

Bro Morgannwg NHS Trust

Foreword

These accounts for the year ended 31 March 2007 have been prepared by the Bro Morgannwg 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.

Bro Morgannwg NHS Trust manages a comprehensive range of integrated hospital and community services for a resident population living primarily in the County Boroughs of Neath Port Talbot, Bridgend and the Western Vale of Glamorgan.

The Trust also manages Welsh Health Supplies, Informing Healthcare and the National Leadership & Innovation Agency for Healthcare, the Delivery & Support Unit and the Centre for Equality Human Rights

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2007

	Note	£000	2005-06 £000
Income from activities	3	290,765	276,440
Other operating income	4	36,236	35,780
Total income		327,001	312,220
Operating expenses	5	(322,225)	(307,665)
Operating surplus/(deficit)		4,776	4,555
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(330)	(138)
Surplus/(deficit) before interest		4,446	4,417
Interest receivable		1,604	1,181
Interest payable	9	0	0
Other finance costs	16	(70)	(99)
Surplus/(deficit) for the financial year		5,980	5,499
Public Dividend Capital dividends payable		(5,912)	(5,441)
Retained surplus/(deficit) for the year	17	68	58

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

		2005-06
	£000	£000
	Note	
Surplus/(deficit) for the financial year before dividend payments		5,980
Fixed asset impairment losses	17	(3)
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	12,180
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	50
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(414)
Additions/(reductions) in "other reserves"	17	(121)
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		17,672
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>17,672</u>
		<u>8,637</u>

BALANCE SHEET AS AT 31 MARCH 2007

	Note	£000	£000	31 March 2006 £000
Fixed assets				
Intangible assets	10	8,888		11,216
Tangible assets	11	182,519		172,254
Investment assets	11.4	379		500
			<u>191,786</u>	183,970
Current assets				
Stocks and work-in-progress	12	3,972		3,894
Debtors	13	43,574		42,365
Investments	14	14,900		8,925
Cash at bank and in hand	18.3	400		400
Total current assets			<u>62,846</u>	55,584
Creditors: amounts falling due within 1 year	15		<u>(23,482)</u>	(23,663)
Net current assets/(liabilities)			<u>39,364</u>	31,921
Total assets less current liabilities			<u>231,150</u>	215,891
Creditors: amounts falling due after more than one year	15		<u>(3,486)</u>	(7,436)
Provisions for liabilities and charges	16		<u>(38,934)</u>	(37,793)
Total assets employed			<u>188,730</u>	170,662
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		127,335	121,027
Revaluation reserve	17		55,498	44,829
Donated asset reserve	17		2,879	3,062
Government grant reserve	17		450	450
Other reserves	17		379	500
Income and expenditure reserve	17		2,189	794
Total taxpayer's equity			<u>188,730</u>	170,662

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	£000	£000	2005-06 £000
Operating activities				
Net cash inflow from operating activities	18.1		14,590	10,898
Returns on investments and servicing of finance				
Interest received		1,594		1,172
Interest paid		0		0
Interest element of finance leases		0		0
			1,594	1,172
Net cash inflow/(outflow) from returns on investments and servicing of finance				
Capital expenditure				
Payments to acquire tangible fixed assets		(8,179)		(9,030)
Receipts from sale of tangible fixed assets		1,128		161
Payments to acquire/ receipts from sale of intangible assets		(3,929)		0
			(10,980)	(8,869)
Net cash inflow/(outflow) from capital expenditure				
Public dividend capital dividends paid			(5,537)	(5,227)
Management of liquid resources				
Purchase of current asset investments		(5,975)		(2,925)
Sale of investments				0
			(5,975)	(2,925)
Net cash inflow/(outflow) from management of liquid resources				
Net cash inflow/(outflow) before financing				
			(6,308)	(4,951)
Financing				
Public dividend capital received		6,728		5,212
Public dividend capital repaid (not previously accrued)		(420)		(711)
Public dividend capital repaid (accrued in previous period)		0		0
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		0		450
Capital element of finance leases		0		0
			6,308	4,951
Net cash inflow/(outflow) from financing				
Increase/(decrease) in cash	18.2		0	0

Notes to the accounts

1. Accounting policies and other information

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

i. Capitalisation

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

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

ii. Valuation

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

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

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

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

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

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

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

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

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

iii. Depreciation

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

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

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

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

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

1.6 Fixed Asset Investments

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

1.7 Donated fixed assets

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

1.8 Government grants

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

1.9 Cash Bank and Overdrafts

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

1.10 Leases

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

1.11 Private Finance Initiative

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

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

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

1.12 Stocks and work-in-progress

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

1.13 Research and development

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

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

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

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

1.14 Provisions

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

1.15 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

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

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

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

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

1.16 Losses and special payments

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

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

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

1.17 Pension costs

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

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

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

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

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

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

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

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

[Where the NHS Trust has employees who are members of pension schemes other than the NHS pension scheme described above, additional disclosure will be required to give details of those schemes, e.g. stakeholder pensions.]

1.18 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement.

