

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 2009

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para5(2)

NHS (Wales) Summarised Accounts 2008-09

NHS Wales Summarised Accounts 2008-09

FOREWORD

Introduction

1. Section 178, Schedule 9 Para5(2) of the National Health Service (NHS) Wales Act 2006 requires all NHS organisations in Wales to prepare annual accounts and to submit them to the Welsh Assembly Government.
2. From the 1st April 2005 under the Public Audit (Wales) Act 2004 the Auditor General for Wales (AGW) became the statutory external auditor for all NHS bodies in Wales. Under the Government of Wales Act 2006 all audits are undertaken by the Auditor General for Wales and reported to the National Assembly for Wales. In addition to these summarised accounts, the accounts for each NHS body must be laid before the National Assembly for Wales.
3. The Welsh Ministers are required to prepare, in such form as HM Treasury may direct, summarised accounts from the individual accounts of NHS Wales organisations. The Auditor General for Wales is required to examine, certify and report on the summarised accounts.
4. The annual accounts of all NHS Wales organisations have been audited and these summarised accounts are based on those audited figures. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Assembly Government for 2008-09.
5. In my capacity as Additional Accounting Officer for NHS Wales, I have financial responsibility for health service expenditure. Accordingly, I have signed the summarised accounts of the Local Health Boards and NHS trusts. I am pleased to report the achievement of financial balance for all NHS organisations in Wales in 2008-09 and that all accounts received an unqualified true and fair and regularity opinion from the Auditor General for Wales.
6. The chief executives of 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.

Summarised Accounts

7. Two summarised accounts for NHS Wales have been prepared, one for the 22 Local Health Boards and one for the nine NHS trusts (see paras: 38 and 39 for restructuring details).

(a) Local Health Boards

8. Local Health Boards were established under Welsh Statutory Instrument 2003 No.

150 (W.20) and the Local Health Boards (Functions) (Wales) Regulations 2003. Under these regulations the Local Health Boards replaced the previous Health Authorities. Their main functions are to prepare strategies and plans to meet the health needs of their population, commission services from health care providers and make payments to primary care contractors.

9. The summarised account for the Local Health Boards in Wales is based on the audited accounts of the 22 Local Health Boards. All 22 Local Health Boards received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales for 2008-09.

(b) NHS trusts

10. NHS trusts established under section 18 Schedule 3 of the National Health Service (Wales) Act 2006. NHS trusts are responsible for the provision of NHS hospital and community health care. They receive most of their income from commissioners of health care, mainly the Local Health Boards and Health Commission Wales (Specialist Services), an executive agency of the Welsh Assembly Government.
11. The summarised account for the NHS trusts in Wales is based on the audited accounts of the nine Welsh NHS trusts. All nine trusts received unqualified true and fair and regularity audit opinions from the Auditor General for Wales for 2008-09.

Performance against statutory financial duties

(a) Local Health Boards

12. The statutory financial duty of Local Health Boards is set out in Part 11, Chapter 6 Para 175 of the National Health Service (Wales) Act 2006. Under the Act, Local Health Boards have a statutory duty to ensure that net operating costs do not exceed the resources allocated to the Board by the Welsh Assembly Government. As set out in Welsh Health Circular (WHC (2007) 49), Local Health Boards that are forecasting overspends against resource limits must prepare a Financial Recovery Plan (FRP) and the plan must be accepted by the Welsh Assembly Government.
13. In 2008-09, all Local Health Boards met this statutory duty by keeping their expenditure within their allocated resource limits. The performance details for all 22 Local Health Boards are set out in Annex 2.
14. WHC (2007) 049, which defines the statutory financial duties of Local Health Boards, was issued in June 2007. The circular removed the obligation on the Welsh Assembly Government to provide resource cover in support of accepted FRPs.

15. Additional non-recurring non-repayable funding of £31.068 million was allocated to Swansea and Powys Local Health Boards in March 2009, which enabled both bodies to achieve operational financial balance.
16. Newport Local Health Board agreed non-recurrent resource brokerage of £6.620 million with other Local Health Boards in Gwent, enabling the whole health community and its constituent statutory bodies to report a balanced position.
17. The increasing costs of Continuing Healthcare that Local Health Boards are incurring year on year have been acknowledged and further funding has been added recurrently to baselines, from 2008-09. There is also a centrally held Welsh Assembly Government budget of £50 million, the majority of which is being directed strategically at schemes that are aimed at levering service change so that Health Communities (Local Health Boards and Local Authorities) are better equipped to deal with future pressures of Continuing Healthcare.

(b) NHS trusts

18. WHC (2007) 49 states the two statutory duties of NHS Trusts in relation to breakeven. These are:
 1. Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.
 2. Each NHS Trust must achieve such financial objectives as may from time to time be set by the Welsh Ministers with the consent of the Treasury and are applicable to it.

The definitions of performance against these duties are set out in Annex 1.

19. During 2008-09 all nine trusts broke even in year.
20. The nine Trusts met both of their financial breakeven duties as described above. The Auditor General for Wales (AGW) issued unqualified opinions to all trusts in Wales in 2008-09.
21. WHC (2007) 049, which defines the statutory financial duties of NHS Trusts, was issued in June 2007. The circular removed the obligation on the Welsh Assembly Government to provide resource cover in support of accepted FRPs by amending a Trust's breakeven target.
22. The overall income and expenditure surplus of the nine NHS trusts in Wales for 2008-09 was £3.405 million, compared with a deficit of £2.745 million in 2007-08.
23. £2.926 million of the £3.405 million income and expenditure surplus was achieved by North Wales NHS Trust. That element of the overall surplus was required as a condition for the outstanding pre-merger debts of the trusts that formed the North Wales NHS Trust to be extinguished.

24. The NHS Wales Trusts faced a challenging financial situation in 2008-09. In preparation for the 2009-10 mergers, the Welsh Assembly Government is working closely with the NHS Wales Trusts to reduce the risk of the new Health Boards not achieving their annual operating targets.

Recovery of accumulated Trust deficits and Local Health Board overspends.

25. All individual accumulated Trust deficits and Local Health Board overspends must be recovered under the Financial Recovery Plan (FRP) requirements set out in WHC (2007) 49. Assistance has been provided previously to both Trusts and Local Health Boards and the total repayable assistance and deficits to be recovered under FRPs for each NHS organisation as at the end of 2008-09 is set out in Annex 4.

External financing limit

26. As part of the process of controlling public expenditure, the Welsh Assembly Government sets an external financing limit for each NHS trust. The calculation of each limit determines the amount a trust can receive from external sources, normally the Welsh Assembly Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Assembly Government in order to receive authorisation to draw public dividend capital. This target is not applicable to Local Health Boards.
27. In 2008-09, the overall external financing limit for NHS trusts was £121.851 million and all trusts in Wales met their individual external financing limits.

Prompt Payment Performance

28. Local Health Boards 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 all 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.
29. The performance of each Local Health Board and NHS trust in Wales, showing the percentage of bills paid within the 30-day target, the percentage of the total value of bills they represent, and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998 is shown in the table at Annex 5 to this Foreword. The number of bills paid within 30 days ranged from 89.3% to 100% for NHS bodies with an average for the year of 99.0% for Local Health Boards and 95.3% for Trusts in comparison to last year's figures of 98.9% and 92.0% respectively.

Summary of achievement of financial duties

30. A summary of performance for each financial duty by individual organisation is provided as follows:

Annex 1	Trust performance against the Break-even and External Financing limit duties.
Annex 2	Local Health Boards' performance against allocated Resource Limits.
Annex 3	Trust surpluses and deficits.
Annex 4	Recovery of assistance in relation to accumulated Trust deficits and Local Health Board overspends.
Annex 5	Trust and Local Health Board Public Sector Payment performance.
Annex 6	Welsh Assembly Government loans to Local Health Boards and NHS Trusts.

Balance Sheet Issues

NHS Debt

31. The Welsh Assembly Government has provided cash assistance to NHS Trusts and previously to the former Health Authorities as part of their recovery plans. This loan assistance has to be repaid and the repayment terms were agreed as part of the approved recovery plans. The £0.622 million cumulative debt that was included within the LHB summarised account was repaid in 2008-09. The cumulative debt outstanding at 31 March 2009 in the summarised NHS Trust account is £8.141 million. Debt of £45.3 million was extinguished in the merger process. Detail of the debt for each NHS organisation is provided in Annex 6.

Clinical Negligence Provisions

32. At 31 March 2009, known actual and anticipated liabilities for clinical negligence totalled £187.056 million in NHS trusts and a further £35.401million in Local Health Boards. These provisions and creditors are calculated on the basis of claims against the organisation, where it is assessed that there is a probable chance of the claim being settled.

33. Excluded from the provisions calculations included within the summarised accounts is a further estimated £308.725 million for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities.

Welsh Risk Pool

34. The Welsh Risk Pool (the Pool) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The Pool 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.

35. In 2008-09 the Pool was operated by the North Wales NHS Trust and was managed by a Management Group comprising representatives from NHS trusts, Local Health Boards and the Welsh Assembly Government.
36. The North Wales NHS Trust's liability was limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the Pool and was underwritten by the Welsh Assembly Government.
37. During the year, the Pool incurred expenditure of £20.797 million (2007-08: £47.728 million).

NHS Trust Reorganisations 2008-09

38. On 1st April 2008 seven NHS Wales trusts, from the South East and Mid & West regions merged to form three new NHS trusts.
 - Bro Morgannwg and Swansea NHS Trusts to form Abertawe Bro Morgannwg University NHS Trust;
 - Carmarthenshire, Ceredigion & Mid Wales and Pembrokeshire & Derwen NHS Trusts to form Hywel Dda NHS Trust;
 - North Glamorgan and Pontypridd & Rhondda NHS Trusts to form Cwm Taf NHS Trust.

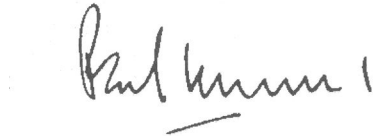
39. On the 1st July 2008 two NHS trusts from the North Wales Region merged to form a new trust.
 - Conwy & Denbighshire and North East Wales NHS Trusts formed North Wales NHS Trust.

Local Health Board and NHS Trust Mergers 2009-10

40. On the 2nd April 2008, the Welsh Assembly Government issued a Consultation Paper: *Proposals to Change the Structure of the NHS in Wales* which proposed the merger of the acute and community care NHS trusts with local health boards to form 6 new local health boards and retaining Powys LHB as the seventh. The consultation ended on the 25th June 2008.
41. Following this the Minister made an announcement on the 30th September 2008, to the National Assembly for Wales, in which she confirmed the following:
 - Further work would be done to look at whether the seven new bodies will be allocated some of the responsibilities currently undertaken by Health Commission Wales (HCW); and

- The formation of a Unified Public Health Organisation, with executive responsibility for public health vested with the seven NHS Local Bodies and at a national level.
42. On the 2nd December 2008, the Minister agreed the content of the second Consultation Paper: *Delivering the new NHS for Wales*, which was issued for a 12-week consultation period on the 2nd December 2008.
43. Following consideration of the consultation responses, on the 10th March 2009, the Minister made an Oral Statement to Plenary confirming that she would be establishing the six new LHBs, largely as set out in the second Consultation Paper.
44. On the 24th March 2009, the Minister signed the *Local Health Boards (Establishment and Dissolution) (Wales) Order 2009* (the Establishment Order), which was laid before the National Assembly for Wales on the 25th March 2009. The Establishment Order, which came into force on the 1st June 2009, established the six new LHBs in shadow from the 1st June 2009, to be fully operational from the 1st October 2009. It also dissolves all twenty-one of the twenty-two LHBs (all except for Powys Teaching LHB) from the 1st October 2009.
45. Therefore, from the 1st October 2009, the following
- seven LHBs will be operational:
 - Abertawe Bro Morgannwg University LHB,
 - Aneurin Bevan LHB,
 - Betsi Cadwaladr University LHB,
 - Cardiff and Vale University LHB,
 - Cwm Taf LHB,
 - Hywel Dda LHB,
 - Powys Teaching LHB.
 - and three NHS Trusts will be operational:
 - Public Health Wales NHS Trust,
 - Velindre NHS Trust,
 - Welsh Ambulance Services NHS Trust.
46. On the 21st May 2009, the Minister made the National Health Service Trusts (Dissolution) (Wales) Order 2009 (the Trusts Dissolution Order), which provides for the dissolution of seven NHS Trusts in Wales; Abertawe Bro Morgannwg University NHS Trust, Cwm Taf NHS Trust, Cardiff and Vale NHS Trust, Gwent Healthcare NHS Trust, Hywel Dda NHS Trust, North Wales NHS Trust, and North West Wales NHS Trust. The Order will come into force on the 1st October 2009.
47. On the 18th June 2009, the Minister signed the Local Health Boards (Directed Functions) (Wales) Regulations 2009 (the Functions Regulations), which were

laid before the National Assembly for Wales on the 19th June 2009. Subject to annulment the Functions Regulations, which set out the functions for the seven LHBs post the 1st October 2009, will come into force on the 1st October 2009.

A handwritten signature in black ink, appearing to read 'Paul Williams', with a horizontal line underneath the name.

Paul Williams
Director General, Health and Social Services,
Chief Executive, NHS Wales
22 July 2009

Trust Performance against the Break-even and External Financing Limit duties

	Achievement of Break-even Duty		External Financing Limit
	Statutory Duty 1	Statutory Duty 2	
Mid & West Wales Region			
Abertawe Bro Morgannwg NHS Trust	a	a	a
Hywel Dda NHS Trust	a	a	a
North Wales Region			
North Wales NHS Trust	a	a	a
North West Wales NHS Trust	a	a	a
Welsh Ambulance Services NHS Trust	a	a	a
South East Region			
Cardiff & Vale NHS Trust	a	a	a
Cwm Taf NHS Trust	a	a	a
Gwent Healthcare NHS Trust	a	a	a
Velindre NHS Trust	a	a	a

A trust's in year break-even performance is subject to a materiality threshold of the lesser of 0.5% of total income or £500k.

