

Carmarthenshire NHS Trust

Foreword

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

The Trust is responsible for the provision of hospital and community services (excluding mental health) for the residents of Carmarthenshire and parts of Ceredigion and Pembrokeshire.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2005

| | Note | £000 | 2003-04 £000 |
|---|------|------------------|-----------------|
| Income from activities | 3 | 122,643 | 109,443 |
| Other operating income | 4 | 8,772 | 7,687 |
| Total income | | 131,415 | 117,130 |
| Operating expenses | 5 | (134,273) | (120,102) |
| Operating surplus/(deficit) | | (2,858) | (2,972) |
| Costs of fundamental reorganisation/restructuring | | 0 | 0 |
| Profit/(loss) on disposal of fixed assets | 8 | 0 | 0 |
| Surplus/(deficit) before interest | | (2,858) | (2,972) |
| Interest receivable | | 252 | 170 |
| Interest payable | 9 | 0 | (71) |
| Other finance costs | 16 | 0 | 0 |
| Surplus/(deficit) for the financial year | | (2,606) | (2,873) |
| Public Dividend Capital dividends payable | | (1,865) | (2,009) |
| Retained surplus/(deficit) for the year | 17 | (4,471) | (4,882) |

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

| | | 2003-04 |
|---|------|-----------------------|
| | £000 | £000 |
| | Note | |
| Surplus/(deficit) for the financial year before dividend payments | | (2,873) |
| Fixed asset impairment losses | 17 | 0 |
| Unrealised surplus/(deficit) on fixed assets revaluations/indexation | 17 | (409) |
| Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets | 17 | 197 |
| Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets | 17 | (313) |
| Additions/(reductions) in "other reserves" | 17 | 0 |
| | | <u>0</u> |
| Total recognised gains and losses for the financial year | | (3,398) |
| Prior period adjustment | 17 | 0 |
| | | <u>0</u> |
| Total gains and losses recognised in the financial year | | <u>(546)</u> |
| | | <u>(3,398)</u> |

BALANCE SHEET AS AT 31 MARCH 2005

| | Note | £000 | £000 | 31 March 2004 £000 |
|--|------|--------|-----------------|--------------------------|
| Fixed assets | | | | |
| Intangible assets | 10 | 0 | | 0 |
| Tangible assets | 11 | 78,418 | | 73,178 |
| | | | 78,418 | 73,178 |
| Current assets | | | | |
| Stocks and work-in-progress | 12 | 1,751 | | 1,815 |
| Debtors | 13 | 11,169 | | 8,803 |
| Investments | 14 | 0 | | 0 |
| Cash at bank and in hand | 18.3 | 53 | | 53 |
| | | | 12,973 | 10,671 |
| Creditors: amounts falling due within 1 year | 15 | | (12,428) | (8,214) |
| Net current assets/(liabilities) | | | 545 | 2,457 |
| Total assets less current liabilities | | | 78,963 | 75,635 |
| Creditors: amounts falling due after more than one year | 15 | | (18,176) | (13,676) |
| Provisions for liabilities and charges | 16 | | (6,162) | (6,423) |
| Total assets employed | | | 54,625 | 55,536 |
| Financed by: | | | | |
| Taxpayer's equity | | | | |
| Public dividend capital | 23.2 | | 51,437 | 49,937 |
| Revaluation reserve | 17 | | 18,679 | 16,723 |
| Donated asset reserve | 17 | | 3,012 | 2,908 |
| Government grant reserve | 17 | | 0 | 0 |
| Other reserves | 17 | | 0 | 0 |
| Income and expenditure reserve | 17 | | (18,503) | (14,032) |
| Total taxpayer's equity | | | 54,625 | 55,536 |

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

| | Note | £000 | £000 | 2003-04 £000 |
|---|------|----------------|----------------|-----------------|
| Operating activities | | | | |
| Net cash inflow from operating activities | 18.1 | | 1,958 | 152 |
| Returns on investments and servicing of finance | | | | |
| Interest received | | 243 | | 162 |
| Interest paid | | 0 | | (71) |
| Interest element of finance leases | | 0 | | 0 |
| | | | 243 | 91 |
| Net cash inflow/(outflow) from returns on investments and servicing of finance | | | | |
| Capital expenditure | | | | |
| Payments to acquire tangible fixed assets | | (5,880) | | (6,571) |
| Receipts from sale of tangible fixed assets | | 0 | | 0 |
| Payments to acquire/ receipts from sale of intangible assets | | 0 | | 0 |
| | | | (5,880) | (6,571) |
| Net cash inflow/(outflow) from capital expenditure | | | (5,880) | (6,571) |
| Public dividend capital dividends paid | | | (2,321) | (1,827) |
| Management of liquid resources | | | | |
| Purchase of current asset investments | | 0 | | 0 |
| Sale of investments | | 0 | | 0 |
| | | | 0 | 0 |
| Net cash inflow/(outflow) from management of liquid resources | | | | |
| Net cash inflow/(outflow) before financing | | | | |
| | | | (6,000) | (8,155) |
| Financing | | | | |
| Public dividend capital received | | 1,817 | | 4,149 |
| Public dividend capital repaid (not previously accrued) | | (317) | | (494) |
| Public dividend capital repaid (accrued in previous period) | | 0 | | 0 |
| Government loans received: short term | | 0 | | 5,300 |
| Government loans repaid: short term | | 0 | | (5,300) |
| Loan advances/brokerage received | | 4,500 | | 4,500 |
| Loan advances/brokerage repaid | | 0 | | 0 |
| Other capital receipts | | 0 | | 0 |
| Capital element of finance leases | | 0 | | 0 |
| | | | 6,000 | 8,155 |
| 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 HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts with one exception see Note 1.12. The accounting policies are laid down in the manual for accounts and are not determined by individual NHS trusts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the trust is from commissioners in respect of healthcare services provided under Service and Financial Framework agreements. Income is recognised in the period in which services are provided. Where 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, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

1.5 Tangible fixed assets

i. Capitalisation

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

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

ii. Valuation

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

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

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

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

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

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

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

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

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

iii. Depreciation

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

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

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

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

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale

Where, under Financial Reporting Standard 11 a fixed asset impairment is charged to the Income and Expenditure account, offsetting income is paid by the Assembly via the Trust's main commissioner, to offset the charge. The income is used to repay Public Dividend Capital.

