859

The notes on pages 12 to 56 form part of these accounts

Statement of Cash Flows for year ended 31 March 2019

		2018-19 £000	2017-18 £000
Cash flows from operating activities	Notes		
Net operating costs for the financial year		(6,715,611)	(6,482,093)
Movements in Working Capital	27	(34,339)	(176,800)
Other cash flow adjustments	28	393,282	538,121
Provisions utilised	20	(146,251)	(127,280)
Net cash outflow from operating activities		(6,502,919)	(6,248,052)
Cash flows from investing activities			
Purchase of property, plant and equipment		(381,370)	(307,773)
Proceeds from disposal of property, plant and equipment		1,731	14,309
Purchase of intangible assets		(8,464)	(6,136)
Proceeds from disposal of intangible assets		170	208
Proceeds from disposal of other financial assets		22	-
Net cash outflow from investing activities		(387,911)	(299,392)
Net cash outflow before financing		(6,890,830)	(6,547,444)
Cash flows from financing activities			
Welsh Government LHB funding (including LHB capital)		6,877,214	6,555,965
Public Dividend Capital received		17,118	960
Public Dividend Capital repaid		(548)	(3,470)
Net financing		6,893,784	6,553,455
Net increase in cash and cash equivalents		2,954	6,011
Cash and cash equivalents at 1 April 2018		56,506	50,495
Cash and cash equivalents at 31 March 2019		59,460	56,506

The notes on pages 12 to 56 form part of these accounts

Notes to the Accounts

1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Local Health Boards (LHBs) and NHS Trusts (NHSTs) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2018-19 Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the LHBs or NHSTs for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Accounts Format

This is the first year that a combined account including LHBs and NHSTs has been prepared, the accounts combine the statutory accounts of LHBs and NHSTs and eliminates any intra party transactions between the bodies. Comparator figures have been compiled on the same basis.

These accounts have been prepared as per the LHB Accounts Format, which is consistent with the HMT Financial Reporting Manual. This has resulted in changes to the NHSTs' presentation of information disclosed in their underlying Accounts.

The LHBs' and NHSTs' Financial Duties performance is set out in Annexes 1 and 2 in the Foreword.

1.3 Funding and Income

Local Health Boards

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

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

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

- LHB income relates directly to the operating activities of the LHBs and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHBs for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHBs in their provider role.
- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

NHS Trusts

Income is the main source of funding for the NHSTs received from the Welsh Government and the LHBs. Income is recognised in the period in which services are provided.

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

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

IFRS 15 Revenue from Contracts with Customers

From 2018-19, IFRS 15 Revenue from Contracts with Customers is applied, as interpreted and adapted for the public sector, in the Financial Reporting Manual (FReM). It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. Upon transition the accounting policy to retrospectively restate in accordance with IAS 8, has been withdrawn. All entities applying the FReM shall recognise the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening general fund within Taxpayer's equity.

A review consistent with the portfolio approach was undertaken by the NHS bodies which

- identified that the only material income that would potentially require adjustment under IFRS 15 was that for patient care provided under Long Term Agreements (LTAs) for episodes of care which had started but not concluded as at the end of the financial period;
- demonstrated that the potential amendments to NHSTs and LHBs Accounts as a result of the adoption of IFRS 15 are significantly below materiality levels.

Under the Conceptual IFRS Framework due consideration must be given to the users of the accounts and the cost restraint of compliance and reporting and production of financial reporting. Given the income for LTA activity is recognised in accordance with established NHS Terms and Conditions affecting multiple parties across NHS Wales it was considered reasonable to continue recognising in accordance with those established terms on the basis that this provides information that is relevant to the user and to do so does not result in a material misstatement of the figures reported.

Details relating to the calculation methodology are contained within the individual accounts.

The LHBs and NHSTs receive income under the NHS Injury Cost Recovery Scheme, designed to reclaim the

cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The income is recognised when notification received from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts. Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

1.4 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

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

Other Pensions Disclosure National Employment Savings Trust (NEST)

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

1.5 Other expenses

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

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB/NHST;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Valuation

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

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

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

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets (MEA) and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

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

In 2017-18 a formal revaluation exercise by the District Valuer Services was applied to the land and properties of NHS Wales as from 1 April 2017. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

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

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the LHB/NHST could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset.

Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS 13.

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

Subsequent expenditure

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

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

1.7 Depreciation, amortisation and impairments

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

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

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

1.8 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs and NHSTs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to the LHBs and NHSTs, where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

Measurement

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

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

1.9 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the SoCNE. On disposal, the balance for the asset on the revaluation reserve is transferred to the General Fund Reserve – LHB, PDC reserve - NHST.

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

1.10 Leases

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

1.10.1 The Local Health Boards and NHS Trusts as lessee

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred. Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.11 Inventories

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

1.12 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.13 Provisions

Provisions are recognised when the LHBs/NHSTs have a present legal or constructive obligation as a result of a past event, it is probable that the LHBs/NHSTs will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

The LHBs/NHSTs are part of a reimbursement scheme for Clinical Negligence Personal Injury and Defence Legal Costs where costs greater than £25k are reimbursed. This scheme is funded by Welsh Government. The Welsh Risk Pool Services (WRPS) manages the reimbursement scheme and is hosted by Velindre NHS Trust.

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

A restructuring provision is recognised when the LHB/NHST has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

The measurement of a restructuring provision includes only the direct expenditure arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.14 Financial Instruments

From 2018-19 IFRS 9 Financial Instruments is applied, as interpreted and adapted for the public sector, in the FReM. The principal impact of IFRS 9 adoption by NHS Wales bodies, will be to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

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

1.15 Financial assets

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

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

Details relating to the calculation methodology are contained within the individual accounts.

1.15.1 Financial assets are initially recognised at fair value.

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

1.16 Financial liabilities

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

1.16.1 Financial liabilities are initially recognised at fair value.

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

1.17 Value Added Tax

Most of the activities of the LHB/NHST 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.

1.18 Losses and Special Payments

Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

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

The LHBs and NHSTs account for all losses and special payments gross (including reimbursements). The LHBs and NHSTs accrue or provide for the best estimate of its future pay outs for certain or probable liabilities and disclose all other possible payments as contingent liabilities.

1.19 Critical Accounting Judgements in applying accounting policies

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

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.20 Key sources of estimation uncertainty

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

Provisions

The LHBs and NHSTs provide for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the SOFP date on the basis of the best estimate of the expenditure required to settle the obligation.