WHC (2007) 049 sets down the two statutory duties of NHS Trusts in relation to breakeven. These are

- (1) Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.
- (2) Each NHS Trust must achieve such financial objectives as may from time to time be set by the Welsh Ministers with the consent of the Treasury and are applicable to it.

Where a Trust is forecasting that it will be unable to meet this target in year, its Accountable Officer must prepare a recovery plan, to be known as a Financial Recovery Plan (FRP), in order to address the deficit position. Where a Trust fails to achieve financial balance in a financial year and there is no approved FRP in place, the Trust will be considered to have breached both of its statutory duties in relation to breakeven.

Where a Trust fails to achieve financial balance in a financial year and an approved FRP is in place the Trust will be considered to have met the first of its statutory duties. It will nevertheless have failed to meet its second statutory duty.

Where a Trust has achieved financial balance in year but has cumulative deficits which it is expected to recover, the Trust must produce a FRP in order to show how the position is to be recovered. If the Trust does not have a FRP that has been accepted by the Welsh Assembly Government it will have failed its duty under Part (1) of the Act.

It will be regarded as more serious by the Welsh Assembly Government if both duties under the Act are breached than if just the second duty is breached.

Local Health Board Performance against Allocated Resource Limits

Underspend / (overspend) against resource limit

	2008-09	2007-08
	£000	£000
Mid & West Wales Region		
Bridgend Local Health Board	9	12
Carmarthenshire Local Health Board	19	12
Ceredigion Local Health Board	27	76
Neath Port Talbot Local Health Board	31	9
Pembrokeshire Local Health Board	25	65
Powys Local Health Board	10	12
Swansea Local Health Board	9	9
North Wales Region		
Anglesey Local Health Board	3	27
Conwy Local Health Board	13	23
Denbighshire Local Health Board	20	54
Flintshire Local Health Board	4	14
Gwynedd Local Board	81	53
Wrexham Local Health Board	44	69
South East Region		
Blaenau Gwent Local Health Board	31	48
Caerphilly Local Health Board	21	5
Cardiff Local Health Board	19	5
Merthyr Tydfil Local Health Board	16	24
Monmouthshire Local Health Board	10	2
Newport Local Health Board	19	82
Rhondda Cynon Taf Local Health Board	10	19
Torfaen Local Health Board	3	19
Vale of Glamorgan Local Health Board	-	-
All Local Health Boards	424	639
Number of Local Health Boards achieving resource limit	22	22
Percentage of Local Health Boards achieving resource limit	100%	100%

NHS Wales Trust Surpluses and Deficits

	Surplus/(deficit)
	2008-09
	£000
Mid & West Wales Region	
Abertawe Bro Morgannwg NHS Trust	217
Hywel Dda NHS Trust	32
	<u>249</u>
North Wales Region	
North Wales NHS Trust	2,926
North West Wales NHS Trust	30
Welsh Ambulance Services NHS Trust	52
	<u>3,008</u>
South East Region	
Cardiff & Vale NHS Trust	28
Cwm Taf NHS Trust	7
Gwent Healthcare NHS Trust	74
Velindre NHS Trust	39
	<u>148</u>
All NHS Trusts	<u>3,405</u>
	2007-08
	£000
Mid & West Wales Region	
Bro Morgannwg NHS Trust	119
Carmarthenshire NHS Trust	41
Ceredigion & Mid Wales NHS Trust	(1,195)
Pembrokeshire & Derwen NHS Trust	10
Swansea NHS Trust	11
	<u>(1,014)</u>
North Wales Region	
Conwy & Denbighshire NHS Trust	132
North East Wales NHS Trust	96
North West Wales NHS Trust	66
Welsh Ambulance Services NHS Trust	(1,738)
	<u>(1,444)</u>
South East Region	
Cardiff & Vale NHS Trust	46
Gwent Healthcare NHS Trust	75
North Glamorgan NHS Trust	20
Pontypridd & Rhondda NHS Trust	(31)
Velindre NHS Trust	(397)
	<u>(287)</u>
All NHS Trusts	<u>(2,745)</u>

Recovery of Accumulated LHB Overspends

<u>Organisation</u>	Outstanding amounts to be recovered As at 1 st April 2008 £000	Underspend / Repaid 2008-09 £000	Overspend 2008-09 £000	Total accumulated overspends to be recovered. As at 31 st March 2009 £000
<u>Local Health Boards</u>				
Mid & West Region				
Carmarthenshire Local Health Board	4,983	(19)	-	4,964
Ceredigion Local Health Board	1,184	(27)	-	1,157
Powys Local Health Board	4,135	(10)	-	4,125
Swansea Local Health Board	8,080	(9)	-	8,071
	18,382	(65)	-	18,317
South East Region				
Blaenau Gwent Local Health Board	531	(31)	-	500
Cardiff Local Health Board	8,310	(1,769)	-	6,541
Monmouthshire Local Health Board	1,194	(10)	-	1,184
Newport Local Health Board	1,489	(19)	-	1,470
Vale of Glamorgan Local Health Board	2,525	(910)	-	1,615
	14,049	(2,739)	-	11,310
Total for Local Health Boards	32,431	(2,804)	-	29,627

Recovery of Trust Deficits and Strategic Assistance

The deficits of the Trusts that merged in 2008-09 were extinguished on merger.

	Strategic Assistance to be recovered @ 31 March 2008 £000	Historic Strategic Assistance exc from previous note £000	Strategic Assistance extinguished £000	Strategic Assistance to be recovered @ 1 April 2008 £000
Mid & West Wales Region				
Carmarthenshire NHS Trust	18,302	3,174	(21,476)	-
Ceredigion & Mid Wales NHS Trust	5,462	-	(5,462)	-
Pembrokeshire & Derwen NHS Trust	10,731	2,800	(13,531)	-
North Wales Region				
Conwy & Denbighshire NHS Trust	3,000	-	(3,000)	-
North East Wales NHS Trust	4,676	-	(4,676)	-
Welsh Ambulance Services NHS Trust	3,500	-		3,500
All NHS Trusts	<u>45,671</u>	<u>5,974</u>	<u>(48,145)</u>	<u>3,500</u>

Recovery of Trust Deficits and Strategic Assistance Post reconfiguration

	Deficit to be recovered @ 1 April 2008 £000	2008-09 Deficits £000	Deficit recovered £000	Deficit to be recovered @ 31 March 2009 £000
North Wales Region				
Welsh Ambulance Services NHS Trust	8,079	-	(52)	8,027
South East Region				
Gwent Healthcare NHS Trust	12,533	-	(2,574)	9,959
All NHS Trusts	<u>20,612</u>	<u>-</u>	<u>(2,626)</u>	<u>17,986</u>
	Strategic Assistance to be recovered @ 1 April 2008 £000	Strategic Assistance issued £000	Strategic Assistance repaid/ transferred £000	Strategic Assistance to be recovered @ 31 March 2009 £000
North Wales Region				
North Wales	2,825	2,341	(5,166)	-
North West Wales NHS Trust	-	-	-	-
Welsh Ambulance Services NHS Trust	3,500	4,641	-	8,141
All NHS Trusts	<u>6,325</u>	<u>6,982</u>	<u>(5,166)</u>	<u>8,141</u>

The £2,825k Strategic Assistance to be recovered at North Wales NHS Trust, was established on the basis of the 2007-08 annual accounts NHS Loans repayments due within 1 year disclosed by Conwy and Denbighshire and North East Wales NHS Trusts.

The £2,574k deficit recovered by Gwent Healthcare NHS Trust is made up of £74k surplus and £2,500k which was utilised in agreement with the Welsh Assembly Government for the management of the Gwent Health Community's year end financial position, enabling the whole health community to report a balanced position in 2007-08. The agreed amendment to the Trust's Financial Recovery Plan, reduced the 2008-09 financial target for the Trust from £2,500k surplus to breakeven.

Local Health Board Public Sector Payment Policy Performance

	2008-09		2007-08	
	Non NHS	Non NHS	Non NHS	Non NHS
	Value of bills %	Number of bills %	Value of bills %	Number of bills %
Mid & West Wales Region				
Bridgend Local Health Board	99.3	99.9	99.2	99.9
Carmarthenshire Local Health Board	98.4	99.7	97.6	99.5
Ceredigion Local Health Board	97.7	99.5	99.8	99.8
Neath Port Talbot Local Health Board	98.7	99.7	98.1	99.5
Pembrokeshire Local Health Board	98.0	99.6	97.1	99.5
Powys Local Health Board	95.8	95.7	94.5	96.1
Swansea Local Health Board	97.5	99.8	97.0	99.6
North Wales Region				
Anglesey Local Health Board	99.3	99.6	99.3	98.4
Conwy Local Health Board	99.8	99.8	99.6	98.2
Denbighshire Local Health Board	99.8	99.6	99.4	97.9
Flintshire Local Health Board	99.9	99.7	98.4	97.5
Gwynedd Local Board	99.8	99.6	98.2	96.5
Wrexham Local Health Board	99.7	99.4	99.4	97.8
South East Region				
Blaenau Gwent Local Health Board	99.4	98.7	99.9	99.2
Caerphilly Local Health Board	99.1	98.9	99.5	98.7
Cardiff Local Health Board	99.3	98.9	99.5	98.9
Merthyr Tydfil Local Health Board	97.8	95.9	96.2	95.0
Monmouthshire Local Health Board	99.7	99.5	99.6	99.9
Newport Local Health Board	99.9	99.8	99.8	99.5
Rhonnda Cynon Taf Local Health Board	97.4	96.5	96.7	96.7
Torfaen Local Health Board	99.7	98.6	99.7	99.0
Vale of Glamorgan Local Health Board	100.0	100.0	100.0	99.7
All Local Health Boards	98.4	99.0	98.0	98.9

NHS Trust Public Sector Payment Policy Performance

	Non NHS Value of bills 2008/09 %	Non NHS Number of bills 2008/09 %
Mid & West Wales Region		
Abertawe Bro Morgannwg NHS Trust	96.5	95.7
Hywel Dda NHS Trust	98.6	96.2
North Wales Region		
North Wales NHS Trust	97.5	95.8
North West Wales NHS Trust	95.4	95.3
Welsh Ambulance Services NHS Trust	98.6	97.7
South East Region		
Cardiff & Vale NHS Trust	95.0	95.6
Cwm Taf NHS Trust	93.3	94.4
Gwent Healthcare NHS Trust	96.0	95.1
Velindre NHS Trust	91.9	89.3
All NHS Trusts	96.0	95.3

	Non NHS Value of bills 2007/08 %	Non NHS Number of bills 2007/08 %
Mid & West Wales Region		
Bro Morgannwg NHS Trust	95.4	96.9
Carmarthenshire NHS Trust	97.9	96.2
Ceredigion & Mid Wales NHS Trust	99.2	97.8
Pembrokeshire & Derwen NHS Trust	97.5	97.0
Swansea NHS Trust	83.6	72.4
North Wales Region		
Conwy & Denbighshire NHS Trust	89.3	87.2
North East Wales NHS Trust	88.4	84.1
North West Wales NHS Trust	90.9	87.0
Welsh Ambulance Services NHS Trust	93.3	92.6
South East Region		
Cardiff & Vale NHS Trust	96.2	95.9
Gwent Healthcare NHS Trust	95.7	95.4
North Glamorgan NHS Trust	96.5	95.5
Pontypridd & Rhondda NHS Trust	99.5	98.3
Velindre NHS Trust	98.0	95.8
All NHS Trusts	94.0	92.0

Assembly loans to local health boards and NHS trusts

	Loans outstanding as at 01-Apr-08 £000	Movements in 2008-09 £000	Loans outstanding as at 31 March 2009 £000
Local Health Boards			
Mid & West Wales Region			
Carmarthenshire Local Health Board	622	(622)	-
	<u>622</u>	<u>(622)</u>	<u>-</u>
Total for Local Health Boards	<u>622</u>	<u>(622)</u>	<u>-</u>
NHS Trusts			
North Wales Region			
North Wales NHS Trust	2,825	(2,825)	-
Welsh Ambulance Services NHS Trust	3,500	4,641	8,141
	<u>6,325</u>	<u>1,816</u>	<u>8,141</u>
Total for NHS Trusts	6,325	1,816	8,141
Total Assembly Loans	<u>6,947</u>	<u>1,194</u>	<u>8,141</u>

LHB Source Note 6.3 Audited LHB Accounts adjusted to WAG records

NHS Trust source Note 15.2 Audited NHS Trust Accounts adjusted to WAG records.

The NHS Trust loans are also disclosed in Annex 4.

Local Health Boards in Wales

Statement of the Welsh Assembly Government and Accounting Officer's responsibilities

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 Assembly Government. Section 133 (2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Assembly Government staff as Additional Accounting Officers.

Under these arrangements, the Director General, Health and Social Services and Chief Executive, NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities, for the Summarised Account of Local Health Boards 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 Assembly Government to prepare a statement of accounts for each financial year in the form and on the basis directed by the 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 in Wales at the year end and their net operating costs, recognised gains and losses and cash flows for the financial year.

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.

Statement on Internal Control

1. Scope of responsibility

As Additional Accounting Officer for the NHS in Wales, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Welsh Assembly Government's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me by the Permanent Secretary in her role as Principal Accounting Officer under section 133(2) of the Government of Wales Act 2006.

I am responsible for the propriety and regularity of public finances for the NHS in Wales; for the keeping of proper records; the preparation of accounts; for prudent behaviour and economical administration; the avoidance of waste and extravagance; and for the efficient use of all resources.

To enable me to fulfil these responsibilities I appoint Chief Executives of Local Health Boards (LHBs), to serve as Accountable Officers. It is their responsibility to ensure that there is an effective system of internal control within their individual organisations. Regional Directors act as my agents on a day to day basis in holding to account Chief Executives of LHBs. I also lead an annual review process for which I receive support from my Regional Directors.

Within the Department for Health and Social Services (DHSS) of the Welsh Assembly Government, I require Heads of Directorates to take responsibility for ensuring the effective, efficient and economic management of and proper accounting for the resources delegated to them within a robust internal control and risk management framework.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of the Welsh Assembly Government's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

3. Capacity to handle risk

Guidance has been issued to each Accountable Officer regarding corporate governance, clinical governance, risk management and internal control systems.