1.6 Donated fixed assets

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

1.7 Government grants

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

1.8 Leases

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

1.9 Private Finance Initiative

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

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

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

1.10 Stocks and work-in-progress

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

1.11 Research and development

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

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

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

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

1.12 Provisions

The trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms. This is a change from the rate of 6% applied in 2002-03 and earlier. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16. The accounts depart from the requirement of FRS12 Provisions, contingent liabilities and contingent assets in relation to 2004/05 Agenda for Change costs. FRS12 requires that the Trust endeavours to calculate a reliable estimate of the costs of Agenda for Change for inclusion in the accounts. If no reliable estimates can be made then no provision should be recognised. On the Assembly's direction -as set out in Note 21, no provision for Agenda for Change have been included in these accounts. If a reliable estimate had been calculated, a provision and its associated funding would have been included in the accounts. We are unable to quantify the effect of this departure as we have not made a reliable estimate.

1.13 Losses and special payments

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

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

1.14 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State. As a consequence it is not possible for the trust to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2004-05 was £8,597,000 (£3,768,000 for 2003-04).

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

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

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

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

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

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

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

1.15 Liquid resources

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

1.16 Value added tax

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

1.17 Foreign Exchange

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

1.18 Third party assets

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

1.19 Public Dividend Capital Dividends

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

1.20 Pooled budgets

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

2. Segmental reporting

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

3. Income from activities

| | £000 | 2003-04 £000 |
|--|----------------|-----------------|
| Local health boards | 113,540 | 105,759 |
| Health Commissioning Wales | 688 | 199 |
| NHS trusts | 1,731 | 1,128 |
| Strategic health authorities and primary care trusts | 0 | 0 |
| Foundation Trusts | 0 | 0 |
| Local authorities | 663 | 578 |
| National Assembly for Wales | 4,699 | 775 |
| Non NHS: | | |
| Private patient income | 252 | 224 |
| Overseas patients (non-reciprocal) | 26 | 43 |
| Road Traffic Act charges | 355 | 356 |
| Other income from activities | 689 | 381 |
| Total | 122,643 | 109,443 |

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

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

4. Other operating income

| | £000 | 2003-04 £000 |
|---|--------------|-----------------|
| Patient transport services | 0 | 0 |
| Education, training and research | 2,905 | 2,456 |
| Charitable and other contributions to expenditure | 706 | 439 |
| Transfer from the donated asset reserve | 333 | 313 |
| Transfer from the government grant reserve | 0 | 0 |
| Non-patient care income generation schemes | 200 | 116 |
| Other income: | | |
| Provision of laundry, pathology, payroll services | 1,841 | 2,021 |
| Accommodation and catering charges | 1,668 | 1,321 |
| Mortuary fees | 66 | 70 |
| Staff payments for use of cars | 99 | 52 |
| Business unit | 0 | 0 |
| Other | 954 | 899 |
| Total | 8,772 | 7,687 |

The main components of Other Income are as follows:

| | £'000 |
|-------------------------------|-------|
| Income from Design & Estates | 133 |
| Income from Shops | 157 |
| Income from Training & Advice | 551 |

5. Operating expenses

5.1 Operating expenses comprise

| | £000 | 2003-04 £000 |
|---|----------------|-----------------|
| Goods and services from other NHS bodies | 1,255 | 1,197 |
| Goods and services from other NHS Foundation Trusts | 0 | 0 |
| Purchase of healthcare from non-NHS bodies | 83 | 120 |
| Directors' costs | 582 | 591 |
| Staff costs | 97,099 | 83,777 |
| Supplies and services - clinical | 18,467 | 16,308 |
| Supplies and services - general | 2,096 | 2,068 |
| Establishment | 3,741 | 3,483 |
| Transport | 130 | 157 |
| Premises | 4,147 | 3,703 |
| Depreciation and amortisation | 3,886 | 3,736 |
| Fixed asset impairments and reversals | 0 | 0 |
| Audit fees | 200 | 163 |
| Other auditors' remuneration | 0 | 0 |
| Losses, special payments and irrecoverable debts | 672 | 1,199 |
| Other operating expenses | 1,915 | 3,600 |
| Total | 134,273 | 120,102 |

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

| | £000 | 2003-04 £000 |
|--|--------------|-----------------|
| Increase/decrease in provision for future payments: | | |
| Clinical negligence | 269 | (2,234) |
| Personal injury | 258 | 0 |
| All other losses and special payments | 22 | 26 |
| Defence legal fees and other administrative costs | 247 | 124 |
| Gross increase/decrease in provision for future payments | 796 | (2,084) |
| Contribution to Welsh Risk Pool | 0 | 905 |
| Premium for other insurance arrangements | 0 | 0 |
| Irrecoverable debts | 0 | 0 |
| Less: income received/ due from Welsh Risk Pool | (124) | 2,378 |
| Total charge | 672 | 1,199 |

Personal injury includes £138,382 (2003-04 £14,805) in respect of permanent injury benefits

5.3 Commitments under non-cancellable operating leases

| | Land and buildings | | Other leases | |
|--------------------------------|---------------------------|-----------------|---------------------|-----------------|
| | £000 | 2003-04 £000 | £000 | 2003-04 £000 |
| Operating leases which expire: | | | | |
| Within 1 year | 0 | 0 | 426 | 371 |
| Between 1 and 5 years | 0 | 0 | 788 | 693 |
| After 5 years | 0 | 0 | 257 | 337 |
| Total | 0 | 0 | 1,471 | 1,401 |

Operating expenses include £1,471,383 for operating lease rentals (2003-04 £1,400,721) and £ 0 for hire of plant/machinery (2003-04 £ 0).

