

# Conwy & Denbighshire NHS Trust

## Foreword

These accounts for the year ended 31 March have been prepared by the Conwy & Denbighshire 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 Secretary of State has, with the approval of Treasury, directed.

The Trust is responsible for providing secondary healthcare in the North Wales area. The trust is also responsible for the Welsh Risk Pool and the Welsh Health Legal Services.

**INCOME AND EXPENDITURE FOR THE YEAR ENDED  
31 MARCH 2005 - CONSOLIDATED**

	<b>2004-05</b>	2003-04
	<b>£000</b>	£000
<b>Income from activities</b>	<b>271,147</b>	162,807
<b>Other operating income</b>	<b>14,711</b>	11,671
<b>Total income</b>	<b>285,858</b>	174,478
<b>Operating expenses</b>	<b>(282,139)</b>	(171,334)
<b>Operating surplus/ (deficit)</b>	<b>3,719</b>	3,144
Costs of fundamental reorganisation/restructuring	<b>0</b>	0
Profit /(loss) on disposal of fixed assets	<b>(32)</b>	(26)
<b>Surplus /(deficit) before interest</b>	<b>3,687</b>	3,118
Interest receivable	<b>1,499</b>	1,016
Interest payable	<b>0</b>	0
Other finance costs	<b>(859)</b>	(58)
<b>Surplus /(deficit) for the financial year</b>	<b>4,327</b>	4,076
Public Dividend Capital dividends payable	<b>(4,314)</b>	(4,051)
<b>Retained surplus /(deficit) for the year</b>	<b>13</b>	25

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2005 - CONSOLIDATED**

	<b>2004-05</b>	2003-04
	<b>£000</b>	£000
Surplus /(deficit) for the financial year before dividend payments	<b>4,327</b>	4,076
Fixed asset impairment losses	<b>(1,916)</b>	(26)
Unrealised surplus /(deficit) on fixed assets revaluations / indexation	<b>9,214</b>	6,137
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	<b>624</b>	1,223
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	<b>(466)</b>	(428)
Additions / (reductions) in "other reserves"	<b>0</b>	0
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	<b>11,783</b>	10,982
Prior period adjustment	<b>0</b>	0
	<hr/>	<hr/>
<b>Total gains and losses recognised in the financial year</b>	<b>11,783</b>	10,982
	<hr/>	<hr/>

**BALANCE SHEET AS AT 31 MARCH 2005 - CONSOLIDATED**

	31 March 2005	31 March 2004
	£000	£000
<b>Fixed assets</b>		
Intangible assets	82	101
Tangible assets	135,087	126,613
	<u>135,169</u>	<u>126,714</u>
<b>Current assets</b>		
Stocks and work-in-progress	1,342	1,236
Debtors	213,366	159,386
Investments	0	0
Cash at bank and in hand	24,410	19,171
	<u>239,118</u>	<u>179,793</u>
Creditors: amounts falling due within 1 year	<u>(20,077)</u>	<u>(13,996)</u>
<b>Net current assets/ (liabilities)</b>	<u>219,041</u>	<u>165,797</u>
<b>Total assets less current liabilities</b>	<b>354,210</b>	292,511
Creditors: amounts falling due after more than one year	<u>(27,108)</u>	(23,096)
Provisions for liabilities and charges	<u>(196,569)</u>	<u>(146,148)</u>
<b>Total assets employed</b>	<u><b>130,533</b></u>	<u>123,267</u>
<b>Financed by:</b>		
<b>Taxpayers' equity</b>		
Public dividend capital	83,234	83,437
Revaluation reserve	44,258	37,150
Donated asset reserve	3,824	3,537
Government grant reserve	0	0
Other reserves	0	0
Income and expenditure reserve	<u>(783)</u>	<u>(857)</u>
<b>Total taxpayers' equity</b>	<u><b>130,533</b></u>	<u>123,267</u>

Signed on behalf of the Board on .....

Chairman .....

Chief Executive .....

Adopted by the Board on .....

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005 - CONSOLIDATED

	2004-05	2003-04
	£000	£000
<b>Operating activities</b>		
Net cash inflow from operating activities	<b>15,395</b>	23,577
<b>Returns on investments and servicing of finance</b>		
Interest received	1,463	978
Interest paid	0	0
Interest element of finance leases	<u>0</u>	<u>0</u>
<b>Net cash (outflow) from returns on investments and servicing of finance</b>	<b>1,463</b>	978
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(7,778)	(8,028)
Receipts from sale of tangible fixed assets	61	79
Payments to acquire receipts from sale of intangible assets	<u>0</u>	<u>0</u>
Net cash inflow/ (outflow) from capital expenditure	<b>(7,717)</b>	(7,949)
Public dividend capital dividends paid	<b>(4,406)</b>	(4,017)
<b>Management of liquid resources</b>		
Purchase of current asset investments	0	0
Sale of investments	<u>0</u>	<u>0</u>
<b>Net cash inflow/ (outflow) from management of liquid resources</b>	<b>0</b>	0
<b>Net cash inflow/ (outflow) before financing</b>	<b>4,735</b>	12,589
<b>Financing</b>		
Public dividend capital received	149	504
Public dividend capital repaid (not previously accrued)	(269)	0
Public dividend capital repaid (accrued in previous period)	0	(3,630)
Government loans received: short term	0	0
Government loans repaid: short term	0	0
Loan advances/brokerage received	0	0
Loan advances/brokerage repaid	0	0
Other capital receipts	624	1,223
Capital element of finance leases	<u>0</u>	<u>0</u>
<b>Net cash inflow / (outflow) from financing</b>	<b>504</b>	(1,903)
<b>Increase (decrease) in cash</b>	<b>5,239</b>	10,686

## 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 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 with one exception see note 1.12. The accounting policies are laid down in the manual for accounts and are not determined by individual NHS trusts.

#### 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 cost and historical costs 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 from one NHS body to another.

#### 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 is recognised in the period in which services are provided. Where 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, except capitalised Research and Development which is revalued using an appropriate index figure. 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 and subsequent disposal.

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, 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 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.

### **1.7 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.

### **1.8 Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the trust, the asset is recorded as a 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.

### **1.9 Private Finance Initiative**

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

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.



### 1.10 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.

### 1.11 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.

### 1.12 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. 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 3.5% in real terms.

The accounts depart from the requirements of FRS12 *Provisions, contingent liabilities and contingent assets* in relation to 2004/05 Agenda for Change costs.

FRS12 requires that the Trust endeavours to calculate a reliable estimate of the costs of Agenda for Change for inclusion in these accounts. If no reliable estimate of the costs can be made then no provision should be recognised.

On the Assembly's direction - as set out in Note 16 of the Healthcare accounts, no provision for Agenda for Change have been included in these accounts.

If a reliable estimate had been calculated, a provision and its associated funding would have been included in the accounts.

We are unable to quantify the effect of this departure as we have not made a reliable estimate.

### 1.13 Losses and special payments

The Trust accounts for all losses and special payments gross (including assistance from the Welsh Risk Pool). The Trust accrues for the best estimate of its future payouts for certain or probable or liabilities and discloses all other potential payments.

All claims for losses and special payments should be 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 should be provided in the same way. Expected reimbursements from the Welsh Risk Pool should be included in debtors. For those claims where the probability of settlement is below 50%, the liability should be disclosed as a contingent liability.

### 1.14 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 2004-05 was £12,855k (£6,423k for 2003-04).

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. Employers' contribution rates are 14%, these contributions are currently being reviewed as part of the investigation as at 31 March 2004.

The Scheme is subject to a full valuation every four years (previously every five years). The last valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from The Stationery Office.

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. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation on which contribution rates were based (31 March 1999) employer contribution rates from 2004-05 were set at 14% of pensionable pay (2003-04: 14%). Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003-04 the additional funding has been retained as a Central Budget by the Assembly and has been paid direct to the NHS Pensions Agency and the employers' contribution has remained at 7%. From 2004-05 this funding will be devolved in full to NHS Pension Scheme employers and the employers' contribution rate will rise to 14%. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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, is payable 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.

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, employees can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

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.

### **1.15 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.

### **1.16 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.

### **1.17 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.

### **1.18 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 healthcare accounts.

### **1.19 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.

### **1.20 Pooled budgets**

The trust has not entered into a pooled budget with any Local Authority.

### **1.21 Welsh Risk Pool**

The Welsh Risk Pool was established to assist health bodies in Wales with risk management and settlement of claims with the Conwy & Denbighshire NHS Trust responsible for the administration of the scheme. The Pool is a mutual self-insurance arrangement covering all risks associated with NHS activities, with the exception of business interruption, private finance, motor insurance and income generation and members carry a £25,000 excess.

The Pool is operated by the Trust and managed by a Management Group comprising representatives from NHS Trusts, Local Health Boards and the National Assembly. Contributions are currently reviewed annually and calculated to produce a fund sufficient to cover anticipated payments during the financial year. If the fund is insufficient to meet all the claims against the Pool in year then all members are required to pay an additional premium. The Conwy & Denbighshire NHS Trust's liability is limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the pool and is underwritten by the National Assembly for Wales.