Claims are funded via WRPS which receives an annual allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee.

Probable & Certain Cases – Accounting Treatment

A provision for these cases is calculated in accordance with IAS 37. Cases are assessed and divided into four categories according to their probability of settlement;

Remote	Probability of Settlement	0 – 5%
	Accounting Treatment	Contingent Liability.
Possible	Probability of Settlement	6% - 49%
	Accounting Treatment	Defence Fee - Provision All other estimated expenditure. - Contingent Liability
Probable	Probability of Settlement	50% - 94%
	Accounting Treatment	Full Provision
Certain	Probability of Settlement	95% - 100%
	Accounting Treatment	Full Provision

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

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

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

Discounting provisions

The WRPS discounts estimated future lump sums within the provisions which are assumed to settle over a 3 year period.

A proportion of the lump sum estimates are assumed to settle with RPI indexed annual payments and the remainder as Annual Survey of Hours and Earnings (ASHE) indexed annual payments.

The HM Treasury short term nominal discount rate of 0.76% (2017/18: -2.42%) is applied to the RPI proportion of the lump sum estimate using the retail price index (RPI) inflation rate of 3.6%.

The remainder is discounted by applying the Annual Survey of Hours and Earnings (ASHE) real discount rate of 0.7%.

Structured Settlement (SS) Provisions

The majority of high value (>£1M) claims settle with a SS where part or all of the final settlement value is paid over the life time of the claimant.

When cases settle with a SS arrangement, an individual provision is created by multiplying the claimants' index linked annual payment value by the number of years' life expectancy. Future cashflows are modelled based on individual claim data and includes any agreed future steps in payment value.

The number of years' life expectancy is discounted according to the Ogden table multipliers using HM Treasury's nominal discount rate for general provisions issued annually in the Public Expenditure System (PES) paper and an inflation factor.

For 2018-19, the nominal short, medium, long and very long term rates are; 0.76%, (0-5 years), 1.14%, (+5-10 years) 1.99% (+10-40 years) and 1.99% (over 40 years) respectively.

The inflation factor applied is dependent upon the rate agreed as part of the settlement of the claimant's case. Where annual payments are required to be uplifted by the RPI, the RPI rate of 3.6% has been used. Where annual payments are required to be uplifted based on market data for carers' wages, the annual survey of hours and earnings (ASHE) discount rate of 0.7% has been applied.

The probabilities of survival for each claimant are based on estimated life expectancy, agreed by medical experts in each case.

1.21 Private Finance Initiative (PFI) transactions

Five LHBs have a PFI Scheme. None of the NHSTs have a PFI Scheme.

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

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

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

Services received

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

PFI assets

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

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

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to ‘Finance Costs’ within the SoCNE.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the SoCNE.

Lifecycle replacement

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

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

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

Assets contributed by the Local Health Boards to the operator for use in the scheme

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

Other assets contributed by the Local Health Boards to the operator

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

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

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

1.22 Contingencies

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

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

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

1.23 Accounting standards that have been issued but not yet been adopted

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

- IFRS 14 Regulatory Deferral Accounts (The European Financial Reporting Advisory Group recommended in October 2015 that the Standard should not be endorsed as it is unlikely to be adopted by many EU countries.),
- IFRS 16 Leases, HMT have confirmed that IFRS 16 Leases, as interpreted and adapted by the FReM is to be effective from 1st April 2020.
- IFRS 17 Insurance Contracts,
- IFRIC 23 Uncertainty over Income Tax Treatment.

1.24 Accounting standards that have been adopted early

No accounting standards issued have been adopted early.

1.25 Charities

The LHB/NHSTs with the agreement of the Welsh Government have adopted the IFRS 10 exemption to consolidate.

From 2013-14, Velindre University NHS Trust consolidated their NHS charitable funds for which they are the corporate trustee. On the basis that the charitable funds consolidation will be dealt with in the underlying accounts and that the consolidation is not material at the Summarised Accounts level the NHS Wales Single Summarised Accounts will not summarise any charitable funds elements.

1.26 Public Dividend Capital (PDC) and PDC dividend

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

From 1 April 2010 the requirement to pay a public dividend over to the Welsh Government ceased.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £000	Non-cash limited £000	2018-19 Total £000	2017-18 £000
General Medical Services	536,617	-	536,617	507,697
Pharmaceutical Services	150,777	(15,861)	134,916	134,707
General Dental Services	185,052	-	185,052	177,908
General Ophthalmic Services	9,349	32,678	42,027	41,434
Other Primary Health Care expenditure	35,892	-	35,892	33,714
Prescribed drugs and appliances	505,877	-	505,877	523,830
Total	1,423,564	16,817	1,440,381	1,419,290

2.2 Expenditure on healthcare from other providers

	2018-19 £000	2017-18 £000
Goods and services from other non Welsh NHS bodies	268,950	264,091
Local Authorities	99,868	59,396
Voluntary organisations	37,949	36,237
NHS Funded Nursing Care	43,957	53,889
Continuing Care	370,703	361,374
Private providers	59,923	56,593
Specific projects funded by the Welsh Assembly Government	-	8
Other	(1,549)	(1,321)
Total	879,801	830,267

2.3 Expenditure on Hospital and Community Health Services

	2018-19 £000	2017-18 £000
Directors' costs	17,434	17,118
Staff costs	3,680,645	3,516,673
Supplies and services - clinical	671,390	638,621
Supplies and services - general	112,981	101,521
Consultancy Services	9,763	8,511
Establishment	84,150	84,787
Transport	29,502	29,192
Premises	199,451	186,240
External Contractors	4,171	5,376
Depreciation	178,709	170,761
Amortisation	12,282	12,268
Fixed asset impairments and reversals (Property, plant & equipment)	41,430	41,384
Fixed asset impairments and reversals (Intangible assets)	11	-
Impairments and reversals of non-current assets held for sale	35	(56)
Audit fees	3,180	3,291
Other auditors' remuneration	-	8
Losses, special payments and irrecoverable debts	151,899	329,315
Research and Development	6,536	6,933
Other operating expenses	64,422	93,191
Total	5,267,991	5,245,134

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

	2018-19 £000	2017-18 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence	126,311	261,725
Personal injury	6,161	9,488
All other losses and special payments	2,613	1,975
Defence legal fees and other administrative costs	5,035	5,688
WRPS Structured Settlements	379	32,359
Gross increase/(decrease) in provision for future payments	140,499	311,235
Irrecoverable debts	579	2,195
Amounts due to /from:	10,821	15,885
Total	151,899	329,315