5.4 Directors' remuneration

| | Remuneration as Director £000 | Other remuneration £000 | Total £000 | 2003-04 £000 |
|---|--|--|-----------------------|-----------------|
| Non-executive directors' remuneration | 89 | 0 | 89 | 82 |
| Executive directors' remuneration: | | | | |
| basic salaries | 339 | 119 | 458 | 422 |
| benefits | 10 | 0 | 10 | 9 |
| performance related bonuses | 0 | 0 | 0 | 0 |
| pension contributions paid | 46 | 17 | 63 | 34 |
| Sub-total | 484 | 136 | 620 | 547 |
| 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 | 484 | 136 | 620 | 547 |

5.4 Directors' remuneration (continued):

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

| | Remuneration as director £000 | Other remuneration £000 | Total £000 | 2003-04 £000 |
|-------------------------------|-------------------------------------|-------------------------------|---------------|-----------------|
| Chairman | | | | |
| Basic remuneration | 35 | 0 | 35 | 30 |
| Benefits | 0 | 0 | 0 | 0 |
| | <u>35</u> | <u>0</u> | <u>35</u> | <u>30</u> |
| Chief Executive | | | | |
| Basic salaries | 107 | 0 | 107 | 103 |
| Benefits | 0 | 0 | 0 | 0 |
| Performance related bonuses | 0 | 0 | 0 | 0 |
| | <u>107</u> | <u>0</u> | <u>107</u> | <u>103</u> |
| Pension contributions | 14 | 0 | 14 | 12 |
| | <u>121</u> | <u>0</u> | <u>121</u> | <u>115</u> |
| Highest paid director* | | | | |
| Basic salaries | 21 | 119 | 140 | 117 |
| Benefits | 0 | 0 | 0 | 0 |
| Performance related bonuses | 0 | 0 | 0 | 0 |
| | <u>21</u> | <u>119</u> | <u>140</u> | <u>117</u> |
| Pension contributions | 3 | 17 | 20 | 8 |
| Total | <u>24</u> | <u>136</u> | <u>160</u> | <u>125</u> |

* where chief executive is not the highest paid member.

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

| Name and title | 2004-05 | | | 2003-04 | | |
|----------------|-----------------------------|--|--|----------------|-------------------------------|-----------------------------|
| | Salary £5k bands £000 | Other Remuneration £5k bands £000 | Benefits in Kind Rounded to nearest £100 £00 | Salary £000 | Other Remuneration £000 | Benefits in Kind £000 |

Executive directors

| | | | | | | |
|---------------------------------------|--|--|--------------------------------|--|--|--|
| Mr P Barnett, Chief Executive | | | Consent to disclose withheld * | | | |
| Mr D Eve, Director of Finance | | | Consent to disclose withheld | | | |
| Miss D Llewellyn, Director of Nursing | | | Consent to disclose withheld | | | |
| Mr H Beynon, Deputy Chief Executive | | | Consent to disclose withheld | | | |
| Mr P Thomas, Medical Director | | | Consent to disclose withheld | | | |

Non executive directors

| | | | | | | |
|------------------------|--|--|------------------------------|--|--|--|
| Mrs M Price, Chairman | | | Consent to disclose withheld | | | |
| Mrs M French | | | Consent to disclose withheld | | | |
| Mr J Williams | | | Consent to disclose withheld | | | |
| Mr P Davies | | | Consent to disclose withheld | | | |
| Mr D Rabjohns | | | Consent to disclose withheld | | | |
| Mr J Gammon | | | Consent to disclose withheld | | | |
| Professor Dame J Clark | | | Consent to disclose withheld | | | |
| Professor J Hopkin | | | Consent to disclose withheld | | | |

Notes.

The Executive Directors above are all members of the NHS Pension Scheme, which is a contributory "final salary" scheme. The NHS Scheme requires that employees pay 6% of their earnings into the pension scheme, with the employer contributing 14% (the employers contribution to the NHS Pension Scheme is included in the salary figures shown above for Executive Directors). Pension payable is determined by the number of years of pensionable service and is related to the level of earnings/final salary at the time of retirement. Non executive directors are not members of the NHS Pension Scheme. Benefits in kind above relate to car allowances.

* above denotes consent to disclosure withheld in accordance with the Data Protection Act 1998.

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

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

Executive directors

Mr P Barnett, Chief Executive Consent to disclose withheld *

Mr D Eve, Director of Finance Consent to disclose withheld

Miss D Llewellyn, Director of Nursing Consent to disclose withheld

Mr H Beynon, Deputy Chief Executive Consent to disclose withheld

Mr P Thomas, Medical Director Consent to disclose withheld

* above denotes consent to disclosure withheld in accordance with the Data Protection Act 1998.