The accounts of the Welsh Risk Pool are based on audited figures which are included in the final accounts of individual health bodies at 31 March 2005. The figures included within the accounts of individual health bodies are compiled in accordance with FRS 12 which recognises all claims with a probability of settlement which is greater than 50%. These potential liabilities are reflected in the Welsh Risk Pool Accounts. The potential liabilities of the Welsh Risk Pool are offset in the accounts by available cash and other debtors but the resultant liability is mitigated by the creation of a National Assembly Debtor.

FRS 12 requires that where the time value of money is material, the amount of a provision should be adjusted to the present value of the expenditure required to settle the obligation.

The provision figure in the Welsh Risk Pool accounts represents the reimbursement due to individual

NHS Trusts in respect of medical negligence claims and is compiled on the basis of audited information contained in those individual NHS trust accounts. The trusts' accounts are compiled on the basis of FRS 12, and their audits have not identified any instances of individual clinical negligence cases which would require discounting on the grounds of the materiality of the time value of money.

The 'debtor led' concept set out in the National Assembly for Wales' Manual for Accounts requires the Risk Pool to establish provisions that match the debtor balances established by individual trusts in respect of the trust's assessment of the amounts due from the Welsh Risk Pool. The Assembly requires such an approach in order to ensure that the Welsh Risk Pool accounts are consistent with those of individual health bodies and in order to facilitate the consolidation of all-Wales NHS accounts by the Assembly.

As a result of the need to comply with this requirement no further discounting exercise has been undertaken in respect of the provisions.

## **1.22 Welsh Risk pool activities**

### **i. Income**

During 2004-05 the Welsh Risk Pool (the Pool) received its income in the form of quarterly payments from the Assembly.

### **ii. Special Payments**

Special payment expenditure includes the settlement of claims, costs of payments into court, plaintiffs costs (where relevant) and the costs of associated professional fees. It also includes the in year movement on the provisions and creditors balances which are charged to expenditure in year

The Pool reimburses trusts and local health boards for amounts over the agreed excess level in respect of all risks except for motor vehicle, private finance and income generation.

## 2. Segmental reporting

The following information segments the results of the Trust by:

- the Welsh Risk Pool; and
- healthcare activities, being all the other activities of the Trust.

	Welsh Risk Pool		Healthcare activities		Total	
	£000		£000		£000	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
<b>Segment income</b>	<b>85,612</b>	(2,710)	<b>200,597</b>	176,708	<b>284,250</b>	174,478
Costs directly attributable to the segment	<b>(85,863)</b>	2,030	<b>(196,627)</b>	(172,884)	<b>(280,631)</b>	(171,334)
<b>Surplus/deficit</b>	<b>(251)</b>	(680)	<b>3,970</b>	3,824	<b>3,619</b>	3,144
Common costs	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0
<b>Surplus/deficit before interest</b>	<b>(251)</b>	(680)	<b>3,970</b>	3,824	<b>3,619</b>	3,144
<b>Net Assets</b>						
Segment net assets	<b>0</b>	0	<b>130,533</b>	123,267	<b>130,533</b>	123,267

This note includes inter-segment trading which amounted to £351k (2003/04 £480k). This is "netted-off" from the consolidated position shown in the main Income and Expenditure Account.

The accounts of the healthcare activities of the Trust are on pages 1 to 35 of the Healthcare Accounts and the accounts of the Welsh Risk Pool are on pages 1 to 9 of the Welsh Risk Pool Accounts.

### 3. Financial performance targets

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

#### 3.1 Breakeven

The Trust has broken even in 2004-05.

The Trust has met its break even target (as defined by the Assembly).

#### 3.2 External financing

All trusts are permitted to undershoot their external financing limit (EFL). In 2004-05 the trust was given a single consolidated EFL.

The Trust has achieved its consolidated external financing limit.

	31 March 2005 £000	31 March 2004 £000
External financing limit set by the National Assembly	(5,359)	(13,812)
Cash flow financing	(4,735)	(12,589)
Finance leases taken out in year	0	0
Other capital receipts	(624)	(1,223)
External financing requirement	<u>(5,359)</u>	<u>(13,812)</u>
Undershoot (overshoot)	<u>0</u>	<u>0</u>

#### 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:

	<b>2004-05</b>
Total number of non-NHS bills paid 2004-05	<b>75,380</b>
Total number of non-NHS bills paid within target	<b>70,765</b>
Percentage of non-NHS bills paid within target	<b>93.9%</b>

**The Trust has not met the target.**

**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: ..... 2005 ..... 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: .....2005

Chairman: .....

Date: .....2005

Chief Executive: .....

Date: .....2005

Director of Finance: .....



**STATEMENT ON INTERNAL CONTROL 2004/05**  
**ORGANISATION NAME: CONWY AND DENBIGHSHIRE NHS TRUST**

**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 the 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.

I have ensured that the organisation has put in place appropriate accountable measures to enable me to exercise my responsibilities as Accountable Officer. I have given particular attention to working with the Regional Office and Local Health Boards on performance improvement whilst ensuring that the organisation works closely with partner organisations such as local authorities and the voluntary sector, to discuss and address health inequalities and promote community engagement.

**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<sup>st</sup> March 2005 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

**3. Capacity to Manage Risk.**

The Risk management policy and strategy was validated by the Risk Management Committee on 13<sup>th</sup> December 2004, and ratified by the Trust management Team on 18<sup>th</sup> January 2005. The strategy has been developed and is reviewed annually to ensure that all services provided and managed by the Trust are efficient, safe and reliable. It also provides a framework for the development of a robust management process throughout the Trust.

I have delegated responsibilities 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 has been established to assist the Board to discharge its responsibilities.

The risk management committee meets monthly to assist the Board. The committee is chaired by the Executive Nurse and is charged with developing, implementing and monitoring the risk management strategy policy. Its role is strategic and advisory. The membership consists of:-

- Executive Nurse
- Director of Finance - Financial Risk
- Director of Human Resources – Health and safety
- Medical Director – Clinical Risk
- Director of Operations – Operational Risk
- Litigation Manager
- Risk Manager
- Internal Audit Representative
- Joint Staff Committee member
- Head of clinical Governance

### **Reporting Relationship**

- To the Clinical Governance Committee for scrutiny
- To the Trust Management team for action
- To the Trust Board quarterly and annually

The Risk Management Strategy sets out the responsibilities of all employees in relation to risk management. In particular, delegated responsibilities for leadership from the Chief Executive, Executive Officers, Non-Executives and senior managers at the operational level is explicit. A cyclical training programme for all staff is provided on risk management, incident reporting and developing risk profiles and registers through risk assessment. This ensures that all staff are aware of their responsibilities and feedback mechanisms within the organisation once incidents have occurred or a hazard has been identified. The communication of this information throughout the organisation is by specific “alerts” e.g. Clinical, Health & Safety, Manual Handling or Medical Devices. The Trust also shares these alerts with all other trusts in Wales to highlight the lessons learnt, and with other external organisations such as Local Health Boards and the NPSA.

Two Executive Directors (the Executive Nurse and the Medical Director) have been delegated the responsibility for risk management.

The Risk Management Committee embraces the Assurance Framework and monitors and controls the implementation of the Risk Management Strategy, and all other risk management assurance groups and committees including all Controls Assurance Standards. Its focus is on the continuing development of an integrated clinical and non - clinical risk management system.

The organisation has adopted a top down approach whereby the principal risks that could potentially threaten the achievement of the organisation’s primary objectives have been systematically identified. On 16<sup>th</sup> November 2004 a Governance Assurance Framework workshop was held hosted by

Mersey Internal Audit Agency. It was attended by senior representatives from all divisions and departments to assist the Trust board in reviewing the top risks to the organisation. This work was a continuation of the process commenced in November 2003, which initially identified the Top Eleven risks to the Trust.

The identification and continuous review of potential risks that threaten the achievement of the organisation's primary objectives is a standing agenda item for all divisions within the Trust. Controls in place are critically evaluated to mitigate risk and to ensure that the systems are in place and working effectively.

#### **4. The Risk and Control Framework**

The risk management framework is set out in the Risk Management Strategy that was reviewed during the year and approved by the Board. The key elements of the risk and assurance framework are:-

- Recognition and identification of risk at all levels of the organisation which is communicated by means of an incident reporting system and safe haven reporting system that is accessible to all staff. Feedback to staff and circulation of clinical alerts
- An effective hierarchical reporting system that allows the clinical risk group, the operational risk group, the risk management committee and executive committee to escalate and review all identified risks and monitor the system required to manage the risk.
- Effective communication of the roles and responsibilities of staff in relation to risk, through the committee structure of the organisation.
- Mission Statement that identifies the support for employees in providing services that are safe for patients and recognises that Risk Management is everyone's business.
- Strategic Objectives
- Philosophy
- Designated responsibilities
- Risk Management Processes that includes the identification, evaluation, analysis, risk control, review and follow up through the reporting relationships for action and scrutiny identified and outlined in section 3.
- Training arrangements
- Dissemination to key stakeholders
- Further reading and relevant policies
- Risk Management Objectives
- Accountability arrangements
- Principal Committees for managing risks, including summarised Terms of Reference
- Controls Assurance Standards Leads and Standard leads for all the other Welsh Risk Management Standards.
- An established process of risk assessment that informs local risk registers and ultimately a corporate risk register.

