

North East Wales NHS Trust

Foreword

These accounts for the year ended 31 March 2007 have been prepared by the North East Wales 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 has, with the approval of Treasury, directed.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2007

	Note	£000	2005-06 £000
Income from activities	3	195,526	180,093
Other operating income	4	14,270	14,055
Total income		209,796	194,148
Operating expenses	5	(206,459)	(194,159)
Operating surplus/(deficit)		3,337	(11)
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	448	232
Surplus/(deficit) before interest		3,785	221
Interest receivable		545	425
Interest payable	9	(117)	(109)
Other finance costs	16	(29)	(37)
Surplus/(deficit) for the financial year		4,184	500
Public Dividend Capital dividends payable		(4,219)	(4,131)
Retained surplus/(deficit) for the year	17	(35)	(3,631)

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

		2005-06
	£000	£000
	Note	
Surplus/(deficit) for the financial year before dividend payments		500
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	(1,967)
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	444
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(385)
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		(1,408)
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>13,171</u> <u>(1,408)</u>

BALANCE SHEET AS AT 31 MARCH 2007

				31 March 2006 £000
	Note	£000	£000	£000
Fixed assets				
Intangible assets	10	0		0
Tangible assets	11	142,935		127,182
Investment assets	11.4	0		0
			142,935	127,182
Current assets				
Stocks and work-in-progress	12	2,748		2,819
Debtors	13	15,787		8,447
Investments	14	0		0
Cash at bank and in hand	18.3	40		40
Total current assets			18,575	11,306
Creditors: amounts falling due within 1 year	15		(11,680)	(12,163)
Net current assets/(liabilities)			6,895	(857)
Total assets less current liabilities			149,830	126,325
Creditors: amounts falling due after more than one year	15		(3,347)	(399)
Provisions for liabilities and charges	16		(12,334)	(6,296)
Total assets employed			134,149	119,630
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		90,880	85,313
Revaluation reserve	17		43,751	35,087
Donated asset reserve	17		4,194	3,951
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		(4,676)	(4,721)
Total taxpayer's equity			134,149	119,630

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		10,153	10,406
Returns on investments and servicing of finance				
Interest received		551		422
Interest paid		(62)		(24)
Interest element of finance leases		(55)		(85)
			434	313
Net cash inflow/(outflow) from returns on investments and servicing of finance				
Capital expenditure				
Payments to acquire tangible fixed assets		(15,478)		(5,595)
Receipts from sale of tangible fixed assets		786		679
Payments to acquire/ receipts from sale of intangible assets		0		0
			(14,692)	(4,916)
Net cash inflow/(outflow) from capital expenditure				
Public dividend capital dividends paid			(4,415)	(4,346)
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
			0	0
Net cash inflow/(outflow) from management of liquid resources				
Net cash inflow/(outflow) before financing				
			(8,520)	1,457
Financing				
Public dividend capital received		5,712		0
Public dividend capital repaid (not previously accrued)		(145)		(1,414)
Public dividend capital repaid (accrued in previous period)		0		0
Government loans received: short term		2,500		1,000
Government loans repaid: short term		(2,500)		(1,000)
Loan advances/brokerage received		3,000		0
Loan advances/brokerage repaid		0		0
Other capital receipts		0		0
Capital element of finance leases		(47)		(43)
			8,520	(1,457)
Net cash inflow/(outflow) from financing				
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 invests should be disclosed where the Trust has a participating interest held for the long-term, with a view to exercising control. Each category of investment should be separately disclosed

1.7 Donated fixed assets

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

1.8 Government grants

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

1.9 Cash Bank and Overdrafts

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

1.10 Leases

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

1.11 Private Finance Initiative

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

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

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

1.12 Stocks and work-in-progress

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

1.13 Research and development

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

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

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

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

1.14 Provisions

The trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. In accordance with FRS 12 provisions are only recognised where the transfer of economic benefit is probable, and the amount can be reasonably estimated. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

1.15 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

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

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

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

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

1.16 Losses and special payments

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

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

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

1.17 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State. As a consequence it is not possible for the trust to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2006/07 was £15,197,400 (£13,652,926 for 2005/06)

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which on which contributions are based covered the period 1 April 1994 to 31 March 1999. The next FRS17 valuation will be in 2008, in line with the Government Actuary full valuation review for employers' contribution rates. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Agency - Pensions Division website at www.nhspa.gov.uk. 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 28 to the accounts.