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV – This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

6. Employee costs and numbers

6.1 Employee costs

| | Permanent Staff | Staff on inward secondment | Agency temporary and contract staff | Total | 2003-04 |
|-----------------------|-----------------|----------------------------|-------------------------------------|---------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Salaries and wages | 79,317 | 0 | 3,715 | 83,032 | 75,072 |
| Social security costs | 5,957 | 0 | 0 | 5,957 | 5,440 |
| Pension costs | 8,597 | 0 | 0 | 8,597 | 3,768 |
| Other pension costs | 0 | 0 | 0 | 0 | 0 |
| Total | 93,871 | 0 | 3,715 | 97,586 | 84,280 |

6.2 Average number of employees

| | Permanent Staff | Staff on inward secondment | Agency temporary and contract staff | Total | 2003-04 |
|---|-----------------|----------------------------|-------------------------------------|--------------|--------------|
| | Number | Number | Number | Number | Number |
| Medical and dental | 267 | 0 | 19 | 286 | 269 |
| Ambulance staff | 0 | 0 | 0 | 0 | 0 |
| Administrative and estates | 577 | 0 | 2 | 579 | 557 |
| Healthcare assistants and other support staff | 465 | 0 | 3 | 468 | 416 |
| Nursing, midwifery and health visiting staff | 1,459 | 0 | 24 | 1,483 | 1,451 |
| Nursing, midwifery and health visiting learners | 0 | 0 | 0 | 0 | 0 |
| Scientific, therapeutic and technical staff | 448 | 0 | 10 | 458 | 414 |
| Social care staff | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 3 |
| Total | 3,216 | 0 | 58 | 3,274 | 3,110 |

6.3 Employee benefits

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

6.4 Trust management costs

| | £000 | Percentage of total income | 2003-04 | |
|------------------------|---------|----------------------------------|---------|----------------------------------|
| | | | £000 | Percentage of total income |
| Trust management costs | 4,917 | 3.7% | 4,391 | 3.7% |
| Income | 131,415 | | 117,130 | |

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

6.5 Retirement costs due to ill-health

During 2004-05 (prior year 2003-04) there were 13 (14) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £691,940 (£617,034).

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

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

| | Number | £000 | 2003-04 £000 |
|--|--------|--------|-----------------|
| NHS | | | |
| Total bills paid 2004-05 | 1,951 | 43,925 | 43,172 |
| Total bills paid within target | 1,634 | 43,101 | 41,980 |
| Percentage of bills paid within target | 83.8% | 98.1% | 97.2% |
| Non-NHS | | | |
| Total bills paid 2004-05 | 58,769 | 37,069 | 38,959 |
| Total bills paid within target | 52,877 | 33,789 | 34,739 |
| Percentage of bills paid within target | 90.0% | 91.2% | 89.2% |
| Total | | | |
| Total bills paid 2004-05 | 60,720 | 80,994 | 82,131 |
| Total bills paid within target | 54,511 | 76,890 | 76,719 |
| Percentage of bills paid within target | 89.8% | 94.9% | 93.4% |

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

| | £ | 2003-04 £ |
|---|---|--------------|
| Amounts included within Interest Payable (note 9) arising from claims made under this legislation and compensation paid to cover debt recovery costs. | 0 | 0 |

8. Profit (loss) on disposal of fixed assets

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

| | £000 | 2003-04 £000 |
|---|----------|-----------------|
| Profit on disposal of land and buildings | 0 | 0 |
| Loss on disposal of land and buildings | 0 | 0 |
| Profit on disposal of plant and equipment | 0 | 0 |
| Loss on disposal of plant and equipment | 0 | 0 |
| Profit on disposal of intangible fixed assets | 0 | 0 |
| Loss on disposal of intangible fixed assets | 0 | 0 |
| | <u>0</u> | <u>0</u> |

9. Interest payable

| | £000 | 2003-04 £000 |
|--------------------------------|----------|-----------------|
| Government borrowing | 0 | 71 |
| Finance leases and PFI schemes | 0 | 0 |
| Other | 0 | 0 |
| | <u>0</u> | <u>71</u> |

10. Intangible fixed assets

| | Software licences £000 | Licenses and trademarks £000 | Patents £000 | Development expenditure £000 | Total £000 |
|--------------------------------------|------------------------------|------------------------------------|-----------------|------------------------------------|---------------|
| Gross cost at 1 April | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Other revaluations | 0 | 0 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Gross cost at 31 March | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Accumulated amortisation at 1 April | 0 | 0 | 0 | 0 | 0 |
| Indexation | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Other revaluations | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Accumulated amortisation at 31 March | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net book value at 1 April | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net book value at 31 March | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

| Cost or valuation | Buildings, excluding | | Assets under construction and payments on account | | Plant and machinery | Transport equipment | Information technology | Furniture and fittings | Total |
|---|-------------------------|---------------|---|--------------|------------------------|------------------------|---------------------------|------------------------------|----------------|
| | Land | dwelling | Dwellings | | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2004 | 4,612 | 55,646 | 3,308 | 7,855 | 19,942 | 426 | 5,561 | 849 | 98,199 |
| Indexation | 323 | 4,400 | 262 | 621 | 473 | 3 | 89 | 18 | 6,189 |
| Additions | | | | | | | | | |
| - purchased | 0 | 0 | 0 | 4,320 | 1,744 | 0 | 669 | 0 | 6,733 |
| - donated | 0 | 0 | 0 | 150 | 122 | 0 | 5 | 0 | 277 |
| - government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 9,771 | 0 | (9,771) | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other in-year revaluations | 0 | (3,339) | 0 | (35) | 0 | 0 | 0 | 0 | (3,374) |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2005 | 4,935 | 66,478 | 3,570 | 3,140 | 22,281 | 429 | 6,324 | 867 | 108,024 |
| Depreciation | | | | | | | | | |
| At 1 April 2004 | 0 | 2,527 | 151 | 0 | 16,430 | 421 | 4,895 | 597 | 25,021 |
| Indexation | 0 | 199 | 12 | 0 | 397 | 3 | 75 | 13 | 699 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other in-year revaluations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provided during the year | 0 | 2,228 | 107 | 0 | 1,261 | 4 | 223 | 63 | 3,886 |
| At 31 March 2005 | 0 | 4,954 | 270 | 0 | 18,088 | 428 | 5,193 | 673 | 29,606 |
| Net book value at 1 April 2004 | 4,612 | 53,119 | 3,157 | 7,855 | 3,512 | 5 | 666 | 252 | 73,178 |
| Net book value at 31 March 2005 | 4,935 | 61,524 | 3,300 | 3,140 | 4,193 | 1 | 1,131 | 194 | 78,418 |
| 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 as at 31 March 2005, had no land or buildings, installations and fittings valued at open market value