I require the Board of each organisation to take overall responsibility for risk management and to have risk management, control and review processes in place. In 2008-09 LHB Boards were required to self assess against the Healthcare Standards, which incorporate the Welsh risk management standards across NHS Wales, as a toolkit to inform NHS Trust Boards of the significant risks within their organisations. The standards assist Boards to identify risks, determine unacceptable levels of risk and to then decide on where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff

have the information, training and access to expert advice which they need to exercise their responsibilities effectively.

An agreement is in place with the Welsh Risk Pool that requires the Pool to support NHS organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good practice and lessons learnt. The Chief Executive of North Wales NHS Trust is accountable to me for the work of the Welsh Risk Pool.

4. Healthcare Standards for Wales

Healthcare Standards for Wales set out the Welsh Assembly Government's common framework of healthcare standards to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings. One of the key aims of the Healthcare Standards for Wales is to simplify and consolidate existing standards into one set of overarching standards for all healthcare organisations in Wales, including independent and voluntary healthcare providers. In line with these objectives, the system of self-assessment that has been developed to incorporate key elements from the Welsh Risk Management Standards (WRMS) for a single assessment process of assurance within NHS Wales.

2008-09 is the third year that Healthcare Standards for Wales have been used across Wales and this is the second year that they have been used to underpin the statement of internal control.

5. The risk and control framework

I require all LHBs to have a risk management framework that ensures a systematic approach to internal control. LHBs are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances.

LHBs are required to link risk management to their key organisational objectives in order that objectives and their associated risks may form an integrated part of the organisation's management activity.

Objectives, at the strategic level include those linked to:

- "Designed for Life", the health and social care strategy for Wales for 2005-2015, which sets out a clear 10 year ambition, the start of a transformation in services and the first of a series of 3-year action plans based on tough targets to drive the improvements needed;
- "Improving Health in Wales", the response to the Review of Health and Social Care ('Wanless Report');
- Welsh Priorities and Planning Guidance, Annual Strategic and Financial Framework Guidance and the National Reporting Framework;
- National clinical quality improvement targets, and financial responsibilities;
- Public Service VFM agreements;
- Compliance with governance and risk management standards; and

- Health improvement and partnerships.

The Continuous Improvement Framework forms the context for development for both LHBs and NHS trusts. LHBs are responsible for developing local Health, Social Care and Wellbeing Strategies, which form the basis of their commissioning plans. These commissioning plans together with the Health Commission Wales (Specialist Services) Annual Commissioning Plan will help establish the planning context for NHS trusts and also to a more limited extent for local authorities. Each LHB's commissioning plan and the achievement of outcomes set out in those plans form an integral part of an organisation's objectives and as a result its risk management framework.

For 2008-09 LHBs were required to outline their 2008-09 self assessment of performance against the Healthcare Standards for Wales and in particular those that underpin the management of risk across all Standards:

- Healthcare standard 14 – Health & Safety of Patients, Staff and the Public.
- Healthcare standard 16 – A Learning Process from Incidents.
- Healthcare standard 27 – Best Practice Governance Arrangements.
- Healthcare standard 28 – High Quality Clinical Governance.

Performance against most, if not all healthcare standards contribute to overall good risk management across the range of the organisations' activities, therefore organisations should:

- Confirm that they have completed a self-assessment against all healthcare standards for 2008/09, to include a description of the process in place for completing the process, including Board engagement and sign off.
- Confirm that a healthcare standards improvement plan for the year is in place which has been agreed by the Board and how the Board is assured of progress against it
- Describe key ways in which healthcare standards are embedded in the activity of the organisation.

Each of the 32 Healthcare Standards for Wales were assessed on the following matrix:

Maturity Level	1- Aware	2 - Responding	3 - Developing	4 - Practicing	5- Leading
Corporate					
Operational					
User Experience					
Overall					

For consistency across Wales in respect of the Healthcare standards and particularly the work in relation to the Statement of Internal Control, it was agreed that in 2008-09 Internal Auditors would undertake the following work as a minimum:

- Review the self assessment input on the HIW HCS tool for the 4 key standards specified in the SIC. To include a review of the explanation, the evidence that supports the explanation and the appropriateness of the self-assessed score in consideration of the maturity matrix requirements.
- Assess the process adopted by each organisation in preparing and completing the self assessment.
- Review action plans and the process for monitoring progress, evaluating what improvements have been demonstrated for those areas that were reported as being aware and/or responding.
- Confirm that the Board are appropriately engaged.

All LHBs were required to submit their Healthcare standard self-assessment scores to HIW. The 2007-08 assessments were used to set the baseline for inspection and improvement in 2008-09. In 2008-09 the 22 LHBs achieved the following overall self assessment performance against the 4 Healthcare Standards for Wales that underpin the management of risk across all Standards.

2008-09	Standard 14	Standard 16	Standard 27	Standard 28
	%	%	%	%
3 - Developing	27	50	23	9
4 - Practising	73	50	77	91

2007-08	Standard 14	Standard 16	Standard 27	Standard 28
	%	%	%	%
3 - Developing	55	64	59	36
4 - Practising	45	36	41	64

Clinical governance

LHBs and partner organisations are required to ensure that a framework is in place for continuously improving the quality and safeguarding high standards of care. Boards are required to take responsibility and account for:

- The overall quality and safety of care;
- Specification of standards and competencies;
- Participation in clinical audit, benchmarking activities and processes for monitoring clinical care;
- Strict adherence to the Complaints Procedure at all stages; and
- Clear policies for managing risk to ensure and improve patient safety.

Department for Health and Social Services - Risk Management

The DHSS is subject to the Welsh Assembly Government's Risk Management framework. Risks are controlled at both Executive Board and directorate level, with the bulk of the work to identify, evaluate and monitor the risks falling to individual Heads of Directorate. The main record for documenting the identification, assessment and management of risk is through the directorate risk register. The DHSS Corporate Governance Committee continuously reviews the directorate risk registers and any associated action plans and report their findings to the Executive Board. Heads of Directorate, including Regional Directors, are responsible for ensuring that:


- systems are in place to enable them to be kept informed of new activities and other changes so that risk can be assessed; and
- there are performance indicators in place, which allow the monitoring of key business and financial activities and the directorate's progress towards its objectives.

For the 2008-09 financial year, each Head of Directorate within the DHSS (including regional offices) has reviewed their process of internal control and completed a certificate of assurance, which underpins the departmental Internal Control Questionnaire.

6. Review of effectiveness

As the Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system on internal control undertaken by the Department of Health and Social Services Resources Directorate is informed by the work of the internal auditors, the DHSS Corporate Governance Committee, which oversees the work of the internal auditors, the reports submitted to the Executive Board by the DHSS Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

LHB Chief Executives have each submitted a Statement on Internal Control for the year ending 31 March 2009. These statements and the associated audit reports are reviewed so that I can be satisfied that any issues raised by the Accountable Officers do not pose a significant threat to internal control and that they are being dealt with appropriately by Accountable Officers.



Paul Williams
Director General, Health and Social Services,
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales
22 July 2009

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

I certify that I have audited the financial statements of the Summarised Account of the Local Health Boards in Wales for the year ended 31 March 2009 under paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Additional Accounting Officer and Auditor

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 H M Treasury there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Additional Accounting Officer's Responsibilities.

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

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with paragraph 5 of schedule 9 of the National Health Service (Wales) Act 2006 and H M Treasury's directions made there under. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, the Welsh Assembly Government has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding other transactions is not disclosed.

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

Basis of audit opinion

I conducted my audit in accordance with the National Health Service (Wales) Act 2006 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Additional Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Local Health Boards in Wales' circumstances, and are consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made there under by H M Treasury of the state of the affairs of the Local Health Boards in Wales as at 31 March 2009 and of their net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by H M Treasury.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
31 July 2009

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Operating Cost Statement for the year ended 31 March 2009

Continuing operations

	Notes	2008-09 £000	2007-08 £000
Expenditure	3,4,5,6,7	4,500,861	4,278,210
Less : Miscellaneous income	2	78,870	70,097
Net operating cost		4,421,991	4,208,113

Statement of Recognised Gains and Losses for the year ended 31 March 2009

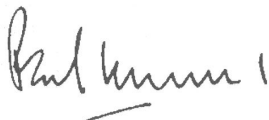
		2008-09 £000	2007-08 £000
Unrealised (deficit) /surplus on revaluation / indexations of fixed asset	16,17	(11,588)	26,552
Net decrease in General Fund due to transfers of assets	15	(2)	(31)
Fixed asset impairment losses		(9)	-
Other movements in donated assets reserves	16	(238)	(536)
Recognised (loss) / gain for the financial year		(11,837)	25,985

The notes at pages 14 to 34 form part of this account.

Balance Sheet as at 31 March 2009

		31 March 2009	31 March 2008
	Notes	£000	£000
Fixed assets			
Intangible Fixed assets	11.1	12	19
Tangible Fixed assets	11.2	<u>175,567</u>	184,766
		175,579	184,785
Current assets			
Stocks	12	151	203
Debtors	13	65,960	65,133
Cash at bank and in hand		<u>1,651</u>	<u>10,808</u>
		67,762	76,144
Creditors			
Creditors: amounts falling due within one year	14.1	287,011	283,435
Net current liabilities		<u>(219,249)</u>	<u>(207,291)</u>
Total assets less current liabilities		(43,670)	(22,506)
Creditors: amounts falling due after more than one year	14.2	329	953
Provisions for liabilities and charges	18	<u>70,924</u>	65,581
Net liabilities		<u>(114,923)</u>	<u>(89,040)</u>
Taxpayers' equity			
General Fund	15	(243,014)	(228,804)
Donated Assets Reserve	16	4,942	4,806
Revaluation Reserve	17	<u>123,149</u>	134,958
		<u>(114,923)</u>	<u>(89,040)</u>

The notes at pages 14 to 34 form part of this account.



Paul Williams

Director General, Health and Social Services, Chief Executive NHS Wales

22 July 2009

Cash Flow Statement for the year ended 31 March 2009

	Notes	2008-09 £000	2007-08 £000
Net operating costs		(4,421,935)	(4,208,206)
Adjust for non-cash transactions	b	18,356	26,365
Adjust for movements in working capital other than cash	a	1,738	48,210
Utilisation of provisions	18	(11,557)	(34,760)
Net cash outflow from operating activities		(4,413,398)	(4,168,391)
Servicing of Finance :			
Interest received		148	300
Interest paid		(204)	(207)
Net cash (outflow) / inflow from servicing of finance		(56)	93
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(7,640)	(2,187)
Receipts from the sale of fixed assets	11.2	191	10,218
Net cash (outflow) / inflow from investing activities		(7,449)	8,031
Financing			
WAG funding	15	4,411,300	4,156,163
Surrender of income from sale of fixed assets	15	(2)	(31)
Donations		448	29
Net cash inflow from financing		4,411,746	4,156,161
Decrease in cash		(9,157)	(4,106)

Note

The net operating costs total brought forward in the Cash Flow Statement from the Operating Cost Statement is net of interest received and paid, which is disclosed under Servicing of Finance.

The notes at pages 14 to 34 form part of this account.

Notes to the cashflow statement

	2008-09	2007-08		
	£000	£000		
Adjust for movements in working capital other than cash				
a				
Decrease in stock and work-in-progress	52	503		
(Increase) / Decrease in operating debtors	(827)	33,681		
Increase in operating creditors	2,513	14,026		
	1,738	48,210		
b		2007-08		
Adjustment for non-cash transactions		£000		
Depreciation and amortisation	4,903	5,698		
Impairment of fixed assets	440	904		
(Profit) / Loss on disposal of fixed assets	(84)	73		
Non-cash provisions	16,900	22,844		
Capital charge interest	(3,803)	(3,154)		
	18,356	26,365		
c		2008-09		
Reconciliation of net cash flow to movement in net debt		£000		
Decrease in cash in the period		(9,157)		
Change in net debts resulting from cash flows		(9,157)		
Non cash changes in debt		564		
At 1 April		10,186		
At 31 March		1,593		
d				
Analysis of changes in net debt	As at			As at
	1 April	Cash	Other	31 March
	2008	flows	changes	2009
	£000	£000	£000	£000
Cash at bank and in hand	10,808	(9,157)	-	1,651
Debt due within one year	-	-	(58)	(58)
Debt due after one year	(622)	-	622	-
	10,186	(9,157)	564	1,593

The closing cash balances held in Office of Paymaster General bank accounts at 31 March 2009 was £2,924,827

1. Accounting policies

1.1 Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Manual issued by HM Treasury to the extent that the Welsh Assembly Government has directed as being appropriate to Local Health Boards. These accounts have been prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and in accordance with directions issued by the Welsh Assembly Government and approved by Treasury.

LHBs are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Income and Funding

The main source of funding for LHBs is funding allocated by the Welsh Assembly Government within an approved cash limit, which is credited to the General Fund when the associated cash is received. Income disclosed in the Operating Cost Statement reflects only the amounts other than Welsh Assembly Government funding.

Miscellaneous income is income which relates directly to the operating activities of the LHB. It principally comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work.

Income is accounted for applying the accruals concept. Income is recognised in the period in which services are provided.

1.3 Taxation

LHBs are not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Intangible fixed assets

Intangible assets, which can be valued, are capable of being used in a LHB's activities for more than one year and have a cost equal to or greater than £5,000.

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

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

1.5 Tangible fixed assets

a. Capitalisation

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

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost equal to or greater than £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- form part of the initial setting - up cost of a new building, irrespective of their individual or collective cost.

b. Valuation

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

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years in accordance with FRS 15 and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 1 April 2007.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non - specialised operational property.

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

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

All adjustments arising from indexation and five yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. All other impairments are recognised against the revaluation reserve where the assets have previously received a positive revaluation and otherwise are charged to the Operating Cost Statement. These falls in value result from the adoption of ideal conditions as the basis for Depreciated Replacement Cost valuations.

Equipment

Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at Depreciated Replacement Cost.