1.22 Public Dividend Capital Dividends

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

1.23 EU Emission Trading Scheme

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

2. Segmental reporting

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

3. Income from activities

	£000	2005-06 £000
Local health boards	174,227	157,179
Health Commission Wales	9,440	8,861
NHS trusts	2,371	1,827
Strategic health authorities and primary care trusts	3,938	3,508
Foundation Trusts	33	39
Local authorities	2,906	2,632
National Assembly for Wales	523	4,158
Non NHS:		
Private patient income	273	236
Overseas patients (non-reciprocal)	6	2
Road Traffic Act charges/NHS Injury Costs Recovery (ICR) Scheme	842	602
Other income from activities	967	1,049
Total	195,526	180,093

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

4. Other operating income

	£000	2005-06 £000
Patient transport services	0	0
Education, training and research	5,196	4,775
Charitable and other contributions to expenditure	517	381
Transfer from the donated asset reserve	467	385
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	87	244
Other income:		
Provision of laundry, pathology, payroll services	911	722
Accommodation and catering charges	890	953
Mortuary fees	107	109
Staff payments for use of cars	188	199
Business unit (please state)	0	0
Other	5,907	6,287
Total	14,270	14,055

Other income of £5,907,000 includes the following sources:

Leased Rents	981	1,150
Staff Recharges	1,748	2,331
Other	3,178	2,806
	0	0
	0	0
	0	0
Total	5,907	6,287

5. Operating expenses

5.1 Operating expenses comprise

	£000	2005-06 £000
Goods and services from other NHS bodies	2,942	2,808
Goods and services from other NHS Foundation Trusts	190	82
Purchase of healthcare from non-NHS bodies	544	60
Directors' costs	612	604
Staff costs	150,465	141,860
Supplies and services - clinical	25,201	22,814
Supplies and services - general	2,413	2,506
Establishment	4,367	4,523
Transport	133	133
Premises	8,893	8,429
Depreciation	8,207	7,592
Amortisation	0	0
Fixed asset impairments and reversals	0	0
Audit fees	205	204
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	420	543
Other operating expenses	1,867	2,001
Total	206,459	194,159

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	7,629	(2,382)
Personal injury	171	456
All other losses and special payments	27	29
Defence legal fees and other administrative costs	126	(57)
Gross increase/decrease in provision for future payments	7,953	(1,954)
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	(37)	(41)
Less: income received/ due from Welsh Risk Pool	(7,496)	2,538
Total charge	420	543

Personal injury includes £48,026 (2005-06 £332,740) 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	12	71	4	7
Between 1 and 5 years	57	89	0	0
After 5 years	169	111	0	0
Total	238	271	4	7

Operating expenses include £241,710 for operating lease rentals (2005-06 £278,339) and £nil for hire of plant/machinery (2005-06 £ nil).

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2005-06 £000
Non-executive directors' remuneration	94	0	94	96
Executive directors' remuneration:				
basic salaries	410	104	514	505
benefits	27	0	27	36
performance related bonuses	0	0	0	0
pension contributions paid	57	15	72	70
Sub-total	588	119	707	707
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	588	119	707	707

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 director) the highest paid director is as follows:

	Remuneration as director £000	Other remuneration £000	Total £000	2005-06 £000
Chairman				
Basic remuneration	39	0	39	39
Benefits	0	0	0	0
	<u>39</u>	<u>0</u>	<u>39</u>	<u>39</u>
Chief Executive				
Basic salaries	119	0	119	116
Benefits	2	0	2	6
Performance related bonuses	0	0	0	0
	<u>121</u>	<u>0</u>	<u>121</u>	<u>122</u>
Pension contributions	17	0	17	16
	<u>138</u>	<u>0</u>	<u>138</u>	<u>138</u>
Highest paid director*				
Basic salaries	29	104	133	133
Benefits	5	0	5	8
Performance related bonuses	0	0	0	0
	<u>34</u>	<u>104</u>	<u>138</u>	<u>141</u>
Pension contributions	4	15	19	18
Total	<u>38</u>	<u>119</u>	<u>157</u>	<u>159</u>

* where the chief executive was not 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	116,008	629	9,611	126,248	119,965
Social security costs	8,840	11	566	9,417	8,708
Pension costs	14,283	14	914	15,211	13,653
Other pension costs	99	0	0	99	35
Total	139,230	654	11,091	150,975	142,361

Included under Agency temporary and contract staff are Trust employees who are on temporary contracts (£8,908,000).