Personal injury includes £3,362,411 (2017-18: £3,190,806) in respect of permanent injury benefits

3. Income

	2018-19 £000	2017-18 £000
Health Education and Improvement Wales (HEIW)	20,719	-
Other NHS England bodies	32,865	31,393
Foundation Trusts	1,246	958
Local authorities	81,294	54,338
Welsh Government	276,893	419,896
Non NHS:		
Prescription charge income	55	71
Dental fee income	36,886	38,048
Private patient income	8,317	8,281
Overseas patients (non-reciprocal)	884	669
Injury Costs Recovery (ICR) Scheme	11,072	11,311
Other income from activities	19,907	15,522
Patient transport services	(1)	-
Education, training and research	99,521	106,731
Charitable and other contributions to expenditure	10,928	10,886
Receipt of donated assets	6,951	9,331
Receipt of Government granted assets	429	19
Non-patient care income generation schemes	4,169	4,696
Deferred income released to revenue	1,665	1,029
Rental income from operating leases	1,426	1,695
Other income:		
Provision of laundry, pathology, payroll services	5,016	4,626
Accommodation and catering charges	17,666	16,209
Mortuary fees	1,749	1,749
Staff payments for use of cars	4,559	4,588
Business units	1,815	16
Other	230,008	264,196
Total	876,039	1,006,258

ICR income is subject to a provision for impairment of 21.89% (2017-18 22.84%) to reflect expected rates of collection.

Other income of £230,008k (2017-18 £264,196k) relates predominantly to NHS Wales Shared Services Partnership and NHS Wales Informatics Services, bodies hosted by Velindre NHS Trust, which are funded by Welsh Government.

4. Investment Income

	2018-19	2017-18
	£000	£000
Interest revenue :		
Bank accounts	246	122
Other loans and receivables	1	4
Other financial assets	20	21
Total	267	147

5. Other gains and losses

	2018-19	2017-18
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	400	401
Gain/(loss) on disposal of assets held for sale	365	7,964
Total	765	8,365

6. Finance costs

	2018-19	2017-18
	£000	£000
Interest on obligations under finance leases	121	241
Interest on obligations under PFI contracts		
main finance cost	4,347	4,565
contingent finance cost	2,936	2,497
Interest on late payment of commercial debt	1	1
Total interest expense	7,405	7,304
Provisions unwinding of discount	(2,501)	(5,513)
Periodical Payment Order unwinding of discount	(395)	381
Total	4,509	2,172

7. Operating leases

LHB and Trust as lessee

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

Payments recognised as an expense	2018-19	2017-18
	£000	£000
Minimum lease payments	33,226	31,155
Total	33,226	31,155

Total future minimum lease payments

Payable	£000	£000
Not later than one year	28,373	26,508
Between one and five years	56,531	55,945
After 5 years	66,148	51,294
Total	151,052	133,747

LHB and Trust as lessor

Rental revenue	£000	£000
Rent	1,614	1,355
Other	115	110
Total revenue rental	1,729	1,465

Total future minimum lease payments

Receivable	£000	£000
Not later than one year	1,526	1,267
Between one and five years	3,135	1,764
After 5 years	5,686	2,642
Total	10,347	5,673

8. Employee benefits and staff numbers

8.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	
	£000	£000	£000	£000	2018-19 £000	2017-18 £000
Salaries and wages	2,956,256	20,197	115,752	48,734	3,140,939	3,002,648
Social security costs	291,119	70	-	274	291,463	275,142
Employer contributions to NHS Pension Scheme	364,298	73	-	11	364,382	347,523
Other pension costs	957	-	-	-	957	519
Termination benefits	605	-	-	-	605	698
Total	3,613,235	20,340	115,752	49,019	3,798,346	3,626,530
Charged to capital					7,471	6,501
Charged to revenue					3,790,875	3,620,029
					3,798,346	3,626,530
Net movement in accrued employee benefits (untaken staff leave accrual included in above)					1,141	(252)

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

8.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	
	Number	Number	Number	Number	2018-19 Number	2017-18 Number
Administrative, clerical and board members	16,850	161	187	40	17,238	16,600
Medical and dental	6,862	94	181	337	7,474	7,310
Nursing, midwifery registered	22,343	10	931	1	23,285	23,166
Professional, Scientific, and technical staff	3,152	25	20	10	3,207	3,003
Additional Clinical Services	15,605	-	47	3	15,655	15,785
Allied Health Professions	5,516	6	93	44	5,659	5,304
Healthcare Scientists	1,734	1	23	1	1,759	1,761
Estates and Ancillary	6,707	-	64	12	6,783	6,926
Students	52	-	-	-	52	61
Total	78,821	297	1,546	448	81,112	79,916

8.3. Retirements due to ill-health

During 2018-19 there were 88 (2017-18: 101) early retirements from LHBs and NHS Trusts 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 £4,274,469 (2017-18 £5,561,189).

8.4 Employee benefits

LHBs do not disclose any employee benefit schemes. NHS Trusts do disclose employee benefit schemes. Please refer to their underlying accounts for further details

8.5 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

c) National Employment Savings Trust (NEST)

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

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for

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

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 5% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 2% of this. The legal minimum level of contribution level is due to increase to 8% in April 2019.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,032 and £46,350 for the 2018-19 tax year (2017-18 £5,876 and £45,000).

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

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

	2018-19	2017-18
	£	£
Amounts included within finance costs from claims made under this legislation	811	340
Compensation paid to cover debt recovery costs under this legislation	1,564	496
Total	<u>2,375</u>	<u>836</u>

