

Cardiff & Vale NHS Trust

Foreword

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

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

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

Within this framework our specific aims include:

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

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2007

	Note	£000	2005-06 £000
Income from activities	3	509,480	481,175
Other operating income	4	100,712	94,537
Total income		610,192	575,712
Operating expenses	5	(600,020)	(567,481)
Operating surplus/(deficit)		10,172	8,231
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(44)	91
Surplus/(deficit) before interest		10,128	8,322
Interest receivable		1,783	1,663
Interest payable	9	(301)	(301)
Other finance costs	16	(102)	(137)
Surplus/(deficit) for the financial year		11,508	9,547
Public Dividend Capital dividends payable		(11,431)	(10,975)
Retained surplus/(deficit) for the year	17	77	(1,428)

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

		2005-06
	Note	£000
Surplus/(deficit) for the financial year before dividend payments		9,547
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	(16,194)
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	1,270
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(566)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		(5,943)
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>26,370</u>
		<u>(5,943)</u>

BALANCE SHEET AS AT 31 MARCH 2007

				31 March 2006 £000
	Note	£000	£000	
Fixed assets				
Intangible assets	10	686		793
Tangible assets	11	402,877		376,707
Investment assets	11.4	0		0
			<u>403,563</u>	377,500
Current assets				
Stocks and work-in-progress	12	7,644		7,403
Debtors	13	49,634		44,664
Investments	14	19,385		13,330
Cash at bank and in hand	18.3	3,348		3,348
Total current assets			<u>80,011</u>	68,745
Creditors: amounts falling due within 1 year	15		<u>(63,330)</u>	(56,392)
Net current assets/(liabilities)			<u>16,681</u>	12,353
Total assets less current liabilities			<u>420,244</u>	389,853
Creditors: amounts falling due after more than one year	15		(1,745)	(20,382)
Provisions for liabilities and charges	16		<u>(41,887)</u>	(35,395)
Total assets employed			<u>376,612</u>	334,076
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		244,817	226,896
Revaluation reserve	17		121,437	107,316
Donated asset reserve	17		8,140	9,218
Government grant reserve	17		10	0
Other reserves	17		0	0
Income and expenditure reserve	17		2,208	(9,354)
Total taxpayer's equity			<u>376,612</u>	334,076

The above debtors balance contains £14.9m which is likely to be settled after one year. A further analysis of this amount is contained within note 13.

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	£000	£000	2005-06 £000
Operating activities				
Net cash inflow from operating activities	18.1		36,024	28,358
Returns on investments and servicing of finance				
Interest received		1,789		1,697
Interest paid		0		0
Interest element of finance leases		(296)		(306)
Net cash inflow/(outflow) from returns on investments and servicing of finance			1,493	1,391
Capital expenditure				
Payments to acquire tangible fixed assets		(24,666)		(28,773)
Receipts from sale of tangible fixed assets		0		3,502
Payments to acquire/ receipts from sale of intangible assets		(114)		(257)
Net cash inflow/(outflow) from capital expenditure			(24,780)	(25,528)
Public dividend capital dividends paid			(11,388)	(11,823)
Management of liquid resources				
Purchase of current asset investments		(352,875)		(152,330)
Sale of investments		346,830		153,200
Net cash inflow/(outflow) from management of liquid resources			(6,045)	870
Net cash inflow/(outflow) before financing			(4,696)	(6,732)
Financing				
Public dividend capital received		5,439		4,814
Public dividend capital repaid (not previously accrued)		(692)		(636)
Public dividend capital repaid (accrued in previous period)		(1,041)		0
Government loans received: short term		0		0
Government loans repaid: short term		0		0
Loan advances/brokerage received		0		1,619
Loan advances/brokerage repaid		0		0
Other capital receipts		1,018		964
Capital element of finance leases		(28)		(29)
Net cash inflow/(outflow) from financing			4,696	6,732
Increase/(decrease) in cash	18.2		0	0

Notes to the accounts

1. Accounting policies and other information

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

i. Capitalisation

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

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

ii. Valuation

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

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

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

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

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

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

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

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

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

iii. Depreciation

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

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

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

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

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

1.6 Fixed Asset Investments

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

1.7 Donated fixed assets

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

1.8 Government grants

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

1.9 Cash Bank and Overdrafts

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

1.10 Leases

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

1.11 Private Finance Initiative

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

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

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

1.12 Stocks and work-in-progress

Whilst it is accounting convention 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.

1.13 Research and development

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

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

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

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

1.14 Provisions

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

1.15 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

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

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

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

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

1.16 Losses and special payments

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

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

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

1.17 Pension costs

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

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

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

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

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

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

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

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

1.18 Liquid resources

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

1.19 Value added tax

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

1.20 Foreign Exchange

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

1.21 Third party assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 27 to the accounts.

1.22 Public Dividend Capital Dividends

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

1.23 EU Emission Trading Scheme

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

1.24 Agenda for Change

Included in the 2006/7 Accounts are accruals/provisions to reflect the additional costs arising from the implementation of Agenda for Change for the period October 1st 2004 to March 2007 which haven't yet been paid. In calculating these the Trust has used standard calculations and templates developed in 2005/6 by an All Wales Group and also the results of those assimilations actioned to date.

2. Segmental reporting

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

3. Income from activities

	2005-06	2005-06
	£000	£000
Local health boards	345,737	311,679
Health Commission Wales	140,952	131,538
NHS trusts	4,180	4,380
Strategic health authorities and primary care trusts	3,476	2,574
Foundation Trusts	0	0
Local authorities	2,321	1,980
National Assembly for Wales	5,937	23,547
Non NHS:		
Private patient income	2,694	2,365
Overseas patients (non-reciprocal)	1,038	133
Road Traffic Act charges/NHS Injury Costs Recovery (ICR) Scheme	1,745	1,544
Other income from activities	1,400	1,435
Total	509,480	481,175

RTA/ICR income is subject to a provision for doubtful debts of 7.7% to reflect expected rates of collection.