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	273	7	54	334	317
Ambulance staff	0	0	0	0	0
Administrative and estates	816	0	51	867	826
Healthcare assistants and other support staff	1,062	0	103	1,165	447
Nursing, midwifery and health visiting staff	1,528	1	91	1,620	2,214
Nursing, midwifery and health visiting learners	7	0	1	8	35
Scientific, therapeutic and technical staff	453	2	16	471	584
Social care staff	0	0	0	0	0
Other	0	0	6	6	2
Total	4,139	10	322	4,471	4,425

Due to a change in the classification of employees, unqualified nurses are no longer included in either the Nursing, midwifery & health visiting staff or Nursing, midwifery & health visiting learners categories, but are now all included within the Healthcare assistants & other support staff category. Some staff previously classified as Scientific, therapeutic & technical staff are also now included within the Healthcare assistants & other support staff category.

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	8,182	3.9%	7,687	4.0%
Income	209,796		194,148	

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 8 (9) 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 £392,526 (£665,465).

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 later.

	Number	£000	2005-06 £000
NHS			
Total bills paid 2006-07	1,458	8,730	8,294
Total bills paid within target	1,296	8,412	8,160
Percentage of bills paid within target	88.9%	96.4%	98.4%
Non-NHS			
Total bills paid 2006-07	67,574	53,928	45,873
Total bills paid within target	64,305	52,578	44,810
Percentage of bills paid within target	95.2%	97.5%	97.7%
Total			
Total bills paid 2006-07	69,032	62,658	54,167
Total bills paid within target	65,601	60,990	52,970
Percentage of bills paid within target	95.0%	97.3%	97.8%

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	448
Loss on disposal of land and buildings	0
Profit on disposal of plant and equipment	0
Loss on disposal of plant and equipment	(126)
Profit on disposal of intangible fixed assets	0
Loss on disposal of intangible fixed assets	0
	448
	232

Specify where major property disposal have occurred

9. Interest payable

	2005-06
	£000
Government borrowing	62
Finance leases and PFI schemes	55
Other	0
	117
	109

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	127	0	0	0	127
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2007	127	0	0	0	127
Accumulated amortisation at 1 April 2006	127	0	0	0	127
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2007	127	0	0	0	127
Net book value at 1 April 2006	0	0	0	0	0
Net book value at 31 March 2007	0	0	0	0	0

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account		Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				£000	£000					
At 1 April 2006	7,267	126,455	6,268	1,590		29,872	284	7,575	1,202	180,513
Indexation	389	10,180	505	108		825	7	0	44	12,058
Additions										
- purchased	247	0	0	14,597		0	0	0	0	14,844
- donated	0	0	0	382		0	0	0	0	382
- government granted	0	0	0	0		0	0	0	0	0
Reclassifications	0	3,946	51	(7,129)		1,972	6	915	239	0
Impairments	0	0	0	0		0	0	0	0	0
Other in-year revaluations	0	0	0	0		0	0	0	0	0
Disposals	(179)	(162)	(105)	0		(140)	0	0	0	(586)
At 31 March 2007	7,724	140,419	6,719	9,548		32,529	297	8,490	1,485	207,211
Depreciation										
At 1 April 2006	0	29,579	1,436	0		16,867	191	4,743	515	53,331
Indexation	0	2,381	116	0		466	5	0	18	2,986
Reclassifications	0	0	0	0		0	0	0	0	0
Impairments	0	0	0	0		0	0	0	0	0
Reversal of impairments	0	0	0	0		0	0	0	0	0
Other in-year revaluations	0	0	0	0		0	0	0	0	0
Disposals	0	(89)	(19)	0		(140)	0	0	0	(248)
Provided during the year	0	4,589	131	0		2,577	30	728	152	8,207
At 31 March 2007	0	36,460	1,664	0		19,770	226	5,471	685	64,276
Net book value at 1 April 2006	7,267	96,876	4,832	1,590		13,005	93	2,832	687	127,182
Net book value at 31 March 2007	7,724	103,959	5,055	9,548		12,759	71	3,019	800	142,935
Net book value of assets held under finance leases and hire purchase contracts										
Total	0	829	0	0		0	0	0	0	829
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	56	0	0		0	0	0	0	56