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

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

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

| 11.3 The net book value of land and buildings at the balance sheet date comprise: | 31 March 2004 | |
|--|------------------|--------|
| | £000 | £000 |
| Freehold | 68,537 | 59,724 |
| Long leasehold | 1,222 | 1,164 |
| Short leasehold | 0 | 0 |
| Total | 69,759 | 60,888 |

| 12. Stocks and work-in-progress | 31 March 2004 | |
|--|------------------|-------|
| | £000 | £000 |
| Raw materials and consumables | 1,751 | 1,815 |
| Work-in-progress | 0 | 0 |
| Finished processed goods | 0 | 0 |
| Total | 1,751 | 1,815 |

| 13. Debtors | 31 March 2004 | |
|--|------------------|-------|
| | £000 | £000 |
| Amounts falling due within one year: | | |
| Welsh Risk Pool | 4,213 | 5,406 |
| NHS debtors | 3,394 | 1,320 |
| PDC dividend debtors | 364 | 0 |
| Other debtors | 1,422 | 1,009 |
| Provision for irrecoverable debts | (47) | (47) |
| Other prepayments and accrued income | 1,090 | 1,080 |
| Sub-total | 10,436 | 8,768 |
| Amounts falling due after more than one year: | | |
| Welsh Risk Pool | 704 | 0 |
| NHS debtors | 14 | 10 |
| Other prepayments and accrued income | 0 | 0 |
| Other debtors | 15 | 25 |
| Sub-total | 733 | 35 |
| Total | 11,169 | 8,803 |

14. Investments

| | 31 March 2004 | |
|-----------------------|------------------|----------|
| | £000 | £000 |
| Government securities | 0 | 0 |
| Local authorities | 0 | 0 |
| Other | 0 | 0 |
| Total | 0 | 0 |

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

| | 31 March 2004 | |
|--|------------------|---------------|
| | £000 | £000 |
| Amounts falling due within one year: | | |
| Bank overdrafts | 0 | 0 |
| Interest payable | 0 | 0 |
| Loan advance/brokerage | 0 | 0 |
| Payments received on account | 0 | 0 |
| NHS creditors | 1,511 | 1,087 |
| Non-NHS trade creditors - revenue | 3,604 | 2,582 |
| Non-NHS trade creditors - capital | 2,023 | 1,193 |
| Non-NHS trade creditors - losses and special payments | 0 | 0 |
| Tax and social security costs | 2,047 | 1,818 |
| PDC dividend payable | 0 | 92 |
| Obligations under finance leases and hire purchase contracts | 0 | 0 |
| Obligations under PFI schemes | 0 | 0 |
| Other creditors - superannuation | 0 | 0 |
| Other creditors - all other creditors | 1,942 | 1,110 |
| Accruals | 1,301 | 0 |
| Deferred income | 0 | 332 |
| Sub-total | 12,428 | 8,214 |
| Amounts falling due after more than one year: | | |
| Loan advance/brokerage | 18,176 | 13,676 |
| Obligations under finance leases and hire purchase contracts | 0 | 0 |
| Obligations under PFI schemes | 0 | 0 |
| NHS creditors | 0 | 0 |
| Non-NHS trade creditors - losses and special payments | 0 | 0 |
| Deferred income | 0 | 0 |
| Other | 0 | 0 |
| Sub-total | 18,176 | 13,676 |
| Total | 30,604 | 21,890 |

NHS creditors include:

£0 for payments due in future years under arrangements to but out the liability for early retirements over 5 instalments; and

£734,688 outstanding pensions contributions at 31 March 2005.

The accrual of £1,300,993 relates to the costs of implementing the Consultant Contract attributable to 2004-05

| 15.2 Loans/brokerage | 31 March 2004 | |
|---|------------------|-------------|
| 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 | 18,176 | 13,676 |
| Sub-total | 18,176 | 13,676 |
| 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 | 18,176 | 13,676 |
| Sub-total | 18,176 | 13,676 |
| Total repayable after five years by instalments | 0 | 0 |

Details of loan/brokerage:

[Loan/brokerage of £2,324,000 from the Welsh Assembly Government issued March 1998](#)
[Loan/brokerage of £850,000 from Welsh Assembly Government issued March 2000](#)
[Loan/brokerage of £6,002,000 from the Welsh Assembly Government issued March 2003](#)
[Loan/brokerage of £4,500,000 from the Welsh Assembly Government issued March 2004](#)
[Loan/brokerage of £4,500,000 from the Welsh Assembly Government issued March 2005](#)

| 15.3 Finance lease obligations | 31 March 2004 | |
|--|------------------|-------------|
| Payable: | £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 | 0 | 0 |
| Less finance charges allocated to future periods | 0 | 0 |
| Total | 0 | 0 |