- Annual risk management, infection control and health and safety report to the Trust Board
- Welsh Risk Pool and self assessment compliance against the standards
- Annual internal audit review on the five core standards
- Annual Audit by the Audit Commission

**Confirmation of the five core Welsh Risk Pool Assessment Scores 2004/2005**

The system of internal control is underpinned by compliance with the requirements of the core Welsh Risk Management Standards. Internal Audit has completed an independent assessment of the Trust’s scores for those standards as follows:

• <b>Standard 1</b>	Risk Management Policy and Strategy	<b>92%</b>
• <b>Standard 2</b>	Risk Profile	<b>87%</b>
• <b>Standard 3</b>	Adverse Incident and Hazard Reporting	<b>99%</b>
• <b>Standard 37</b>	Governance	<b>95.5%</b>
• <b>Standard 38</b>	Financial Management	<b>99.7%</b>

The internal audit report has been reviewed at the Risk Management Committee, Trust Board and the Trust Audit Committee.

Internal Audit is to undertake an additional review of the Non-Core Standards on a cyclical basis. These are to be selected on the basis of risk.

The Assurance Framework has been debated and agreed at Board level which covers the following:

- Main activities;
- Objectives and targets which the Trust is striving to achieve;
- Identification of the risks to the achievement of objectives and targets;
- Identifies and examines the system of internal control in place to manage the risks.

Controls Assurance Standards have been self-assessed during the year and Executive / Management Leads have presented their progress to the standards leads meeting every 6 weeks and to the Operational Risk Group and subsequently the Risk Management Committee on a cyclical basis.

**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 that 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. The Board, the Audit Committee and Risk Management Committee

have advised me on the implications of the result of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is set out below:

The Director of Internal Audit's Opinion provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work.

Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by receiving the minutes of the key functions for promoting risk management, for example Audit Committee, The Clinical Governance Committee and the Risk Management Committee.

- The Audit Committee, as part of an integrated committee structure, is pivotal in advising the Board on the effectiveness of the system of internal control.
- The Clinical Governance Committee supports the development of services by ensuring continuous quality improvement, safeguarding high standards of care and creating an environment in which excellence in clinical care will flourish.
- The Risk Management Committee provides the Board with the overall assurance on the effectiveness of the Assurance Framework and continually monitors, reviews and prioritises the Risk Management Programme.

Additional reports are also received by the Risk Management Committee on or from the following;

- Controls assurance standards
- Welsh Risk Management Standards, action plan and reports
- The Health and safety executives visits and reports
- Commission For Health Improvement (CHI)

- Health Improvement Wales (HIW)
- Scheduled reports to the Board
- Audit Commission in Wales

I am also supported by the Board's role, which is to provide active leadership of the Trust within a framework of prudent and effective controls that enable risk to be assessed and managed.

The Internal Audit annual plan is agreed by the Director of Finance and encompasses the priorities set out in the Assurance Framework. The Director of Finance and Audit Manager meet throughout the year to review and monitor the annual plan. Detailed reports on areas of work covered are provided to the Director of Finance and to the relevant Manager. These reports and agreed action plans are also subject to Audit Committee review.

The Audit Commission in Wales provides a further assurance mechanism in particular through its review of the Annual Accounts.

There have been no significant internal controls issues identified during 2004/2005.

The Assurance Framework and Risk Management are an integral part of everyone's job and are seen as a valuable aid to achieving the objectives of the Trust.

It is by nature an interactive process and the key elements of building the Framework will remain under continuous scrutiny from the Board level down to all operational levels throughout the Trust.

Signed..... Date:.....  
 Chief Executive  
 (On behalf of the board)

## **Conwy & Denbighshire NHS Trust**

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

I have audited the consolidated financial statements on pages 2 to 14, which incorporate the Healthcare accounts on pages 2 to 35 and the Welsh Risk Pool accounts on pages 1 to 9, which have been prepared in accordance with the accounting policies relevant to the National Health Service as set out on pages 6 to 12.

#### **Respective responsibilities of Directors, the Chief Executive and Auditor**

As described on page 16 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and National Assembly for Wales directions made thereunder and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword/other 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 as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Act 1977 and National Assembly for Wales 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, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent mis-statements or material inconsistencies with the financial statements.

I review whether the statement on pages 17 to 22 reflects the Trust's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury and the Assembly or if the statement 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 United Kingdom Auditing Standards 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. 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 are free from material misstatement, whether caused by error, or 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.

## **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Conwy & Denbighshire NHS Trust as at 31 March 2005 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 the National Assembly for Wales; and
- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Jeremy Colman  
Auditor General for Wales  
**24 August 2005**

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



# Conwy & Denbighshire NHS Trust

## **Foreword**

These accounts for the year ended 31 March 2005 have been prepared by the Conwy & Denbighshire NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form in which the National Assembly for Wales has, with the approval of Treasury, directed.

The main functions of the trust are the provision of secondary healthcare in the North Wales area. The trust is also responsible for the Welsh Risk Pool and the Welsh Health Legal Services.

**INCOME AND EXPENDITURE FOR THE YEAR ENDED  
31 MARCH 2005**

	Note	£000	2003-04 £000
<b>Income from activities</b>	3	<b>185,886</b>	165,037
<b>Other operating income</b>	4	<b>14,711</b>	11,671
<b>Total income</b>		<b><u>200,597</u></b>	<u>176,708</u>
 <b>Operating expenses</b>	 5	 <b><u>(196,627)</u></b>	 <u>(172,884)</u>
 <b>Operating surplus/(deficit)</b>		 <b>3,970</b>	 3,824
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	<u>(32)</u>	<u>(26)</u>
 <b>Surplus/(deficit) before interest</b>		 <b>3,938</b>	 3,798
Interest receivable		447	336
Interest payable	9	0	0
Other finance costs	16	<u>(58)</u>	<u>(58)</u>
 <b>Surplus/(deficit) for the financial year</b>		 <b>4,327</b>	 4,076
Public Dividend Capital dividends payable		<u>(4,314)</u>	<u>(4,051)</u>
 <b>Retained surplus/(deficit) for the year</b>	 17	 <b><u>13</u></b>	 <u>25</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2005**

		2003-04
	<b>£000</b>	£000
	<b>Note</b>	
Surplus/(deficit) for the financial year before dividend payments		4,076
Fixed asset impairment losses	17	(26)
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	6,137
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	1,223
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(428)
Additions/(reductions) in "other reserves"	17	0
		<u>0</u>
Total recognised gains and losses for the financial year		10,982
Prior period adjustment	17	0
		<u>0</u>
<b>Total gains and losses recognised in the financial year</b>		<b><u>11,783</u></b>

**BALANCE SHEET AS AT 31 MARCH 2005**

	Note	£000	£000	31 March 2004 £000
<b>Fixed assets</b>				
Intangible assets	10	82		101
Tangible assets	11	135,087		126,613
			<u>135,169</u>	<u>126,714</u>
<b>Current assets</b>				
Stocks and work-in-progress	12	1,342		1,236
Debtors	13	13,471		10,230
Investments	14	0		0
Cash at bank and in hand	18.3	32		32
			<u>14,845</u>	<u>11,498</u>
Creditors: amounts falling due within 1 year	15		<u>(14,688)</u>	<u>(10,077)</u>
<b>Net current assets/(liabilities)</b>			<u>157</u>	<u>1,421</u>
<b>Total assets less current liabilities</b>			<u>135,326</u>	<u>128,135</u>
Creditors: amounts falling due after more than one year	15		(320)	0
Provisions for liabilities and charges	16		<u>(4,473)</u>	<u>(4,868)</u>
<b>Total assets employed</b>			<u>130,533</u>	<u>123,267</u>
<b>Financed by:</b>				
<b>Taxpayer's equity</b>				
Public dividend capital	23.2		83,234	83,437
Revaluation reserve	17		44,258	37,150
Donated asset reserve	17		3,824	3,537
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		<u>(783)</u>	<u>(857)</u>
<b>Total taxpayer's equity</b>			<u>130,533</u>	<u>123,267</u>

Signed on behalf of the Board on .....

Chairman .....

Chief Executive .....

Adopted by the Board on .....

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

	Note	£000	£000	2003-04 £000
<b>Operating activities</b>				
Net cash inflow from operating activities	18.1		11,176	13,533
<b>Returns on investments and servicing of finance</b>				
Interest received		443		336
Interest paid		0		0
Interest element of finance leases		0		0
			<u>443</u>	<u>336</u>
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>			<b>443</b>	<b>336</b>
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		(7,778)		(8,028)
Receipts from sale of tangible fixed assets		61		79
Payments to acquire/ receipts from sale of intangible assets		0		0
			<u>(7,717)</u>	<u>(7,949)</u>
Net cash inflow/(outflow) from capital expenditure			<b>(7,717)</b>	<b>(7,949)</b>
Public dividend capital dividends paid			<b>(4,406)</b>	<b>(4,017)</b>
<b>Management of liquid resources</b>				
Purchase of current asset investments		0		0
Sale of investments		0		0
			<u>0</u>	<u>0</u>
<b>Net cash inflow/(outflow) from management of liquid resources</b>			<b>0</b>	<b>0</b>
<b>Net cash inflow/(outflow) before financing</b>			<b>(504)</b>	<b>1,903</b>
<b>Financing</b>				
Public dividend capital received		149		504
Public dividend capital repaid (not previously accrued)		(269)		0
Public dividend capital repaid (accrued in previous period)		0		(3,630)
Government loans received: short term		0		0
Government loans repaid: short term		0		0
Loan advances/brokerage received		0		0
Loan advances/brokerage repaid		0		0
Other capital receipts		624		1,223
Capital element of finance leases		0		0
			<u>504</u>	<u>(1,903)</u>
<b>Net cash inflow/(outflow) from financing</b>			<b>504</b>	<b>(1,903)</b>
<b>Increase/(decrease) in cash</b>	18.2		<b>0</b>	<b>0</b>

## 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 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. The accounting policies are laid down in the manual for accounts and are not determined by individual NHS trusts.