10.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2018	370,764	2,425,864	48,755	269,872	643,659	82,332	213,274	34,793	4,089,313
Indexation	6,626	12,587	470	-	-	-	-	-	19,683
Additions - purchased	596	35,231	11	273,090	43,611	4,710	22,981	1,438	381,668
Additions - donated	-	1,210	-	3,411	1,967	-	234	108	6,930
Additions - government granted	-	17	-	383	28	-	1	-	429
Reclassifications	3,147	119,644	23	(143,723)	5,579	8,848	1,348	1,051	(4,083)
Revaluations	(412)	(5,123)	(4)	-	-	-	-	-	(5,539)
Reversal of impairments	1,195	12,084	17	-	-	-	-	-	13,296
Impairments	50	(57,421)	-	-	-	(147)	(1)	-	(57,519)
Reclassified as held for sale	(1,314)	(2,968)	-	-	(2,330)	(8,563)	-	-	(15,175)
Disposals	(53)	(299)	-	-	(31,953)	(792)	(18,388)	(4,077)	(55,562)
At 31 March 2019	380,599	2,540,826	49,272	403,033	660,561	86,388	219,449	33,313	4,373,441
Depreciation at 1 April 2018	-	130,194	1,774	1,792	434,676	53,345	131,165	22,282	775,228
Indexation	-	1,518	19	-	-	-	-	-	1,537
Reclassifications	-	1	-	-	(28)	-	(312)	(29)	(368)
Revaluations	-	(2,866)	(4)	-	-	-	-	-	(2,870)
Reversal of impairments	-	199	-	-	-	-	-	-	199
Impairments	-	(2,973)	-	-	-	(19)	-	-	(2,992)
Reclassified as held for sale	-	(1,773)	-	-	(2,309)	(8,563)	-	-	(12,645)
Disposals	-	(262)	-	-	(31,919)	(792)	(18,388)	(4,077)	(55,438)
Provided during the year	-	89,169	1,620	-	50,156	9,172	25,819	2,773	178,709
At 31 March 2019	-	213,207	3,409	1,792	450,576	53,143	138,284	20,949	881,360
Net book value at 1 April 2018	370,764	2,295,670	46,981	268,080	208,983	28,987	82,109	12,511	3,314,085
Net book value at 31 March 2019	380,599	2,327,619	45,863	401,241	209,985	33,245	81,165	12,364	3,492,081
Net book value at 31 March 2019 comprises :									
Purchased	376,324	2,285,431	45,863	397,386	198,000	33,240	80,344	11,593	3,428,181
Donated	4,275	41,170	-	3,546	11,931	-	707	739	62,368
Government Granted	-	1,018	-	309	54	5	114	32	1,532
	380,599	2,327,619	45,863	401,241	209,985	33,245	81,165	12,364	3,492,081
Asset financing :									
Owned	377,727	2,244,086	43,619	401,241	209,284	33,245	80,045	12,364	3,401,611
Held on finance lease	-	2,031	-	-	608	-	1,120	-	3,759
On-SoFP PFI contracts	2,872	81,502	2,244	-	93	-	-	-	86,711
Total	380,599	2,327,619	45,863	401,241	209,985	33,245	81,165	12,364	3,492,081

The net book value of land, buildings and dwellings at 31 March 2019 comprises :

	£000
Freehold	2,641,304
Long Leasehold	107,754
Short Leasehold	5,023
	2,754,081

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

10.1 Property, plant and equipment

2017-18	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2017	404,882	2,567,462	50,056	200,535	616,483	79,356	188,294	32,831	4,139,899
Additions - purchased	1,285	28,095	275	197,050	48,594	784	24,387	2,118	302,588
Additions - donated	-	6,327	-	483	2,216	-	228	45	9,299
Additions - government granted	-	-	-	-	8	-	11	-	19
Reclassifications	842	88,662	3	(120,829)	10,423	7,953	8,865	86	(3,995)
Revaluations	(26,635)	(175,881)	(1,369)	-	-	-	-	-	(203,885)
Reversal of impairments	(1,968)	(20,628)	585	-	-	-	-	-	(22,011)
Impairments	(5,675)	(65,421)	(640)	(7,367)	(31)	-	(165)	-	(79,299)
Reclassified as held for sale	(1,578)	(462)	-	-	(815)	(5,020)	-	-	(7,875)
Disposals	(389)	(2,290)	(155)	-	(33,219)	(741)	(8,346)	(287)	(45,427)
At 31 March 2018	370,764	2,425,864	48,755	269,872	643,659	82,332	213,274	34,793	4,089,313
Depreciation at 1 April 2017	208	431,095	7,385	1,792	413,915	51,239	116,482	19,660	1,041,776
Reclassifications	-	(264)	(6)	-	1,314	(1,005)	2	(39)	2
Revaluations	(217)	(329,557)	(7,255)	-	-	-	-	-	(337,029)
Reversal of impairments	-	(78,236)	(40)	-	-	-	-	-	(78,276)
Impairments	72	28,257	97	-	(5)	-	-	-	28,421
Reclassified as held for sale	-	(16)	-	-	(815)	(5,020)	-	-	(5,851)
Disposals	(63)	(2,125)	(3)	-	(33,022)	(741)	(8,335)	(287)	(44,576)
Provided during the year	-	81,040	1,596	-	53,289	8,872	23,016	2,948	170,761
At 31 March 2018	-	130,194	1,774	1,792	434,676	53,345	131,165	22,282	775,228
Net book value at 1 April 2017	404,674	2,136,367	42,671	198,743	202,568	28,117	71,812	13,171	3,098,123
Net book value at 31 March 2018	370,764	2,295,670	46,981	268,080	208,983	28,987	82,109	12,511	3,314,085
Net book value at 31 March 2018 comprises :									
Purchased	366,573	2,254,454	46,981	267,932	195,691	28,979	81,181	11,705	3,253,496
Donated	4,191	40,250	-	148	13,250	-	730	757	59,326
Government Granted	-	966	-	-	42	8	198	49	1,263
	370,764	2,295,670	46,981	268,080	208,983	28,987	82,109	12,511	3,314,085
Asset financing :									
Owned	360,999	2,192,418	44,692	268,080	207,800	28,987	79,896	12,509	3,195,381
Held on finance lease	-	2,138	-	-	912	-	2,213	2	5,265
On-SoFP PFI contracts	9,765	101,114	2,289	-	271	-	-	-	113,439
Total	370,764	2,295,670	46,981	268,080	208,983	28,987	82,109	12,511	3,314,085

The net book value of land, buildings and dwellings at 31 March 2018 comprises :

Freehold	£000
Long Leasehold	2,586,506
Short Leasehold	95,328
	31,581
	2,713,415

10. Property, plant and equipment (continued)

10.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Total
	£000	£000	£000	£000
Balance brought forward 1 April 2018	881	74	-	955
Plus assets classified as held for sale in the year	1,534	1,195	21	2,750
Less assets sold in the year	(666)	(156)	(21)	(843)
Less impairment of assets held for sale	(35)	-	-	(35)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(220)	-	-	(220)
Balance carried forward 31 March 2019	1,494	1,113	-	2,607
Balance brought forward 1 April 2017	3,953	150	-	4,103
Plus assets classified as held for sale in the year	1,586	438	-	2,024
Less assets sold in the year	(4,579)	(514)	-	(5,093)
Less impairment of assets held for sale	(79)	-	-	(79)
Balance carried forward 31 March 2018	881	74	-	955

11. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	Carbon Reduction Commitment	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2018	75,762	3,512	12,254	74	365	91,967
Reclassifications	2,049	241	1,793	-	-	4,083
Impairments	(23)	-	-	-	-	(23)
Additions- purchased	4,217	2,718	1,134	-	-	8,069
Additions- internally generated	-	-	-	426	-	426
Additions- donated	21	-	-	-	-	21
Disposals	(1,064)	(90)	(309)	-	(169)	(1,632)
Gross cost at 31 March 2019	80,962	6,381	14,872	500	196	102,911
Amortisation at 1 April 2018	50,703	2,508	5,327	-	-	58,538
Reclassifications	297	12	62	-	-	371
Impairment	(12)	-	-	-	-	(12)
Provided during the year	9,202	433	2,647	-	-	12,282
Disposals	(1,064)	(90)	(309)	-	-	(1,463)
Amortisation at 31 March 2019	59,126	2,863	7,727	-	-	69,716
Net book value at 1 April 2018	25,059	1,004	6,927	74	365	33,429
Net book value at 31 March 2019	21,836	3,518	7,145	500	196	33,195
At 31 March 2019						
Purchased	21,595	368	7,145	-	196	29,304
Donated	241	-	-	-	-	241
Internally generated	-	3,150	-	500	-	3,650
Total at 31 March 2019	21,836	3,518	7,145	500	196	33,195

11. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	Carbon Reduction Commitment	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2017	68,065	2,724	10,024	-	-	80,813
Reclassifications	3,600	-	395	-	-	3,995
Additions- purchased	4,994	788	1,898	-	573	8,253
Additions- internally generated	-	-	-	74	-	74
Additions- donated	33	-	-	-	-	33
Disposals	(930)	-	(63)	-	(208)	(1,201)
Gross cost at 31 March 2018	75,762	3,512	12,254	74	365	91,967
Amortisation at 1 April 2017	41,642	2,125	3,498	-	-	47,265
Reclassifications	(2)	-	-	-	-	(2)
Provided during the year	9,993	383	1,892	-	-	12,268
Disposals	(930)	-	(63)	-	-	(993)
Amortisation at 31 March 2018	50,703	2,508	5,327	-	-	58,538
Net book value at 1 April 2017	26,423	599	6,526	-	-	33,548
Net book value at 31 March 2018	25,059	1,004	6,927	74	365	33,429
At 31 March 2018						
Purchased	24,686	-	6,927	-	365	31,978
Donated	372	-	-	-	-	372
Government Granted	1	-	-	-	-	1
Internally generated	-	1,004	-	74	-	1,078
Total at 31 March 2018	25,059	1,004	6,927	74	365	33,429

12. Impairments

	2018-19		2017-18
	Property, plant & equipment £000	Intangible assets £'000	Property, plant & equipment £000
Impairments arising from :			
Abandonment in the course of construction	24	-	13
Changes in market price	24,972	-	93,493
Others	29,989	11	60,758
Reversal of impairments	(13,009)	-	(58,636)
Total of all impairments	41,976	11	95,628

Analysis of impairments charged to reserves in year :

Charged to the Statement of Comprehensive Net Expenditure	41,466	11	41,328
Charged to Revaluation Reserve	510	-	54,300
	41,976	11	95,628

13.1 Inventories

	31 March 2019 £000	31 March 2018 £000
Drugs	25,468	24,305
Consumables	45,189	41,263
Energy	1,219	892
Other	2,406	1,622
Total	74,282	68,082

Of which held at realisable value

- -

13.2 Inventories recognised in expenses

Inventories recognised as an expense in the period	51,584	51,160
Write-down of inventories (including losses)	307	271
Reversal of write-downs that reduced the expense	-	(267)
Total	51,891	51,164

Only stock which has been resold to other parties is included in this note.

14. Trade and other receivables

Current	31 March 2019 £000	31 March 2018 £000
Welsh Government	386,141	366,529
Health Education and Improvement Wales (HEIW)	2,591	-
Non - Welsh Trusts	3,837	3,728
Other NHS	7,774	4,659
Local Authorities	29,496	22,953
Capital debtors	644	413
Other debtors	71,594	64,201
Provision for irrecoverable debts	(25,276)	(14,617)
Other prepayments	39,140	31,365
Other accrued income	6,411	4,149
Sub total	522,352	483,380
Non-current		
Welsh Government	798,646	782,239
Other debtors	5,292	5,753
Provision for irrecoverable debts	(1,270)	(1,530)
Other prepayments and accrued income	1,167	1,200
Other accrued income	2,343	2,402
Sub total	806,178	790,064
Total	1,328,530	1,273,444
Receivables past their due date but not impaired		
By up to three months	28,820	16,398
By three to six months	3,341	4,189
By more than six months	7,764	8,082
	39,925	28,669
Expected Credit Losses (ECL)/ Provision for Impairment of Receivables		
Balance at 31 March	(16,147)	
Adjustment for Implementation of IFRS 9	(6,016)	
Balance at 1 April	(22,163)	(13,804)
Transfer to other NHS Wales body	-	-
Amount written off during the year	802	507
Amount recovered during the year	447	1,143
(Increase) / decrease in receivables impaired	(5,621)	(3,999)
Bad debts recovered during year	(11)	6
Balance at 31 March	(26,546)	(16,147)
Receivables VAT		
Trade receivables	7,096	5,197
Other	3,187	2,894
Total	10,283	8,091

15. Other Financial Assets

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £'000	31 March 2018 £'000
Financial assets				
Loans at amortised cost	32	32	661	693
At fair value through SoCNE	-	327	-	-
Available for sale at FV	-	167	-	-
Total	32	526	661	693

16. Cash and cash equivalents

	2018-19 £000	2017-18 £000
Balance at 1 April	56,506	50,495
Net change in cash and cash equivalent balances	2,954	6,011
Balance at 31 March	59,460	56,506
Made up of:		
Cash held at Government Banking Service (GBS)	45,305	44,922
Commercial banks	194	(44)
Cash in hand	661	463
Total Cash	46,160	45,341
Current Investments	13,300	11,500
Cash and cash equivalents as in Statement of Financial Position	59,460	56,841
Bank overdraft - Government Banking Service (GBS)	-	(335)
Cash and cash equivalents as in Statement of Cash Flows	59,460	56,506