15.4 Finance lease commitments

The Trust has no finance lease commitment

16. Provisions for liabilities and charges

| | At 1 April 2004 £000 | Structured settlement cases trans- ferred to Risk Pool £000 | Transfer of prov- isions to creditors £000 | Arising during the year £000 | Reversed unused £000 | Utilised during the year £000 | Unwinding of discount £000 | At 31 March 2005 £000 |
|---|----------------------------|--|--|---------------------------------------|----------------------------|--|-------------------------------------|-----------------------------|
| Clinical negligence | 5,018 | 0 | 0 | 3,107 | (2,838) | (861) | 0 | 4,426 |
| Personal injury | 351 | 0 | 0 | 332 | (74) | (74) | 0 | 535 |
| All other losses and special payments | 0 | 0 | 0 | 22 | 0 | (22) | 0 | 0 |
| Defence legal fees and other administration | 461 | 0 | 0 | 920 | (673) | (100) | | 608 |
| Sub-total | 5,830 | 0 | 0 | 4,381 | (3,585) | (1,057) | 0 | 5,569 |
| Pensions relating to: | | | | | | | | |
| former directors | 0 | | | 0 | 0 | 0 | 0 | 0 |
| other staff | 157 | | | 0 | 0 | 0 | 0 | 157 |
| Restructurings | 0 | | | 0 | 0 | 0 | | 0 |
| Other | 436 | | | 261 | (14) | (247) | | 436 |
| Total | 6,423 | 0 | 0 | 4,642 | (3,599) | (1,304) | 0 | 6,162 |

Expected timing of cash flows:

| | Between | | | Totals £000 |
|---|--------------------------|--------------------------|--------------------------|----------------|
| | Within 1 year £000 | 2 and 5 years £000 | After 5 years £000 | |
| Clinical negligence | 4,381 | 45 | 0 | 4,426 |
| Personal injury | 535 | 0 | 0 | 535 |
| All other losses and special payments | 0 | 0 | 0 | 0 |
| Defence legal fees and other administration | 508 | 100 | 0 | 608 |
| Pensions - former directors | 0 | 0 | 0 | 0 |
| Pensions - other staff | 157 | 0 | 0 | 157 |
| Restructuring | 436 | 0 | 0 | 436 |
| Other | 0 | 0 | 0 | 0 |
| Total | 6,017 | 145 | 0 | 6,162 |

The trust estimates that in 2005-06 it will receive £4,185,000 and in 2006-07 and beyond £704,000 from the Welsh Risk Pool in respect of the losses and special payments (including clinical negligence).

The above figures are based on information supplied by Welsh Health Legal Services and the Trust's solicitors. The Trust assumes that the financial amounts & timings of these amounts that have been supplied are accurate and will come to fruition.

The other provisions comprise the following
Working Time Directive £435,500

17. Movements on reserves

Movements on reserves in the year comprised the following:

| | Revaluation reserve £000 | Donated asset reserve £000 | Govern- ment grant reserve £000 | Other reserves £000 | Income & expenditure reserve £000 | Total £000 |
|--|--------------------------------|-------------------------------------|---|---------------------------|--|---------------|
| At 1 April 2004 as previously stated | 16,723 | 2,908 | 0 | 0 | (14,032) | 5,599 |
| Prior period adjustment | | | | | 0 | 0 |
| At 1 April 2004 as restated | 16,723 | 2,908 | 0 | 0 | (14,032) | 5,599 |
| Transfer from income and expenditure account | | | | | (4,471) | (4,471) |
| Impairments | 0 | 0 | 0 | | | 0 |
| Surplus (deficit) on revaluation / indexation of fixed assets | 1,956 | 160 | 0 | | | 2,116 |
| Transfer of realised profits/ (losses) | 0 | 0 | 0 | | 0 | 0 |
| Receipt of donated/government granted assets | | 277 | | | | 277 |
| Depreciation, impairment and disposal of donated/government granted assets | | (333) | 0 | | | (333) |
| Other transfers between reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Other reserve movements | | | | 0 | | 0 |
| At 31 March 2005 | 18,679 | 3,012 | 0 | 0 | (18,503) | 3,188 |

18. Notes to the cash flow statement

| 18.1 Reconciliation of operating surplus to net cash inflow from operating activities: | £000 | 2003-04 £000 |
|---|----------------|-----------------|
| Total operating surplus/(deficit) | (2,858) | (2,972) |
| Depreciation charge | 3,886 | 3,736 |
| Fixed asset impairment and reversals | 0 | 0 |
| Transfer from the donated asset reserve | (333) | (313) |
| Transfer from the government grant reserve | 0 | 0 |
| (Increase)/decrease in stocks | 64 | (132) |
| (Increase)/decrease in debtors | (1,987) | 2,785 |
| Increase/(decrease) in creditors | 3,447 | 163 |
| Increase/(decrease) in provisions | (261) | (3,115) |
| Net cash inflow from operating activities before restructuring costs | 1,958 | 152 |
| Payments in respect of fundamental reorganisation/restructuring | 0 | 0 |
| Net cash inflow from operating activities | 1,958 | 152 |

| 18.2 Reconciliation of net cash flow to movement in net debt | £000 | 2003-04 £000 |
|---|-----------------|-----------------|
| Increase/(decrease) in cash in the period | 0 | 0 |
| Cash inflow from new debt | 0 | (5,300) |
| Cash inflow from loan advance/brokerage | (4,500) | (4,500) |
| Cash outflow from debt repaid and finance lease capital payments | 0 | 5,300 |
| Cash (inflow)/outflow from (decrease)/increase in liquid resources | 0 | 0 |
| Change in net debt resulting from cash flows | (4,500) | (4,500) |
| Non-cash changes in debt | 0 | 0 |
| Net debt at 1 April | (13,623) | (9,123) |
| Net debt at 31 March | (18,123) | (13,623) |