1.19 Value added tax

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

1.20 Foreign Exchange

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

1.21 Third party assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 28 to the accounts.

1.22 Public Dividend Capital Dividends

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

1.23 EU Emission Trading Scheme

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

2. Segmental Reporting

The following information segments the results of the Trust by:-

	Informing Healthcare		National Leadership & Innovation Agency for Healthcare		Welsh Health Supplies		Delivery & Support Unit		Centre for Equality & Human Rights		Healthcare Activities		Inter-segment trading (see note below)		Trust Total (per main I&E statement)	
	2006/7 £000	2005/6 £000	2006/7 £000	2005/6 £000	2006/7 £000	2005/6 £000	2006/7 £000	2005/6 £000	2006/7 £000	2005/6 £000	2006/7 £000	2005/6 £000	2006/7 £000	2005/6 £000	2006/7 £000	2005/6 £000
Segment income (Gross)	19,367	19,070	12,899	10,386												
WAG Creditor *	(12)	(205)	(11)	0												
Segment income (Net)	19,355	18,865	12,888	10,386	28,714	28,267	1,503	539	415		267,731	258,069	-3,605	-3,906	327,001	312,220
Costs directly attributable to segment:-																
Pay	2,712	2,111	5,094	3,474	2,745	2,533	848	250	356							
Funded programme payments for NHS bodies	8,255	9,934	2,378	3,906	0	0	0	0	0							
Supplies & services - general	4	3	356	7	24	24	0	0	0							
Establishment	1,295	959	1,860	1,462	215	231	140	52	44							
Transport	9	5	40	53	387	360	6	2	2							
Premises	1,260	1,126	721	341	530	531	33	24	12							
Other operating expenses	2,934	4,618	2,196	929	24,260	24,324	430	186	1							
Total directly attributable costs	16,469	18,756	12,645	10,172	28,161	28,003	1,457	514	415		261,879	249,829	-3,605	-3,906	317,421	303,368
Surplus / deficit	2,886	109	243	214	553	264	46	25	0		5,852	8,240			9,580	8,852
Common costs	158	109	243	214	411	224	46	25	0		4,276	3,863			5,134	4,435
Depreciation	2,374		0		63		0		0		9,507				11,944	
Surplus before interest	354	0	0	0	79	40	0	0	0		4,013	4,377			4,446	4,417
Capital Charges	354		0		77						5,481				5,912	
Disposal of Fixed Assets and Other Finance Costs															-1,534	
Surplus after interest	0		0		2		0		0		66				68	
Segment average net assets	3,248	920	-1,097	-677	7,430	5,961	-125	-14	-6	0	153,834	149,579			163,290	155,769

* WAG creditor relates to Trading Agency underspends in line with agreement between the Trust and the WAG.

For the business segments, "other operating expenses" shown above for 2006/7 includes the following material items:-

Informing Healthcare - External Consultancy costs £2,395k and Depreciation £2,374k
National Leadership & Innovations Agency for Health - External Consultancy costs £2,192k
Welsh Health Supplies - Cost of stock issues £24.081m
Delivery & Support Unit - External Consultancy costs £292k

NOTE: The following inter-segment trading amounts have been "netted-off" in the consolidated position shown in the main I&E Account:-

WHS related - £2,923,939
IHC related - £329,614
NLIAH related - £351,560
Total inter-segment trading - £3,605,113

Additional information regarding the accounting and governance arrangements for Informing Healthcare, the National Leadership & Innovation Agency for Healthcare (NLIAH) and the Delivery & Support Unit (DSU), Centre for Equality and Human Rights is given in Note 31 to the Accounts.

3. Income from activities

	£000	2005-06 £000
Local health boards	235,503	221,576
Health Commission Wales	13,197	11,978
NHS trusts	910	897
Strategic health authorities and primary care trusts	340	0
Foundation Trusts	0	0
Local authorities	0	0
National Assembly for Wales	31,407	35,878
Non NHS:		
Private patient income	1,732	1,525
Overseas patients (non-reciprocal)	2	22
Road Traffic Act charges/NHS Injury Costs Recovery (ICR) Scheme	630	615
Other income from activities	7,044	3,949
Total	290,765	276,440

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

4. Other operating income

	£000	2005-06 £000
Patient transport services	0	0
Education, training and research	5,579	5,273
Charitable and other contributions to expenditure	554	415
Transfer from the donated asset reserve	414	254
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	557	669
Other income:		
Provision of laundry, pathology, payroll services	0	0
Accommodation and catering charges	763	744
Mortuary fees	98	98
Staff payments for use of cars	0	0
Business unit Welsh Health Supplies	25,651	25,304
Other	2,620	3,023
Total	36,236	35,780

5. Operating expenses

5.1 Operating expenses comprise

	£000	2005-06 £000
Goods and services from other NHS bodies	7,060	6,619
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	0	0
Directors' costs	1,032	1,038
Staff costs	202,845	192,293
Supplies and services - clinical	22,488	20,493
Supplies and services - general	5,842	6,186
Establishment	9,350	8,804
Transport	1,197	1,116
Premises	13,902	13,700
Depreciation	9,579	8,239
Amortisation	2,363	0
Fixed asset impairments and reversals	3	7
Audit fees	205	178
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	667	949
Other operating expenses	45,692	48,043
Total	322,225	307,665

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

	£000	2005-06 £000
Increase/decrease in provision for future payments:		
Clinical negligence	3,523	1,554
Personal injury	104	548
All other losses and special payments	20	21
Defence legal fees and other administrative costs	18	15
Gross increase/decrease in provision for future payments	3,665	2,138
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	37	21
Less: income received/ due from Welsh Risk Pool	(3,035)	(1,210)
Total charge	667	949

Personal injury includes £4k (2005-06 £286k) in respect of permanent injury benefits

5.3 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2005-06 £000	£000	2005-06 £000
Operating leases which expire:				
Within 1 year	0	0	222	232
Between 1 and 5 years	0	0	686	664
After 5 years	0	0	0	0
Total	0	0	908	896

Operating expenses include £649,661 for operating lease rentals (2005-06 £701,721).

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2005-06 £000
Non-executive directors' remuneration	99	0	99	94
Executive directors' remuneration:				
basic salaries	735	0	735	745
benefits	3	0	3	4
performance related bonuses	0	0	0	0
pension contributions paid	103	0	103	104
Sub-total	940	0	940	947
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
Total	940	0	940	947

The Trust does not operate a Performance Related Bonus Scheme and therefore no performance related bonuses were paid to any Director of the Trust during 2006-07
£nil was waived by directors and £nil allowances were paid in lieu.