17. Trade and other payables

Current	31 March 2019 £000	31 March 2018 £000
Welsh Government	202	9,971
Other NHS	75,492	76,253
Taxation and social security payable / refunds	22,940	18,980
VAT payable to HMRC	241	424
Other taxes payable to HMRC	12,576	10,099
NI contributions payable to HMRC	29,486	29,190
Non-NHS creditors	151,777	148,091
Local Authorities	80,077	58,319
Capital Creditors	71,104	70,691
Rentals due under operating leases	-	5
Obligations under finance leases, HP contracts	574	581
Imputed finance lease element of on SoFP PFI contracts	3,625	4,093
Pensions: staff	29,958	24,383
Accruals	382,691	369,371
Deferred Income:		
Deferred Income brought forward	10,852	5,526
Deferred Income Additions	3,562	7,745
Released to SoCNE	(3,965)	(2,488)
Other creditors	42,600	43,090
PFI assets –deferred credits	18	104
Payments on account	(19,184)	(17,716)
Total	894,626	856,712
Non-current		
Rentals due under operating leases	1,004	622
Obligations under finance leases, HP contracts	514	1,089
Imputed finance lease element of on SoFP PFI contracts	56,544	60,168
PFI assets –deferred credits	86	101
Sub-total	58,148	61,980
Total	952,774	918,692

18. Borrowings

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Finance lease liabilities	965	1,550	29	994
Total	965	1,550	29	994

19. Other financial liabilities

No other financial liabilities were reported by the LHBs and NHSTs.

20. Provisions

20.1 Consolidated

	At 1 April 2018	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	264,254	(65,119)	(8,581)	110,044	150,905	(98,894)	(83,422)	(2,604)	266,583
Personal injury	13,479	-	(243)	(786)	10,012	(9,053)	(4,319)	78	9,168
All other losses and special payments	49	-	-	-	2,735	(2,416)	(122)	-	246
Defence legal fees and other administration	9,212	-	-	1,211	8,312	(4,972)	(4,767)	-	8,996
Structured Settlements - WRPS	11,187	2,148	-	-	13,372	(12,054)	(439)	(395)	13,819
Pensions relating to former directors	4	-	-	4	-	(4)	-	-	4
Pensions relating to other staff	1,839	-	(7)	1,233	637	(1,831)	(121)	21	1,771
Other	24,608	-	(513)	2,257	26,286	(11,323)	(7,230)	-	34,085
Total	324,632	(62,971)	(9,344)	113,963	212,259	(140,547)	(100,420)	(2,900)	334,672
Non Current									
Clinical negligence	420,877	-	-	(110,044)	96,969	(3,727)	(17,087)	-	386,988
Personal injury	29,361	-	-	786	588	(277)	(121)	3	30,340
Defence legal fees and other administration	5,070	-	-	(1,211)	1,652	(363)	(162)	-	4,986
Structured Settlements - WRPS	358,279	62,971	-	-	4,024	-	(16,578)	-	408,696
Pensions relating to former directors	16	-	-	(4)	-	-	-	-	12
Pensions relating to other staff	11,683	-	-	(1,233)	476	-	(332)	1	10,595
Other	5,707	-	-	(2,257)	1,102	(1,337)	(922)	-	2,293
Total	830,993	62,971	-	(113,963)	104,811	(5,704)	(35,202)	4	843,910
TOTAL									
Clinical negligence	685,131	(65,119)	(8,581)	-	247,874	(102,621)	(100,509)	(2,604)	653,571
Personal injury	42,840	-	(243)	-	10,600	(9,330)	(4,440)	81	39,508
All other losses and special payments	49	-	-	-	2,735	(2,416)	(122)	-	246
Defence legal fees and other administration	14,282	-	-	-	9,964	(5,335)	(4,929)	-	13,982
Structured Settlements - WRPS	369,466	65,119	-	-	17,396	(12,054)	(17,017)	(395)	422,515
Pensions relating to former directors	20	-	-	-	-	(4)	-	-	16
Pensions relating to other staff	13,522	-	(7)	-	1,113	(1,831)	(453)	22	12,366
Other	30,315	-	(513)	-	27,388	(12,660)	(8,152)	-	36,378
Total	1,155,625	-	(9,344)	-	317,070	(146,251)	(135,622)	(2,896)	1,178,582

Expected timing of cash flows:

	In year to 31 March 2020	Between 1 April 2020- 31 March 2024	Thereafter	Total
	£'000	£'000	£'000	£'000
Clinical negligence	266,583	385,735	1,253	653,571
Personal injury	9,168	8,835	21,505	39,508
All other losses and special payments	246	-	-	246
Defence legal fees and other administration	8,996	4,986	-	13,982
Structured Settlements - WRPS	13,819	57,822	350,874	422,515
Pensions relating to former directors	4	12	-	16
Pensions relating to other staff	1,771	7,764	2,831	12,366
Other	34,085	1,830	463	36,378
Total	334,672	466,984	376,926	1,178,582

20. Provisions (continued)

20.2 Welsh Risk Pool

	At 1 April 2018	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	258,595	(65,119)	(2,819)	76,292	188,799	(87,661)	(103,370)	(2,604)	262,113
Personal injury	6,619	-	-	(18)	4,058	(4,910)	(3,510)	-	2,239
Defence legal fees and other administration	4,573	-	-	579	2,968	(1,356)	(2,144)	-	4,620
Structured Settlements - WRPS	11,187	2,148	-	-	13,372	(12,054)	(439)	(395)	13,819
Total	280,974	(62,971)	(2,819)	76,853	209,197	(105,981)	(109,463)	(2,999)	282,791
Non Current									
Clinical negligence	420,776	-	-	(76,488)	53,662	(3,446)	(7,844)	-	386,660
Personal injury	6	-	-	(6)	300	-	-	-	300
Defence legal fees and other administration	3,178	-	-	(359)	644	(104)	(367)	-	2,992
Structured Settlements - WRPS	358,279	62,971	-	-	4,024	-	(16,578)	-	408,696
Total	782,239	62,971	-	(76,853)	58,630	(3,550)	(24,789)	-	798,648
TOTAL									
Clinical negligence	679,371	(65,119)	(2,819)	(196)	242,461	(91,107)	(111,214)	(2,604)	648,773
Personal injury	6,625	-	-	(24)	4,358	(4,910)	(3,510)	-	2,539
Defence legal fees and other administration	7,751	-	-	220	3,612	(1,460)	(2,511)	-	7,612
Structured Settlements - WRPS	369,466	65,119	-	-	17,396	(12,054)	(17,017)	(395)	422,515
Total	1,063,213	-	(2,819)	-	267,827	(109,531)	(134,252)	(2,999)	1,081,439