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:

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

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March	
	2006	
	£000	£000
Freehold	113,364	105,736
Long leasehold	3,374	3,239
Short leasehold	0	0
Total	116,738	108,975

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
Details of investment	0	0
Details of investment	0	0
Total	0	0

12. Stocks and work-in-progress

	31 March	
	2006	
	£000	£000
Raw materials and consumables	2,748	2,819
Work-in-progress	0	0
Finished processed goods	0	0
Total	2,748	2,819

13. Debtors

	31 March	
	2006	
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	4,075	1,405
NHS debtors	1,900	2,267
PDC dividend debtors	440	244
Other debtors	2,811	3,144
Provision for irrecoverable debts	(142)	(179)
Other prepayments and accrued income	1,930	1,059
Sub-total	11,014	7,940
Amounts falling due after more than one year:		
Welsh Risk Pool	4,270	11
NHS debtors	0	0
Other prepayments and accrued income	0	0
Other debtors	503	496
Sub-total	4,773	507
Total	15,787	8,447

14. Current Asset Investments

	31 March 2006	
	£000	£000
Government securities	0	0
Local authorities	0	0
Other	0	0
Total	0	0

15. Creditors**15.1 Creditors at the balance sheet date are made up of:**31 March
2006

	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	0	0
NHS creditors	3,598	2,648
Non-NHS trade creditors - revenue	2,651	2,408
Non-NHS trade creditors - capital	910	1,544
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	2,463	3,020
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	52	47
Obligations under PFI schemes	0	0
Other creditors - superannuation	2	2
Other creditors - all other creditors	967	913
Accruals	959	1,519
Deferred income	78	62
Sub-total	11,680	12,163
Amounts falling due after more than one year:		
Loan advance/brokerage	3,000	0
Obligations under finance leases and hire purchase contracts	347	399
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	3,347	399
Total	15,027	12,562

15.2 Loan advance/strategic assistance funding

31 March

2006

Amounts falling due:	£000	£000
In one year or less	0	0
Between one and two years	1,600	0
Between two and five years	1,400	0
In five years or more	0	0
Sub-total	<u>3,000</u>	<u>0</u>
Wholly repayable within five years	3,000	0
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Sub-total	<u>3,000</u>	<u>0</u>
Total repayable after five years by instalments	0	0

15.3 Finance lease obligations

31 March

2006

Payable:	Total £000	£000
Within one year	103	103
Between one and two years	103	103
Between two and five years	248	350
After five years	187	187
Sub-total	<u>641</u>	<u>743</u>
Less finance charges allocated to future periods	(242)	(297)
Total	<u>399</u>	<u>446</u>

15.4 Finance lease commitments

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

16. Provisions for liabilities and charges

	At 1 April 2006 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2007 £000
Clinical negligence	1,094	0	0	8,119	(490)	(375)	0	8,348
Personal injury	1,113	0	0	220	(49)	(120)	23	1,187
All other losses and special payments	0	0	0	27	0	(27)	0	0
Defence legal fees and other administration	216	0	0	214	(88)	(104)		238
Sub-total	2,423	0	0	8,580	(627)	(626)	23	9,773
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	290			12	0	(21)	6	287
Restructurings	0			0	0	0		0
Other	3,583			1,493	0	(2,802)		2,274
Total	6,296	0	0	10,085	(627)	(3,449)	29	12,334

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	4,078	4,270	0	8,348
Personal injury	233	189	765	1,187
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	207	31	0	238
Pensions - former directors	0	0	0	0
Pensions - other staff	23	93	171	287
Restructuring	0	0	0	0
Other	2,274	0	0	2,274
Total	6,815	4,583	936	12,334

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

Provisions have been made for clinical negligence and personal injury claims against the Trust. The Trust is contesting these cases. Where the Legal Advisors consider the probability of loss on a case to be less than 50% the Trust has only made a provision for the legal fees the potential damages arising from these cases are disclosed in note 21 Contingent Liabilities.