5.4 Directors' remuneration (continued):

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

	Remuneration as director £000	Other remuneration £000	Total £000	2005-06 £000
Chairman				
Basic remuneration	39	0	39	40
Benefits	0	0	0	0
	<u>39</u>	<u>0</u>	<u>39</u>	<u>40</u>
Chief Executive				
Basic salaries	145	0	145	143
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>145</u>	<u>0</u>	<u>145</u>	<u>143</u>
Pension contributions	20	0	20	20
	<u>165</u>	<u>0</u>	<u>165</u>	<u>163</u>
Highest paid director*				
Basic salaries	137	0	137	156
Benefits	3	0	3	3
Performance related bonuses	0	0	0	0
	<u>140</u>	<u>0</u>	<u>140</u>	<u>159</u>
Pension contributions	19	0	19	22
Total	<u>159</u>	<u>0</u>	<u>159</u>	<u>181</u>

The chief executive was the highest paid director during the financial year 2006-07, during the financial 2005-06 the Medical Director was the highest paid Director as arrears were paid to the Medical Director

6. Employee costs and numbers

6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2005-06
	£000	£000	£000	£000	£000
Salaries and wages	167,797	0	2,631	170,428	160,912
Social security costs	12,758	0	0	12,758	13,395
Pension costs	20,590	0	0	20,590	18,927
Other pension costs	0	0	0	0	0
Total	201,145	0	2,631	203,776	193,234

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2005-06
	Number	Number	Number	Number	Number
Medical and dental	400	0	11	411	388
Ambulance staff	0	0	0	0	0
Administrative and estates	1,303	0	16	1,319	1,207
Healthcare assistants and other support staff	1,621	0	7	1,628	1,400
Nursing, midwifery and health visiting staff	2,062	0	7	2,069	2,126
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	518	0	6	524	747
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	5,904	0	47	5,951	5,868

The increase in Admin & Estates staff is mainly as a result of the Hosting Agencies.

Variances in the other categories are due to reclassification eg scientific staff for Healthcare assistants are recorded under Healthcare assistants not scientific staff

6.3 Employee benefits

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

	2006-07	2005-06
	£00	£00
Employee benefits		

6.4 Trust management costs

	£000	Percentage of total income	2005-06	
			£000	Percentage of total income
Trust management costs	13,435	4.1%	11,847	4.1%
Income	327,001		286,915	

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

6.5 Retirement costs due to ill-health

During 2006-07 (prior year 2005-06) there were 17 (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 Business Services Authority - Pensions Division) will be £1,474,509 (£1,307,243).

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

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

	Number	£000	2005-06 £000
NHS			
Total bills paid 2006-07	3,286	27,582	25,370
Total bills paid within target	2,529	22,844	19,791
Percentage of bills paid within target	77.0%	82.8%	78.0%
Non-NHS			
Total bills paid 2006-07	96,318	104,424	93,473
Total bills paid within target	92,165	99,884	87,668
Percentage of bills paid within target	95.7%	95.7%	93.8%
Total			
Total bills paid 2006-07	99,604	132,006	118,843
Total bills paid within target	94,694	122,728	107,459
Percentage of bills paid within target	95.1%	93.0%	90.4%

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

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

8. Profit (loss) on disposal of fixed assets

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

	2005-06
	£000
Profit on disposal of land and buildings	4
Loss on disposal of land and buildings	(47)
Profit on disposal of plant and equipment	27
Loss on disposal of plant and equipment	(314)
Profit on disposal of intangible fixed assets	0
Loss on disposal of intangible fixed assets	0
	<u>(330)</u>

9. Interest payable

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

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	11,807	0	0	0	11,807
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	34	0	0	0	34
Disposals	0	0	0	0	0
Gross cost at 31 March 2007	<u>11,841</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,841</u>
Accumulated amortisation at 1 April 2006	590	0	0	0	590
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	2,363	0	0	0	2,363
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2007	<u>2,953</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,953</u>
Net book value at 1 April 2006	11,217	0	0	0	11,217
Net book value at 31 March 2007	<u>8,888</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,888</u>

The Intangible Fixed Asset above is for Informing Healthcare who have purchased software licences.

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Assets under construction and payments on account								Total £000
	Land £000	Buildings, excluding dwellings £000	Dwellings £000	on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	
At 1 April 2006	14,043	152,047	8,683	1,763	30,208	473	3,972	311	211,500
Indexation	752	12,241	699	142	834	13	0	9	14,690
Additions									
- purchased	71	965	5	4,060	3,824	0	142	8	9,075
- donated	0	0	0	0	50	0	0	0	50
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	4,922	0	(4,922)	0	0	0	0	0
Impairments	0	0	0	0	(8)	0	0	0	(8)
Other in-year revaluations	858	(1,644)	(5)	0	0	0	0	0	(791)
Disposals	(1,031)	0	(141)	0	(2,493)	0	0	0	(3,665)
At 31 March 2007	14,693	168,531	9,241	1,043	32,415	486	4,114	328	230,851

Depreciation

At 1 April 2006	0	16,159	530	0	18,040	461	3,745	311	39,246
Indexation	0	1,301	43	0	497	12	0	8	1,861
Reclassifications	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	(5)	0	0	0	(5)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	(142)	0	0	0	0	0	(142)
Disposals	0	0	0	0	(2,207)	0	0	0	(2,207)
Provided during the year	0	5,537	238	0	3,701	8	94	1	9,579
At 31 March 2007	0	22,997	669	0	20,026	481	3,839	320	48,332

Net book value

at 1 April 2006	14,043	135,888	8,153	1,763	12,168	12	227	0	172,254
-----------------	--------	---------	-------	-------	--------	----	-----	---	---------

Net book value

at 31 March 2007	14,693	145,534	8,572	1,043	12,389	5	275	8	182,519
------------------	--------	---------	-------	-------	--------	---	-----	---	---------

Net book value of assets held under finance leases and hire purchase contracts

Total	0	0	0	0	0	0	0	0	0
-------	---	---	---	---	---	---	---	---	---

The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:

Total	0	0	0	0	0	0	0	0	0
-------	---	---	---	---	---	---	---	---	---

The Trust has undertaken a review of the remaining lives of equipment assets which have a significant value in its register (ie radiology) and in accordance with the guidance issued by the Royal College of Radiologists, has amended these lives accordingly

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

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	734	13,741	0	0	0	0	0	0	14,475
Indexation	39	1,106	0	0	0	0	0	0	1,145
Additions	22	438	0	0	0	0	0	0	460
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2007	795	15,285	0	0	0	0	0	0	16,080

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March 2006	
	£000	£000
Freehold	152,631	143,524
Long leasehold	16,170	14,560
Short leasehold	0	0
Total	168,801	158,084

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

	31 March 2006	
	£000	£000
Opening Investment	500	500
Revaluation	(121)	0
Total	379	500

The Trust gained an investment in Zoobiotic Ltd, following the spin out of the Maggots business on the 16th May 2005