Assets in the course of construction

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

c. Depreciation, amortisation and impairments

Depreciation is charged on a straight - line basis on each main class of fixed asset as follows:

Freehold land and land and buildings surplus to requirements are not depreciated. Assets in the course of construction and residual interests in off - balance sheet Private Finance Initiative contract assets are not depreciated until the asset is brought into use or reverts to the LHB, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer.

Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

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

1.6 Donated assets

Donated tangible fixed assets are capitalised at their valuation on receipt and are valued and depreciated as described above for purchased assets.

The value of donated tangible fixed assets and the donated element of part - donated assets are reflected in a donated asset reserve. This reserve is credited with the value of the original donation and any subsequent revaluation and indexation; an amount equal to the depreciation charge is released from this reserve each year to the Operating Cost Statement.

1.7 Research and development

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

1.8 Pension Costs

The NHS Pension scheme is a multi-employer scheme as defined by FRS 17.

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employees, 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 a defined contribution scheme: the cost to the NHS body participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS 17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary Report which forms part of the annual report on the NHS Pensions Scheme Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.nhspa.gov.uk. Copies can also be obtained from the Stationery Office.

Scheme Provisions as at 31 March 2008

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

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

Additional pension liabilities arising from early retirements are not funded by the scheme, except where the retirement is due to ill-health. For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability is charged to the the Operating Cost Statement at the time the Local Health Board commits itself to the retirement, regardless of the method of payment.

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

Scheme provisions from 1 April 2008

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

1.9 Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Resulting exchange gains and losses are taken to the Operating Cost Statement.

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHBs, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2008-09 financial year was 3.5%.

1.11 Provisions

The LHBs provide for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

1.12 Liquid resources

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

1.13 Leases

Where substantially all the risks and rewards of ownership of a leased asset are borne by an LHB, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight line basis.

1.14 Contingent liabilities

Contingent liabilities are recognised where LHBs have

- A possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the LHB's control;
- A present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation ; or
- A present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

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

1.15 Deferred Income

Deferred Income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent.

1.16 Stocks

Stocks comprise raw materials and consumables and are valued at the lower of cost or net realisable value.

1.17 Expenditure

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and financial leases and is recognised on the accruals basis. Interest payable is not shown separately on the face of the Operating Cost Statement but is included within expenditure.

Programme expenditure is defined as costs relating to the provision of healthcare, social care and other services relating to the LHBs functions provided directly to the public. All other expenditure is classified as administration expenditure.

2 Miscellaneous income	2008-09	2007-08
	£000	£000
		Restated
Programme income: Fees & Charges	6,040	5,366
Prescription charge income	8,165	7,613
Dental charge income	27,835	26,945
Release of Deferred Income	69	284
Rental income from Operating Leases	128	115
NHS bodies	3,721	3,756
Local Authorities	165	32
Patient Transport Services	23	12
Education, Training and Research	252	294
Non-NHS private patients	-	38
Road Traffic Act	49	39
Charitable and other contributions to expenditure	148	164
Transfers from the Donated Asset Reserve	238	565
Other	32,037	24,874
	78,870	70,097

"Other" income includes £0.690 million for the Second Offer Scheme administered by Rhondda Cynon Taff Local Health Board (2007-08 £2.608 million).

The programme income, prescription charge income and other income figures for 2007-08 have been restated due to the inclusion of a new line Rental income from Operating Leases.

3 Purchase of primary health care services

			2008-09	2007-08
	Cash limited	Non-cash limited	Total	Total
	£000	£000	£000	£000
General Medical services	445,810	-	445,810	437,782
Pharmaceutical services	129,306	7,229	136,535	112,025
General Dental services	157,390	1	157,391	150,102
General Ophthalmic services	5	26,939	26,944	25,971
Other Primary health care expenditure	25,866	(1,620)	24,246	21,456
Prescribed drugs and expenditure	503,337	-	503,337	507,899
	1,261,714	32,549	1,294,263	1,255,235

4 Purchase of secondary healthcare services

	2008-09	2007-08
	£000	£000
Welsh NHS trusts	2,599,657	2,486,322
Non-Welsh NHS bodies	87,490	82,556
Local Authorities	17,944	18,804
Voluntary organisations	14,785	14,088
NHS Funded Nursing Care	36,078	40,213
Continuing Care	249,430	180,401
Private providers	11,689	14,705
Specific projects funded by the Welsh Assembly Government	7,967	10,119
Other	3,858	4,126
	3,028,898	2,851,334

5 Other programme expenditure

	2008-09	2007-08
	£000	£000
Salaries and wages	21,814	18,805
National Public Health Service	18,682	18,211
Losses, special payments and irrecoverable debts	150	217
Miscellaneous	10,563	9,016
	51,209	46,249

6 Administration expenditure	2008-09	2007-08
	£000	£000
Non-executive directors' remuneration	1,931	2,035
Other salaries and wages	22,244	21,741
Consultancy services	312	312
Establishment expenses	2,365	2,489
Transport and moveable plant	56	57
Premises	2,811	2,783
External contractors	363	392
Auditors' remuneration - audit fee	1,862	1,956
Auditors' remuneration - other fees	21	9
Business Services Partnership recharge	1,096	1,024
Interest payable -other	14	-
Capital - Depreciation	174	155
Amortisation	-	2
Capital Charge Interest	(9,512)	(8,786)
Impairments & reversals (property, plant, equipment)	61	30
Other	525	706
	24,323	24,905
	2008-09	2007-08
	£000	£000
7 Provision of secondary care services		
Goods and services from other NHS bodies	4,421	4,253
Salaries and wages	67,564	64,879
Supplies and services -clinical	4,302	4,292
Supplies and services -general	1,072	961
Consultancy Services	266	185
Establishment expenses	4,503	4,942
Transport and moveable plant	516	444
Premises	5,675	4,914
Audit Fees	145	132
Capital - Depreciation	4,962	6,073
Amortisation	5	14
Capital Charge Interest	5,709	5,631
Impairment and reversals (property, plant and equipment)	379	827
(Profit) / Loss on disposal of fixed assets	(84)	73
Other operating expenses	2,733	2,867
	102,168	100,487

These expenses relate solely to costs directly attributable to provider services at Powys Local Health Board.

8 Operating lease rentals

Operating expenses include the following amounts in respect of hire and operating lease rentals:	2008-09 £000	2007-08 £000
Hire of plant and machinery	125	141
Other operating leases	3,556	3,153
	3,681	3,294
Annual commitments under non-cancellable operating leases are:	Land and buildings £000	Other Leases £000
Operating leases which expire:		
Within 1 year	251	310
Between 1 and 5 years	799	399
After 5 years	1,744	1

9 Local Health Board Directors' remuneration

	2008-09 £000	2007-08 £000
Non-executive Directors' remuneration	1,883	1,984
Executive Directors' remuneration:		
basic salaries	6,898	7,045
benefits	83	85
performance related bonuses	-	7
pension contributions	898	931
Compensation for loss of office	75	-
	9,837	10,052

Detailed disclosures relating to Directors' remuneration, including cash equivalent transfer values, are included within the remuneration reports of the individual Local Health Board accounts.

10.1 Executive directors and staff costs	2008-09	2007-08
	£000	£000
Wages and salaries	104,578	98,001
Social security costs	7,736	7,079
Employment contributions to NHS Pensions Agency	13,386	12,389
Other pension costs	(539)	378
Agency staff	7,358	5,504
	132,518	123,351

Remuneration costs are included in note 3 Purchase of primary health care services, note 4 Purchase of secondary health care services, note 5 other programme expenditure, note 6 Administration expenditure and note 7 Provision of secondary care services.

The details of the salary bandings for LHB employees can be obtained from the underlying accounts.

10.2 Average number of employees during the year was:

	Permanent Staff	Agency Staff	Inward Secondment	2008-09 Total	2007-08 Average Number
Executive Board Members	82	-	7	89	97
Medical and dental	31	4	-	35	35
Administrative and estates	807	24	4	835	818
Healthcare assistants and other support staff	389	-	-	389	405
Nursing, midwifery and health visiting staff	537	-	-	537	535
Nursing, midwifery and health visiting learners	1	-	-	1	1
Scientific, therapeutic and technical staff	177	1	-	178	163
Other Local Health Board Staff	1,295	95	42	1,432	1,287
Recharged staff	15	17	39	71	61
	3,334	141	92	3,567	3,402

The average number of employees is calculated as the total number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year.

10.3 Retirements due to ill-health

During 2008-09 there were 10 early retirements 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 £595,042.

10.4 Staff Benefits

Local Health Boards disclosed staff benefits of £35,735 paid for leased cars in 2008-09 (2007-08 £29,702).

11.1 Intangible fixed assets

	Total £000
Gross replacement cost at 1 April 2008	116
At 31 March 2009	116
Accumulated amortisation at 1 April 2008	97
Provided during the year	7
At 31 March 2009	104
Net book value at 31 March 2009	12
Net book value at 31 March 2008	19

All intangible assets held by LHBs are software licences.

11.2 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	Dwellings	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	83,702	100,196	810	664	6,069	343	4,521	950	197,255
Indexation	(12,546)	2,979	24	14	182	11	1	18	(9,317)
Additions - purchased	2,626	3,446	-	401	488	-	670	-	7,631
Additions - donated government granted	-	146	-	-	5	252	-	45	448
Transfers	-	384	-	(414)	-	-	30	-	-
Impairments	-	(415)	-	-	-	-	(9)	-	(424)
Other in-year revaluations	(1,359)	(744)	-	-	-	-	-	-	(2,103)
Disposals	(34)	(685)	-	-	(729)	(22)	-	-	(1,470)
At 31 March 2009	72,389	105,307	834	665	6,015	584	5,213	1,013	192,020
Depreciation									
At 1 April 2008	-	4,588	22	-	4,258	172	2,920	529	12,489
Indexation	-	118	1	-	128	5	-	1	253
Impairments	-	(36)	-	-	-	-	41	-	5
Other in-year revaluations	-	(65)	-	-	-	-	-	-	(65)
Disposals	-	(616)	-	-	(729)	(18)	-	-	(1,363)
Provided during the year	-	4,153	23	-	384	37	436	101	5,134
At 31 March 2009	-	8,142	46	-	4,041	196	3,397	631	16,453
Net book value at 31 March 2008	83,702	95,608	788	664	1,811	171	1,601	421	184,766
Net book value at 31 March 2009	72,389	97,165	788	665	1,974	388	1,816	382	175,567
Net book value of assets held under finance leases and hire purchase contracts									
Total	-	434	-	-	-	-	-	-	434
The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:									
Total	-	45	-	-	-	-	-	-	45
Value of assets held at open market value	-	-	-	-	-	-	-	-	-

£102 million of Tangible Fixed Assets relate to the Residual Estate. The estate comprises properties previously held by the former Health Authorities and now registered in the name of the Welsh Assembly Government which were transferred to Powys t LHB on its establishment on 1 April 2003. The properties are not owned by Powys LHB but are either held for sale or are occupied by other health organisations across Wales.

As part of the reorganisation of NHS Wales the Residual Estate will transfer to the relevant new health boards on 1 October 2009.

Fixed Assets (continued)

The net book value of land and buildings comprises:	31 March 2009 £000	31 March 2008 £000
Freehold	164,613	162,003
Long Leasehold	5,295	18,095
Short Leasehold	434	-
	<u>170,342</u>	<u>180,098</u>
Net profit on disposal of fixed assets	2008-09 £000	2007-08 £000
Gross proceeds of sale	191	10,218
Less net book values of fixed asset disposals	107	10,291
Profit / (Loss) on disposal of fixed assets	<u>84</u>	<u>(73)</u>

£ 2000 of the disposal proceeds has been remitted to the Welsh Assembly Government by Welsh Health Estates on behalf of Powys Local Health Board.

12 Stocks and Work in Progress	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	151	203
Total	151	203
<hr/>		
13 Debtors	31 March 2009	31 March 2008
Amounts falling due within one year	£000	£000
Welsh Assembly Government	3,733	1,634
Health Commission Wales	223	536
Primary Care Trusts	472	254
NHS Trusts	9,010	9,401
Welsh Risk Pool	22,006	28,804
Other debtors	10,661	10,963
Provision for irrecoverable debts	(2,887)	(2,551)
Prepayments and accrued income	6,858	7,662
	50,076	56,703
Amounts falling due after one year		
Welsh Risk Pool	15,883	8,320
Other debtors	1	110
	15,884	8,430
	65,960	65,133
Provision for irrecoverable debts (impairment of receivables):		
Balances at 1 April	2,551	872
Provided in year	813	2,254
Written-off in year	(358)	(166)
Recovered during year	(119)	(409)
Balance at 31 March	2,887	2,551
Debtors past due date but not impaired:		
Up to 3 months	13,276	11,744
3 to 6 months	460	637
More than 6 months	786	1,161
Total	14,522	13,542

14.1 Creditors:	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year		
Welsh Assembly Government	1,525	4,314
Health Commission Wales	689	1,945
NHS Trusts	39,927	41,618
Primary Care Trusts	1,552	1,566
Income tax and social security	726	1,768
Non-NHS creditors	130,676	137,803
Capital Creditors	738	299
Obligations under finance leases and contracts	58	-
Pensions: staff	300	1,107
Accruals	110,179	92,233
Deferred Income	653	780
Other creditors	(12)	2
	287,011	283,435

14.2 Creditors:	31 March 2009 £000	31 March 2008 £000
Amounts falling due over one year		
Assembly loans	-	622
Pensions: staff	329	331
	329	953
	287,340	284,388

15	General Fund	31 March 2009 £000
	At 1 April 2008	(228,804)
	Net operating cost for the financial year	(4,421,990)
	Net Welsh Assembly Government funding (including capital)	4,411,300
	Capital charge interest	(3,802)
	Transfers to NHS bodies	(2)
	Transfer to general fund of realised elements of the revaluation reserve	284
	At 31 March 2009	<u>(243,014)</u>
<hr/>		
16	Donated Asset Reserve	31 March 2009 £000
	At 1 April 2008	4,806
	Additions	448
	Revaluation	(74)
	Depreciation	(238)
	At 31 March 2009	<u>4,942</u>
<hr/>		
17	Revaluation Reserve	31 March 2009 £000
	At 1 April 2008	134,958
	Revaluation	(2,039)
	Indexation	(9,477)
	Transfer to general fund - realised revaluation	(284)
	Impairments	(9)
	At 31 March 2009	<u>123,149</u>

18 Provisions for liabilities and charges

	At at 1 April 2008 £000	Transfer of provisions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2009 £000
Clinical negligence	34,667	-	16,700	(10,614)	(5,352)	-	35,401
Personal injury	659	-	609	(248)	(213)	-	807
All other losses and special payments	-	-	2	-	(2)	-	-
Defence legal fees & other administrative costs	1,986	-	636	(856)	(160)	-	1,606
	37,312	-	17,947	(11,718)	(5,727)	-	37,814
Staff pensions	9,202	(199)	362	(993)	(395)	202	8,179
Other	19,067	-	15,606	(4,309)	(5,435)	2	24,931
	65,581	(199)	33,915	(17,020)	(11,557)	204	70,924

Expected timing of cashflows :

	Within one year £000	1-5 years £000	Over 5 years £000	Total £000
Clinical negligence	20,718	14,683	-	35,401
Personal injury	557	250	-	807
Defence legal fees and other administration	658	948	-	1,606
Pensions	806	3,224	4,149	8,179
Other	14,798	10,047	86	24,931
Total	37,537	29,152	4,235	70,924

All clinical negligence and personal injury claims relate to Powys Local Health Board in their capacity as a provider of healthcare services. None of the other LHBs are responsible for the direct provision of healthcare. On cases over £25,000 the LHB is allowed to reclaim any expenditure from the Welsh Risk Pool.