Included under Other Provisions is a sum to reflect the costs relating to the expected costs of the Agenda for Change initiative. By the 31st March 2007 82.3% of staff had been assimilated to the new scales. The provision reflects the cost for the additional charges for the period 1/10/2004 to 31/3/2007 for the remaining 17.7%. The provision is calculated using a national model, all remaining staff will be assimilated during 2007/08

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	35,087	3,951	0	0	(4,721)	34,317
Prior period adjustment					0	0
At 1 April 2006 as restated	35,087	3,951	0	0	(4,721)	34,317
Transfer from income and expenditure account					(35)	(35)
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	8,744	328	0			9,072
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		382	0			382
Depreciation, impairment and disposal of donated/government granted assets		(467)	0			(467)
Other transfers between reserves	(80)	0	0	0	80	0
Other reserve movements				0		0
At 31 March 2007	43,751	4,194	0	0	(4,676)	43,269

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)	3,337	(11)
Depreciation charge	8,207	7,592
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	(467)	(385)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	71	(173)
(Increase)/decrease in debtors	(7,150)	5,323
Increase/(decrease) in creditors	117	(2,713)
Increase/(decrease) in provisions	6,038	773
Net cash inflow from operating activities before restructuring costs	10,153	10,406
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	10,153	10,406

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	(2,500)	(1,000)
Cash inflow from loan advance/brokerage	(3,000)	0
Cash outflow from debt repaid and finance lease capital payments	2,547	1,043
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	(2,953)	43
Non-cash changes in debt	0	0
Net debt at 1 April	(405)	(448)
Net debt at 31 March	(3,358)	(405)

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	697	(442)		255
Commercial Cash at bank and in hand	(657)	442		(215)
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	(3,000)	0	(3,000)
Finance leases	(445)	47	0	(398)
Current asset investments	0	0	0	0
	<u>(405)</u>	<u>(2,953)</u>	<u>0</u>	<u>(3,358)</u>

The balance on the commercial bank account of -£215,000 includes £293,000 of cheques that were unrepresented at the 31st of March 2007

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £15,617,174 (and in 2005-06 were £ 6,234,793).

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:

	£000	31 March 2006 £000
Legal claims for alleged medical or employer negligence	13,125	17,699
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	<u>13,125</u>	<u>17,699</u>
Amount recovered under insurance arrangements in the event of these claims being successful	<u>(12,268)</u>	<u>(16,627)</u>
Net contingent liability	<u>857</u>	<u>1,072</u>

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.

The Trust has received 6 formal claims under equal pay legislation. There is significant uncertainty regarding both the likelihood of success of any claims and the liability of the Trust if any claims were to be successful. 4 cases have been referred to employment tribunal. It is unlikely that any of these cases will be settled within the next two years.

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	15	374,669	15	253,692
Personal injury	15	119,820	21	196,177
All other losses and special payments	183	27,154	180	27,154
Total	213	521,643	216	477,023

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			
<u>Medical Negligence</u>			
03RT9MN0028	120,000	554,218	0
96RT9MN0003	0	2,556,223	0
98RT9MN0014	0	833,418	0
99RT9MN0014	0	1,557,049	0
<u>Personal Injury</u>			
96RT9PI0009	0	1,769,060	0
	0	0	0
	0	0	0
	0	0	0
Sub-total	120,000	7,269,968	0
All other cases	401,643	2,136,792	477,023
Total cases	521,643	9,406,760	477,023

23.1 Movements in Government funds

	2005-06	
	£000	£000
Surplus/(deficit) for the financial year	4,184	500
Public dividend capital dividends	(4,219)	(4,131)
Subtotal	(35)	(3,631)
Gains/(losses) from revaluation/indexation of purchased fixed assets	8,744	(2,038)
Impairment of fixed assets	0	0
New public dividend capital	5,712	0
Public dividend capital repaid	(145)	(1,414)
Public dividend capital repayable	0	0
New loans from Government	5,500	1,000
Government loans repaid	(2,500)	(1,000)
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	0	0
Net addition/(reduction) to Government funds	17,276	(7,083)
Opening Government funds at 1 April	115,679	122,762
Before deducting prior period adjustment of	0	0
Closing Government funds	132,955	115,679

23.2 Movements in public dividend capital

	2005-06	
	£000	£000
At 1 April 2006	85,313	86,727
New PDC issued in year	5,712	0
PDC due but not issued	0	0
PDC repaid in year	(145)	(1,414)
PDC repayable	0	0
At 31 March 2007	90,880	85,313

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained deficit	(35)
Variance	<u>(35)</u>

The Trust has broken even in 2006-07.