12. Stocks and work-in-progress

	31 March 2006	
	£000	£000
Raw materials and consumables	3,972	3,894
Work-in-progress	0	0
Finished processed goods	0	0
Total	3,972	3,894

13. Debtors

	31 March 2006	
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	21,550	3,896
NHS debtors	7,654	7,886
PDC dividend debtors	0	327
Other debtors	3,130	3,531
Provision for irrecoverable debts	(526)	(375)
Other prepayments and accrued income	2,409	2,191
Sub-total	34,217	17,456
Amounts falling due after more than one year:		
Welsh Risk Pool	6,686	21,817
NHS debtors	0	0
Other prepayments and accrued income	2,671	3,092
Other debtors	0	0
Sub-total	9,357	24,909
Total	43,574	42,365

14. Current Asset Investments

		31 March 2006 £000
Government securities	14,900	8,925
Local authorities	0	0
Other	0	0
Total	14,900	8,925

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

		31 March 2006 £000
Amounts falling due within one year:	£000	£000
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	0	0
NHS creditors	3,625	4,486
Non-NHS trade creditors - revenue	6,140	6,030
Non-NHS trade creditors - capital	4,591	4,700
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	363	131
PDC dividend payable	48	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	174	174
Other creditors - superannuation	170	33
Other creditors - all other creditors	714	724
Accruals	7,657	7,385
Deferred income	0	0
Sub-total	23,482	23,663
Amounts falling due after more than one year:		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	3,486	3,661
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	3,775
Sub-total	3,486	7,436
Total	26,968	31,099

15.2 Loan advance/strategic assistance funding

31 March

2006

Amounts falling due:**£000****£000**

In one year or less	0	0
Between one and two years	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

The Trust has no loans/brokerage.

15.3 Finance lease obligations

31 March

2006

Payable:**Total****£000****£000**

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
Total	<u>0</u>	<u>0</u>

15.4 Finance lease commitments

The Trust has no finance lease commitments.

16. Provisions for liabilities and charges

	At 1 April 2006 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2007 £000
Clinical negligence	26,171	0	0	6,324	(2,801)	(1,470)	0	28,224
Personal injury	3,146	0	0	340	(236)	(471)	45	2,824
All other losses and special payments	0	0	0	20	0	(20)	0	0
Defence legal fees and other administration	141	0	0	80	(62)	(26)		133
Sub-total	29,458	0	0	6,764	(3,099)	(1,987)	45	31,181
Pensions relating to:								
former directors	95			0	2	(7)	2	92
other staff	1,048			0	17	(88)	23	1,000
Restructurings	0			0	0	0		0
Other	7,192			3,062	(1,754)	(1,839)		6,661
Total	37,793	0	0	9,826	(4,834)	(3,921)	70	38,934

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	21,700	6,524	0	28,224
Personal injury	704	596	1,524	2,824
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	58	75	0	133
Pensions - former directors	92	0	0	92
Pensions - other staff	1,000	0	0	1,000
Restructuring	0	0	0	0
Other	6,661	0	0	6,661
Total	30,215	7,195	1,524	38,934

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

Other Provisions include £ for Agenda for Change

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2006 as previously stated	44,829	3,062	450	500	794	49,635
Prior period adjustment					0	0
At 1 April 2006 as restated	44,829	3,062	450	500	794	49,635
Transfer from income and expenditure account					68	68
Impairments	(3)	0	0			(3)
Surplus (deficit) on revaluation / indexation of fixed assets	11,999	181	0			12,180
Transfer of realised profits/ (losses)		0	0		0	0
Receipt of donated/government granted assets		50	0			50
Depreciation, impairment and disposal of donated/government granted assets		(414)	0			(414)
Other transfers between reserves	(1,327)	0	0		1,327	0
Other reserve movements				(121)		(121)
At 31 March 2007	55,498	2,879	450	379	2,189	61,395

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2005-06 £000
Total operating surplus/(deficit)	4,776	4,555
Depreciation charge	11,942	8,239
Fixed asset impairment and reversals	3	7
Transfer from the donated asset reserve	(414)	(254)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(78)	(397)
(Increase)/decrease in debtors	(1,949)	3,955
Increase/(decrease) in creditors	(831)	(9,724)
Increase/(decrease) in provisions	1,141	4,517
Net cash inflow from operating activities before restructuring costs	14,590	10,898
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	14,590	10,898

18.2 Reconciliation of net cash flow to movement in net debt	£000	2005-06 £000
Increase/(decrease) in cash in the period	0	0
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	5,975	2,925
Change in net debt resulting from cash flows	5,975	2,925
Non-cash changes in debt	0	0
Net debt at 1 April	9,325	6,400
Net debt at 31 March	15,300	9,325

18.3 Analysis of changes in net debt

	At 1 April 2006 £000	Cash flows £000	Non-cash changes £000	At 31 March 2007 £000
OPG cash at bank	170	2,207		2,377
Commercial Cash at bank and in hand	230	(2,207)		(1,977)
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	0	0	0
Finance leases	0	0	0	0
Current asset investments	8,925	5,975	0	14,900
	9,325	5,975	0	15,300

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £689,218 (and in 2005-06 were £543,466).

20. Post balance sheet events

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

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2006-07 accounts for the following amounts:	£000	31 March 2006 £000
Legal claims for alleged medical or employer negligence	9,876	9,946
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	9,876	9,946
Amount recovered under insurance arrangements in the event of these claims being successful	(7,792)	(7,816)
Net contingent liability	2,084	2,130

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.

Bro Morgannwg Trust has received 98 equal pay grievances notices/equal pay claims from staff under equal pay legislation. The process of assessing these notices/claims is at an early stage and as a result there is significant uncertainty over both the likelihood of their success and any additional costs that Bro Morgannwg NHS Trust might incur. All 98 cases have been referred to the Employment Tribunal but as yet there is no information available on the likely year of settlement. As a result no provision or contingent liability has been made for any potential costs which may arise.