Powys LHB has estimated in 2009-10 they will receive £21.707 million and £15.881 million in subsequent years from the Welsh Risk Pool in respect of losses and special payments.

£33.037 million of provisions relates to the potential liabilities of the former health authorities in respect of clinical negligence and personal injury claims for incidents which occurred before the establishment of NHS trusts.

19 Contingent liabilities	2008-09 £000	2007-08 £000
Local Health Boards reported contingent liabilities as follows:		
Legal claims for alleged medical or employer negligence	51,147	79,906
Other	15,664	16,966
	66,811	96,872

These claims are disputed and until they are resolved the LHB liability, if any, cannot be determined. In accordance with the requirements of FRS 12, no provision has been made in the 2008-09 accounts for these items

£50.985 million of contingent liabilities relate solely to the former health authorities in respect of clinical negligence and personal injury claims for incidents which occurred before the establishment of NHS trusts.

20 Losses, special payments and irrecoverable debts: charge to other programme expenditure

	2008-09 £000	2007-08 £000
Clinical negligence	6,086	11,041
Personal injury	361	293
All other losses and special payments	90	113
Defence legal fees and other administrative costs	(220)	105
Gross increase / (decrease) in provision for future payments	6,317	11,552
Irrecoverable debts	25	(2)
Less: income received/due from Welsh Risk Pool	(6,192)	(11,333)
Net cost	150	217

21 Losses and special payments :cash payments

	Number of cases	Value £
Clinical negligence	21	5,353,162
Personal injury	7	214,271
All other losses and special payments	1,490	112,794
	1,518	5,680,227
Of which, cases over £250,000, paid out during the year:		
Clinical negligence	3	4,306,891
	3	4,306,891
Of which, cases of cumulative interim payments over £250,000:		
Clinical negligence	11	27,090,294
	11	27,090,294

22 Capital commitments

Local Health Boards had £553,000 contracted capital commitments and £640,000 non contracted commitments as at 31 March 2009 (2007-08 £1,332,000)

23 Related party transactions

The Welsh Assembly Government was regarded as a related party. During the year the local health boards had a significant number of material transactions with Welsh Assembly Government and with other NHS bodies such as NHS trusts.

All 22 local health boards undertook related party transactions. The details of these can be found in the underlying accounts.

24 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way that local health boards in Wales are financed, they are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The local health boards have no power to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the local health boards in undertaking their activities.

Liquidity Risk

The local health boards' income allocations and capital expenditure are financed from resources voted annually by the National Assembly for Wales. Therefore, they are not exposed to significant liquidity risks.

Interest-rate Risk

All the local health boards' financial assets and financial liabilities carry nil or fixed rates of interest. Therefore, they are not exposed to interest-rate risk.

Foreign Currency Risk

The local health boards have negligible foreign currency income or expenditure. Therefore, they are not exposed to significant foreign currency risk.

25 Reconfiguration

In 2008 the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of NHS Trusts and Local Health Boards (LHBs) to create 6 new LHBs as at 1 October 2009.

The Local Health Boards and NHS Trusts will continue in their present form until that date. Six month financial statements from 1 April to 30 September 2009 will be produced and on 1st October 2009 7 existing NHS Wales Trusts will merge with their regional LHBs to form 6 new LHBs.

- Abertawe Bro Morgannwg University LHB
- Aneurin Bevan LHB
- Betsi Cadwaladr University LHB
- Cardiff and Vale University LHB
- Cwm Taf LHB
- Hywel Dda LHB

Powys LHB will continue in its present form.

All of the assets and liabilities of these merging LHBs and NHS Trusts will transfer to the new LHBs at that time and all operations are continuing.

THE NATIONAL HEALTH SERVICE IN WALES - LOCAL HEALTH BOARDS IN WALES

SUMMARISED ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 178, SCHEDULE 9, PARA 5(4) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006

1. HM Treasury directs that a summarised account shall be prepared for the financial year ended 31 March 2009 in respect of the Local Health Boards in Wales. The basis of preparation and form and content shall be as set out in the following paragraphs and schedules.

BASIS OF PREPARATION

2. The summarised account of the Local Health Boards in Wales shall be prepared from the audited accounts of the individual Local Health Boards to which it relates.

FORM AND CONTENT

3. The summarised account of the Local Health Boards in Wales shall be prepared in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) issued by H M Treasury which is in force for the financial year, but specifically excluding a Statement of Parliamentary Supply and Consolidated Statement of Operating Costs by Departmental Aim and Objectives and any other divergences as have been formally agreed for that year by H M Treasury.

4. The summarised account of the Local Health Boards shall be prepared so as to:

- a) give a true and fair view of the state of affairs as at 31 March 2009 and of net operating costs, total recognised gains and losses and cash flows for the financial year(s) then ended; and
- b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.

5. The Foreword, Statement of Internal Control and Balance Sheet shall be signed by the Accounting Officer and dated.

MISCELLANEOUS

6. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

7. This direction shall be reproduced as an appendix to the published accounts.

8. This direction supersedes the direction dated 10 July 2006.

Chris Wobschall
Head, Assurance and Financial Reporting Policy
HM Treasury
22 July 2009

SCHEDULE 1
APPLICATION OF THE ACCOUNTING AND DISCLOSURE
REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING
REQUIREMENTS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS bodies shall be contained in the foreword.

Accounting Standards

3. NHS bodies are not required to include a note showing the historical cost profits and losses as described in FRS3.

SCHEDULE 2
ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (4) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS bodies to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.

NHS Trusts in Wales

Statement of the Welsh Assembly Government and Accounting Officer's responsibilities

Section 129 (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 Assembly Government. Section 133(2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Assembly Government staff as Additional Accounting Officers.

Under these arrangements, the Director General, Health and Social Services and Chief Executive, NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities, for the Summarised Account of 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 Assembly Government to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view on the state of affairs of the NHS Trusts in Wales at the year end and their income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Welsh Assembly Government is 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.

Statement on Internal Control

1. Scope of responsibility

As Additional Accounting Officer for the NHS in Wales, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Welsh Assembly Government's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me by the Permanent Secretary in her role as Principal Accounting Officer under section 133(2) of the Government of Wales Act 2006.

I am responsible for the propriety and regularity of public finances for the NHS in Wales; for the keeping of proper records; the preparation of accounts; for prudent behaviour and economical administration; the avoidance of waste and extravagance; and for the efficient use of all resources.

To enable me to fulfil these responsibilities I appoint Chief Executives of NHS Trusts to serve as Accountable Officers. It is their responsibility to ensure that there is an effective system of internal control within their individual organisations. Regional Directors act as my agents on a day to day basis in holding to account Chief Executives of NHS Trusts. I also lead an annual review process for which I receive support from my Regional Directors.

Within the Department for Health and Social Services (DHSS) of the Assembly, I require Heads of Directorates to take responsibility for ensuring the effective, efficient and economic management of and proper accounting for the resources delegated to them within a robust internal control and risk management framework.

2. The purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a continuing process designed to identify the principal risks to the achievement of the Assembly's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

Guidance has been issued over a number of years to each Accountable Officer regarding corporate governance, clinical governance, risk management and internal control systems.

I require the Board of each organisation to take overall responsibility for risk management and to have risk management, control and review processes in place. In 2008-09 Trust Boards were required to self assess against the Healthcare Standards, which incorporate the Welsh risk management standards across NHS Wales, as a toolkit to inform NHS Trust Boards of the significant risks within their organisations. The standards assist Boards to identify risks, determine unacceptable levels of risk, and to then decide on where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff have the information, training and access to expert advice which they need to exercise their responsibilities effectively.

An agreement is in place with the Welsh Risk Pool that requires the Pool to support NHS organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good practice and lessons learnt. The Chief Executive of North Wales NHS Trust is accountable to me for the work of the Welsh Risk Pool.

4. Healthcare Standards for Wales

Healthcare Standards for Wales set out the Welsh Assembly Government's common framework of healthcare standards to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings. One of the key aims of the Healthcare Standards for Wales is to simplify and consolidate existing standards into one set of overarching standards for all healthcare organisations in Wales, including independent and voluntary healthcare providers. In line with these objectives, the system of self-assessment that has been developed to incorporate key elements from the Welsh Risk Management Standards (WRMS) for a single assessment process of assurance within NHS Wales.

2008-09 is the third year that Healthcare Standards for Wales have been used across Wales and this is the second year that they have been used to underpin the Statement of Internal Control (SIC).

5. The risk and control framework

I require all NHS Trusts to have a risk management framework that ensures a systematic approach to internal control. Trusts are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances.

Supplementary Guidance on the Statement on Internal Control proforma and the elements relevant in considering whether appropriate risk management, control, and review processes are in place to support the SIC was issued to all Trusts in September 2003 and is extant for 2008-09.

Trusts are required to link risk management to their key organisational objectives in order that objectives and their associated risks may form an integrated part of the organisation's management activity.

Objectives, at the strategic level include those linked to:

- "One Wales" - which aspires to provide a world-class health service that is available to everyone, irrespective of whom they are or where they live in Wales, and at the time when they need it.
- Designed for Life, the health and social care strategy for Wales for 2005-2015, which sets out a clear 10-year ambition, the start of a transformation in services and the first of a series of 3-year action plans based on tough targets to drive the improvements needed.
- "Improving Health in Wales", the response to the Review of Health and Social Care ('Wanless Report'),
- Welsh Priorities and Planning Guidance, Healthcare Standards, Annual Strategic and Financial Framework Guidance and the National Reporting Framework,
- National clinical quality improvement targets, and financial responsibilities,
- Public Service VFM agreements,
- Compliance with governance and risk management standards,
- Health improvement and partnerships

The Continuous Improvement framework forms the context for development for both LHBs and NHS trusts. LHBs are responsible for developing local Health, Social Care and Wellbeing Strategies, which form the basis of their commissioning plans. These (Specialist Services) Annual Commissioning Plan will help establish the planning context for NHS trusts and also to a more limited extent for local authorities, with which trusts will need to co-ordinate their service delivery. Each Trust's Local Delivery Plan and the achievement of outcomes set out in those plans form an integral part of an organisation's objectives and as a result its risk management framework.

For 2008-09 NHS Trusts were required to outline their self assessment of performance against the Healthcare Standards for Wales and in particular those that underpin the management of risk across all Standards:

- Healthcare standard 14 – Health & Safety of Patients, Staff and the Public.
- Healthcare standard 16 – A Learning Process from Incidents.
- Healthcare standard 27 – Best Practice Governance Arrangements.
- Healthcare standard 28 – High Quality Clinical Governance.

Performance against most, if not all healthcare standards contribute to overall good risk management across the range of the organisations' activities, therefore organisations should:

- Confirm that they have completed a self-assessment against all healthcare standards for 2008/09, to include a description of the process in place for completing the process, including Board engagement and sign off.
- Confirm that a healthcare standards improvement plan for the year is in place which has been agreed by the Board and how the Board is assured of progress against it.
- Describe key ways in which healthcare standards are embedded in the activity of the organisation.

Each of the 32 Healthcare Standards for Wales were assessed on the following matrix:

Maturity Level	1- Aware	2 - Responding	3 - Developing	4 - Practicing	5- Leading
Corporate					
Operational					
User Experience					
Overall					

For consistency across Wales in respect of the Healthcare standards and particularly the work in relation to the Statement of Internal Control, it was agreed that in 2008-09 Internal Auditors would undertake the following work as a minimum:

- Review the self assessment input on the HIW HCS tool for the 4 key standards specified in the SIC. To include a review of the explanation, the evidence that supports the explanation and the appropriateness of the self-assessed score in consideration of the maturity matrix requirements.
- Assess the process adopted by each organisation in preparing and completing the self assessment.
- Review action plans and the process for monitoring progress, evaluating what improvements have been demonstrated for those areas that were reported as being aware and/or responding.
- Confirm that the Board are appropriately engaged.

All trusts were required to submit their Healthcare standard self-assessment scores to HIW.

In 2008-09 the 9 Welsh NHS Trusts achieved the following self assessment overall performance against the 4 Healthcare Standards for Wales that underpin the management of risk across all Standards. This performance has been compared with the 2007-08 overall self assessment of the 14 Welsh NHS trusts.

2008-09	Standard 14	Standard 16	Standard 27	Standard 28
	%	%	%	%
3 - Developing	44	67	33	44
4 - Practising	56	33	67	56

2007-08	Standard 14	Standard 16	Standard 27	Standard 28
	%	%	%	%
3 - Developing	36	43	43	29
4 - Practising	64	57	57	71

The decline in the split of performance from the practising to the developing level for the Healthcare standards pertaining to risk, occurred within two of the merged Trusts.