4. Other operating income

	2005-06	2005-06
	£000	£000
Patient transport services	0	0
Education, training and research	77,370	72,668
Charitable and other contributions to expenditure	1,504	1,358
Transfer from the donated asset reserve	601	565
Transfer from the government grant reserve	8	0
Non-patient care income generation schemes	3,247	2,898
Other income:		
Provision of laundry, pathology, payroll services	3,266	3,037
Accommodation and catering charges	2,188	2,266
Mortuary fees	100	74
Staff payments for use of cars	0	0
Business unit (please state)	0	0
Other	12,428	11,671
Total	100,712	94,537

Other income of £12,428k includes the following sources:

Non Staff SLA's with Cardiff University	3,672	3,455
Program Management Unit Funding	2,139	730
Informing Healthcare Funding	1,033	925
Income re Non Patient Related Secondments	602	647
Medical Physics & RASS SLA's	706	637
Funding re All Wales Oracle Team	511	113
Total	8,663	6,507

5. Operating expenses

5.1 Operating expenses comprise

	£000	2005-06 £000
Goods and services from other NHS bodies	12,226	9,970
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	4,309	376
Directors' costs	1,033	1,021
Staff costs	421,327	401,530
Supplies and services - clinical	99,730	94,649
Supplies and services - general	6,784	6,463
Establishment	11,687	11,938
Transport	826	671
Premises	22,741	22,551
Depreciation	16,618	14,832
Amortisation	221	0
Fixed asset impairments and reversals	72	242
Audit fees	260	252
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	1,973	2,517
Other operating expenses	213	469
Total	600,020	567,481

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

	£000	2005-06 £000
Increase/decrease in provision for future payments:		
Clinical negligence	5,185	3,158
Personal injury	(219)	1,607
All other losses and special payments	54	71
Defence legal fees and other administrative costs	66	508
Gross increase/decrease in provision for future payments	5,086	5,344
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	1,073	751
Less: income received/ due from Welsh Risk Pool	(4,186)	(3,578)
Total charge	1,973	2,517

Personal injury includes £0.161m (2005-06 £0.569m) in respect of permanent injury benefits

5.3 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2005-06 £000	£000	2005-06 £000
Operating leases which expire:				
Within 1 year	951	935	118	169
Between 1 and 5 years	47	47	336	420
After 5 years	325	295	0	0
Total	1,323	1,277	454	589

Operating expenses include £1,903,000 for operating lease rentals (2005-06 £1,856,822).
and £1,463,600 for hire of plant/machinery (2005-06 £1,536,229).

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2005-06 £000
Non-executive directors' remuneration	134	0	134	137
Executive directors' remuneration:				
basic salaries	707	0	707	695
benefits	16	0	16	17
performance related bonuses	0	0	0	0
pension contributions paid	98	0	98	96
Sub-total	955	0	955	945
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
Total	955	0	955	945

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

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

5.4 Directors' remuneration (continued):

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

	Remuneration as director £000	Other remuneration £000	Total £000	2005-06 £000
Chairman				
Basic remuneration	53	0	53	53
Benefits	0	0	0	0
	<u>53</u>	<u>0</u>	<u>53</u>	<u>53</u>
Chief Executive				
Basic salaries	162	0	162	160
Benefits	7	0	7	7
Performance related bonuses	0	0	0	0
	<u>169</u>	<u>0</u>	<u>169</u>	<u>167</u>
Pension contributions	23	0	23	23
	<u>192</u>	<u>0</u>	<u>192</u>	<u>190</u>
Highest paid director*				
Basic salaries	190	0	190	186
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>190</u>	<u>0</u>	<u>190</u>	<u>186</u>
Pension contributions	26	0	26	25
Total	<u>216</u>	<u>0</u>	<u>216</u>	<u>211</u>

* the Medical Director was the highest paid director during the financial year 2006-07.

6. Employee costs and numbers

6.1 Employee costs	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2005-06
	£000	£000	£000	£000	£000
Salaries and wages	351,440	62	5,896	357,398	341,482
Social security costs	25,855	0	0	25,855	24,853
Pension costs	38,961	0	0	38,961	36,067
Other pension costs	0	0	0	0	0
Total	416,256	62	5,896	422,214	402,402

In 2006-07 £428,337 of salaries were capitalised (2005-06 £348,302).

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2005-06
	Number	Number	Number	Number	Number
Medical and dental	1,117	0	13	1,130	1,084
Ambulance staff	0	0	0	0	0
Administrative and estates	2,374	1	27	2,402	2,334
Healthcare assistants and other support staff	1,080	0	0	1,080	1,087
Nursing, midwifery and health visiting staff	5,161	2	39	5,202	5,113
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	1,847	0	14	1,861	1,812
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	11,579	3	93	11,675	11,430

6.3 Employee benefits

The Trust does not have an employee benefit scheme.

6.4 Trust management costs

	£000	Percentage of total income	2005-06	
			£000	Percentage of total income
Trust management costs	21,716	3.6%	22,110	3.8%
Income	610,192		575,712	

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

6.5 Retirement costs due to ill-health

During 2006-07 (prior year 2005-06) there were 20 (28) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Business Services Authority - Pensions Division) will be £1,262,197 (£1,651,427).