22. Losses and special payments

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

Gross loss to the Exchequer

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

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	294	1,541,560	244	1,473,841
Personal injury	332	376,908	292	333,664
All other losses and special payments	199	54,150	272	53,948
Total	825	1,972,618	808	1,861,453

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

		<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
		£	£	£
Cases exceeding £250,000				
Clinical Negligence	CBD101	0	1,009,244	0
Clinical Negligence	CBM190	112,000	4,029,949	103,000
Clinical Negligence	CBM332	16,850	549,877	413,533
Clinical Negligence	CBM399	3,084	285,688	(1,682)
Clinical Negligence	CN748	305,600	306,841	305,600
Clinical Negligence	CN776	373,675	389,575	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
Sub-total		811,209	6,571,174	820,451
All other cases		1,161,409	0	1,041,002
Total cases		1,972,618	6,571,174	1,861,453

23.1 Movements in Government funds

	2005-06	
	£000	£000
Surplus/(deficit) for the financial year	5,980	5,499
Public dividend capital dividends	(5,912)	(5,441)
Subtotal	68	58
Gains/(losses) from revaluation/indexation of purchased fixed assets	11,999	2,416
Impairment of fixed assets	(3)	11
New public dividend capital	6,728	5,212
Public dividend capital repaid	(420)	(711)
Public dividend capital repayable	0	0
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	450
Addition/(reduction) in other reserves	(121)	500
Net addition/(reduction) to Government funds	18,251	7,936
Opening Government funds at 1 April	167,600	159,664
Before deducting prior period adjustment of	0	0
Closing Government funds	185,851	167,600

23.2 Movements in public dividend capital

	2005-06	
	£000	£000
At 1 April 2006	121,027	116,526
New PDC issued in year	6,728	5,212
PDC due but not issued	0	0
PDC repaid in year	(420)	(711)
PDC repayable	0	0
At 31 March 2007	127,335	121,027

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	<u>68</u>
Variance	(68)

The Trust has broken even in 2006-07.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2006		
	£000	£000	£000
External financing limit set by the Assembly		6,308	4,501
Cash flow financing	6,308		4,951
Finance leases taken out in the year	0		0
Other capital receipts	<u>0</u>		<u>(450)</u>
External financing requirement		<u>6,308</u>	<u>4,501</u>
Undershoot (overshoot)		<u>0</u>	<u>0</u>

The Trust has achieved its external financing limit.

24.3 Creditor payment

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

Total number of non-NHS bills paid 2006-07	2006-07 96,318
Total number of non-NHS bills paid within target	92,165
Percentage of non-NHS bills paid within target	95.7%

The Trust has met the target.

25. Related Party transactions

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

During the year 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

Mrs M Lee is a Director of Zoobiotic Ltd. Mr P M Williams was Director of Zoobiotics Ltd until December 2006, the Chair of the National Leadership Innovations Agency for Healthcare and a member of the NHS Confederation Council during 2006/07 and during this year the Trust received income from and made payments to these organisations of a level not exceeding £437,000.

Mr E Williams was a member of the Finance Committee of the University of Wales, Swansea during 2006/07, and during this year the Trust received income from and made payments to this organisation, of a level not exceeding £689,000.

Dr B Ferguson was an Associate member of Neath Port Talbot LHB during 2006/07. Transactions with this organisation are shown below.

Mr David Davies was a Trustee for Neath Port Talbot Council for voluntary service, during 2006-07 and during this year the Trust received income from and made payments to this organisation, to a level not exceeding £203,000

Ms V Franklin was a member of the Vale of Glamorgan Local Health Board during 2006/07 and during this year the Trust received income from and made payments to this organisation, to a level not exceeding £31,632k.

Mrs C Miles was the Chair on the Companionship Award Committee for the Institute of Healthcare Management during 2006/07, and during this year the Trust made payments to this organisation in the region of £3k.

The Trust has also received revenue and capital payments totalling £0.55m (2005/06 £0.42m) from the Bro Morgannwg NHS Charitable Fund, the Trustees of which are also members of the Trust Board. (The audited accounts of the Funds Held on Trust for this Charitable Fund are included in the Annual Report and Accounts for the Funds Held on Trust).

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 namely,

	INCOME	
	RECEIVED/DUE	
	£'000 2006-07	£'000 2005-06
Welsh Assembly Government	31,407	35,878
Health Commission Wales	13,197	11,977
University of Wales College of Medicine	153	527
	<u>44,757</u>	<u>48,382</u>
LHB's/BSC:		
Vale LHB	31,723	31,143
Powys LHB	1,452	1,346
Bridgend	109,267	100,927
Neath/Port Talbot	82,636	77,974
Rhondda Cynon Taff	4,233	4,210
Swansea	2,289	2,106
Cardiff LHB	1,615	1,480
	<u>233,215</u>	<u>219,186</u>
TOTAL	<u>31 277,972</u>	<u>267,568</u>

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	11,796
Amortisation of PFI deferred asset	<u>(353)</u>
Net charge to operating expenses	<u>11,443</u>

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

PFI scheme which expires:	£000
Within one year	
Years 2-5 (inclusive)	
Years 6-10 (inclusive)	
Years 11-15 (inclusive)	
Years 16-20 (inclusive)	
Years 21-25 (inclusive)	13067
Years 26-30 (inclusive)	
etc.	

The estimated annual payments in future years are not expected to be materially different from those which the trust is committed to make during the next year.

	£000
Estimated capital value of the PFI scheme	66,000
Contract start date:	12 May 2000
Contract end date:	12 May 2030

Description of the Contract

On 12th May 2000, a 30 year Private Finance Initiative(PFI) contract was signed between the Trust and Baglan Moors Healthcare PLC for the provision of a 270 bed local general hospital at Baglan Moors to serve the population of Neath and Port Talbot.

The services to be provided in the new hospital, which was completed in Autumn 2000, resulted in the transfer of services from, and subsequent closure of, Neath and Port Talbot general hospitals. The Trust made its first payment on the contract in November 2002. The annual payments to the contractor (at 2006/07 prices) will be approximately £13,067 million, inclusive of the costs of support services that will be provided by the contractor.

The contract involves 3 significant elements:

Lease of the Trust's main site

The contract involves the lease of the trust's main site to the operator for nil consideration. The substance of the transaction is that it results in lower annual payments over the life of the contract. The land has been written out of fixed assets and reclassified as a prepayment in note 13 (NBV of land disposed £1,217,122). This prepayment will be amortised to the Income and Expenditure Account over the operational life of the scheme.