18.3 Analysis of changes in net debt

| | At 1 April 2004 £000 | Cash flows £000 | Non-cash changes £000 | At 31 March 2005 £000 |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------------|
| Cash at bank and in hand | 53 | 0 | 0 | 53 |
| Bank overdrafts | 0 | 0 | 0 | 0 |
| Debt due within one year | 0 | 0 | 0 | 0 |
| Debt due after one year | 0 | 0 | 0 | 0 |
| Debt due from loan advance/brokerage | (13,676) | (4,500) | 0 | (18,176) |
| Finance leases | 0 | 0 | 0 | 0 |
| Current asset investments | 0 | 0 | 0 | 0 |
| | (13,623) | (4,500) | 0 | (18,123) |

Cash at bank and in hand at 31-3-05 includes £40k in accounts with the Office of HM Paymaster General.

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £ 1,049,456 (and in 2003-04 were £ 710,817).

20. Post balance sheet events

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

21. Contingent liabilities

| Provision has not been made in the 2004-05 accounts for the following amounts: | £000 | 31 March 2004 £000 |
|---|----------------|--------------------------|
| Legal claims for alleged medical or employer negligence | 8,131 | 10,578 |
| Doubtful debts | 0 | 0 |
| Other | 0 | 0 |
| Total value of disputed claims | 8,131 | 10,578 |
| Amount recovered under insurance arrangements in the event of these claims being successful | (7,691) | (9,081) |
| Net contingent liability | 440 | 1,497 |

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them. In respect of Agenda for Change, due to the fact that there has only been limited assimilation of posts across Wales, a reliable estimate could not be made for creating a provision for the Agenda for Change costs at local level. As a result, the Trust is not required by the Assembly to provide for these costs in the accounts. Instead, the Assembly will account for the provision separately within the Resource Accounts.

22. Losses and special payments

Gross loss to the Exchequer

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

| | <u>Amounts paid out in year</u> | | <u>Approved to write-off in year</u> | |
|---------------------------------------|---------------------------------|----------------|--------------------------------------|------------------|
| | Number | £ | Number | £ |
| Clinical negligence | 15 | 861,254 | 5 | 2,097,870 |
| Personal injury | 12 | 74,041 | 0 | 0 |
| All other losses and special payments | 607 | 21,996 | 607 | 21,996 |
| Total | 634 | 957,291 | 612 | 2,119,866 |

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

| | <u>Amounts paid out in year</u> | <u>Cumulative amount</u> | <u>Approved to write-off in year</u> |
|---------------------------------|---------------------------------|--------------------------|--------------------------------------|
| | £ | £ | £ |
| Cases exceeding £100,000 | | | |
| 00RVAMN0011 | 0 | 300,777 | 0 |
| 00RVAMN0028 | 103,516 | 103,516 | 0 |
| 00RVAMN0034 | 350,000 | 412,500 | 0 |
| 00RVAMN0051 | 150,000 | 150,000 | 0 |
| 98RVAMN0003 | 35,512 | 2,088,620 | 2,088,620 |
| 99RVAMN0008 | 0 | 104,042 | 0 |
| 99RVAMN0016 | 0 | 186,838 | 0 |
| | 0 | 0 | 0 |
| | 0 | 0 | 0 |
| | 0 | 0 | 0 |
| Sub-total | 639,028 | 3,346,293 | 2,088,620 |
| All other cases | 318,263 | 475,497 | 31,246 |
| Total cases | 957,291 | 3,821,790 | 2,119,866 |

23.1 Movements in Government funds

2003-04

| | £000 | £000 |
|--|----------------|----------------|
| Surplus/(deficit) for the financial year | (2,606) | (2,873) |
| Public dividend capital dividends | (1,865) | (2,009) |
| Subtotal | (4,471) | (4,882) |
| Gains/(losses) from revaluation/indexation of purchased fixed assets | 1,956 | (533) |
| Impairment of fixed assets | 0 | 0 |
| New public dividend capital | 1,817 | 4,149 |
| Public dividend capital repaid | (317) | (494) |
| Public dividend capital repayable | 0 | 0 |
| New loans from Government | 0 | 5,300 |
| Government loans repaid | 0 | (5,300) |
| Transfers from the donated asset reserve | 0 | 0 |
| Additions to/ transfers from the government grant reserve | 0 | 0 |
| Addition/(reduction) in other reserves | 0 | 40 |
| Net addition/(reduction) to Government funds | (1,015) | (1,720) |
| Opening Government funds at 1 April | 61,804 | 63,524 |
| Before deducting prior period adjustment of | 0 | 0 |
| Closing Government funds | 60,789 | 61,804 |

23.2 Movements in public dividend capital

2003-04

| | £000 | £000 |
|-------------------------|---------------|---------------|
| At 1 April 2004 | 49,937 | 46,242 |
| New PDC issued in year | 1,817 | 4,149 |
| PDC due but not issued | 0 | 40 |
| PDC repaid in year | (317) | (494) |
| PDC repayable | 0 | 0 |
| At 31 March 2005 | 51,437 | 49,937 |

24. Financial performance targets

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

24.1 Breakeven

| | |
|---------------------------------|----------------|
| Target retained surplus/deficit | (4,500) |
| Actual retained surplus/deficit | <u>(4,471)</u> |
| Variance | (29) |

The Trust has broken even in 2004-05

2004/05

The Trust has broken even in 2004/05 in line with the targets agreed with the Welsh Assembly Government.