The restructuring led to a challenging operating environment in the first year of operations. However, the reporting arrangements and structures for Risk Management continued to evolve and develop throughout the year, to combine the systems and policies of the previous organisations and to ensure that best practice are adopted in the new Trusts.

Restructuring

On the 1st April 2008 7 NHS Wales trusts, from the South East and Mid & West regions merged to form three new NHS Trusts.

- Bro Morgannwg and Swansea NHS Trusts formed Abertawe Bro Morgannwg University NHS Trust;
- Carmarthenshire, Ceredigion & Mid Wales and Pembrokeshire & Derwen NHS Trusts formed Hywel Dda NHS Trust
- North Glamorgan and Pontypridd & Rhondda NHS Trusts formed Cwm Taf NHS Trust.

On the 1st July 2008 2 NHS Trusts from the North Wales Region merged to form a new Trust.

- Conwy & Denbighshire and North East Wales NHS Trusts formed North Wales NHS Trust.

Clinical governance

Trusts and partner organisations are required to ensure that a framework is in place for continuously improving the quality and safeguarding high standards of care. Boards are required to take responsibility and account for:

- The overall quality and safety of care;
- Specification of standards and competencies;
- Participation in clinical audit, benchmarking activities and processes for monitoring clinical care;
- Strict adherence to the Complaints Procedure at all stages;
- Clear policies for managing risk to ensure and improve patient safety.

Electronic Staffing Records (ESR)

During 2008-09 three NHS Trusts disclosed that problems were encountered with the Employee Service Electronic Staffing Records payroll system. Work undertaken by Internal Audit functions and the Wales

Audit Office on the ESR system does not indicate that any material errors have occurred as a result.

Public Sector Payment Policy

The prompt payment performance of the NHS Wales Trusts improved to 95.3% (2007-08: 92%). However two Trusts failed to meet the 95% target for payment of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice whichever is the later. This non conformance was due to staffing problems in the Creditor Payment Section and technical problems encountered on the roll out of the new e procurement system in the respective Trusts. Individual Trust performance is disclosed in Annex 5 and the underlying NHS Trust accounts.

Department for Health and Social Services - Risk Management

The DHSS is subject to the Assembly Government's Risk Management framework. Risks are controlled at both Executive Board and directorate level, with the bulk of the work to identify, evaluate and monitor the risks falling to individual Heads of Directorate. The main record for documenting the identification, assessment and management of risk is through the directorate risk register. The DHSS Corporate Governance Committee continuously reviews the directorate risk registers and any associated action plans and report their findings to the Executive Board. Heads of Directorate, including Regional Directors, are responsible for ensuring that:

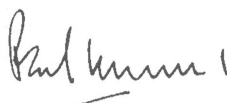
- systems are in place to enable them to be kept informed of new activities and other changes so that risk can be assessed; and
- there are performance indicators in place, which allow the monitoring of key business and financial activities and the directorate's progress towards its objectives.

For the 2008-09 financial year, each Head of Directorate within the DHSS (including regional offices) have reviewed their process of internal control and completed a certificate of assurance, which underpins the departmental Internal Control Questionnaire.

6. Review of effectiveness

As the Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system on internal control is informed by the work of the internal auditors, the Assembly's Corporate Governance Committee, which oversees the work of the internal auditors, the reports submitted to the Executive Board by the DHSS Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

NHS Trust Chief Executives have each submitted a Statement on Internal Control for the year ending 31st March 2009. These statements and the associated audit reports are reviewed so that I can be satisfied that any issues raised by the Accountable Officers do not pose a significant threat to internal control and that they are being dealt with appropriately.



Paul Williams
Director General, Health and Social Services,
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales
22 July 2009

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

I certify that I have audited the financial statements of the Summarised Account of the NHS Trusts in Wales for the year ended 31 March 2009 under paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Additional Accounting Officer and Auditor

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 H M Treasury there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Additional Accounting Officer's Responsibilities.

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

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with paragraph 5 of schedule 9 of the National Health Service (Wales) Act 2006 and HM Treasury directions made there under. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, the Welsh Assembly Government has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding other transactions is not disclosed.

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

Basis of audit opinion

I conducted my audit in accordance with the National Health Service (Wales) Act 2006 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Additional Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the NHS Trusts in Wales' circumstances, and are consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material

respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made there under by H M Treasury of the state of the affairs of the NHS Trusts in Wales as at 31 March 2009 and of their surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by H M Treasury.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
31 July 2009

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Income and Expenditure Account for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Income from activities	2	3,432,947	3,183,263
Other operating income	3	339,146	354,752
Total income		<u>3,772,093</u>	<u>3,538,015</u>
Operating expenses	4	<u>(3,696,070)</u>	<u>(3,481,138)</u>
Operating surplus		76,023	56,877
(Loss) on disposal of fixed assets		<u>(217)</u>	<u>(586)</u>
Surplus before interest		75,806	56,291
Interest receivable		8,627	13,937
Interest payable	6	(859)	(689)
Other finance costs	13	<u>(818)</u>	<u>(775)</u>
Surplus on ordinary activities		82,756	68,764
Public dividend capital dividends payable		<u>(79,351)</u>	<u>(71,509)</u>
Surplus/(Deficit) for the year		<u>3,405</u>	<u>(2,745)</u>

All operations are continuing

The notes on pages 14 to 38 form part of this account.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2009

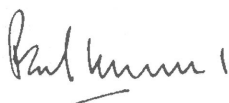
	Note	2008-09 £000	2007-08 £000
Surplus on ordinary activities		82,756	68,764
Indexation and revaluation of tangible fixed assets	15	(20,452)	109,256
Adjustment to reserves on impairment	15	(729)	(7,608)
Other movements on the donated and government granted asset reserves	15	(2,938)	1,512
Movements in other reserves	15	-	(379)
		<hr/>	<hr/>
Total gains recognised in the financial year		58,637	171,545
Prior period adjustment		(261,310)	-
		<hr/>	<hr/>
Total (losses)/gains recognised in the financial year		(202,673)	171,545

The notes on pages 14 to 38 form part of this account.

Balance Sheet as at 31 March 2009

	Notes	31 March 2009 £000	31 March 2008 £000
Fixed assets			
Intangible assets	7	12,837	8,204
Tangible assets	8.1	<u>2,501,834</u>	<u>2,411,189</u>
		2,514,671	2,419,393
Current assets			
Stocks and work-in-progress	9	43,210	39,600
Debtors:			
amounts falling due within one year	10	286,901	262,311
Investments	11	56,981	55,651
Cash at bank and in hand	18	<u>12,054</u>	<u>17,329</u>
		399,146	374,891
Current liabilities			
Creditors: amounts falling due within one year	12.1	<u>(277,194)</u>	<u>(266,330)</u>
Net current assets		121,952	108,561
Debtors			
amounts falling due after more than one year	10	63,629	73,769
Creditors: amounts falling due			
after more than one year	12.2	(20,495)	(60,827)
Provisions for liabilities and charges	13	<u>(257,968)</u>	<u>(258,276)</u>
Total net assets		2,421,789	2,282,620
Financed by:			
Capital			
Public dividend capital	14	2,008,837	1,500,965
Reserves			
Revaluation reserve	15	387,378	801,922
Donated asset reserve	15	39,156	40,664
Government grant reserve	15	91	613
Income and expenditure reserve	15	<u>(13,673)</u>	<u>(61,544)</u>
		2,421,789	2,282,620

The notes on pages 14 to 38 form part of this account.



Paul Williams

Director General, Health & Social Services, Chief Executive NHS Wales,

22 July 2009

Cash Flow Statement for the year ended 31 March 2009

		2008-09	2007-08
	Note	£000	£000
Net cash inflow from operating activities	16	234,135	159,810
Returns on investments and servicing of finance			
Interest received		9,388	13,915
Interest paid		(161)	(62)
Interest element of finance leases		(837)	(694)
Net cash inflow from returns on investments and servicing of finance		8,390	13,159
Capital expenditure			
Payments to acquire tangible fixed assets		(284,193)	(264,821)
Receipts from sale of tangible fixed assets		1,944	11,687
Payments to acquire intangible fixed assets		(4,955)	(4,749)
Net cash outflow from capital expenditure		(287,204)	(257,883)
Public dividend capital dividends paid		(78,338)	(70,130)
Management of liquid resources			
Purchase of current asset investments		(547,790)	(863,795)
Sale of investments		546,550	847,420
Net cash outflow from management of liquid resources		(1,240)	(16,375)
Net cash outflow before financing		(124,257)	(171,419)
Financing			
Public dividend capital received		181,213	184,467
Public dividend capital repaid		(69,022)	(17,153)
Government loans received: short term		3,000	620
Government loans repaid: short term		(3,000)	(620)
Loan advances/brokerage received		6,982	10,676
Loan advances/brokerage repaid		(2,825)	(7,816)
Other capital receipts		3,074	3,825
Capital element of finance leases and on Balance Sheet PFI rentals		(262)	106
Net cash inflow from financing		119,160	174,105
(Decrease)/Increase in cash	17	(5,097)	2,686

The notes on pages 14 to 38 form part of this account.

Notes to the accounts

1. Accounting policies

1.1 Accounting convention

This account has been prepared under the historical costs convention, modified by the revaluation of tangible fixed assets and in accordance with directions issued by the Treasury, to show a true and fair view and to comply with accounting standards issued or adopted by the Accounting Standards Board insofar as these are appropriate to NHS trusts. The account is a consolidation of the individual audited accounts of the nine Welsh NHS trusts.

1.2 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the trusts is from their commissioners in respect of healthcare services provided under the Service and Financial Framework agreements. Income is recognised in the period in which services are provided. Where income is received from outside NHS Wales for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Intangible fixed assets

a. Capitalisation

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

b. Valuation

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

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

c. Depreciation

Intangible assets are amortised on a straight line basis over the estimated lives of the assets up to a maximum of 20 years.

1.4 Tangible fixed assets

a. Capitalisation

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

- individually have a cost of at least £5,000; or

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

b. Valuation

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

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

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

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

Adjustments arising from indexation and five-yearly revaluations are in the first instance taken to the relevant Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. From 2008-09 diminutions in value when newly constructed assets are brought into use are charged in full to the Income & Expenditure account. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

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

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

c. Depreciation

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

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

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. This may lead to a negative revaluation reserve in certain instances. Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income is received from the Welsh Assembly Government. The income is used to repay Public Dividend Capital.

1.5 Fixed Asset Investment

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

1.6 Donated assets

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

1.7 Government grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Welsh Assembly Government Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed. Government grants in respect of capital expenditure are credited to a Government Grant Reserve and are released to the Income and Expenditure Account over the useful expected lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

1.8 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as a Finance Lease. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Rentals under operating leases are charged on a straight line basis over the terms of the leases.

1.9 Private Finance Initiative

The NHS follows HM Treasury's 'Technical Note 1 (Revised) How to account for PFI transactions' which provides practical guidance for the application of the FRS5 amendment. Where the balance of risks and rewards of ownership are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where a trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by a charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to a trust, the difference between the expected fair value of the residual asset on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

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

1.10 Stocks and work-in-progress

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

1.11 Current Asset Investments

Current asset investments are readily disposable investments held by the NHS Trusts that may be disposed of without curtailing or disrupting the NHS Trust's business. Trusts may only invest in instruments and institutions approved by the Welsh Assembly Government.

1.12 Cash Bank and Overdrafts

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

1.13 Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as it relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Income and Expenditure Account on a systematic basis over the period expected to benefit from the project. Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account (a requirement of SSAP 13) because some research and development activity cannot be separated from patient care activity.

1.14 Provisions

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

1.15 Losses and special payments

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

Trusts account for all losses and special payments gross (including assistance from the Welsh Risk Pool). They accrue for the best estimate of their future payouts for certain, probable or contingent liabilities and disclose all other potential payments. Losses and special payments are charged to the income and expenditure account on an accruals basis. However, note 22 is compiled directly from the losses and compensations register which is prepared on a cash basis.

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

1.16 Pension costs

The NHS Pension scheme is a multi-employer scheme as defined by FRS17.

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State in England and in Wales. As a consequence it is not possible for Trusts to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS 17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.pensions.nhsbsa.nhs.uk. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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

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

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

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

Scheme provisions from 1 April 2008

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

1.17 Value Added Tax

Most of the activities of trusts 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 Foreign exchange

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

1.19 Deferred income

Income received from sources other than the Welsh Assembly Government, has been deferred into the next financial year where a clear indication existed that funds provided were for a specific purpose, and that a future obligation exists to utilise these resources.

1.20 Welsh Risk Pool

On 1 July 2008, responsibility for the administration of the Welsh Risk Pool (the Pool) transferred from Conwy and Denbighshire NHS Trust to North Wales NHS Trust.

This account consolidates the NHS trust accounts and excludes the assets and liabilities of the Pool as it acts on an agency basis for all health bodies in Wales. The provisions reported in note 13 are the aggregate amount reported by all trusts in Wales, irrespective of whether claims will be settled directly by trusts or the Pool acting as agent.

1.21 Third party assets

NHS trusts hold money on behalf of patients but have no beneficial interest. To comply with revised HM Treasury guidance these balances should not be recognised within the accounts.

1.22 Liquid resources

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

1.23 Public Dividend Capital Dividends

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

1.24 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trusts have

- A possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the Trust's control;
- A present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- A present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

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

1.25 EU Emission Trading Scheme

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

2. Income from activities	2008-09	2007-08
	£000	£000
Local Health Boards	2,653,367	2,526,033
Health Commission Wales	449,253	421,251
Strategic health authorities and primary care trusts	24,558	23,597
Foundation Trusts	198	24
Local Authorities	24,169	19,854
Welsh Assembly Government	239,997	149,914
Non NHS:		
Private patient income	9,488	9,262
Overseas patients non-reciprocal	426	438
Road Traffic Act charges	15,966	11,746
Other income from activities	15,525	21,144
	3,432,947	3,183,263

During 2008-09 FRS11 funding totalled £69,022k across all NHS Wales Trusts.