#### 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.

#### 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 from one NHS body to another.

#### 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 is recognised in the period in which services are provided. Where 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, except capitalised Research and Development which is revalued using an appropriate index figure. 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 and subsequent disposal.

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, 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 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.

### **1.7 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.

### **1.8 Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the trust, the asset is recorded as a 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.

### **1.9 Private Finance Initiative**

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

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.



### **1.10 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.

### **1.11 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.

### **1.12 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. 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 3.5% in real terms. This is a change from the rate of 6% applied in 2002-03 and earlier. 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.

### **1.13 Losses and special payments**

The Trust accounts for all losses and special payments gross (including assistance from the Welsh Risk Pool). The Trust accrues for the best estimate of its future payouts for certain or probable or contingent liabilities and discloses all other potential payments.

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.

### **1.14 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 2004-05 was £12,829k (£6,423k for 2003-04).

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. Employers contribution rates are 14%, these contributions are currently being reviewed as part of the investigation as at 31st March 2004.

The Scheme is subject to a full valuation every four years (previously every five years). The last valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS pensions Agency website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from The Stationery Office.

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. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation on which contribution rates were based (31 March 1999) employer contribution rates from 2003-04 were set at 14% of pensionable pay (2002-03: 7%). Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003-04 the additional funding has been retained as a Central Budget by the Assembly and has been paid direct to the NHS Pensions Agency and the employers' contribution has remained at 7%. From 2004-05 this funding will be devolved in full to NHS Pension Scheme employers and the employers' contribution rate will rise to 14%. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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.

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, employees can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

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.

### **1.15 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.

#### **1.16 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.

#### **1.17 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.

#### **1.18 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.

#### **1.19 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.

#### **1.20 Pooled budgets**

The trust has not entered into a pooled budget with any Local Authority.

## **2. Segmental reporting**

See consolidated account for Welsh Risk Pool disclosure.

### 3. Income from activities

	£000	2003-04 £000
Local health boards	166,803	153,915
Health Commissioning Wales	4,276	1,304
NHS trusts	775	753
Strategic health authorities and primary care trusts	2,876	2,611
Foundation Trusts	0	0
Local authorities	1,344	1,224
National Assembly for Wales	8,310	3,772
Non NHS:		
Private patient income	540	480
Overseas patients (non-reciprocal)	54	31
Road Traffic Act charges	440	422
Other income from activities	468	525
<b>Total</b>	<b>185,886</b>	<b>165,037</b>

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

Income from National Assembly for Wales includes £22k (2003-04 £31k) in respect of a funding adjustment to off-set the effect of FRS11 on the accounts.

### 4. Other operating income

	£000	2003-04 £000
Patient transport services	0	0
Education, training and research	5,842	5,421
Charitable and other contributions to expenditure	642	588
Transfer from the donated asset reserve	466	428
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	583	512
Other income:		
Provision of laundry, pathology, payroll services	1,493	1,427
Accommodation and catering charges	911	860
Mortuary fees	120	116
Staff payments for use of cars	0	0
Business unit (please state)	0	0
Other	4,654	2,319
<b>Total</b>	<b>14,711</b>	<b>11,671</b>

Other operating income includes a rates rebate of £2,010k and funding in respect of informing healthcare schemes of £701k.

## 5. Operating expenses

### 5.1 Operating expenses comprise

	£000	2003-04 £000
Goods and services from other NHS bodies	3,336	3,242
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	0	0
Directors' costs	664	594
Staff costs	143,614	121,134
Supplies and services - clinical	23,324	21,847
Supplies and services - general	2,612	2,124
Establishment	2,321	2,455
Transport	3,482	3,422
Premises	7,359	6,491
Depreciation and amortisation	6,715	6,625
Fixed asset impairments and reversals	31	31
Audit fees	204	194
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	566	1,843
Other operating expenses	2,399	2,882
<b>Total</b>	<b>196,627</b>	<b>172,884</b>

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

	£000	2003-04 £000
<b>Increase/decrease in provision for future payments:</b>		
Clinical negligence	773	170
Personal injury	369	582
All other losses and special payments	16	17
Defence legal fees and other administrative costs	111	(36)
Gross increase/decrease in provision for future payments	1,269	733
Contribution to Welsh Risk Pool	0	1,277
Premium for other insurance arrangements	14	15
Irrecoverable debts	41	31
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(758)</b>	<b>(213)</b>
<b>Total charge</b>	<b>566</b>	<b>1,843</b>

Personal injury includes £26,151 (2003-04 £246,948) in respect of permanent injury benefits

**5.3 Commitments under non-cancellable operating leases**

	<b>Land and buildings</b>		<b>Other leases</b>	
	<b>£000</b>	2003-04 £000	<b>£000</b>	2003-04 £000
Operating leases which expire:				
Within 1 year	<b>0</b>	0	<b>345</b>	381
Between 1 and 5 years	<b>0</b>	0	<b>792</b>	690
After 5 years	<b>0</b>	0	<b>0</b>	0
<b>Total</b>	<b>0</b>	0	<b>1,137</b>	1,071

Operating expenses include £1,137,631 for operating lease rentals (2003-04 £ 1,070,938.) and £48,156 for hire of plant/machinery (2003-04 £32,690).

**5.4 Directors' remuneration**

	<b>Remuneration as Director £000</b>	<b>Other remuneration £000</b>	<b>Total £000</b>	2003-04 £000
Non-executive directors' remuneration	<b>89</b>	0	<b>89</b>	77
Executive directors' remuneration:				
basic salaries	<b>454</b>	0	<b>454</b>	433
benefits	<b>16</b>	0	<b>16</b>	18
performance related bonuses	<b>0</b>	0	<b>0</b>	0
pension contributions paid	<b>64</b>	0	<b>64</b>	30
Sub-total	<b>623</b>	0	<b>623</b>	558
Compensation for loss of office	<b>0</b>	0	<b>0</b>	0
Pensions for directors and former directors (other than from the NHS pension scheme)	<b>0</b>	0	<b>0</b>	0
<b>Total</b>	<b>623</b>	0	<b>623</b>	558

The criteria and method of calculation of performance related bonuses must be shown here where applicable.

£ 0 was waived by 0 directors and £ 0 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	2003-04 £000
<b>Chairman</b>				
Basic remuneration	35	0	35	30
Benefits	0	0	0	0
	35	0	35	30
<b>Chief Executive</b>				
Basic salaries	119	0	119	115
Benefits	7	0	7	6
Performance related bonuses	0	0	0	0
	126	0	126	121
Pension contributions	16	0	16	8
	142	0	142	129
<b>Highest paid director*</b>				
Basic salaries	0	0	0	0
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	0	0	0	0
Pension contributions	0	0	0	0
<b>Total</b>	0	0	0	0

\* where chief executive is not the highest paid member.

**5.5 Salary and pension entitlements of senior managers**

**Remuneration**

Name and title	2004-05			2003-04		
	Salary £5k bands	Other Remuneration £5k bands	Benefits in Kind Rounded to nearest £100	Salary	Other Remuneration	Benefits in Kind
	£000	£000	£00	£000	£000	£000
<b>Executive directors</b>						
G Kershaw, Chief Executive	115-120	0	6,500	115-120	0	6
Dr D Gozzard, Medical Director	115-120	0	3,900	105-110	0	4
H Young, Director of Nursing (from 07/03)	45-50	0	2,200	45-50	0	2
J Galvani Director of Nursing (from 28/2/05)	5-10	0	0	0	0	0
I Bellingham, Executive Director of Operations	75-80	0	2,700	75-80	0	2
N Morris, Director of Finance	85-90	0	3,000	80-85	0	3
M Goodwin, Director of Capital Projects and Major Developments	60-65	0	4,000	40-45	0	3
M Sykes, Director of Human Resources	60-65	0	3,900	40-45	0	2
I Howard, Director of Planning	55-60	0	1,900	55-60	0	1
<b>Non executive directors</b>						
H Stevens, Chairman	30-35	0	0	30-35	0	0
Prof. D Jones	5-10	0	0	5-10	0	0
S Cox	5-10	0	0	5-10	0	0
TG Jones	5-10	0	0	5-10	0	0
EA Lewis	5-10	0	0	5-10	0	0
Prof PA Lyne	5-10	0	0	5-10	0	0
R Hebden	5-10	0	0	5-10	0	0
Prof. A Finlay (from 09/03)	5-10	0	0	0-5	0	0

Where more than one individual occupied the same post over the year details must be disclosed here  
 Details of benefit in kind must be disclosed here