Expected timing of cash flows:

	In year to 31 March 2020	Between 1 April 2020- 31 March 2024	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence	262,113	276,403	110,257	648,773
Personal injury	2,239	300	-	2,539
Defence legal fees and other administration	4,620	2,992	-	7,612
Structured Settlements - WRPS	13,819	57,822	350,874	422,515
Total	282,791	337,517	461,131	1,081,439

20. Provisions (continued)

20.3 Prior Year Consolidated

	At 1 April 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	233,012	(27,006)	(5,431)	27,038	170,245	(83,767)	(44,892)	(4,945)	264,254
Personal injury	11,814	-	(181)	(72)	13,645	(6,817)	(5,022)	112	13,479
All other losses and special payments	188	-	-	-	2,028	(2,114)	(53)	-	49
Defence legal fees and other administration	10,430	-	-	(279)	9,412	(4,900)	(5,451)	-	9,212
Structured Settlements - WRPS	10,755	550	-	-	11,363	(10,869)	(993)	381	11,187
Pensions relating to former directors	2	-	-	4	-	(2)	-	-	4
Pensions relating to other staff	1,920	-	(6)	1,535	451	(1,863)	(242)	44	1,839
Restructuring	137	-	-	-	-	(126)	(11)	-	-
Other	14,279	-	(126)	(391)	23,139	(8,149)	(4,144)	-	24,608
Total	282,537	(26,456)	(5,744)	27,835	230,283	(118,607)	(60,808)	(4,408)	324,632
Non Current									
Clinical negligence	307,877	-	(3,200)	(27,038)	188,140	(7,255)	(36,925)	(722)	420,877
Personal injury	28,403	-	-	72	1,039	-	(161)	8	29,361
Defence legal fees and other administration	3,460	-	-	279	1,836	(376)	(129)	-	5,070
Structured Settlements - WRPS	309,834	26,456	-	-	26,977	-	(4,988)	-	358,279
Pensions relating to former directors	20	-	-	(4)	-	-	-	-	16
Pensions relating to other staff	12,845	-	-	(1,535)	521	-	(150)	2	11,683
Other	6,345	-	-	391	1,951	(1,042)	(1,938)	-	5,707
Total	668,784	26,456	(3,200)	(27,835)	220,464	(8,673)	(44,291)	(712)	830,993
TOTAL									
Clinical negligence	540,889	(27,006)	(8,631)	-	358,385	(91,022)	(81,817)	(5,667)	685,131
Personal injury	40,217	-	(181)	-	14,684	(6,817)	(5,183)	120	42,840
All other losses and special payments	188	-	-	-	2,028	(2,114)	(53)	-	49
Defence legal fees and other administration	13,890	-	-	-	11,248	(5,276)	(5,580)	-	14,282
Structured Settlements - WRPS	320,589	27,006	-	-	38,340	(10,869)	(5,981)	381	369,466
Pensions relating to former directors	22	-	-	-	-	(2)	-	-	20
Pensions relating to other staff	14,765	-	(6)	-	972	(1,863)	(392)	46	13,522
Restructuring	137	-	-	-	-	(126)	(11)	-	-
Other	20,624	-	(126)	-	25,090	(9,191)	(6,082)	-	30,315
Total	951,321	-	(8,944)	-	450,747	(127,280)	(105,099)	(5,120)	1,155,625

21. Contingencies

21.1 Contingent liabilities

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

	2018-19	2017-18
	£000	£000
Legal claims for alleged medical or employer negligence	951,918	834,714
Defence costs	15,653	15,982
Continuing Care health costs	26,960	60,085
Other	117	25
Total value of disputed claims	994,648	910,806
Less amounts reimbursed from Welsh Government in the event of claims being successful	(936,192)	(814,718)
Net contingent liability	58,456	96,088

21.2 Contingent assets

The LHBs and NHSTs have no contingent asset disclosures.

22. Capital commitments

Contracted capital commitments at 31 March for	2018-19	2017-18
	£000	£000
Property, plant and equipment	209,095	264,966
Intangible assets	2,698	1,788
Total	211,793	266,754

23. Losses and special payments
LHB and NHS Trusts

Losses and special payments are charged to the SoCNE in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2019		Approved to write-off to 31 March 2019	
	Number	£	Number	£
Clinical negligence	985	103,696,983	575	70,010,280
Personal injury	401	8,924,844	208	2,810,127
All other losses & special payments	2,080	3,079,138	1,985	2,788,638
Total	3,466	115,700,965	2,768	75,609,045

Analysis of cases which exceed £300,000

	Cases over £300,000, paid out during the year		Cumulative interim payments over £300,000	
	Number	£	Number	£
Clinical negligence	62	70,125,072	152	204,570,230
Personal injury	1	3,548,813	7	6,546,116
Total	63	73,673,885	159	211,116,346

24. Finance leases obligations (as lessee)

Amounts payable under finance leases:

Buildings	31 March	31 March
	2019	2018
	£000	£000
Minimum lease payments	214	237
Within one year	210	424
Between one and five years	(5)	(12)
Less finance charges allocated to future periods	<u>419</u>	<u>649</u>
Minimum lease payments		
Present value of minimum lease payments		
Within one year	204	224
Between one and five years	194	385
Present value of minimum lease payments	<u>398</u>	<u>609</u>

24. Finance leases obligations (as lessee)

24.1 Amounts payable under finance leases:

Other	31 March	31 March
	2019	2018
	£000	£000
Minimum lease payments	1,377	2,020
Within one year	339	1,728
Between one and five years	(50)	(184)
Less finance charges allocated to future periods		
Minimum lease payments	1,666	3,564
Present value of minimum lease payments		
Within one year	1,325	1,898
Between one and five years	329	1,649
Present value of minimum lease payments	1,654	3,547

24.2 Finance lease receivables (as lessor)

Amounts receivable under finance leases:

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

25. Private Finance Initiative contracts

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

25.1 Commitments under off-SoFP PFI contracts

	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2019	31 March 2018
	£000	£000
Total payments due within one year	1,336	1,306
Total payments due between 1 and 5 years	3,536	3,864
Total payments due thereafter	<u>3,046</u>	<u>3,661</u>
Total future payments in relation to PFI contracts	7,918	8,831
Total estimated capital value of off-SoFP PFI contracts	4,482	4,482