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

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

	Number	£000	2005-06 £000
NHS			
Total bills paid 2006-07	3,949	30,700	30,419
Total bills paid within target	3,856	30,483	30,226
Percentage of bills paid within target	97.6%	99.3%	99.4%
Non-NHS			
Total bills paid 2006-07	209,065	183,701	189,464
Total bills paid within target	200,547	174,140	175,267
Percentage of bills paid within target	95.9%	94.8%	92.5%
Total			
Total bills paid 2006-07	213,014	214,401	219,883
Total bills paid within target	204,403	204,623	205,493
Percentage of bills paid within target	96.0%	95.4%	93.5%

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

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

8. Profit (loss) on disposal of fixed assets

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

	2005-06
	£000
Profit on disposal of land and buildings	0
Loss on disposal of land and buildings	(753)
Profit on disposal of plant and equipment	0
Loss on disposal of plant and equipment	(420)
Profit on disposal of intangible fixed assets	0
Loss on disposal of intangible fixed assets	0
	<u>(44)</u>
	<u>91</u>

9. Interest payable

	2005-06
	£000
Government borrowing	0
Finance leases and PFI schemes	301
Other	0
	<u>301</u>
	<u>301</u>

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	943	0	0	0	943
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions	114	0	0	0	114
Disposals	0	0	0	0	0
Gross cost at 31 March 2007	<u>1,057</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,057</u>
Accumulated amortisation at 1 April 2006	150	0	0	0	150
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	221	0	0	0	221
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2007	<u>371</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>371</u>
Net book value at 1 April 2006	<u>793</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>793</u>
Net book value at 31 March 2007	<u>686</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>686</u>

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding		Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	Land	dwellings	Dwellings	on account					
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	99,392	242,097	9,252	11,487	63,685	1,593	6,642	223	434,371
Indexation	5,325	19,526	712	911	1,757	44	0	6	28,281
Additions									
- purchased	2,251	13,268	0	4,087	6,488	280	1,078	0	27,452
- donated	0	9	0	7	103	0	3	0	122
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	528	14,796	(438)	(14,886)	0	0	0	0	0
Impairments	0	(215)	0	0	0	0	0	0	(215)
Other in-year revaluations	746	(18,621)	0	0	0	0	0	0	(17,875)
Disposals	0	0	0	0	(1,812)	(52)	(43)	0	(1,907)
At 31 March 2007	108,242	270,860	9,526	1,606	70,221	1,865	7,680	229	470,229
Depreciation									
At 1 April 2006	0	17,447	571	0	35,258	900	3,294	194	57,664
Indexation	0	1,419	34	0	973	25	0	5	2,456
Reclassifications	0	178	(178)	0	0	0	0	0	0
Impairments	0	(60)	0	0	0	0	0	0	(60)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	(7,464)	0	0	0	0	0	0	(7,464)
Disposals	0	0	0	0	(1,767)	(52)	(43)	0	(1,862)
Provided during the year	0	9,207	265	0	6,246	151	745	4	16,618
At 31 March 2007	0	20,727	692	0	40,710	1,024	3,996	203	67,352
Net book value at 1 April 2006	99,392	224,650	8,681	11,487	28,427	693	3,348	29	376,707
Net book value at 31 March 2007	108,242	250,133	8,834	1,606	29,511	841	3,684	26	402,877
Net book value of assets held under finance leases and hire purchase contracts									
Total	7	894	0	0	0	0	0	0	901
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:									
Total	0	49	0	0	0	0	0	0	49

Of the totals at 31 March 2007, £nil related to land valued at open market value and £nil related to buildings, installations and fittings valued at open market value.

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

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

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	3,945	10,988	0	0	0	0	0	0	14,933
Indexation	211	885	0	0	0	0	0	0	1,096
Additions	127	300	0	0	0	0	0	0	427
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2007	4,283	12,173	0	0	0	0	0	0	16,456

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March 2006	
	£000	£000
Freehold	351,458	328,397
Long leasehold	14,706	13,414
Short leasehold	2,651	2,399
Total	368,815	344,210

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

The Trust has no fixed asset investments.

	31 March 2006	
	£000	£000
	0	0
	0	0
Total	0	0

12. Stocks and work-in-progress

	31 March 2006	
	£000	£000
Raw materials and consumables	7,644	7,403
Work-in-progress	0	0
Finished processed goods	0	0
Total	7,644	7,403

13. Debtors

	31 March 2006	
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	12,003	11,867
NHS debtors	13,802	10,758
PDC dividend debtors	0	0
Other debtors	9,209	8,112
Provision for irrecoverable debts	(2,331)	(944)
Other prepayments and accrued income	2,002	2,427
Sub-total	34,685	32,220
Amounts falling due after more than one year:		
Welsh Risk Pool	9,412	7,320
NHS debtors	0	0
Other prepayments and accrued income	4,077	3,737
Other debtors	1,460	1,387
Sub-total	14,949	12,444
Total	49,634	44,664

Other debtors include £0 prepaid pension contributions at 31st March 2007 (2005-06 £0)

14. Current Asset Investments

		31 March 2006 £000
Government securities	19,375	13,330
Local authorities	0	0
Other	10	0
Total	19,385	13,330

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

		31 March 2006 £000
Amounts falling due within one year:	£000	£000
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	1,500
Payments received on account	840	1,320
NHS creditors	10,865	9,390
Non-NHS trade creditors - revenue	15,803	14,664
Non-NHS trade creditors - capital	7,290	7,377
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	8,997	8,334
PDC dividend payable	(1,046)	(1,088)
Obligations under finance leases and hire purchase contracts	29	27
Obligations under PFI schemes	254	254
Other creditors - superannuation	0	0
Other creditors - all other creditors	3,448	3,336
Accruals	16,850	11,278
Deferred income	0	0
Sub-total	63,330	56,392
Amounts falling due after more than one year:		
Loan advance/brokerage	0	18,355
Obligations under finance leases and hire purchase contracts	453	481
Obligations under PFI schemes	1,292	1,546
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	1,745	20,382
Total	65,075	76,774

NHS creditors include:

£54,673 for payments due in future years under arrangements to buy out the liability for early retirements; and £4,852,423 outstanding pensions contributions at 31 March 2007 (£4,500,709 at 31 March 2006).