Residual interest in the assets

Where the property passes to the NHS at the end of the contract for nil consideration, an asset must be built up over the life of the contract in order to ensure that there is an appropriate allocation of the unitary charge between the cost of the service provided under the contract and the acquisition of the residual interest. The aim of building up the residual interest is to ensure that at the end of the contract the accumulated balance should exactly match the estimated fair value of the asset(s) received. In valuing the residual value of the building at the end of the contract, the Trust has used the District Valuer's indexed valuation figure at 30th September 2002 of £28.5 million. The asset will be subject to normal NHS valuation rules. The present value of the building over 30 years is £15,285,000. The present value of the land over 30 years is £795,000. These amounts have been recognised as a fixed asset investment in note 11.2. The value of the residual interest will be regularly revalued in accordance with NHS valuation guidelines. The provision created by the recognition of the residual interest will be amortised over the life of the contract on an annual basis. The provision has been recorded in note 15 as £3,486,167 for land and buildings.

27. Third party assets

The Trust held £113,758.99 cash at bank and in hand at 31 March 2007 (£126,314.37 @ 31 March 2006) which relates to monies held by the Trust on behalf of patients. Cash held in patient deposit accounts amounted to £468,306.49 as at 31 March 2007 (£248,234.97 @ 31 March 2006). These have been excluded from cash at bank and in hand reported in these accounts

28. 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.

29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
2006-07:				
National Assembly for Wales	1901	0	856	0
Welsh Local Health Boards	1768	0	698	0
Welsh NHS Trusts	25093	6686	1965	0
Health Commission Wales	252	0	0	0
All English Health Bodies	100	0	156	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	3	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-69	0	0	0
Sub total	29,048	6,686	3,675	0
Other Central Government Bodies				
Other Government Departments*	272	0	327	0
Revenue & Customs	1139	0	533	0
Local Authorities	750	0	4	0
Balances with Public Corporations and trading fund	0	0	0	0
Balances with bodies external to Government	3008	2671	18943	3486
TOTAL	34,217	9,357	23,482	3,486
2005-06:				
National Assembly for Wales	3,234	0	1,115	0
Welsh Local Health Boards	1,538	0	745	0
Welsh NHS Trusts	6,797	21,817	2,474	0
Health Commission Wales	1,167	0	0	0
All English Health Bodies	27	0	152	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	6	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	-988	0	0	0
Sub total	11,781	21,817	4,486	0
Other Central Government Bodies				
Other Government Departments*	147	0	56	0
Revenue & Customs	1,195	0	165	0
Local Authorities	747	0	14	0
Balances with Public Corporations and trading fund	0	0	0	0
Balances with bodies external to Government	3,586	3,092	18,942	7,436
TOTAL	17,456	24,909	23,663	7,436

30. Pooled budgets

The Trust has no pooled budgets.

32. Other

Note 31 - Additional Information

Informing Healthcare (Welsh Assembly Government NHS initiative) has been hosted by the Trust since 1st April 2004. The National Learning & Innovations Agency for Healthcare (NLIAH) transferred to the Trust from the Welsh Assembly Government on 1st November 2004. The Delivery Support Unit (DSU) is hosted by the Trust having been established by the Welsh Assembly Government on 1st November 2005. The Centre for Equality and Human Rights (CEHL) is hosted by the Trust with effect from 1st April 2006.

In hosting these agencies, it has been agreed by the Welsh Assembly Government through accountability agreements that the Trust will not bear the financial impact of any surplus / deficit arising from these trading agency services, and therefore a creditor has been raised with the Welsh Assembly Government as at 31st March 2006 (as indicated in Note 2 to the Accounts) which represents the net surplus of Informing Healthcare, NLIAH, DSU and CEHR for the year ended 31st March 2007. This creditor balance is repayable by the Trust to the Welsh Assembly Government.

The Accountability Agreements, that have been signed for the four Agencies, set down the responsibilities of both the Trust and the WAG for each of the Agencies. The Agreements require the Trust to operate a Governance Sub-Committee of the Trust Board to oversee the Trusts responsibilities for Governance in relation to the Agencies. The Trust Chief Executive also discharges his responsibilities as Accountable Officer for expenditure with each Agency through the IHC Programme Director, NLIAH Chief Executive for both NLIAH and CEHR and the Director of the DSU respectively discharging similar or personal obligations in relation to all of their Agencies Activities.

A brief outline of the roles and responsibilities of these agencies is given below for information.

Informing Healthcare (IHC)

Informing Healthcare is a National Programme to develop new methods, tools and information technologies to transform health services for the people of Wales. The aim is to modernise health service delivery and promote new ways of working through better access to information and knowledge for shared decision making. Informing Healthcare is one of the key enablers for 'Designed for Life', the national ten year strategy to deliver world class health and social care for Wales

Informing Healthcare will be achieved through a series of healthcare service improvement projects and investment in information communication technologies to create Wales-wide information and infrastructure services. Many of these Projects are delivered by local NHS organisations utilising funding which is made available by Informing Healthcare.

National Leadership & Innovation Agency for Healthcare (NLIAH)

The National Leadership & Innovation Agency for Healthcare (NLIAH) is a source of strategic support for NHS Wales to deliver the service improvement agenda as defined in the WAG strategy document "*Designed for Life*". Through its work programme, NLIAH supports individuals, teams, networks and organisations and the broader health and social care system. NLIAH has an identified role across a number of the 10 critical areas of change and reform set out in 'Designed for Life', namely professional leadership, clinical networks, service reconfiguration; education, training and workforce design; planning, commissioning and strategy partnerships; and research and evaluation. In 2006/07 the WDEC Unit was established with NLIAH.