3. Other operating income	2008-09	2007-08
	£000	£000
Education, training and research	159,729	157,480
Charitable and other contributions to expenditure	14,685	14,415
Transfer from the donated asset reserve	5,710	4,479
Transfer from the government grant reserve	707	16
Non-patient care income generation schemes	9,843	15,842
Rental income from operating leases	197	-
Patient transport services	17	14
Other income:		
Provision of laundry, pathology, payroll services	11,180	14,736
Accommodation and catering charges	15,494	15,995
Mortuary fees	1,181	1,146
Staff payments for use of cars	2,301	2,356
Other	118,102	128,273
	339,146	354,752

The main contributors to other income of £118,102k within other operating income, other income are:

National Public Health Service	25,214	25,585
Other	9,515	4,548
Ambulance Radio Re-procurement Project	7,606	7,506
Non-ambulance transport for other NHS Trusts	2,896	2,708
Staff Recharges	2,262	2,279
Other minor services income	1,220	3,028
Welsh Cancer Intelligence and Surveillance Unit	1,000	974
National Collaborating Centre for Cancer	959	946
Cancer Network	876	724
Cancer Services Coordinating Group	860	844
Coronary Heart Disease Network	763	695
	53,171	49,837

Further details are available in the individual NHS Trust Accounts.

4. Operating expenses

4.1 Operating expenses comprise	2008-09	2007-08
	£000	£000
Goods and services from other NHS bodies	2,982	7,903
Goods and services from other NHS Foundation Trusts	405	317
Goods and services from non-NHS bodies	10,056	8,871
Directors' costs	8,361	11,086
Staff costs	2,598,344	2,464,891
Supplies and services - clinical	460,474	437,856
Supplies and services - general	47,966	47,292
Consultancy services	8,994	9,581
Establishment	76,445	75,780
Transport	31,018	29,202
Premises	132,703	129,588
Amortisation	3,434	2,744
Depreciation	139,323	114,081
Impairments & reversals of financial assets (by class)	35,557	1,435
Audit fees	2,984	2,690
Other auditors' remuneration	-	3
Losses, special payments and irrecoverable debts	47,810	44,656
Other	89,214	93,162
	3,696,070	3,481,138

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

	2008-09	2007-08
	£000	£000
Increase in provision for future payments:		
Clinical negligence	36,356	32,772
Personal injury	6,046	7,368
All other losses and special payments (excluding bad debts)	885	701
Defence legal fees and other administrative costs	3,634	2,887
Gross increase/decrease in provision for future payments	46,921	43,728
Premium for other insurance arrangements	21	19
Irrecoverable debts	868	909
Total charge	47,810	44,656

Personal injury includes £1,535k (2007-08 £1,004k) in respect of permanent injury benefits.

4.3 Annual commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	400	64	5,541	3,816
Between 1 and 5 years	1,082	1,580	7,527	7,758
After 5 years	3,425	8,254	422	744
	4,907	9,898	13,490	12,318

Operating expenses include £15,717k for operating lease rentals (2007-08: £13,924k) and £5,927k for hire of plant/machinery (2007-08: £3,350k).

4.4 Board members' remuneration

	Remuneration	Other	2008-09	2007-08
	as Director	remuneration	Total	
	£000	£000	£000	£000
Non-executive directors' remuneration	1,066	-	1,066	1,384
Executive directors' remuneration:				
basic salaries	5,410	398	5,808	8,141
benefits	86	3	89	130
pension contributions paid	739	42	781	1,070
Compensation for loss of office	353	-	353	2,011
Pensions for directors and former directors (other than from the NHS pension scheme)	-	-	-	41
	7,654	443	8,097	12,777

Detailed disclosures relating to Directors' remuneration, including cash equivalent transfer values, are included within the individual NHS Trust annual reports.

5. Staff costs and numbers

5.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	2008-09 Total	2007-08 Total
	£000	£000	£000	£000	£000
Salaries and wages	2,145,348	3,223	37,595	2,186,166	2,074,207
Social security costs	160,080	15	125	160,220	155,123
Pension costs	257,949	18	216	258,183	243,852
Other pension costs	1,028	-	-	1,028	1,327
	2,564,405	3,256	37,936	2,605,597	2,474,509

5.2 Average number of employees

No of staff expressed as whole time equivalents:

	Permanent Staff	Staff on Inward Secondment	Agency Staff	2008-09 Total	2007-08 Total
	Number	Number	Number	Number	Number
Medical and dental	6,097	26	163	6,286	5,814
Ambulance staff	2,157	-	-	2,157	2,142
Administrative and estates	14,110	17	127	14,254	13,976
Healthcare assistants and other support staff	11,726	-	85	11,811	11,329
Nursing, midwifery and health visiting staff	25,039	7	267	25,313	25,434
Nursing, midwifery and health visiting learners	33	-	-	33	143
Scientific, therapeutic and technical staff	9,722	4	26	9,752	9,854
Social Care Staff	2	-	-	2	7
Other	8	3	6	17	88
	68,893	57	675	69,625	68,787

5.3 Retirement costs due to ill-health

During 2008-09 there were 132 (2007-08: 150) early retirements from 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 £7,894k (2007-08: £7,440k).

6. Interest payable

	2008-09	2007-08
	£000	£000
Further Government borrowing	26	-
Finance leases	833	689
	859	689

7. Intangible assets

	Software Licences £000
Valuation	
At 1 April 2008	14,499
Reclassifications	402
Other revaluations	430
Additions	7,247
Disposals	(49)
At 31 March 2009	22,529
Amortisation	
At 1 April 2008	6,295
Other revaluations	12
Provided during the year	3,434
Disposals	(49)
At 31 March 2009	9,692
Net book value at 31 March 2009	12,837
Net book value at 1 April 2008	8,204

8. Tangible fixed assets**8.1 Tangible assets at the balance sheet date:**

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000		Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2008	533,686	1,618,590	55,374	151,366	429,620	41,074	70,354	12,224	2,912,288	
Indexation	(79,809)	47,462	1,639	4,466	12,144	1,214	17	346	(12,521)	
Additions	3,207	51,263	375	183,537	37,505	582	11,442	1,777	289,688	
Reclassifications	298	79,402	232	(96,770)	8,193	2,910	4,490	843	(402)	
Impairments	13	(35,511)	(88)	(1,491)	(211)	-	-	-	(37,288)	
Other in-year revaluations	331	3,285	31	-	-	-	(430)	-	3,217	
Disposals	(156)	(3,213)	(237)	-	(27,570)	(2,629)	(1,799)	(79)	(35,683)	
At 31 March 2009	457,570	1,761,278	57,326	241,108	459,681	43,151	84,074	15,111	3,119,299	
Depreciation										
At 1 April 2008	-	158,534	2,947	133	274,184	16,676	41,559	7,066	501,099	
Indexation	-	3,850	66	1	7,474	481	4	193	12,069	
Reclassifications	-	214	-	(7)	2	-	(209)	-	-	
Impairments	-	(949)	(26)	(26)	-	-	-	-	(1,001)	
Reversal of impairments	-	-	-	-	-	-	-	-	-	
Other in-year revaluations	-	(480)	(12)	-	-	-	(12)	-	(504)	
Disposals	-	(2,168)	(4)	-	(26,898)	(2,603)	(1,780)	(68)	(33,521)	
Provided during the year	-	82,034	1,725	-	39,569	6,375	8,560	1,060	139,323	
At 31 March 2009	-	241,035	4,696	101	294,331	20,929	48,122	8,251	617,465	
Net book value										
at 31 March 2008	533,686	1,460,056	52,427	151,233	155,436	24,398	28,795	5,158	2,411,189	
Net book value										
at 31 March 2009	457,570	1,520,243	52,630	241,007	165,350	22,222	35,952	6,860	2,501,834	
Net book value of assets held under finance leases and hire purchase contracts										
Total	43	9,048	-	-	232	-	-	-	9,323	
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:										
Total	-	417	-	-	128	-	-	-	545	

Of the net book value totals at 31 March 2009, £4,530k related to land valued at open market value and £999k related to buildings installations and fittings valued at open market value.

8.2 Fixed asset investments as a result of PFI contracts as at the balance sheet date included within Note 8.1

	Land	Buildings excluding dwellings	Dwellings	Total
	£000	£000	£000	£000
At 1 April 2008	15,671	29,139	258	45,068
Indexation	(2,351)	873	8	(1,470)
Additions - purchased	549	994	31	1,574
Depreciation	-	(61)	-	(61)
At 31 March 2009	13,869	30,945	297	45,111

8.3 Fixed Asset Investments

	31 March 2009 £000	31 March 2008 £000
Opening Investment	-	379
Revaluation	-	(379)
Total	-	-

The fixed asset investment relates to an investment at Abertawe Bro Morgannwg University NHS Trust in Zoobiotics Ltd maggot therapy. Given the trading position of the company, the Trust has written out the reserve from its balance sheet.

8.4 The net book value of land, buildings and dwellings

	31 March 2009 £000	31 March 2008 £000
Freehold	1,968,923	1,991,515
Long leasehold	59,603	53,598
Short leasehold	1,917	1,056
	2,030,443	2,046,169

9. Stock	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	43,189	39,572
Finished processed goods	21	28
Total	43,210	39,600

10. Debtors	31-Mar 2009 £000	31 March 2008 £000
Amounts falling due within one year:	£000	£000
NHS debtors	76,879	181,789
Non-NHS trade debtors	178,760	-
PDC dividend debtors	1,982	2,810
Other debtors	15,158	53,519
Provision for irrecoverable debts	(5,757)	(7,019)
Other prepayments and accrued income	19,879	31,212
	286,901	262,311
Amounts falling due after more than one year:		
NHS debtors	-	58,216
Non-NHS trade debtors	48,982	-
Other prepayments and accrued income	11,302	10,806
Other debtors	3,345	4,747
Subtotal	63,629	73,769
	350,530	336,080

Non NHS Trade Debtors have been separately analysed in the Trust Accounts for 2008-09. Not all Trusts reclassified their prior year figures thus for consistency no prior year figure has been disclosed in the NHS Trust summarised account.

11. Current Asset Investments	31 March 2009 £000	31 March 2008 £000
Government securities	56,890	55,650
Other	91	1
Total	56,981	55,651

12. Creditors

	31 March	31 March
12.1 Amounts falling due within one year:	2009	2008
	£000	£000
Bank overdrafts	1,303	1,481
Public dividend capital loan advance/brokerage	-	2,825
Payments received on account	1,839	1,225
NHS creditors	27,553	27,149
Non-NHS trade creditors - revenue	56,146	70,151
Non-NHS trade creditors - capital	40,070	29,635
Non-NHS trade creditors - losses and special payments	106	23
Tax and social security costs	37,281	30,724
VAT	368	-
PDC dividend payable	1,802	1,617
Obligations under finance leases and hire purchase contracts	1,210	525
Obligations under PFI schemes	419	693
Other creditors - superannuation	14,668	11,807
Other creditors - all other creditors	32,418	30,341
Accruals	58,806	55,416
Deferred income	3,205	2,718
	<u>277,194</u>	<u>266,330</u>

12.2 Amounts falling due after more than one year:

	31 March	31 March
	2009	2008
Public dividend capital loan advance/brokerage	8,141	48,820
Obligations under finance leases and hire purchase contracts	4,521	5,041
Obligations under PFI schemes	6,646	6,265
Other	1,187	701
	<u>20,495</u>	<u>60,827</u>

12.3 Finance lease obligations

	31 March	31 March
The future minimum lease payments under finance leases to which the trusts were committed were as follows:	2009	2008
	£000	£000
Within one year	1,722	1,298
Between one and two years	1,556	1,318
Between two and five years	3,980	3,323
After five years	7,349	8,288
Less finance charges allocated to future periods	(6,161)	(6,482)
	<u>8,446</u>	<u>7,745</u>

13. Provisions for liabilities and charges

	At 1 April 2008 £000	settlement cases trans- ferred to Welsh Risk Pool £000	New provisions arising during the year £000	Reversed Unused £000	Utilised during the year £000	Unwind -ing of discount £000	At 31 March 2009 £000
Clinical negligence	172,019	5	96,404	(60,048)	(21,324)	-	187,056
Personal injury	26,482	-	8,905	(2,859)	(5,940)	416	27,004
All other losses and special payments	182	-	893	(8)	(958)	-	109
Defence legal fees and other administration	7,518	(19)	7,402	(3,768)	(2,629)	-	8,504
Sub-total	206,201	(14)	113,604	(66,683)	(30,851)	416	222,673
Pensions relating to:							
former directors	90	-	4	-	(8)	2	88
other staff	14,556	-	1,186	2	(1,310)	400	14,834
Other	37,429	-	11,233	(9,924)	(18,365)	-	20,373
	258,276	(14)	126,027	(76,605)	(50,534)	818	257,968

Expected timing of cash flows:

	Within 1 year £000	Between 2 & 5 years £000	After 5 years £000	Overall Total £000
Clinical Negligence	140,546	46,510	-	187,056
Personal Injury	8,366	8,603	10,035	27,004
All other losses and special payments	109	-	-	109
Defence legal fees and other administration	7,170	1,334	-	8,504
Pensions - former directors	7	27	54	88
Pensions - other staff	1,317	5,171	8,346	14,834
Other	20,267	106	-	20,373
Total	177,782	61,751	18,435	257,968

As stated in accounting policy Note 1.14, trusts provide for all claims against them. Trusts' liability is limited to each Trust's variable excess level, the balance being recovered from the Welsh Risk Pool (the Pool). The above figures show the clinical negligence provisions of trusts. North Wales NHS Trust manage the Pool on an agency basis for Trusts and Local Health Boards in Wales.

£12,391k of the other provision at the 31st March 2009 relates to the disclosure by the NHS Trusts, of the expected costs relating to the Agenda for Change initiative which provides nationally agreed new standardised pay scales for most staff working in the NHS (Medical and Dental and some very senior staff are the main exclusions).

14. Analysis of changes in public dividend capital	2008-09	2007-08
	£000	£000
At 1 April	1,894,305	1,333,651
Public dividend capital repaid	(69,022)	(17,153)
Public dividend capital advanced in year	181,213	184,467
Public dividend capital transfer	2,341	-
At 31 March	2,008,837	1,500,965

The PDC capital transfer of £2,341k has occurred as a result of the mid-year merger process on the formation of North Wales NHS Trust, these monies were initially issued as repayable PDC to Conwy & Denbighshire NHS Trust but reclassified to non repayable PDC within the North Wales NHS Trust accounts.