The Trust has made a deficit of £35k for 2006-07, which is within the tolerances set down in WHC(2004)34.

The Trust has a brought forward deficit of £3,631k, and has a SCEP which has been accepted by the Welsh Assembly Government which includes plans for the recovery of the Trust's cumulative deficit.

Under the terms of the breakeven duty set down in the NHS (Wales) Act 2006, the Trust has achieved its statutory duty under Parts 1 and 2 of the act for 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		8,520	(1,457)
Cash flow financing	8,520		(1,457)
Finance leases taken out in the year	0		0
Other capital receipts	<u>0</u>		<u>0</u>
External financing requirement		<u>8,520</u>	<u>(1,457)</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	2006-07 67,574
Total number of non-NHS bills paid within target	64,305
Percentage of non-NHS bills paid within target	95.2%

The Trust has met the target.

25. Related Party transactions

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

The following Directors have declared an interest with the organisations listed below. All other Directors do not have any declared interests

Director	Title	Organisation
Mr W Harris	Executive Director of Finance	Shooting Star Appeal
Dr P Rutherford	Executive Medical Director	University of Wales College of Medicine (Cardiff University),
Mrs V M Doyle	Executive Nurse	Welsh Nursing & Midwifery Committee
Mr R M Tompkins	Executive Director of Personnel	Offermore Ltd.
Prof C Wilkinson	Non-Executive Director	University of Wales College of Medicine (Cardiff University), Beechley Medical Centre, Hospice (Wirral)
Mr H Owen-Jones	Non-Executive Director	M S Support Centre Ltd., Flintshire Well-Being Network (Executive Group), Deeside College Corporation, Age Concern N E Wales, Flintshire Local Voluntary Council
Mr J L Jones	Non-Executive Director	Nursing & Midwifery Council, Gresford Community Council, Wrexham & District Citizens Advice Bureau, University of Wales College of Medicine (Cardiff University), Ysgol Tan Y Fron, Yale College Wrexham
Dr P Davies	Non-Executive Director	North Wales MCC (Magistrates), Wrexham PSD, Ysgol Morgan Llwyd, Wrexham Central Hall Trust, Maelor Methodist Churches
Mr M C Simkins	Non-Executive Director	Careers Wales North East
Mr K McDonogh	Non-Executive Director	Clwyd Theatre Cymru Development Trust, Child & Vulnerable Adults Protection, Diocesan Trustees (Wrexham)

The Assembly is regarded as a related party. During the year the Trust has had a significant number of material transactions (approximately £18.2 million) with the Assembly and with other entities for which the Assembly is responsible

North Wales LHBs - the contract between the Trust and these bodies represents approximately £175 million of total income from activities, of which £100 million was with Wrexham LHB and £60 million with Flintshire LHB. Total payments to the North Wales LHBs were £24,000.

	2006/07				2005/06			
	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Receipts due from Related Party	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Receipts due from Related Party
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Welsh Bodies:								
Welsh Ambulance Service NHS Trust	891	315	6	11	903	265	16	30
Conwy & Denbighshire NHS Trust	1,558	1,205	296	80	1,220	927	149	150
Cardiff University	298	203	89	57	331	76	85	37
Bro Morgannwg NHS Trust	2,761	527	224	14	2,935	0	248	88
Welsh Risk Pool	0	224	0	212	0	395	0	560
Velindre NHS Trust	88	1,004	48	48	89	892	61	1
Health Commission Wales	0	9,422	0	0	0	8,843	0	0
North West Wales NHS Trust	223	110	6	25	208	81	102	59
Powys LHB	0	1,065	5	134	0	592	4	24

The Trust also contracts with English PCT's, the most significant amounts of income being from

Shropshire PCT	1,528	4	1,406	0
West Cheshire PCT	1,121	54	1,222	1

In addition, the Trust has had a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with:

Wrexham County Borough Council	1,220	2,385	116	630	1,072	2,183	235	928
Flintshire County Council	323	1,099	53	164	410	751	79	143

Other related parties:

Offermore Ltd	19	7	5	4	57	7
North East Wales Institute	39	37	6	5	43	40

The Trust has also received revenue and capital payments to the value of approximately £738,000 from a number of charitable funds, certain of the Trustees for which are also members of the Trust Board.