15.2 Loan advance/strategic assistance funding31 March
2006

Amounts falling due:	£000	£000
In one year or less	0	1,500
Between one and two years	0	3,000
Between two and five years	0	5,176
In five years or more	0	10,179
Sub-total	<u>0</u>	<u>19,855</u>
Wholly repayable within five years	0	9,676
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	10,179
Sub-total	<u>0</u>	<u>19,855</u>
Total repayable after five years by instalments	0	10,179

The Trust received a letter from Ann Lloyd on April 3rd 2007 confirming that in line with previously announced Welsh Assembly Government policy that as the Trust had met its financial targets in both 2004-5 and 2005-6, The Minister for Health and Social Services had agreed to the write off of The Trust's historic debt (£10.179m). The Trust has thus written off this amount against Public Dividend Capital as agreed with the Assembly. Subsequent to this, as the Trust has also met its financial target in 2006-7 (subject to audit), The Minister has given the Trust permission to treat its strategic assistance debt as non repayable. The Trust has therefore written the £9.676m in question back to its income and expenditure reserve.

15.3 Finance lease obligations31 March
2006

Payable:	Total £000	£000
Within one year	189	189
Between one and two years	189	189
Between two and five years	566	566
After five years	2,420	2,606
Sub-total	<u>3,364</u>	<u>3,550</u>
Less finance charges allocated to future periods	(2,882)	(3,042)
Total	<u>482</u>	<u>508</u>

15.4 Finance lease commitments

The Trust has not entered into any contracts other than those shown above during the year to obtain the use of any asset under a finance lease agreement.

16. Provisions for liabilities and charges

	At 1 April 2006 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2007 £000
Clinical negligence	17,136	0	0	6,220	(1,035)	(1,906)	0	20,415
Personal injury	3,681	0	0	2,032	(2,251)	(526)	46	2,982
All other losses and special payments	0	0	0	54	0	(54)	0	0
Defence legal fees and other administration	1,070	0	0	1,105	(1,039)	(289)		847
Sub-total	21,887	0	0	9,411	(4,325)	(2,775)	46	24,244
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	2,544			64	0	(218)	56	2,446
Restructurings	0			0	0	0		0
Other	10,964			10,042	(3,520)	(2,289)		15,197
Total	35,395	0	0	19,517	(7,845)	(5,282)	102	41,887

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	11,015	9,400	0	20,415
Personal injury	963	481	1,538	2,982
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	513	334	0	847
Pensions - former directors	0	0	0	0
Pensions - other staff	213	809	1,424	2,446
Restructuring	0	0	0	0
Other	15,197	0	0	15,197
Total	27,901	11,024	2,962	41,887

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

Other provisions include £13.908m for the potential costs of implementing Agenda For Change. Please see Accounting Policies Note 1.24.

The reversed unused balance for other provisions contains £3.189m re accruals which were incorrectly shown as provisions in the 2005/6 accounts; but which have now been corrected.

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2006 as previously stated	107,316	9,218	0	0	(9,354)	107,180
Prior period adjustment					0	0
At 1 April 2006 as restated	107,316	9,218	0	0	(9,354)	107,180
Transfer from income and expenditure account					9,753	9,753
Impairments	(83)	0	0			(83)
Surplus (deficit) on revaluation / indexation of fixed assets	16,013	(598)	0			15,415
Transfer of realised profits/ (losses)	(25)	0	0		25	0
Receipt of donated/government granted assets		121	18			139
Depreciation, impairment and disposal of donated/government granted assets		(601)	(8)			(609)
Other transfers between reserves	(1,784)	0	0	0	1,784	0
Other reserve movements				0		0
At 31 March 2007	121,437	8,140	10	0	2,208	131,795

The figure for the transfer from the income & expenditure account includes £9.676m as a result of the Trust's strategic assistance loans being reclassified as non repayable as described in note 15.2

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2005-06 £000
Total operating surplus/(deficit)	10,172	8,231
Depreciation charge	16,839	14,832
Fixed asset impairment and reversals	72	242
Transfer from the donated asset reserve	(601)	(566)
Transfer from the government grant reserve	(8)	0
(Increase)/decrease in stocks	(241)	(435)
(Increase)/decrease in debtors	(2,810)	11,613
Increase/(decrease) in creditors	6,109	(16,711)
Increase/(decrease) in provisions	6,492	11,152
	<hr/>	<hr/>
Net cash inflow from operating activities before restructuring costs	36,024	28,358
Payments in respect of fundamental reorganisation/restructuring	0	0
	<hr/>	<hr/>
Net cash inflow from operating activities	36,024	28,358

18.2 Reconciliation of net cash flow to movement in net debt	£000	2005-06 £000
Increase/(decrease) in cash in the period	0	0
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	(1,619)
Cash outflow from debt repaid and finance lease capital payments	28	29
Cash (inflow)/outflow from (decrease)/increase in liquid resources	6,045	(870)
	<hr/>	<hr/>
Change in net debt resulting from cash flows	6,073	(2,460)
Non-cash changes in debt	19,865	0
Net debt at 1 April	(3,683)	(1,223)
	<hr/>	<hr/>
Net debt at 31 March	22,255	(3,683)

18.3 Analysis of changes in net debt

	At 1 April 2006 £000	Cash flows £000	Non-cash changes £000	At 31 March 2007 £000
OPG cash at bank	3,642	128		3,770
Commercial Cash at bank and in hand	(294)	(128)		(422)
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	(19,855)	0	19,855	0
Finance leases	(507)	28	0	(479)
Current asset investments	13,330	6,045	10	19,385
	(3,684)	6,073	19,865	22,254

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £9,272,000 (and in 2005-06 were £ 6,628,000).