15. Movements on reserves in the year

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Income & expenditure reserve £000	Total £000
At 1 April 2008 as previously stated	801,922	40,664	613	(61,544)	781,655
Prior period adjustment (PPA)	(292,570)	-	-	31,260	(261,310)
At 1 April 2008 restated	509,352	40,664	613	(30,284)	520,345
Transfer from Income and Expenditure Account	-	-	-	3,405	3,405
Revaluation / indexation of fixed assets	(21,361)	909	-	-	(20,452)
Transfer of realised profits / (losses)	(250)	(1)	-	251	-
Reserves eliminated on dissolution	(96,782)	-	-	10,103	(86,679)
Assets donated/government granted in year	-	3,294	185	-	3,479
Depreciation and disposal of donated assets	-	(5,710)	(707)	-	(6,417)
Impairments	(729)	-	-	-	(729)
Other transfers between reserves	(2,852)	-	-	2,852	-
Other reserve movements	-	-	-	-	-
At 31 March 2009	387,378	39,156	91	(13,673)	412,952

The PPA adjustment relates to the extinguishment of the Income and Expenditure and Revaluation Reserves of seven former Trusts which were dissolved to form three new Trusts on the 1 April 2008. See Note 19 for reconciliation of movement in funds.

Impairments comprise the charges to the revaluation and donated asset reserves from the impairment of fixed assets.

16. Reconciliation of operating surplus to net cash inflow from operating activities

	2008-09	2007-08
	£000	£000
Operating surplus	76,023	56,877
Depreciation and amortisation charge	142,757	116,825
Fixed asset impairment	35,557	1,435
Transfer from the donated asset reserve	(5,710)	(4,480)
Transfer from the government grant reserve	(707)	(16)
(Increase) in stocks	(3,610)	(4,345)
(Increase) in debtors	(1,531)	(8,351)
Increase / (Decrease) in creditors	(8,336)	20,921
(Decrease) / Increase in provisions	(308)	(19,056)
Net cash inflow from operating activities	<u>234,135</u>	<u>159,810</u>

17. Reconciliation of net cash flow to movement in net debt

	2008-09	2007-08
	£000	£000
Increase in cash in the period	(5,097)	2,686
Cash inflow from new debt	(9,982)	(11,296)
Cash outflow from debt repaid and finance lease capital payments	6,087	8,330
Cash outflow from increase in liquid resources	1,240	16,375
Change in net debt resulting from cash flows	<u>(7,752)</u>	<u>16,095</u>
Non-cash changes in debt	46,778	(3,443)
Net debt at 1 April	12,121	(531)
Net debt at 31 March	<u>51,147</u>	<u>12,121</u>

18. Analysis of changes in net debt

	At 1 April	Cash	Non-cash	At 31 March
	2008	flows	changes	2009
	£000	£000	£000	£000
Cash at bank and in hand	17,329	(5,275)	-	12,054
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
Bank overdrafts	(1,481)	178	-	(1,303)
Public dividend capital loans/brokerage	(51,645)	(4,157)	47,661	(8,141)
Finance leases	(7,742)	262	(964)	(8,444)
Current asset investments	55,660	1,240	81	56,981
	<u>12,121</u>	<u>(7,752)</u>	<u>46,778</u>	<u>51,147</u>

19. Reconciliation of movements in funds	2008-09	2007-08
	£000	£000
Surplus for the year	82,756	68,764
Public dividend capital - dividends payable	(79,351)	(71,509)
	3,405	(2,745)
Indexation and revaluation of tangible fixed assets	(20,452)	109,256
Impairment to fixed assets	(729)	(7,608)
New public dividend capital	181,213	184,467
Transfer to public dividend capital	2,341	-
Public dividend capital repaid	(69,022)	(17,153)
Reserves eliminated on dissolution	(86,679)	-
Movements on donated asset reserve	(2,416)	1,366
Movements on Government grant reserve	(522)	146
Other reserve movements	-	(379)
Net addition to Government funds	7,139	267,350
Government funds at 1 April	2,675,960	2,015,270
Before deducting prior period adjustments to		
I&E Reserve	31,260	-
Revaluation reserve	(292,570)	-
Government funds at 31 March	2,421,789	2,282,620

The difference of £393,340k between the closing Government fund balance at 31 March (£2,282,620k) and the opening Government fund balance at 1 April (£2,675,960k) is as a result of the non cash movement in PDC on extinguishing and re-establishing the PDC of the 4 merged NHS Trusts. See Note 14 for analysis of changes in public dividend capital.

20. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £238,204k. (2007-08: £69,078k).

21. Contingent liabilities

At 31 March 2009, total disputed claims with a potential value of £257,578k (31 March 2008: £215,348k) had been made against NHS trusts in Wales, of which £257,578k (31 March 2008: £214,748k) related to medical or employer negligence. These claims are disputed and, until they are resolved, the trusts' financial liability, if any, cannot be determined. In accordance with the requirements of FRS12, no provision has been made in the 2008-09 accounts for these items.

Other litigation claims could arise in the future due to incidents incurred but not reported. The expenditure which may arise from such claims cannot be determined with reasonable accuracy and no provision has been made for them.

Equal Pay Claims

The process of assessing these claims is at an early stage and as a result there is significant uncertainty regarding both the likelihood of success of any claims and the liability of the Trusts if any claims were to be successful. As a result of this uncertainty, no provision has been made for any potential costs which may arise.

22. Losses and special payments	2008-09	
Paid out in year:	Number	Value
Title	of cases	£
Clinical negligence	474	21,532,717
Personal injury	595	5,976,763
All other losses and special payments	2,134	2,514,071
	3,203	30,023,551
Of which, cases over £250,000, paid out during the year:		
Clinical negligence	25	11,695,221
Personal injury	2	922,133
All other losses and special payments	1	305,792
	28	12,923,146
Also, of which, cases of cumulative interim payments over £250,000		
Clinical negligence	75	59,245,056
Personal injury	5	5,391,913
All other losses and special payments	2	699,279
	82	65,336,248

23. Related party transactions

The Welsh Assembly Government, Local Health Boards and NHS Trusts are regarded as related parties. During the year, Trusts had a significant number of material transactions with the Welsh Assembly Government and with other NHS bodies.

All Trusts disclosed other related party transactions, predominantly Local Authorities. Further details of transactions are given in the individual trust accounts.

24. Private finance transactions

During 2008-09, 6 of the 9 trusts disclosed private finance transactions: Abertawe Bro Morgannwg University NHS Trust, Cardiff and Vale NHS Trust, Cwm Taf NHS Trust, Gwent Healthcare NHS Trust, Hywel Dda NHS Trust and North Wales NHS Trust. These trusts reported 11 Private Finance Initiatives (PFI) and 4 Public Private Partnerships (PPP) schemes.

One PFI scheme is on balance sheet and 10 are off balance sheet. These have a total estimated capital value of £107,767k. £21,883k has been included within operating expenses for these schemes. Trusts are committed to pay £31,349k in annual payments under the schemes.

The 4 PPP schemes are off balance sheet. These have an estimated total capital cost of £8,682k. There is a £1,900k annual service charge and £805k has been credited within miscellaneous operating expenses. Further details are given in the individual trust accounts.

25. Third party assets

Trusts held £2,979k cash at bank and in hand and on deposit at 31 March 2009 (31 March 2008: £2,692k) which relates to monies held by trusts on behalf of patients. This has been excluded from cash at bank and in hand reported in these accounts.

26. Financial instruments

FRS13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that trusts have with local health boards and the way those bodies are financed, trusts are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies. Trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing trusts in undertaking their activities.

As allowed by FRS13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile. Provisions are shown gross.

Credit Risk

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

Liquidity risk

Trusts net operating costs are incurred under annual service agreements with local health boards, which are financed from resources voted annually by the National Assembly for Wales. Trusts also largely finance their capital expenditure from funds made available from Government under agreed borrowing limits. They are not, therefore, exposed to significant liquidity risks.

Interest rate risk

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

Foreign currency risk

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

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

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

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

27. Post Balance Sheet Events

Re-configuration

In 2008 the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of NHS Trusts and Local Health Boards (LHBs) to create 6 new LHBs as at 1 October 2009.

The Trusts will continue in their present form until that date. Six month financial statements from 1 April to 30 September 2009 will be produced and on 1st October 2009 7 existing NHS Wales Trusts will merge with their regional LHBs to form 6 new LHBs.

- Abertawe Bro Morgannwg University LHB
- Aneurin Bevan LHB
- Betsi Cadwaladr University LHB
- Cardiff and Vale University LHB
- Cwm Taf LHB
- Hywel Dda LHB

All of the assets and liabilities of these merging NHS Trusts will transfer to the new LHBs at that time and all operations are continuing.

At the 1 October the functions currently undertaken by the Wales Centre for Health and the public health functions currently within Velindre NHS Trust will be transferred to a new National Public Health Services body, which will be known as Public Health Wales NHS Trust. Welsh Ambulance Services and Velindre NHS Trusts will produce 12 month financial statements for 2009-10 and the National Public Health Services NHS Trust will produce 6 month financial statements from 1 October 2009 to 31 March 2010.

All of the assets and liabilities from the Wales Centre for Health and those relating to the public health functions within Velindre will transfer to the new NHS trust and all operations are continuing.

Summarised NHS Wales Trust Accounts 2008-09

The Additional Accounting Officer authorised these financial statements for issue on 22 July 2009.

28. Establishment of PDC as a result of the NHS Wales Trust Reconfiguration

As a result of the re-configuration of the NHS Wales Trust structure the PDC of the former Trusts, was extinguished and the PDC of the new Trusts was re-established. The figures outlined below represent the basis of the determination of the extinguished and re-established PDC for the 2008-09 accounts.

2007-08	Bro		North		Pontypridd		Pemb & Derwen		Conwy & Denbigh		North East Wales		TOTAL
	Morgannwg NHS Trust	Swansea NHS Trust	Glamorgan NHS Trust	and NHS Trust	Carmarthen NHS Trust	Ceredigion NHS Trust	NHS Trust	NHS Trust	NHS Trust	NHS Trust	NHS Trust	NHS Trust	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Repayable PDC	-	-	-	-	21,476	5,462	13,531	3,000	4,676				48,145
Non repayable PDC	134,918	198,117	58,307	113,546	79,992	18,290	63,247	93,289	115,605				875,311
Total extinguished	134,918	198,117	58,307	113,546	101,468	23,752	76,778	96,289	120,281				923,456

A further £2,341k repayable PDC issued to Conwy and Denbighshire in 2008-09 was extinguished which after adjustment for roundings in the NHS Trust Accounts took the total amount extinguished to £925,794k.

Income and Expenditure Reserve	5,743	306	(3,579)	3,599	(23,061)	(4,970)	(9,271)	(5,781)	(4,322)	(41,336)
Revaluation Reserve	59,248	86,475	43,960	61,861	15,037	13,541	12,448	54,243	42,539	389,352
Repayable PDC	-	-	-	-	-	-	-	2,250	575	2,825
Non repayable PDC	134,918	198,117	58,307	113,546	101,468	23,752	76,778	94,039	119,706	920,631
Total for re-establishment	199,909	284,898	98,688	179,006	93,444	32,323	79,955	144,751	158,498	1,271,472

2008-09	ABMU		Cwm Taf		Hywel Dda		North Wales		TOTAL
	NHS Trust		NHS Trust		NHS Trust		NHS Trust		
	£000		£000		£000		£000		
Total extinguished	333,035		171,853		201,998		216,570		923,456
Repayable PDC re-established	-		-		-		2,825		2,825
Non repayable PDC re-established	484,807		277,694		205,722		300,424		1,268,647
Total re-established	484,807		277,694		205,722		303,249		1,271,472

The £2,341k was re-established as non repayable PDC taking the total re-established to £1,273,813k. The £2,341k is shown as an in year transaction in both the North Wales NHS Trust and the Summarised Accounts. The requirement to extinguish and re-establish the £2,341k was necessary to gain HM Treasury approval for the reclassification from repayable to non-repayable PDC.

THE NATIONAL HEALTH SERVICE – NHS TRUSTS IN WALES

SUMMARISED ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 178, SCHEDULE 9, PARA 5(4) OF THE NATIONAL HEALTH SERVICES (WALES) ACT 2006

1. HM Treasury directs that an account, summarised by consolidation, of the NHS Trusts in Wales shall be prepared in respect of the financial year ended 31 March 2009. The basis of preparation and form of accounts shall be set out in the following paragraphs and Schedules.

2. In this direction, unless the context otherwise requires, “the NHS Trusts” means each and every NHS Trust in Wales.

BASIS OF PREPARATION

3. The consolidated account of the NHS Trusts shall be prepared from the audited accounts of the NHS Trusts to which it relates.

FORM AND CONTENT

4. The consolidated account of NHS Trusts shall comprise a foreword, an income and expenditure account, a balance sheet, a cash flow statement and a statement of total recognised gains and losses, including such notes as are necessary to ensure a proper understanding of the accounts, and comply with all relevant guidance in the NHS Trust Accounts (Wales) – Manual for accounts.

The summarised account of NHS Trusts shall be prepared so as to:

- a) give a true and fair view of the state of affairs as at 31 March 2009 and of net operating costs, total recognised gains and losses and cash flows for the financial year(s) then ended; and
- b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.

5. The foreword, statement of internal control and balance sheet shall be signed by the Accounting Officer and dated.

MISCELLANEOUS

6. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

7. The direction shall be reproduced as an appendix to the published accounts.

8. This direction supersedes the direction dated 16 October 2000.

Chris Wobschall
Head, Assurance and Financial Reporting Policy
HM Treasury
22 July 2009

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING REQUIREMENTS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS bodies shall be contained in the foreword.

Accounting Standards

1. NHS bodies are not required to include a note showing the historical cost profits and losses as described in FRS3.

SCHEDULE 2

ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (2) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS bodies to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.