The Audited accounts of the Funds held on the Trust are available from:

Mr W Harris
Director of Finance
North East Wales NHS Trust
Croesnewydd Road
Wrexham
LL13 7TD

26. Other/ Private finance transactions

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

27. Third party assets

The Trust held £29,629 cash at bank and in hand at 31 March 2007 (31 March 2006: £32,122) 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	1265	0	0	3000
Welsh Local Health Boards	427	0	693	0
Welsh NHS Trusts	4296	4270	604	0
Health Commission Wales	0	0	0	0
All English Health Bodies	425	0	2303	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	3	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0		
Sub total	6,416	4,270	3,600	3,000
Other Central Government Bodies				
Other Government Departments*	155	0	49	0
Revenue & Customs	343	0	2466	0
Local Authorities	962	0	159	0
Balances with Public Corporations and trading funds	0	0	16	0
Balances with bodies external to Government	3138	503	5390	347
TOTAL	11,014	4,773	11,680	3,347
2005-06:				
National Assembly for Wales	995	0	0	0
Welsh Local Health Boards	1,041	0	4	0
Welsh NHS Trusts	1,776	11	602	0
Health Commission Wales	24	0	0	0
All English Health Bodies	80	0	2,042	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0		
Sub total	3,916	11	2,648	0
Other Central Government Bodies				
Other Government Departments*	113	0	180	0
Revenue & Customs	251	0	3,020	0
Local Authorities	1,670	0	270	0
Balances with Public Corporations and trading funds	0	0	-19	0
Balances with bodies external to Government	1,990	496	6,064	399
TOTAL	7,940	507	12,163	399

30. Pooled budgets

The Trust has no pooled budgets.

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

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

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

Date: 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:

North East Wales NHS Trust **Statement on Internal Control**

1. Scope of Responsibility

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

As the Accountable Officer, I have overall accountability for Risk Management in the Trust. To discharge my responsibilities, I have put in place appropriate measures to enable me to fulfil my role and provide assurance to the Board. There are clear lines of accountability throughout the organisation and I have delegated responsibilities to specific post holders to ensure risk is effectively managed. My Executive Nurse leads on Risk Management issues at Board level

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

As well as internal processes, I work with partner organisations, stakeholders, the Welsh Assembly Government, the North Wales Regional Office; Local Health Boards and Local Authorities to identify and manage issues that present a risk to the Trust. These cover operational and strategic issues such as service planning; performance; improvement; commissioning; research; education and risk.

2. The Purpose of the System of Internal Control

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

- Identify and prioritise the risks to the achievement of organisational policies, aims and objectives
- To evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the organisation for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to Handle Risk

The Board approved a revised Corporate Governance Framework in October 2005. The Trust Board endorsed the Trust's Risk Management Strategy which outlines the leadership framework for Risk and details the roles and responsibilities of staff in relation to risk.

I have delegated responsibility for risk management to the Executive Nurse. In embedding the risk management process as an integral part of the business of the organisation, a committee structure is established to assist the Board to discharge its' duties. This brings together those persons/ groups with responsibility for overseeing high-risk areas for example infection control, decontamination; blood transfusion; health records; medical equipment management; informed consent; nutrition and resuscitation.

A Non- Executive Director chairs both the Risk Management Committee and the Audit Committee. This ensures the integration of corporate, financial and clinical governance functions and relevant agendas. A number of individuals provide the link between operational and strategic levels of the organisation, ensuring that the Board's risk management expectations are made explicit and support front line staff, for example: -.

- General Manager, Clinical Governance
- Risk Manager
- Health and Safety Manager
- Complaints Manager
- Litigation Manager
- Patient and Public Information (PPI) Manager

To further strengthen the approach within the Trust, programmes of Risk training continued throughout the year and Risk Management; Complaints, Litigation and Health and Safety remain core elements of the twice monthly Trust Mandatory induction programme.

4. The Risk and Control Framework

Risk management is a fundamental part of our organisational approach to Corporate, Financial and Clinical Governance. The main policy drivers are the Corporate Governance Framework and the Risk Management Strategy. .