20. Post balance sheet events

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

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2006-07 accounts for the following amounts:

	31 March 2006 £000	£000
Legal claims for alleged medical or employer negligence	13,088	10,813
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	13,088	10,813
Amount recovered under insurance arrangements in the event of these claims being successful	(11,257)	(9,205)
Net contingent liability	1,831	1,608

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

Equal Pay Claims

The Trust has received 46 formal claims under equal pay legislation. The process of assessing these claims is at an early stage and as a result there is significant uncertainty regarding both the likelihood of success of any claims and the liability of the Trust if any claims were to be successful. No cases have yet been referred to employment tribunal and it is unlikely that any of these cases will be settled within the next two years. As a result of this uncertainty, no provision has been made for any potential costs which may arise.

Contingent assets

The Trust has no contingent assets.

22. Losses and special payments

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

Gross loss to the Exchequer

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

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	48	1,906,253	29	1,825,221
Personal injury	77	526,401	44	450,113
All other losses and special payments	465	418,479	465	418,479
Total	590	2,851,133	538	2,693,813

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

	<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
	£	£	£
Cases exceeding £250,000			
00RRBMN0018	200,000	565,000	0
04RWMMN0010	375,000	375,000	0
04RWMMN0012	380,000	380,000	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
Sub-total	955,000	1,320,000	0
All other cases	1,896,133	3,345,836	2,693,813
Total cases	2,851,133	4,665,836	2,693,813

23.1 Movements in Government funds

2005-06

	£000	£000
Surplus/(deficit) for the financial year	11,508	9,547
Public dividend capital dividends	(11,431)	(10,975)
Subtotal	77	(1,428)
Gains/(losses) from revaluation/indexation of purchased fixed assets	15,988	(16,398)
Impairment of fixed assets	(83)	0
New public dividend capital	18,613	4,814
Public dividend capital repaid	(692)	(636)
Public dividend capital repayable	0	(1,041)
New loans from Government	0	1,619
Government loans repaid	(10,179)	0
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	10	0
Addition/(reduction) in other reserves	0	0
Net addition/(reduction) to Government funds	23,734	(13,070)
Opening Government funds at 1 April	343,258	356,328
Before deducting prior period adjustment of	0	0
Closing Government funds	366,992	343,258

23.2 Movements in public dividend capital

2005-06

	£000	£000
At 1 April 2006	226,896	223,759
New PDC issued in year	5,439	4,814
PDC due but not issued	13,174	0
PDC repaid in year	(1,733)	(636)
PDC repayable	1,041	(1,041)
At 31 March 2007	244,817	226,896

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	77
Variance	<u>(77)</u>

The Trust has broken even in 2006-07.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2006		
	£000	£000	£000
External financing limit set by the Assembly		3,678	5,768
Cash flow financing	4,696		6,732
Finance leases taken out in the year	0		0
Other capital receipts	<u>(1,018)</u>		<u>(964)</u>
External financing requirement		<u>3,678</u>	<u>5,768</u>
Undershoot (overshoot)		<u>0</u>	<u>0</u>

The Trust has achieved its external financing limit.

24.3 Creditor payment

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

Total number of non-NHS bills paid 2006-07	209,065
Total number of non-NHS bills paid within target	200,547
Percentage of non-NHS bills paid within target	95.9%

The Trust has met the target.

25. Related Party transactions

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

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

Two Non Executive Directors, MR S Jones(Chairman) and Mr R Hutchings are also unpaid Council members of Cardiff University.

Mrs J G Rees is an Associate Non Executive Director and an unpaid Trustee of The South Wales Mental Health Advocacy.

Lady M Webb is a Non Executive Director of The Trust and her spouse is a Non Executive Director of the Welsh Assembly Government. Her spouse is also Chairman of Pontypridd & Rhondda NHS Trust.

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

Professor ML Jones was General Manager of the Dental Service Group until September 2006 and was also a Non Executive Director of Swansea NHS Trust.

Dr I Hosein was an Associate Medical Director for The Clinical Support Service Group until November 2006. He is also laboratory director for Simbec Research Ltd.

Dr K Balboolal became the Associate Medical Director for Emergency Services during 2006/7. He is sometimes paid expenses to attend meetings and on occasion paid an horarium to speak at the said meetings by the following companies; Wyeth, Novartis and Roche.

The material transactions involving the related parties were as follows:

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Cardiff University	11,741	7,183	27	955
S Wales Mental Health Advocacy	11	0	0	0
Wyeth	503	35	0	3
Roche	1,683	110	71	0
Novartis	1,404	185	39	5
Simbec Research Ltd.	0	73	0	16
Pontypridd & Rhondda NHS Trust	510	520	49	51
Swansea NHS Trust	974	557	135	105

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

The Assembly is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is responsible. Included in such entities are the Trust's main purchasers of Health Care Services , i.e. Cardiff LHB (£220M), the Vale LHB (£73M), Caerphilly LHB (£17M) and Health Commissioning Wales (£141m). The Trust also receives £37m from 19 other Local Health Boards.

The Trust is a member of the Welsh risk pool for Clinical Negligence and Personal Injury claims. The Trust has received settlement payments of £2.187m in respect of claims made.

The corporate body is a registered charity and as a Corporate Trustee the Trust Board were responsible for the management of charitable expenditure of £2.1m in the year connected with the University Hospital of Wales, Llandough, Whitchurch and Community Services. The audited accounts of the Funds held on Trust are included in the annual report to the Charity Commission and are available on request.