**5.5 (continued) Salary and pension entitlements of senior managers**

**Pension Benefits**

Name and title	Real increase in pension & related lump sum at age 60	Total accrued pension & related lump sum at age 60 at	Cash Equivalent transfer value at	Cash Equivalent transfer value at	Real increase in Cash equivalent transfer value	Employers Contribution to Stakeholder Pension
	£2.5k bands £000	31 Mar 2005 £5k bands £000	31 Mar 2005 £000	31 Mar 2004 £000	£000	To nearest £100

**Executive directors**

G Kershaw, Chief Executive	<i>Consent to disclosure withheld .</i>					
Dr D Gozzard, Medical Director	<i>Consent to disclosure withheld .</i>					
H Young, Director of Nursing (from 07/03)	<i>Consent to disclosure withheld .</i>					
J Galvani Director of Nursing (from 28/2/05)	<i>Consent to disclosure withheld .</i>					
I Bellingham, Executive Director of Operations	<i>Consent to disclosure withheld .</i>					
N Morris, Director of Finance	<i>Consent to disclosure withheld .</i>					
M Goodwin, Director of Capital Projects and Major Developments	<i>Consent to disclosure withheld .</i>					
M Sykes, Director of Human Resources	<i>Consent to disclosure withheld .</i>					
I Howard, Director of Planning	<i>Consent to disclosure withheld .</i>					

The Executive Directors above are all members of the NHS Pension Scheme, which is a contributory "final salary" scheme.

Consent to disclosure withheld in accordance with the Data Protection Act 1998.

## 6. Employee costs and numbers

### 6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2003-04
	£000	£000	£000	£000	£000
Salaries and wages	121,089	0	2,012	123,101	107,574
Social security costs	8,124	0	135	8,259	7,678
Pension costs	12,619	0	210	12,829	6,393
Other pension costs	0	0	0	0	0
<b>Total</b>	<b>141,832</b>	<b>0</b>	<b>2,357</b>	<b>144,189</b>	<b>121,645</b>

### 6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2003-04
	Number	Number	Number	Number	Number
Medical and dental	330	0	18	348	320
Ambulance staff	0	0	0	0	0
Administrative and estates	871	0	0	871	814
Healthcare assistants and other support staff	466	0	0	466	465
Nursing, midwifery and health visiting staff	2,098	0	87	2,185	2,132
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	691	0	0	691	650
Social care staff	0	0	0	0	0
Other	9	0	0	9	10
<b>Total</b>	<b>4,465</b>	<b>0</b>	<b>105</b>	<b>4,570</b>	<b>4,391</b>

### 6.3 Employee benefits

The trust does not have an employee benefit scheme and no benefits were paid.

## 6.4 Trust management costs

	£000	Percentage of total income	2003-04	
			£000	Percentage of total income
Trust management costs	7,744	3.9%	6,847	3.9%
Income	200,597		176,677	

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 2004-05 (prior year 2003-04) there were 12 (16) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £501,406 (£808,583).

## 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	2003-04 £000
<b>NHS</b>			
Total bills paid 2004-05	1,613	8,851	8,620
Total bills paid within target	1,392	8,657	8,443
Percentage of bills paid within target	86.3%	97.8%	97.9%
<b>Non-NHS</b>			
Total bills paid 2004-05	75,380	48,604	47,517
Total bills paid within target	70,765	46,908	45,930
Percentage of bills paid within target	93.9%	96.5%	96.7%
<b>Total</b>			
Total bills paid 2004-05	76,993	57,455	56,137
Total bills paid within target	72,157	55,565	54,373
Percentage of bills paid within target	93.7%	96.7%	96.9%

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

	£	2003-04 £
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:

	£000	2003-04 £000
Profit on disposal of land and buildings	0	0
Loss on disposal of land and buildings	(4)	(16)
Profit on disposal of plant and equipment	1	0
Loss on disposal of plant and equipment	(29)	(10)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
	<b>(32)</b>	<b>(26)</b>

## 9. Interest payable

	£000	2003-04 £000
Government borrowing	0	0
Finance leases and PFI schemes	0	0
Other [specify]:	0	0
	<b>0</b>	<b>0</b>

## 10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April	115	0	0	0	115
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	<b>115</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115</b>
Accumulated amortisation at 1 April	14	0	0	0	14
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	19	0	0	0	19
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March	<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33</b>
Net book value at 1 April	101	0	0	0	101
<b>Net book value at 31 March</b>	<b>82</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>82</b>

## 11. Tangible fixed assets

### 11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding Land		Dwellings	Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000		£000	£000					
At 1 April 2004	6,460	119,128	5,594	4,918	26,886	770	4,656	242	<b>168,654</b>	
Indexation	452	9,420	443	306	581	17	101	5	<b>11,325</b>	
Additions										
- purchased	0	1,062	23	4,782	1,129	0	148	228	<b>7,372</b>	
- donated	0	16	0	0	568	0	37	3	<b>624</b>	
- government granted	0	0	0	0	0	0	0	0	<b>0</b>	
Reclassifications	145	3,331	1,499	(6,508)	1,468	0	44	21	<b>0</b>	
Impairments	0	(259)	0	(1,657)	0	0	0	0	<b>(1,916)</b>	
Other in-year revaluations	0	0	0	28	0	0	0	0	<b>28</b>	
Disposals	(27)	(84)	0	0	(2,948)	(152)	(102)	(17)	<b>(3,330)</b>	
<b>At 31 March 2005</b>	<b>7,030</b>	<b>132,614</b>	<b>7,559</b>	<b>1,869</b>	<b>27,684</b>	<b>635</b>	<b>4,884</b>	<b>482</b>	<b>182,757</b>	
<b>Depreciation</b>										
At 1 April 2004	0	18,708	3,474	0	15,366	576	3,845	72	<b>42,041</b>	
Indexation	0	1,480	275	0	331	13	83	1	<b>2,183</b>	
Reclassifications	0	0	0	0	0	0	0	0	<b>0</b>	
Impairments	0	0	0	0	31	0	0	0	<b>31</b>	
Reversal of impairments	0	0	0	0	0	0	0	0	<b>0</b>	
Other in-year revaluations	0	(44)	0	0	0	0	0	0	<b>(44)</b>	
Disposals	0	(46)	0	0	(2,920)	(152)	(102)	(17)	<b>(3,237)</b>	
Provided during the year	0	4,213	65	0	2,042	49	300	27	<b>6,696</b>	
<b>At 31 March 2005</b>	<b>0</b>	<b>24,311</b>	<b>3,814</b>	<b>0</b>	<b>14,850</b>	<b>486</b>	<b>4,126</b>	<b>83</b>	<b>47,670</b>	
Net book value at 1 April 2004	6,460	100,420	2,120	4,918	11,520	194	811	170	<b>126,613</b>	
<b>Net book value at 31 March 2005</b>	<b>7,030</b>	<b>108,303</b>	<b>3,745</b>	<b>1,869</b>	<b>12,834</b>	<b>149</b>	<b>758</b>	<b>399</b>	<b>135,087</b>	
<b>Net book value of assets held under finance leases and hire purchase contracts</b>										
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:</b>										
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

Of the totals at 31 March 2005, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

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

Property currently held at existing use value has an open market value of £0, which is materially different to its existing use value by £0. During the period no asset has had a material change in the estimate of useful economic life/residual value. The financial effect of this change in estimate was £0.

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

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

<b>11.3 The net book value of land and buildings at the balance sheet date comprise:</b>	31 March 2004	
	<b>£000</b>	£000
Freehold	<b>119,078</b>	109,000
Long leasehold	<b>0</b>	0
Short leasehold	<b>0</b>	0
<b>Total</b>	<b>119,078</b>	<b>109,000</b>

<b>12. Stocks and work-in-progress</b>	31 March 2004	
	<b>£000</b>	£000
Raw materials and consumables	<b>1,342</b>	1,236
Work-in-progress	<b>0</b>	0
Finished processed goods	<b>0</b>	0
<b>Total</b>	<b>1,342</b>	<b>1,236</b>

<b>13. Debtors</b>	31 March 2004	
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Welsh Risk Pool	<b>2,671</b>	3,049
NHS debtors	<b>6,605</b>	2,980
PDC dividend debtors	<b>106</b>	14
Other debtors	<b>2,957</b>	2,630
Provision for irrecoverable debts	<b>(167)</b>	(126)
Other prepayments and accrued income	<b>925</b>	1,368
Sub-total	<b>13,097</b>	9,915
<b>Amounts falling due after more than one year:</b>		
Welsh Risk Pool	<b>292</b>	315
NHS debtors	<b>55</b>	0
Other prepayments and accrued income	<b>0</b>	0
Other debtors	<b>27</b>	0
Sub-total	<b>374</b>	315
<b>Total</b>	<b>13,471</b>	<b>10,230</b>

**14. Investments**

	31 March 2004	
	£000	£000
Government securities	0	0
Local authorities	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

	31 March 2004	
	£000	£000
<b>Amounts falling due within one year:</b>		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	0	0
NHS creditors	2,961	2,169
Non-NHS trade creditors - revenue	3,189	2,763
Non-NHS trade creditors - capital	543	207
Non-NHS trade creditors - losses and special payments	20	0
Tax and social security costs	2,887	2,694
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	0	0
Other creditors - all other creditors	4,818	948
Accruals	270	899
Deferred income	0	397
Sub-total	<b>14,688</b>	<b>10,077</b>
<b>Amounts falling due after more than one year:</b>		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
NHS creditors	320	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	<b>320</b>	<b>0</b>
<b>Total</b>	<b>15,008</b>	<b>10,077</b>

**NHS creditors include:**

£0 for payments due in future years under arrangements to buy out the liability for early retirements over 5 instalments; and  
£0 outstanding pensions contributions at 31 March 2005.