Delivery and Support Unit (DSU)

Established by the Welsh Assembly Government in 2005, the Delivery and Support Unit provides Trusts and Local Health Boards with enhanced support and performance improvement tools to enable them to meet the national targets set by the Minister for Health and Social Services. There are key areas that the DSU focuses on including access targets, but the DSU can be invited by the Chief Executive of NHS Wales, Regional Offices or organisations themselves, to provide support in any area of their business. In addition the DSU manages the Second Offer Scheme which gives opportunities for patients to be treated within guaranteed waiting times, and it should be noted that resources for this scheme are accounted for by Rhondda Cynon Taff Local Health Board, not the Trust. The DSU is designing and delivering the Welsh Assembly Government's 2009 Project which involves achieving a 26-week patient pathway from GP or dental referral to treatment (including diagnostics and therapy) by December 2009. The DSU also provides advice and guidance to the Welsh Assembly Government on policy development matters, to enable an overall improvement of services delivered by the NHS in Wales.

CEHR

The CEHR is a strategic support for NHS Wales as the mainstreaming of equity and human rights across all aspects of service delivery and employer policy.

Welsh Health Supplies (WHS)

Welsh Health Supplies (WHS) has been a directly managed service of the Trust since 1st April 1999, and provides a wide range of contracting (procurement) services for NHS Wales, together with a Materials Management (Stores) service for the majority of organisations within NHS Wales and other organisations.

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

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

1. In these directions, unless the context otherwise requires:
"the Act" means the National Health Service Act 1977;
"Trust" means each and every NHS Trust in Wales.

FORM OF ACCOUNTS

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

ACCOUNTS OF THE TRUST

3. The accounts in respect of the funds attributable to the performance of functions by the Trust shall comprise:
- a. a foreword;
 - b. an income and expenditure account;
 - c. a balance sheet;
 - d. a cash flow statement;
 - e. a statement of total recognised gains and losses; and
 - f. such notes as may be necessary for the purposes referred to in paragraph 4 below.
4. The accounts shall give a true and fair view of the income and expenditure and cash flow for the year, and the state of affairs as at the end of the financial year. Subject to the foregoing requirement, the accounts shall also, without limiting the information given and as described in the Schedule, meet:
- a. the accounting and disclosure requirements of the Companies Act. The disclosure exemptions permitted by the Companies Act will not apply unless specifically authorised by the Assembly with the approval of the Treasury;
 - b. best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board, with the exception of the requirement contained in FRS 3 for the inclusion of a note showing historical cost profits and losses;
 - c. all relevant guidance given in "Government Accounting" and in "Trading Accounts: A Guide for the Government Departments and Non-Departmental Public Bodies" and in "The NHS Trust Manual for Accounts";
 - d. any disclosure and accounting requirements which the Assembly or Treasury may issue from time to time;
- insofar as these are appropriate to the Trust and are in force for the financial period for which the accounts are to be prepared.

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

Dated.....

Signed by the authority of the National Assembly for Wales

Signed.....

Member of the Senior Civil Service
National Assembly for Wales

SCHEDULE

Foreword

1. The foreword shall include a statement that the accounts have been prepared in accordance with these Directions given by the National Assembly for Wales.

2. The foreword shall describe the statutory background and main functions of the Trust.

Income and Expenditure Account and Balance Sheet

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

Cash Flow Statement

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

Notes to the Account

5. The notes to the account shall, inter alia, include details of the accounting policies adopted.

6. Notes providing further explanations of figures in the account shall be made where it is considered appropriate for a proper understanding of the account.

7. The account shall be signed and dated by the Chief Executive and Chairman of the Trust.

8. The accounts direction shall be reproduced as an appendix to the account.

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

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

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

Date: 2007 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Date:2007

Chairman:

Date:2007

Chief Executive:

Date:2007

Director of Finance:

Bro Morgannwg NHS Trust

STATEMENT ON INTERNAL CONTROL (year ended 31st March 2007)

1. Scope of responsibility

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

The Trust works with and involves the Welsh Assembly Government in a number of ways in relation to managing risk. The Trust has in place a serious incident reporting procedure through which serious incidents are reported to the Assembly's Regional Office, supported by development of an action plan to ensure lessons are learned. In addition, the Trust's Clinical Governance and Risk Annual Reports are shared with the Assembly, with Clinical Governance and Risk Management being agenda items for the periodic reviews with the Assembly. As Chief Executive and Accountable Officer I would personally bring any serious risks to the attention of the Director of the Assembly's Regional Office.

Actions plans developed to improve compliance with the Welsh Risk Management Standards (WRMS) during 2006/7 were submitted to the Welsh Assembly Government. From 2007/8, such plans will be submitted to the Welsh Risk Pool and form part of the Trust's Healthcare Standards Improvement Plan.

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 Trust for the year ended 31st March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The lines of accountability for risk management are stated within the Trust's Risk Management Policy and Strategy, which is annually reviewed and approved. The Chief Executive has overall responsibility for risk management. Responsibility for co-ordinating all operational Risk Management and Controls Assurance activities is delegated to the Deputy Chief Executive. The Medical Director and Nurse Director have responsibility for Clinical Governance issues, including ensuring that Clinical Risk Management Systems are maintained and developed and there are links with clinical audit. Staff in the

Governance Support Unit and a number of specialist advisors facilitate risk management throughout the Trust, supporting the Executives, Managers and Leads who directly manage risk management activities.

During the course of 2006, the Incidents, Complaints and Claims Review Group (ICCRG) became the Operational Risk Management Group (ORMG), continuing activities relating to the review and adequacy of systems for managing risk throughout the Trust, monitoring ongoing Risk Management activity in the Trust, the utilisation of Risk Registers, and reporting on the most significant risks and the level of resources required to manage those risks effectively. Standing members of the previous ICCRG and the current ORMG include four Executive Directors and the Head of the Governance Support Unit. The Group is chaired by the Deputy Chief Executive and meets on a tri-weekly basis. Onward reporting is to the Management Executive, which is concerned with all aspects of operational management and performance of the Trust, and the Trust Board where items require notification or action. Information is also passed to the Healthcare Governance Committee

Local groups dealing with risk issues exist within each Clinical Directorate. Membership comprises staff able to consider a broad range of clinical, health and safety and organisational risks.

Through a variety of training mechanisms and programmes, the Trust supports all staff to achieve a basic awareness of risk and to be able to assist in the identification and minimisation of risks, either directly or through bringing them to the attention of the appropriate manager. Plans for meeting training needs relating to specific risk management responsibilities are developed as part of an individual's annual performance review. All Trust staff have a degree of responsibility for risk management and internal control in order to achieve their individual and Trust objectives, and this will be specified as appropriate in Job Descriptions and the setting of annual objectives.