26. Other/ Private finance transactions

26.1 The Trust has one PFI scheme deemed to be " off balance sheet."

	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	3,325
Amortisation of PFI deferred asset	0
Net charge to operating expenses	3,325

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

PFI scheme which expires:	£000
Within one year	
Years 2-5 (inclusive)	
Years 6-10 (inclusive)	
Years 11-15 (inclusive)	
Years 16-20 (inclusive)	
Years 21-25 (inclusive)	
Years 26-30 (inclusive)	3,455

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

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

Scheme Description

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

The estimated capital value of the scheme is £13.847m and the annual payments to be made for the provision of the site and for a range of facilities management services is £3.3m.

The Contract covers the following main areas:

Bullet Payment plus share of surplus land sale profits in 2002

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

Residual interests in the assets

At the end of the 31 year period the hospital will pass to the Trust for nil consideration. The recognition of this future asset therefore needs to be built up over the period of the contract by splitting the unitary charge between the cost of the service provided under the contract and the acquisition of the residual interest. The aim of building up the residual interest is to ensure that at the end of the contract the accumulated balance should exactly match the estimated fair value of the asset(s) received. The District Valuer valued the interest as being £9.771m in 2002/03.

The present value of the residual interest is £4.696m and this has been recorded as a fixed asset investment within note 11.2. The value of this interest will be regularly reviewed in accordance with NHS valuation guidelines. The provision created by the recognition of the residual interest will be amortised over the life of the contract on an annual basis. The provision has been recorded in Note 15 as £0.044m and £1.085m (< and > one year).

26. Other/ Private finance transactions continued

26.2 Public Private Partnerships

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

UHW Car Park

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

At the end of 20 years, the Trust will receive the residual interest in the multi storey car parks and the reversionary interest in the land for nil consideration. These assets are included in the Trust's balance sheet (note 11) with current values of £2.821m for the buildings and £3.771m for the land.

The value of these assets at the end of the 20 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2006/07 was £0.187m

Concourse

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

At the end of the 20 years the Trust will receive the residual interest in the Concourse building and the reversionary interest in the land for nil consideration. These assets are included in the Trust's balance sheet (note 11) with current values of £2.004m for the buildings and £0.512m for the land. The value of these assets at the end of the 20 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2006/07 was £0.068m

Sterile Services

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

The Trust pays the contractor £1.8m per annum for the services the company provides in sterilising surgical packs to be used in patient services. As part of the contract, the contractor refurbished the building and has provided service equipment at a cost of £1.8m. At the end of the 10 year period, if the Trust takes the option of not extending the contract term, then the Trust will have to pay the contractor £0.6m as payment for the capital work

The Trust is accounting for the current discounted value of the residual interest (£2.651m) in the assets in note 11 and the value of the assets at the end of the 10 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2006/07 was £0.058m.

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

26. Other/ Private finance transactions continued

26.2 Public Private Partnerships (continued)

Llandough Hospital Staff Accomodation

On 28th October 1999, The former University Hospital and Llandough NHS Trust entered into an agreement with Charter Housing for the design, construction, fit out and the subsequent operation of its staff accomodation at Llandough Hospital. The Contract period is 25 years; however Charter Housing have since undergone a restructure which will eventually see a transfer of its interest in the Contract to Fairlake Properties Limited. This transfer was not complete at the balance sheet date.

In return for the provision of the new serviced accomodation, the Trust transferred a parcel of surplus land to Charter on which seven of its existing properties resided. These properties were subsequently demolished and the land sold off by Charter. The accomodation is located on the remaining land, which had previously housed three additional properties. This is granted to Charter under a 99 year head lease for a peppercorn rent, Charter then leases the properties back to the Trust in return for an annual unitary payment of £0.041m. The Trust then leases the property back to charter under a 27 year sub-underlease.

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

27. Third party assets

The Trust held £337,446 cash at bank and in hand at 31 March 2007 (31 March 2006: £240,355) which relates to monies held by the Trust on behalf of patients.

28. Financial instruments

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

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

Liquidity Risk

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

Interest-rate risks

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

Foreign currency risk

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

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

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

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

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

29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
2006-07:				
National Assembly for Wales	6,192	0	70	0
Welsh Local Health Boards	4,458	0	3,695	0
Welsh NHS Trusts	2,875	0	1,835	0
Health Commission Wales	736	0	0	0
All English Health Bodies	1,433	0	5,165	0
All N. Ireland Health Bodies	8	0	0	0
All Scottish Health Bodies	59	0	12	0
Miscellaneous	447	0	89	0
Credit note provision	(1,394)	0	0	0
Sub total	14,814	0	10,866	0
Other Central Government Bodies				
Other Government Departments*	1,978	1,450	212	0
Revenue & Customs	1,060	0	9,000	0
Local Authorities	928	0	571	0
Balances with Public Corporations and trading funds	42	0	192	0
Balances with bodies external to Government	15,863	13,499	42,489	1,745
TOTAL	34,685	14,949	63,330	1,745
2005-06:				
National Assembly for Wales	4,136	0	1,295	0
Welsh Local Health Boards	3,477	0	332	0
Welsh NHS Trusts	3,154	0	2,447	0
Health Commission Wales	2,634	0	478	0
All English Health Bodies	952	0	4,729	0
All N. Ireland Health Bodies	26	0	0	0
All Scottish Health Bodies	59	0	1	0
Miscellaneous	347	0	108	0
Credit note provision	(2,624)	0	0	0
Sub total	12,161	0	9,390	0
Other Central Government Bodies				
Other Government Departments*	21	0	51	0
Revenue & Customs	605	0	8,363	0
Local Authorities	714	0	278	0
Balances with Public Corporations and trading funds	1	0	141	0
Balances with bodies external to Government	18,718	12,444	36,669	21,882
TOTAL	32,220	12,444	54,892	21,882

30. Pooled budget projects

The Trust had no pooled budget projects in 2006-07.