**15.2 Loans/brokerage**

31 March  
2004

<b>Amounts falling due:</b>	<b>£000</b>	<b>£000</b>
In one year or less	0	0
Between one and two years	0	0
Between two and five years	0	0
In five years or more	0	0
Sub-total	<u>0</u>	<u>0</u>
Wholly repayable within five years	0	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>0</u>	<u>0</u>
Total repayable after five years by instalments	0	0

**Details of loan/brokerage:**

Loan/brokerage of £0 from ..... Local Health Board to be repaid on 00-00-00 with an interest rate of 0%.

Loan/brokerage of £0 from the Assembly to be repaid on 00-00-00 with an interest rate of 0%.

**15.3 Finance lease obligations**

31 March  
2004

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

**15.4 Finance lease commitments**

The Trust has no contract to lease (an asset) under a finance lease.



## 16. Provisions for liabilities and charges

	At 1 April 2004 £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 2005 £000
Clinical negligence	2,952	0	0	1,824	(1,051)	(1,351)	0	2,374
Personal injury	1,122	0	0	513	(144)	(212)	26	1,305
All other losses and special payments	0	0	0	16	0	(16)	0	0
Defence legal fees and other administration	294	0	0	241	(130)	(95)		310
<b>Sub-total</b>	<b>4,368</b>	<b>0</b>	<b>0</b>	<b>2,594</b>	<b>(1,325)</b>	<b>(1,674)</b>	<b>26</b>	<b>3,989</b>
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	500			0	0	(48)	32	484
Restructurings	0			0	0	0		0
Other	0			0	0	0		0
<b>Total</b>	<b>4,868</b>	<b>0</b>	<b>0</b>	<b>2,594</b>	<b>(1,325)</b>	<b>(1,722)</b>	<b>58</b>	<b>4,473</b>

### Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	2,061	313	0	2,374
Personal injury	558	158	589	1,305
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	247	63	0	310
Pensions - former directors	0	0	0	0
Pensions - other staff	40	159	285	484
Restructuring	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>2,906</b>	<b>693</b>	<b>874</b>	<b>4,473</b>

The trust estimates that in 2005-06 it will receive £2,321,060, and in 2006-07 and beyond £292,000 from the Welsh Risk Pool in respect of the losses and special payments (including clinical negligence).

Provisions are based upon information provided by Welsh Health Legal Services in respect of Clinical Negligence and associated defence costs and Morgan Cole, Solicitors in respect of personal injury provisions and associated defence costs. Of the above defence legal fees, £32,609 relates to defence costs associated contingent liabilities.

Pension costs are based upon information supplied by the Pension Agency for capitalisation of early retirement costs.

NHS Wales is in the process of implementing "Agenda For Change" which restructures the pay scales for the majority of NHS Staff. Full implementation of the new arrangements is due by 30th September 2005.

The resulting pay awards are backdated to October 2004, and hence a liability exists at the balance sheet date in respect of the increased costs of the pay scales from that date to 31st March 2005. However, implementation has been delayed and the matching and assimilation of staff onto the new scales is still continuing.

In accordance with NHS Trusts (Wales) Accounts Direction which sets out how accounts should be prepared, the Assembly has issued instructions to all Welsh NHS Trusts not to create local provisions in respect of Agenda for Change costs for 2004/05 as the Assembly consider there is insufficient information held locally to establish a sufficiently reliable estimate to meet the requirements of FRS12.

The liability in respect of the backdated costs relate to 2004/05 less any funding received from the Assembly to meet this liability, will be charged to the 2005/06 accounts.

## 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 2004 as previously stated	37,150	3,537	0	0	(857)	39,830
Prior period adjustment					0	0
At 1 April 2004 as restated	37,150	3,537	0	0	(857)	39,830
Transfer from income and expenditure account					13	13
Impairments	(1,916)	0	0			(1,916)
Surplus (deficit) on revaluation / indexation of fixed assets	9,085	129	0			9,214
Transfer of realised profits/ (losses)	(61)	0	0		61	0
Receipt of donated/government granted assets		624	0			624
Depreciation, impairment and disposal of donated/government granted assets		(466)	0			(466)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
<b>At 31 March 2005</b>	<b>44,258</b>	<b>3,824</b>	<b>0</b>	<b>0</b>	<b>(783)</b>	<b>47,299</b>

## 18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2003-04 £000
Total operating surplus/(deficit)	3,970	3,824
Depreciation charge	6,715	6,625
Fixed asset impairment and reversals	31	31
Transfer from the donated asset reserve	(466)	(428)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(106)	(105)
(Increase)/decrease in debtors	(3,182)	3,134
Increase/(decrease) in creditors	4,609	1,212
Increase/(decrease) in provisions	(395)	(760)
<b>Net cash inflow from operating activities before restructuring costs</b>	<b>11,176</b>	<b>13,533</b>
Payments in respect of fundamental reorganisation/restructuring	0	0
<b>Net cash inflow from operating activities</b>	<b>11,176</b>	<b>13,533</b>

18.2 Reconciliation of net cash flow to movement in net debt	£000	2003-04 £000
Increase/(decrease) in cash in the period	0	0
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
<b>Change in net debt resulting from cash flows</b>	<b>0</b>	<b>0</b>
Non-cash changes in debt	0	0
Net debt at 1 April	32	32
<b>Net debt at 31 March</b>	<b>32</b>	<b>32</b>

**18.3 Analysis of changes in net debt**

	At 1 April 2004 £000	Cash flows £000	Non-cash changes £000	At 31 March 2005 £000
Cash at bank and in hand	32	0	0	32
Bank overdrafts	0	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	0	0	0
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	<b>32</b>	<b>0</b>	<b>0</b>	<b>32</b>

Cash at bank and in hand at 31-3-05 includes £513k in accounts with the Office of HM Paymaster General.

**19. Capital commitments**

Commitments under capital expenditure contracts at the balance sheet date were £ 2,618,766 (and in 2003-04 were £ 2,738,687 ).

**20. Post balance sheet events**

There were no post balance sheet events.

**21. Contingent liabilities**

Provision has not been made in the 2004-05 accounts for the following amounts:

	£000	31 March 2004 £000
Legal claims for alleged medical or employer negligence	4,275	5,062
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	<b>4,275</b>	5,062
Amount recovered under insurance arrangements in the event of these claims being successful	<b>(3,713)</b>	(4,068)
Net contingent liability	<b>562</b>	994

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.

In respect of Agenda for Change, due to the fact that there has only been limited assimilation of the posts across Wales, a reliable estimate could not be made for creating a provision for the Agenda for Change costs at local level. As a result the Trust is not required by the Assembly to provide for these costs in the accounts. Instead the Assembly will account for the provision separately within the Resource Accounts.

## 22. Losses and special payments

### 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	31	1,351,241	46	1,389,886
Personal injury	18	211,483	32	242,230
All other losses and special payments	124	22,886	122	21,894
<b>Total</b>	<b>173</b>	<b>1,585,610</b>	<b>200</b>	<b>1,654,010</b>

Analysis of cases which exceed £100,000 and all other cases

	<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
	£	£	£
<b>Cases exceeding £100,000</b>			
00RT8MN0034	166,058	211,058	0
00RT8MN0040	93,198	336,396	0
01RT8MN0014	82,691	113,222	0
02RT8PI0006	100,408	100,408	0
97RT8MN0010	141,847	204,447	204,447
98RT8MN0009	55,000	1,014,955	0
99RT8MN0018	194,000	211,060	0
99RT8MN0020	99,250	100,810	0
99RT8MN0024	124,113	3,381,307	0
99RT8MN0026	0	204,658	204,658
<b>Sub-total</b>	<b>1,056,565</b>	<b>5,878,321</b>	<b>409,105</b>
<b>All other cases</b>	<b>529,045</b>	<b>1,639,313</b>	<b>1,244,905</b>
<b>Total cases</b>	<b>1,585,610</b>	<b>7,517,634</b>	<b>1,654,010</b>

## 22. Losses and special payments (contd)

In the 2003/2004 accounts it was reported that the Welsh Assembly Government (WAG) had announced its decision to cancel the IPCS Project. All the costs identified with the project have been quantified and all the outstanding issues with the system supplier BT Cerner have been satisfactorily resolved.

An IPCS Post Project review was undertaken as part of this process and a transferable value identified from the IPCS Project to the Informing Healthcare Project favoured by WAG as an alternative solution.

IPCS was a joint Trust initiative between Conwy & Denbighshire and North East Wales Trusts) and fully funded by WAG.

A "Knowledge, Skills and Other Appropriate Transfer Substantiation Report (July 2005)" identified a variety of costs that could be reasonably transferred from the IPCS project to its successor, the Informing Health Care project. Likewise an assessment was made of the IPCS costs between those that are reasonably transferable to the new project and those which would be deemed a fruitless payment (a payment which cannot be avoided though the Trust has received nothing of use in return). The fruitless payment is detailed below.