The key elements of the risk and control framework are:

- Recognition and identification of risk at all levels communicated through a comprehensive incident reporting system, accessible to staff.
- Defined and well communicated accountability and reporting structures for staff in relation to risk.
- An established structured and consistent process of risk assessment that informs local risk registers and the corporate risk register.
- An organisational risk matrix that identifies the impact of the risks facing the organisation based upon; severity, likelihood and consequence.
- An effective reporting and evaluation system that allows the Risk Management Committee and Executive Board to review all identified risks and monitor the system of control required to manage the risks.
- Monthly significant issue reports to the Trust Board via the Clinical Governance Exception report.
- Embedded review, assurance and risk assessment mechanisms in directorate business planning and performance management processes.
- Annual Risk Management and Health and Safety reports to the Board.
- Welsh Risk Pool (WRP) assessment.
- Annual Internal audit review of the five key controls assurance standards (below) and rolling programme of audit for all other WRP standards.

WRP Assessment 2006-07 Scoring

Standard 1: Risk Management Policy and Strategy	95%
Standard 2: Risk Assessment and Treatment	100%
Standard 3: Incident and Hazard Reporting	98% (self-assessment)
Standard 37: Governance	96% (self-assessment)
Standard 38: Financial Management	93%

The system of internal control is underpinned by compliance with the requirements of the core Controls Assurance standards i.e.: Governance; Financial Management; Risk Management.

5. Review of Effectiveness

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

My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance via the Chief Internal Auditor's Opinion on the System of Internal Control and on the controls reviewed as part of the internal audit work. Executive Directors also provide me with assurance through regular reviews of clinical safety, financial management and performance monitoring. My review is also informed by the following: -

- Controls Assurance Standards
- Welsh Risk Pool Standards, Action plans and Reports
- The Health and Safety Executive visits and reports
- Scheduled Performance and Quality Reports to the Board
- Clinical Governance development plan
- Healthcare Inspectorate Wales inspection/ visits
- Royal College visits
- Regional Office reviews and reports

The Healthcare Inspectorate Wales visit in year to review progress against our Commission for Health Improvement action plan was a positive and successful exercise and served to provide additional reassurance.

The Corporate Risk register lists a number of known risks and challenges facing the Trust Board. With risk there is uncertainty and I am aware that there are unknown and unquantifiable risks for the future. The focus and attention on predicting risk, its impact and consequences plus the systems in place to respond to the internal and external environment and business changes provide me with additional assurance.

The Board receives and acknowledges the Corporate Risk Register, which is routinely updated and monitored to ensure it reflects all identified risks that could impact upon the business objectives of the Trust. The mechanism for monitoring the Corporate Risk Register is through a number of means namely the Risk Management Committee (bi-monthly), Executive Team (quarterly) and Trust Board (annually)

The Trust exceeded the mandatory compliance score of 75% in all standards with an adjusted (in accordance with the methodology) overall compliance score of 77%. The lowest compliant scores were: -

Standard 23:	Nutrition and Catering	78%
Standard 28:	Human Resources	78%
Standard 30:	Medical Equipment and Devices	79%

Self-Assessment scoring for additional standards identified the following areas of potential risk: -

Standard 34:	Transport	50%
Standard 35:	Waste Management	73%
Standard 26:	Environmental Management	73%

During the year the Trust recruited an Environmental Manager to support improvement in this area which has resulted noted increase in compliance from 66% to 73%.

Deficiencies identified are monitored through ongoing Welsh Risk Pool audit; Internal Audit of all standards on a rolling basis and via the internal Trust Governance Framework.

6. Specific Internal Control Problems

Electronic Staff Record:

Problems were encountered in 2006/07 with the Trust's 'Electronic Staff Record' (ESR) payroll system. The main problems were as follows: -

- (i) A number of "overpayments" were identified on the ESR system, central documentation has not always been presented in a timely and consistent manner.
- (ii) There have been problems and delays in the generation of the general ledger interface file.
- (iii) There has been some incorrect reporting of statistical Whole Time Equivalent data.

Despite these problems, audit work undertaken by Internal Audit and Auditor General for Wales 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 additional internal monitoring of payroll data. The Trust continues to work with the ESR project Team alongside of the Trusts in Wales to resolve the remaining problems.

Chief Executive

(on behalf of the Board)

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 and 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 was 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 to 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 and that part of the remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements and that part of the remuneration report to be audited.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of North East Wales NHS Trust as at 31 March 2007 and of its deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by 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 North East Wales NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
2 July 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.