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

Mental Health Reablement Project.

This is a 3 year project with revenue costs of £0.169m in 2006/7. The partners in the scheme are Cardiff Council and the Cardiff Local Health Board. The project aims "to improve the co-ordination of care for an individual from assessment, care planning, and commissioning of services, to meet the needs of the individual".

Rehabilitation and Reablement Team.

The project expenditure in 2006/07 was £0.366m. The partners in the scheme are Cardiff Council and the Cardiff Local Health Board. The project aims to improve the provision of Community Rehabilitation and Reablement to the whole of Cardiff, with a focus on enhancing existing services currently available to patients in certain parts of Cardiff only. This will include the Cardiff Rapid Response/ Reablement team, the Elderly Care Assessment Service and the Acute Response Team.

Specialist Rehabilitation Liaison Nurse.

The project expenditure in 2006/07 was £0.045m. The partner in this scheme is the Vale of Glamorgan Council. The project aims to ensure that all patients with complex needs admitted to Llandough Hospital are given access to specialist assessment / rehabilitation in order to maximise timely recovery and independence; to improve links between the community services and specialist geriatric/rehabilitation services by providing access to urgent geriatric assessment and interventions and to reduce dependency levels and thus costs associated with long-term care/domiciliary care packages for an increasing ageing population.

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

The project expenditure in 2006/07 was £0.044m. The partner in this scheme is the Vale of Glamorgan Council and the project aims to work with the Vale Local Authority to progress the integration of the Vale Short-Term Intervention Service and Community Rehabilitation Team; to expand the therapy element of the service in order to be able to provide for the needs of a larger range of patients; to continue to work with the Local Authority to maximise patient outcomes/potential for living at home, thus reducing costs associated with long-term/care packages and to improve the co-ordination and administration for the above.

Child and Adolescent Mental Health Services Young Offenders Team Community Psychiatric Nurse

The project expenditure in 2006/07 was £0.037m The post has been funded by the Crime Safety Partnership (£0.019m), and the Joint Working Special Grant administered by The Cardiff Health Alliance. It represents an innovative approach to partnership work in The Young Offenders Team. The funding is allowing the development of a new type of in-house provision which not only enables in-depth mental health assessments of children and young people appropriately identified by The Young Offender's tool ASSET, but also provides training and support to The Young Offenders team on emotional and mental health issues. Focus is also given to developing robust communication and referral pathways into mainstream health services.

30. Pooled budget projects (Continued)

Child Health Occupational Therapy

The post is part of a project aimed at developing an integrated Paediatric Occupational Therapy provision for children and young people with complex needs living in the Cardiff area. It is hoped that it will lead to reducing the duplication of Occupational Therapy as well as streamlining access to Paediatric Occupational Therapy. The Post is funded under the Joint Special Working Grant administered by Cardiff Health Alliance. The Occupational Therapist is employed within the Paediatric Occupational Therapy Service for Cardiff and Vale Trust and will work within the remit of provision of specialist equipment and access to Disabled Facilities as identified within Cardiff County Council criteria. The project expenditure for the year was £0.041m.

CAMHS Primary Mental Health Worker

This post supports Tier 1 services and improves their ability to identify and intervene early so as to reduce referrals to Tier2/3 CAMHS whilst at the same time reducing negative gains for children & young people. This post was recruited to in 06/07 having been vacant in the previous year. The 2006/07 cost was £0.006m funded through the Joint Special Working Grant.

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

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

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

Date: 2007 Chief Executive

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

The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The National Assembly for Wales, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those accounts, the directors are required to:

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

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

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

By Order of the Board

Signed:

Date:2007

Chairman:

Date:2007

Chief Executive:

Date:2007

Director of Finance:

STATEMENT OF INTERNAL CONTROL 2006/2007

1. SCOPE OF RESPONSIBILITY

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

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

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

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

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

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

3. CAPACITY TO HANDLE RISK

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

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

A number of specialist training courses, mandatory training and development days take place throughout the year to ensure that staff are equipped to manage risk. The Trusts Mandatory Training Programme for updating staff of key legislative requirements/developments provides training for staff at agreed intervals. It has been recognised that the release of staff to attend such sessions can prove challenging and e-learning packages have been introduced. These will be further developed in the coming year.

4. THE RISK AND CONTROL FRAMEWORK

During the year the Trust again ensured that the Operational Plan was linked to the Corporate Risk Profile. The highlights were as follows:-

- The Trust Board agreed the top risks to the organisation in June 2006. Further additions were made during the year as new risks became apparent.
- The Assurance Framework which provided assurance to the Board that these top risks were being managed was approved in July 2006.
- The Trust Board received updates advising of the progress during the year to mitigate the risks and any areas that were causing concern.
- In May 2006 the Trust Board received a report outlining the end of year position with respect to the top risks identified for 2005/2006.

The Trust is further able to demonstrate that it has robust processes in place as part of the ongoing compliance with the Welsh Risk Management Standards. The Internal Audit function reviews the 5 core standards and the scores awarded in 2005/2006 have all shown improvement. Failure to achieve 75% for each of the 5 core standards suggests shortfalls in standards of internal control. The Internal Audit Scores for 2006/2007 are as follows:-

Risk Management Policy & Strategy	84%
Risk Assessment and Treatment	98%
Adverse Incident and Hazard Reporting	95%
Governance	97%
Financial Management	98%

The Welsh Risk Pool also undertook a review. A reduced number of standards were assessed and some were not reviewed in full. This was in line with the Concordat between Bodies Inspecting, Regulating and Auditing Health and Social Care Bodies in Wales and the requirement to undertake the first annual self assessment of compliance with the Healthcare Standards for Wales. This review was undertaken between the 12th and 14th March 2007. The provisional score is 77%. The 2005/2006 score was 71%. It was pleasing to note that there was a demonstrable increase in the awareness of staff with regard to risk management and governance which will help to improve the safety of patients and staff.