During 2006-07 the Trust as part of an All-Wales roll out, implemented a new HR and Payroll system, the "Electronic Staff Record"(ESR), which went live in November 2006-07. However there have been problems with the system in 2006-07, the main ones as follows:

- P35 Reconciliation between SPS (former system) and ESR
- Interface between ESR and Oracle General Ledger
- Staff in Post Coding Errors

Despite these problems, audit work undertaken by Internal Audit and Wales Audit Office on ESR system, does not indicate that any material errors have occurred as a result. In addition, to mitigate the control weaknesses and associated risks, the Trust has undertaken and implemented a series of tasks to address these issues:

- Use of ESR Implementation Consultant to address initial implementation issues
- Use of benchmarking against ESR Best Practice
- Monthly, ongoing use of ESR Reconciliation software
- Continuous training and development for use of ESR

The Trust continues to make full use of ESR IT support to resolve remaining issues which includes the Staff in Post Coding Errors.

Good practice identified internally and externally is disseminated across the Trust through meetings, email, newsletters, reports and via the Trust's Intranet for consideration in local risk management groups or in Trust-wide forums.

4. The risk and control framework

The Trust is committed to effectively managing risks, recognising the contribution this makes to the delivery of high quality care for patients, a safe environment of care for patients and visitors, safe systems of work and a safe work environment for staff and contractors and the effective operation of the organisation.

The Trust's Risk Management Policy and Strategy aims to ensure that the necessary systems and processes are in place and operating effectively to identify, assess and prioritise risks for action, so as to minimise the negative consequences of risks.

The Trust has adopted an integrated approach to Risk Management to support Corporate and Clinical Governance using the Welsh Risk Management Standards as a foundation. This approach deals with risks of all types - clinical, non-clinical, financial and organisational.

The Trust continues to work to:

- manage all forms and types of risk through defined structures and a systematic, ongoing process of identifying, and assessing risks, determining and selecting actions to treat risks, monitoring the effectiveness of controls measures and improvements achieved are monitored,
- manage all risks to an acceptable level, taking account of financial and resource issues and the need to prioritise actions,
- regularly review Risk Management processes
- engender ownership and responsibility for risk management at appropriate levels
- ensure communications regarding risks and risk management are relevant, timely and appropriately directed
- ensure staff are adequately trained to engage in Risk Management
- foster and promote a just culture where staff are encouraged and supported to report risks, adverse incidents and near misses
- maintain compliance with the Welsh Risk Management Standards, which support the effective management of risks in key areas.

The Trust identifies risks through proactive and reactive means. Proactively, the Trust considers scenarios and makes judgements based on experience of the issues and also uses the learning points of others. The Trust reacts to data, information and situations presented by adverse incidents, claims, complaints, audits, service and risk reviews, both internally and externally, in order to foster greater understanding of hazards, risks and the suitability and effectiveness of various controls and barriers.

Risks are analysed, evaluated and prioritised both methodically and consistently against criteria approved by the Trust Board and included in the Risk Management Policy and Strategy. These include the potential consequences for patients, staff and others and the

Trust and the probability of occurrence. Options for controlling risks are assessed taking into consideration the potential reduction in risk and the value for money that can be achieved. All high risks, as documented the Risk Registers, are reviewed by the ICCRG on a rolling basis.

Five standards are deemed core to the management of risk and the Trust's assessed compliance in these areas was:

- Risk Management Policy and Strategy – 100%
- Risk Profile – 100%
- Adverse Incident and Hazard Reporting – 100%
- Governance – 100%
- Financial Management – 100%

The Governance Support Unit undertakes an internal independent assessment of the self-assessed scores. The Trust's internal auditors are required to subsequently review the self-assessed scores for the core WRMS and to comment on their accuracy. The internal auditors concluded that the self-assessed scores were reasonable based on the evidence presented. Internal audit review the five core standards on an annual basis and in addition, a programme of cyclical reviews of non-core WRMS is in place and agreed by the Financial Audit Committee.

Risk management is embedded in the activities of the Trust through:-

- the engendering of ownership of risks and responsibility for Risk Management at appropriate levels of the organisation
- ensuring that risk issues and priorities are considered at every level of business and financial planning throughout the organisation
- ensuring that communications relating to risks and Risk Management are relevant, timely and appropriately targeted
- ensuring that risk issues are adequately considered as part of the individual performance review process and reflected in performance and development objectives
- ensuring that the Risk Management awareness and training needs of staff are assessed and met
- monitoring adherence to the policies and procedures designed to minimise risk
- setting and monitoring outcomes against Risk Management Performance Indicators

5. Pension Contributions Assurance Statement

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

6. Review of effectiveness

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

Internal Audit reports provide an independent and objective review and opinion on risk management, effectiveness of internal control and governance and the action plans for the implementation of internal audit recommendations are developed in conjunction with the Trust. For audit reviews conducted in respect of WRMS, during 2006/7 the reports were reviewed and approved by the Financial Audit Committee, who receive and consider all audit reports during the financial year.

Compliance with the Welsh Risk Management Standards is assessed annually by the Welsh Risk Pool and internally. Results are widely reported in the Trust and the Trust Board approves the action plans developed to improve compliance.

The Clinical Governance and Financial Audit Committees provide an assurance to the Trust Board that internal Risk Management controls, systems and processes are effective and that lessons are being learnt and translated into positive service improvements.

.....
CHIEF EXECUTIVE

.....
DATE

Bro Morgannwg NHS Trust

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

I certify that I have audited the financial statements on pages 1 to 36 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the accounting policies set out on pages 6 to 12.

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

Respective responsibilities of Directors, the Chief Executive and Auditor

As described on page 40 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and the contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I 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 misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 41 to 45 reflects the Trust's compliance with the Treasury and Welsh Ministers' guidance on the Statement on Internal Control and I report if it does not, or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In my opinion:

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

I have no observations to make on these financial statements.

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

Jeremy Colman
Auditor General for Wales
27 June 2007

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