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

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2019	31 March 2019	31 March 2019
	£000	£000	£000
Total payments due within one year	3,625	6,608	10,367
Total payments due between 1 and 5 years	17,874	25,880	41,558
Total payments due thereafter	<u>38,670</u>	<u>44,034</u>	<u>55,250</u>
Total future payments in relation to PFI contracts	<u>60,169</u>	<u>76,522</u>	<u>107,175</u>
	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2018	31 March 2018	31 March 2018
	£000	£000	£000
Total payments due within one year	4,094	6,934	9,271
Total payments due between 1 and 5 years	16,654	26,241	41,925
Total payments due thereafter	<u>43,513</u>	<u>50,280</u>	<u>65,229</u>
Total future payments in relation to PFI contracts	<u>64,261</u>	<u>83,455</u>	<u>116,425</u>
Total present value of obligations for on-SoFP PFI contracts	£000 212,138		

25. Private Finance Initiative contracts

25.3 Charges to expenditure	2018-19	2017-18
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	7,478	7,338
Total expense for Off Balance sheet PFI contracts	1,265	1,335
The total charged in the year to expenditure in respect of PFI contracts	8,743	8,673

LHB are committed to the following annual charges

	31 March 2019	31 March 2018
	£000	£000
PFI scheme expiry date:		
Not later than one year	2,207	2,293
Later than one year, not later than five years	9,266	9,576
Later than five years	30,520	32,363
Total	41,993	44,232

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

25.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	8	2
Number of PFI contracts which individually have a total commitment > £500m	-	-

26. Financial risk management

Financial Reporting Standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHBs and NHSTs are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply.

The LHBs and NHSTs have limited powers to invest and NHSTs have limited powers to borrow, their financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs/NHSTs in undertaking their activities.

Currency risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

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

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

27. Movements in working capital

	2018-19	2017-18
	£000	£000
Decrease / (increase) in inventories	(6,200)	287
(Increase) in trade and other receivables - non-current	(16,082)	(172,347)
(Increase) / decrease in trade and other receivables -current	(38,478)	(52,409)
(Decrease) in trade and other payables- non-current	(4,797)	(5,907)
Increase / (decrease) in trade and other payables- current	37,328	50,479
Total	(28,229)	(179,897)
Adjustment for accrual movements in fixed assets -creditors	(413)	2,809
Adjustment for accrual movements in fixed assets -debtors	231	185
Other adjustments	(5,928)	103
Total	(34,339)	(176,800)

28. Other cash flow adjustments

	2018-19	2017-18
	£000	£000
Depreciation	178,709	170,761
Amortisation	12,282	12,268
(Gains)/Loss on Disposal	(765)	(8,365)
Impairments and reversals	41,476	41,328
Release of PFI deferred credits	(101)	(105)
Donated assets received credited to revenue but non-cash	(6,951)	(9,331)
Government Grant assets received credited to revenue but non-cash	(429)	(19)
Non-cash movements in provisions	169,061	331,584
Total	393,282	538,121

29. Events after the end of the Reporting Period

The Cabinet Secretary for Health and Social Services (the Current Minister for Health and Social Services) announced on 14 June 2018 that from 1 April 2019, the responsibility for providing healthcare services for the people in the Bridgend County Borough Council (BCBC) area will move from Abertawe Bro Morgannwg UHB to Cwm Taf UHB.

The Local Health Boards (Area Change) (Wales) (Miscellaneous Amendments) Order 2019 transfers the principal local government area of Bridgend from Abertawe Bro Morgannwg UHB to Cwm Taf UHB. The Order also changes the health board names to Swansea Bay University Health Board and Cwm Taf Morgannwg University Health Board. In accordance with the Local Health Boards (Area Change) (Transfer of Staff, Property and Liabilities) (Wales) Order 2019 made on 22 February 2019 and effective on 1 April 2019 assets and liabilities relating to Bridgend services will transfer from Swansea Bay UHB to Cwm Taf Morgannwg UHB on 1 April 2019.

The transfer will be accounted for as a 'Transfer by Absorption' in accordance with the Government Financial Reporting Manual. The recorded amounts of net assets will be brought into the financial statements of Cwm Taf Morgannwg UHB from the 1 April 2019.

The impact of the transfer for Swansea Bay UHB is estimated to reduce the expenditure and associated funding by 28% for future financial years.

The impact of the transfer for Cwm Taf Morgannwg UHB is estimated to increase the expenditure and associated funding by 44% for future financial years.

30. Related Party Transactions

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

31. Third Party Assets

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

32. Other

Brexit

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified.

In 2018-19 the NHS Estate has been valued using indices provided by the District Valuer and disclosed in the Manual For Accounts.

THE NATIONAL HEALTH SERVICE IN WALES

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

SUMMARISED ACCOUNTS OF NHS BODIES

1. HM Treasury directs that summarised accounts relating to the Local Health Boards and NHS Trusts in Wales ('the Summarised Accounts') be prepared in respect of the financial year ended 31 March 2019 and subsequent financial years in the form specified in paragraphs 2 to 5 below.

BASIS OF PREPARATION

2. The Summarised Accounts must be prepared from the audited accounts prepared by the Local Health Boards and NHS Trusts for the relevant financial year to which the Summarised Accounts relate, and such supplementary material as is, in the Welsh Ministers' view, reasonably necessary to produce the Summarised Account.

FORM AND CONTENT

3. The Summarised Accounts must be prepared in compliance with the relevant accounting principles and disclosure requirements of the version in force for the relevant financial year of:
 - a) The edition of the Government Financial Reporting Manual (FRoM) issued by HM Treasury, to the extent that this direction specifies the content of the Summarised Accounts.
 - b) The NHS Manual for Accounts issued by the Welsh Government.
4. The Summarised Accounts must be prepared so as to:
 - a) give a true and fair view of the state of affairs of the Local Health Boards and NHS Trusts in Wales collectively as at the end of the relevant financial year, and of the net expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year then ended; and
 - b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or

5. The Summarised Accounts must be accompanied by:

a) A Foreword

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

The foreword shall also contain a description of the statutory background and main functions of the Local Health Boards and NHS Trusts in Wales to which it relates, together with a fair review of their operational and financial activities, and a summary of their performance against targets.

b) An Annual Governance Statement

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

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

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

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

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

This direction supersedes all previous directions.

Vicky Rock
Interim Director, Public Spending Group
HM Treasury
20 February 2019