5. REVIEW OF EFFECTIVENESS

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

As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with.

The Trust Board Committee structures were reviewed in 2004/2005 to improve the workings of the organisation. Each Committee has defined Terms of Reference which identify its aims and functions. Each of these Committees provides either minutes or a report to the Trust Board to advise of any key risks and developments which they should be aware. The Committees and functions that have defined responsibility for risk and compliance have operated in the following way.

- The Audit Committee – The Audit Committee met regularly. It received reports on compliance and risk management, reports from the Trust's Internal Auditors, Counter Fraud Specialists and External Auditors.
- The Performance and Use of Resources Committee considered reports produced by the Wales Audit Office relating to performance and Value for Money reviews. As part of this process it agreed action that was required to address any shortfalls highlighted and seek to ensure best practice.
- The Clinical Governance Committee provided the Trust Board with assurance relating to issues of a clinical nature. The membership consists of Trust employees and other stakeholders including service commissioners. It is chaired by a Non Executive Director. Its Terms of Reference were reviewed during the year and General Managers will become members in 2007/2008.
- The Trust Health and Safety Committee facilitates the statutory responsibility imposed upon the Trust to consult with staff representatives on matters relating to health and safety. The membership of the Trust Health and Safety Committee is made up of accredited staff side health and safety representatives, managers of the Trust and various risk advisors. It met on a bi-monthly basis and was chaired by the Director of Corporate Management.
- Internal Audit provides an annual statement of assurance, which sets out an overall conclusion as to the adequacy of the systems of internal control operating within the organisation. The statement is based upon the work undertaken by Internal Audit as set out in the audit committee approved plan. The work of Internal Audit has concluded that the fundamental systems of internal control operating within the Trust, covered by the plan, are, in general, soundly based and adequate, although there were certain reports issued during the course of the year that were a cause for concern. Robust management actions plans have been developed to strengthen the control weaknesses identified in these reports
- The Electronic Staff Record (ESR) system went live in November 2006. However there have been problems with the system in 2006/07, the main ones as follows:
 - (a) Differences between the ESR system control prints and the amounts feeding into the General ledger system
 - (b) Errors created by unfamiliarity with the new system.

Despite these problems, audit work undertaken by Internal Audit and Wales Audit Office on the ESR system, does not indicate that any material errors have occurred as a result. In addition, to mitigate the control weaknesses and associated risks, the Trust has undertaken monthly manual reconciliations of the general ledger to the ESR System control prints and differences are then routinely followed up. The Trust continues to undertake these monthly reconciliations and additional work has now commenced to develop and implement some key controls to mitigate current problems including further work with the external service provider.

6. CONTINUED DEVELOPMENT OF RISK MANAGEMENT IN THE TRUST IN 2007/08

It has been possible to demonstrate during the year that risk management has been high on the agenda of the organisation. Members of the Trust Board attend regular development sessions which highlight their responsibilities with regard to risk management and governance.

Risk and governance will continue to receive a high profile within the organisation. A review of the corporate governance arrangements has been undertaken and this will influence the workings of the Trust Board Committees in the coming year. The status of the Risk Management Committee and Research Governance Committees has also been reviewed as part of this process.

The Trust is considering how the requirements of the Healthcare Standards will become embedded within the organisation. The Service Groups and Clinical Specialties will need to engage in the process to ensure that consistent and appropriate standards are adopted across the whole organisation. The first self assessment of compliance for the period 1st April 2006 and 31st March 2007 must be submitted to Health Inspectorate Wales before the 30th June 2007. The Chair and Chief Executive are responsible for ensuring that the submission is correct on behalf of the Trust Board. On conclusion of the self assessment the Healthcare Improvement Plan will clearly outline the actions that the Trust needs to take to ensure continuous improvement. It will also incorporate other action plans e.g. the Welsh Risk Pool. The Improvement Plan will be monitored as part of the performance management arrangements within the Trust.

Signed **Chief Executive**
(On behalf of the Board)

Date:.....

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

Cardiff and Vale NHS Trust

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 on pages 2 to 35 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 6 to 12.

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

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on pages 36-37 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and the contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I review whether the statement on pages 38-41 reflects the Trust's compliance with the Treasury and Welsh Ministers' guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In my opinion:

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

I have no observations to make on these financial statements.

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

Jeremy Colman
Auditor General for Wales
28 June 2007

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

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

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

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

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

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

FORM OF ACCOUNTS

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

ACCOUNTS OF THE TRUST

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

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

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

- a. the accounting and disclosure requirements of the Companies Act. The disclosure exemptions permitted by the Companies Act will not apply unless specifically authorised by the Assembly with the approval of the Treasury;
- b. best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board, with the exception of the requirement contained in FRS 3 for the inclusion of a note showing historical cost profits and losses;
- c. all relevant guidance given in "Government Accounting" and in "Trading Accounts: A Guide for the Government Departments and Non-Departmental Public Bodies" and in "The NHS Trust Manual for Accounts";
- d. any disclosure and accounting requirements which the Assembly or Treasury may issue from time to time;

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

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

Dated.....

Signed by the authority of the National Assembly for Wales

Signed.....

Member of the Senior Civil Service
National Assembly for Wales

SCHEDULE

Foreword

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

Income and Expenditure Account and Balance Sheet

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

Cash Flow Statement

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

Notes to the Account

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