The costs are broken down over three main areas and over the financial years as tabulated below:

	Professional fees (100%) £'000's	BT Cerner development costs (90%) £'000's	Other Costs (36%) £'000's	Total £'000's
1999/2000	38			38
2000/2001	89			89
2001/2002	45		309	354
2002/2003	262	106	405	773
2003/2004	174		364	538
2004/2005	46	438	142	626
Total	654	544	1,220	2,418
Fruitless payment	654	490	439	1,583

The total fruitless payment of £1,583k does not effect the revenue position in any of the previous financial years nor indeed in 2004/2005, the expenditure was matched in its totality with external WAG funding

As the value of the fruitless payment will be in excess of £1m, approval for write-off has been sought from WAG. The Trust is still awaiting a response to this request, but has acted prudently in disclosing the details in this year's accounts.

Any difference between the reported loss and the recalculated figure following the completion of the challenge and review will be reported in the 2005/2006 accounts.

**23.1 Movements in Government funds**

2003-04

	£000	£000
Surplus/(deficit) for the financial year	4,327	4,076
Public dividend capital dividends	<u>(4,314)</u>	<u>(4,051)</u>
<b>Subtotal</b>	<b>13</b>	<b>25</b>
Gains/(losses) from revaluation/indexation of purchased fixed assets	9,024	5,946
Impairment of fixed assets	(1,916)	(26)
New public dividend capital	163	504
Public dividend capital repaid	(269)	0
Public dividend capital repayable	(128)	(45)
New loans from Government	0	0
Government loans repaid	0	0
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	<u>92</u>	<u>100</u>
Net addition/(reduction) to Government funds	<b>6,979</b>	<b>6,504</b>
Opening Government funds at 1 April	119,730	113,226
Before deducting prior period adjustment of	<u>0</u>	<u>0</u>
<b>Closing Government funds</b>	<b><u>126,709</u></b>	<b><u>119,730</u></b>

**23.2 Movements in public dividend capital**

2003-04

	£000	£000
At 1 April 2004	83,437	82,978
New PDC issued in year	163	504
PDC due but not issued	0	0
PDC repaid in year	(238)	0
PDC repayable	<u>(128)</u>	<u>(45)</u>
<b>At 31 March 2005</b>	<b><u>83,234</u></b>	<b><u>83,437</u></b>

## 24. Financial performance targets

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

### 24.1 Breakeven

Target retained surplus/deficit	0
Actual retained surplus/deficit	13
Variance	<u>(13)</u>

The Trust has broken even in 2004-05.

### Forecast Financial Performance 2005/06

As part of the 2005/06 Service and Financial Framework negotiations with our Local Health Boards, the Trust has an agreed savings plan of £4.05m for the year. This still leaves a gap of £7.28m between income available and expected expenditure within the health economy. This £7.28m financial deficit currently sits on the Trust's forecast financial position and the health recovery is currently addressing the deficit with a range of rationalisation measures. The Welsh Assembly Government has been informed that these measures will not produce the required financial savings in year and that strategic financial assistance will be required.

### 24.2 External financing

31 March

The Trust is given an external financing limit which it is permitted to undershoot

2004

	£000	£000	£000
External financing limit set by the Assembly		(120)	(3,126)
Cash flow financing	504		(1,903)
Finance leases taken out in the year	0		0
Other capital receipts	<u>(624)</u>		<u>(1,223)</u>
External financing requirement		<u>(120)</u>	<u>(3,126)</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:

	<b>2004-05</b>
Total number of non-NHS bills paid 2004-05	<b>75,380</b>
Total number of non-NHS bills paid within target	<b>70,765</b>
Percentage of non-NHS bills paid within target	<b>93.9%</b>

The Trust has not met the target.



## 25. Related Party transactions

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

During the year none of the board members or members of the key management staff or parties related to them has undertaken any material transactions with the Trust

A number of Directors of the Trust have declared interests with other bodies, however no material transactions were undertaken with these related bodies.

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.

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

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the Trust board.

	Payments to related parties £'000's	Payments from related parties £'000's	Amount owed to related parties £'000's	Amount due from related parties £'000's
Welsh Assembly Government	4,675	8,437	224	5,502
Health Commissioning Wales	0	4,276	0	36
Denbighshire LHB	0	77,242	0	170
Conwy LHB	0	57,263	0	2
Flintshire LHB	0	22,076	0	1
Gwynedd LHB	0	3,544	0	85
Wrexham LHB	0	4,782	0	0
Ynys Mon	0	1,896	0	0
BSC North Wales	337	0	0	0
University College of Wales & EPU	0	4,627	0	0
Bro Morgannwg NHS Trust	2,750	0	243	27
Velindre NHS Trust	638	452	0	0
North West Wales NHS Trust	974	910	276	303
North East Wales NHS Trust	811	1,006	127	214
Welsh Ambulance Services NHS Trust	1,079	96	301	12
Denbighshire County Council	776	527	0	370
Conwy Borough Council	273	527	0	125

## 26. Other/ Private finance transactions

### 26.1 PFI operational schemes deemed to be off-balance sheet

	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross	130
Amortisation of PFI deferred asset	0
Net charge to operating expenses	<u>130</u>

Conwy & Denbighshire NHS Trust have entered into a PFI contract to fund a renal unit. The contract is off balance sheet and after 30 years of payments the renal unit transfers to the Trust.

The Trust's yearly payments are a combination of revenue for the ongoing maintenance (and identified above and included within operating expenses) and capital for the renal unit transfer at the end of the contract. The prepayment relates to the "capital element" of the unitary charge. Therefore over the life of the contract, the unitary charge has 2 elements:

- (a) Payment for services received and
- (b) Payment in advance for the asset that will be transferred to the Trust at the end of the contract (this is calculated from the District Valuers report on the estimated fair value on reversion of renal unit to the Trust at the contract termination date).

The prepayment is disclosed in the accounts note for Debtors , under "other debtors - amounts falling due after more than one year".

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

PFI scheme which expires:	£000
Within one year	277
Years 2-5 (inclusive)	1108
Years 6-10 (inclusive)	1385
Years 11-15 (inclusive)	1385
Years 16-20 (inclusive)	1385
Years 21-25 (inclusive)	1385
Years 26-30 (inclusive)	1246

The pre-payment in advance element for the asset included in the annual charge is calculated from the District Valuers valuation of the asset on reversion and this will be subject to periodical review.

	£000
Estimated capital value of the PFI scheme	1,673
Contract start date:	September 2004
Contract end date:	August 2034

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

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

## **27. Pooled budget project**

The Trust had no pooled budget projects in 2004-05.

## **28. Third party assets**

The Trust held £7,051 cash at bank and in hand at 31 March 2005 (31 March 2004: £4,045) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand reported in these accounts.

## **29. Financial instruments**

The Trust has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

**30. Intra Government balances**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
National Assembly	5502	0	224	0
Welsh Local Health Boards	387	38	2	0
Welsh NHS Trusts	970	1	1000	312
Health Commission Wales	36	0	0	0
All English Health Bodies	441	16	2046	8
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	11	0	0	0
Credit note provision	-231	0	0	0
Sub total	<u>7,116</u>	<u>55</u>	<u>3,272</u>	<u>320</u>
Other Central Government Bodies				
Other Government Departments*	0	0	0	0
Inland Revenue	0	0	2887	0
Customs and Excise	275	0	0	0
Local Authorities	567	0	0	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	0	0	0	0
<b>TOTAL</b>	<u><u>7,958</u></u>	<u><u>55</u></u>	<u><u>6,159</u></u>	<u><u>320</u></u>

\* Other Government Departments with Balances > £1,000k

Please specify:

**31. Other**

**INCOME AND EXPENDITURE FOR THE WELSH RISK POOL  
FOR THE YEAR ENDED 31 MARCH 2005**

	Note	£000	2003-04 £000
Income from activities	1	<u>85,612</u>	<u>(2,710)</u>
Total income		<b>85,612</b>	<b>(2,710)</b>
Operating expenses	2.1	<u>(85,863)</u>	<u>2,030</u>
Operating surplus/ (deficit)		<b>(251)</b>	<b>(680)</b>
Surplus /(deficit) before interest		<b>(251)</b>	<b>(680)</b>
Interest receivable		<b>1,052</b>	<b>680</b>
Interest payable		<b>0</b>	<b>0</b>
Other finance costs		<u><b>(801)</b></u>	<u><b>0</b></u>
Surplus /(deficit) for the financial year		<u><b>0</b></u>	<u><b>0</b></u>
Retained surplus /(deficit) for the year		<u><b>0</b></u>	<u><b>0</b></u>

**BALANCE SHEET FOR THE WELSH RISK POOL  
AS AT 31 MARCH 2005**

		31 March 2005	31 March 2004
	Note	£000	£000
<b>Current assets</b>			
Debtors: amounts falling due:			
after one year	4	113,641	74,820
within one year	4	89,265	77,911
Investments		0	0
Cash at bank and in hand	7.3	24,378	19,139
		<b>227,284</b>	171,870
Creditors: amounts falling due within 1 year	5	<b>(8,108)</b>	<b>(7,179)</b>
<b>Total assets less current liabilities</b>		<b>219,176</b>	164,691
Creditors: amounts falling due			
after more than one year	5	<b>(26,788)</b>	<b>(23,096)</b>
Provisions for liabilities and charges	6	<b>(192,388)</b>	<b>(141,595)</b>
<b>Total assets employed</b>		<b>0</b>	0
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Income and expenditure reserve		0	0
<b>Total capital and reserves</b>		<b>0</b>	0

**CASH FLOW STATEMENT FOR THE WELSH RISK POOL  
FOR THE YEAR ENDED 31 MARCH 2005**

	Note	£000	£000	2003-04 £000
<b>Operating activities</b>				
Net cash inflow from operating activities	7.1		<b>4,219</b>	10,044
<b>Returns on investments and servicing of finance</b>				
Interest received		<b>1,020</b>		642
Interest paid		<b>0</b>		0
Interest element of finance leases		<b>0</b>		0
<b>Net cash (outflow) from returns on investments and servicing of finance</b>			<b>1,020</b>	642
<b>Management of liquid resources</b>				
Purchase of current asset investments		<b>0</b>		0
Sale of investments		<b>0</b>		0
<b>Net cash inflow/ (outflow) from management of liquid resources</b>			<b>0</b>	0
<b>Net cash inflow/ (outflow)</b>			<b>5,239</b>	10,686
<b>Increase (decrease) in cash</b>	7.2		<b>5,239</b>	10,686

## 1. Income from activities

	£000	2003-04 £000
Local health boards	0	9,140
NHS trusts	0	18,900
National Assembly for Wales	85,602	(35,620)
Non NHS:		
Other income from activities	10	4,870
<b>Total</b>	<b>85,612</b>	<b>(2,710)</b>

## 2. Operating expenses

### 2.1 Operating expenses comprise

	£000	2003-04 £000
Goods and services from other NHS bodies	0	0
Directors' costs	0	0
Staff costs	276	173
Supplies and services - general	15	0
Establishment	110	45
Transport	0	0
Premises	27	6
Audit fees	12	10
Other auditors' remuneration	0	0
Special payments and irrecoverable debts	85,274	(2,329)
Other operating expenses	149	65
<b>Total</b>	<b>85,863</b>	<b>(2,030)</b>



**2.2 Special payments and irrecoverable debts:  
charges to operating expenses**

	Charge to Income & expenditure account £000	2003-04 £000
Clinical negligence	78,591	10,534
Personal injury	2,710	1,893
All other special payments (excluding bad debts)	0	243
Defence legal fees and other administrative costs	0	0
Creditors movement	3,973	(14,999)
<b>Total charge</b>	<b>85,274</b>	<b>(2,329)</b>

**Funded by:**

Premiums collected in-year	0
Debtor: outstanding premiums	0
Debtor: future years premiums (National Assembly for Wales)	0
	<u>0</u>

**3. Employee costs and numbers**

	£000	2003-04 £000
Salaries and wages	202	151
Social security costs	16	11
Pension costs	26	9
Other pension costs	0	0
Agency and contracted staff	32	2
Seconded-in staff	0	0
<b>Total</b>	<b>276</b>	<b>173</b>

#### 4. Debtors

		31 March 2004
	£000	£000
<b>Amounts falling due within one year:</b>		
National Assembly for Wales	89,133	77,708
NHS debtors	37	140
Other debtors	95	63
Other prepayments and accrued income	0	0
Sub-total	<u>89,265</u>	<u>77,911</u>
<b>Amounts falling due after more than one year:</b>		
National Assembly for Wales	113,641	74,820
NHS debtors	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub-total	<u>113,641</u>	<u>74,820</u>
<b>Total</b>	<u>202,906</u>	<u>152,731</u>

#### 5. Creditors

Creditors at the balance sheet date are made up of:

		31 March 2004
	£000	£000
<b>Amounts falling due within one year:</b>		
Bank overdrafts	0	0
Interest payable	0	0
Payments received on account	0	0
NHS creditors	6,741	5,837
Non-NHS trade creditors - revenue	0	0
Non-NHS trade creditors - revenue - structured settlements	1,299	1,121
Other creditors - superannuation	0	0
Other creditors - all other creditors	68	213
Accruals and deferred income	0	8
Sub-total	<u>8,108</u>	<u>7,179</u>
<b>Amounts falling due after more than one year:</b>		
NHS creditors	0	0
Non-NHS trade creditors - revenue - structured settlements	26,788	23,096
Other	0	0
Sub-total	<u>26,788</u>	<u>23,096</u>
<b>Total</b>	<u>34,896</u>	<u>30,275</u>

The unwinding of the discount on structured settlements is shown under "other finance costs" on the Income & Expenditure account.

## 6. Provisions for liabilities and charges

	At 1 April 2004	Utilised during the year	At 31 March 2005
	£000	£000	£000
Clinical negligence	138,850	49,904	188,754
Personal injury	2,745	889	3,634
All other special payments	0	0	0
Defence legal fees and other administration	0	0	0
Sub-total	141,595	50,793	192,388
Restructurings	0	0	0
Other	0	0	0
<b>Total</b>	<b>141,595</b>	<b>50,793</b>	<b>192,388</b>

The total Welsh Risk Pool provision of £192,388k represents potential future payments in respect of Clinical Negligence, Personal Injury, all other losses and special payments and defence legal fees payable by the Welsh Risk Pool on behalf of the member health bodies. The figure has been compiled from audited figures of NHS Trusts and Powys Local Health Board submitted to the National Assembly for Wales on 29th July 2005.

## 7. Notes to the cash flow statement

7.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2003-04 £000
Total operating surplus/ (deficit)	(251)	(680)
(Increase) /decrease in debtors	(50,143)	39,519
Increase /(decrease) in creditors	3,820	(15,001)
Increase /(decrease) in provisions	50,793	(13,794)
<b>Net cash inflow from operating activities</b>	<b>4,219</b>	<b>10,044</b>

7.2 Reconciliation of net cash flow to movement in net debt	£000	2003-04 £000
Increase / (decrease) in cash in the period	5,239	10,686
Cash (inflow) / outflow from (decrease) / increase in liquid resources	0	0
Change in net debt resulting from cash flows	5,239	10,686
Non-cash changes in debt	0	0
Net debt at 31 March 2002	19,139	8,453
<b>Net debt at 31 March 2003</b>	<b>24,378</b>	<b>19,139</b>

7.3 Analysis of changes in net debt	At 1 April 2004 £000	Cash flows £000	Non-cash changes £000	At 31 March 2005 £000
Cash at bank and in hand	19,139	5,239	0	24,378
Bank overdrafts	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Current asset investments	0	0	0	0
	<b>19,139</b>	<b>5,239</b>	<b>0</b>	<b>24,378</b>

## 8. Post balance sheet events

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

## 9. Contingent liabilities

In accordance with FRS12, trusts and local health boards disclose claims made against them for alleged clinical negligence and personal injury. These claims are disputed and, until they are resolved, trusts' and local health boards' financial liability, if any, cannot be determined and no provision has been made in these accounts for these items.

Contingent liabilities disclosed by trusts and local health boards are given in their annual accounts.

## 10. Special payments

The Pool reimburses trusts and local health boards for payments made in year.

	Amounts paid out in year		Approved to write-off in year	
	Number	£	Number	£
Clinical negligence	198	27,447,359	198	27,447,359
Personal injury	33	1,769,617	33	1,769,617
All other losses and special payments	0	0	0	0
<b>Total</b>	<b>231</b>	<b>29,216,976</b>	<b>231</b>	<b>29,216,976</b>

Analysis of cases which exceed £100,000 and all other cases

		Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
<b>Cases exceeding £100,000</b>				
Bro Morgannwg NHS Trust	6 Cases	4,810,001	4,810,001	4,810,001
BSC Cardiff	1 Case	392,109	392,109	392,109
Cardiff & Vale NHS Trust	13 Cases	8,271,930	9,495,249	8,271,930
Carmarthenshire NHS Trust	2 Cases	498,864	2,330,014	498,864
Ceredigion & Mid Wales NHS Trust	1 Case	1,142,145	1,310,964	1,142,145
Conwy & Denbighshire NHS Trust	5 Cases	741,130	4,208,508	741,130
Gwent Healthcare NHS Trust	7 Cases	1,903,562	5,131,320	1,903,562
North East Wales NHS Trust	2 Cases	686,310	3,001,517	686,310
North Glamorgan NHS Trust	7 Cases	4,296,393	6,665,894	4,296,393
North West Wales NHS Trust	1 Case	397,705	397,705	397,705
Swansea NHS Trust	4 Cases	1,736,086	1,832,845	1,736,086
Velindre NHS Trust	2 Cases	258,888	596,795	258,888
Welsh Ambulance Service NHS Trust	1 Case	117,038	117,038	117,038
				0
<b>Sub-total</b>		<b>25,252,161</b>	<b>40,289,959</b>	<b>25,252,161</b>
<b>All other cases</b>		<b>3,964,815</b>	<b>23,109,813</b>	<b>3,964,815</b>
<b>Total cases</b>		<b>29,216,976</b>	<b>63,399,772</b>	<b>29,216,976</b>