2005/06

An approved Strategic Change and Efficiency plan is in place. At the time of preparing the 2004/05 financial statements the SaFF for 2005/06 has yet to be agreed. The Trust currently has identified financial risks totalling £6.85m which will need to be addressed to enable the Trust to meet its breakeven duty for the year. The level of risk assumes that an internal cost improvement target of £2.57m will be achieved. A risk management action plan has been developed with the LHB. However, community wide contingency plans to ensure that financial targets for 2005/06 are achieved and liquidity is maintained are not yet finalised.

Further, the current SCEP and achievement of the above does not address, at this stage, the accumulated deficit of £18m for which there is no current repayment schedule.

24.2 External financing

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

| | 31 March | | |
|--|----------|--------------|--------------|
| | | | 2004 |
| | £000 | £000 | £000 |
| External financing limit set by the Assembly | | 6,000 | 8,155 |
| Cash flow financing | 6,000 | | 8,155 |
| Finance leases taken out in the year | 0 | | 0 |
| Other capital receipts | <u>0</u> | | <u>0</u> |
| External financing requirement | | <u>6,000</u> | <u>8,155</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 2004-05 | 58,769 |
| Total number of non-NHS bills paid within target | 52,877 |
| Percentage of non-NHS bills paid within target | 90.0% |

The Trust has not met the target.

n

it

25. Related Party transactions

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

During the year one of the board members or members of the key management staff or parties related to them has undertaken any material transactions with the Trust

| | Payments to related party £ | Receipts from related party £ | Amounts owed to related party £ | Amounts due from related party £ |
|---------------------------|-----------------------------------|-------------------------------------|---------------------------------------|--|
| Professor Dame June Clark | 800 | 0 | 0 | 0 |
| Company Name - Acendio | 0 | 0 | 0 | 0 |

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,

| | £,000 |
|--|--------|
| Carmarthenshire Local Health Board Contract Income | 92,697 |
| Ceredigion Local Health Board Contract Income | 9,347 |
| Pembrokeshire Local Health Board Contract Income | 5,882 |
| Swansea Local Health Boards Contract Income | 2,883 |
| Neath Local Health Board Contract Income | 1,079 |
| Welsh Assembly Income | 4,699 |
| Welsh Assembly PDC Dividend paid | 2,638 |
| Welsh Assembly PDC Received | 1,817 |

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

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 | 124 |
| Amortisation of PFI deferred asset | 0 |
| Net charge to operating expenses | 124 |

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) | 127 |
| Years 6-10 (inclusive) | |
| Years 11-15 (inclusive) | |
| Years 16-20 (inclusive) | |
| Years 21-25 (inclusive) | |
| Years 26-30 (inclusive) | |
| etc. | |

The estimated annual payments in future years are expected to be materially different from those which the trust is committed to make during the next year. The likely financial effect of this +/- £0.

| | |
|---|------------|
| | £000 |
| Estimated capital value of the PFI scheme | 300 |
| Contract start date: | 29/04/1996 |
| Contract end date: | 29/04/2008 |

The scheme is a contract energy management scheme

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

| | |
|--|------|
| | £000 |
| Amounts included within operating expenses in respect of the "service" element of PFI schemes deemed to be <u>on-balance</u> sheet | 0 |
| Amortisation of PFI deferred asset | 0 |
| Net charge to operating expenses | 0 |

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

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

The estimated annual payments in future years are expected to be materially different from those which the trust is committed to make during the next year. The likely financial effect of this +/- £0.

Description of the scheme and
 - value and method of valuation of any deferred assets; and
 - value of each fixed asset.

27. Pooled budget project

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

28. Third party assets

The Trust held £6,426 cash at bank and in hand at 31 March 2005 (31 March 2004: £3,509) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand reported in these accounts.

29. Financial instruments

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

30. Intra Government balances

| | Debtors: Amounts falling due within one year £000 | Debtors: Amounts falling due after more than one year £000 | Creditors: Amounts falling due within one year £000 | Creditors: Amounts falling due after more than one year £000 |
|---|--|---|--|--|
| National Assembly | 2742 | 0 | 0 | 18176 |
| Welsh Local Health Boards | 141 | 14 | 116 | 0 |
| Welsh NHS Trusts | 1325 | 0 | 319 | 0 |
| Health Commission Wales | 115 | 0 | 0 | 0 |
| All English Health Bodies | 0 | 0 | 1076 | 0 |
| All N. Ireland Health Bodies | 0 | 0 | 0 | 0 |
| All Scottish Health Bodies | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 |
| Credit note provision | 0 | 0 | 0 | 0 |
| Sub total | <u>4,323</u> | <u>14</u> | <u>1,511</u> | <u>18,176</u> |
| Other Central Government Bodies | | | | |
| Other Government Departments* | 0 | 0 | 0 | 0 |
| Inland Revenue | 0 | 0 | 2014 | 0 |
| Customs and Excise | 109 | 0 | 0 | 0 |
| Local Authorities | 276 | 0 | 0 | 0 |
| Balances with Public Corporations and trading fund: | 0 | 0 | 0 | 0 |
| Balances with bodies external to Government | 5728 | 719 | 8903 | 0 |
| TOTAL | <u><u>10,436</u></u> | <u><u>733</u></u> | <u><u>12,428</u></u> | <u><u>18,176</u></u> |

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

Please specify:

31. Other

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

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

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

Date: 2005 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Date:2005

Chairman:

Date:2005

Chief Executive:

Date:2005

Director of Finance:

STATEMENT ON INTERNAL CONTROL

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.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2005 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 accountable officer for risk management is the Chief Executive. The Deputy Chief Executive has delegated responsibility for risk management across the Trust. Clinical directors, general managers and heads of department have delegated responsibility for risk management in their service areas.

A comprehensive risk management training programme is in place for all staff. The training begins on induction into the organisation for junior doctors and new staff. Staff then have access to a broad range of training commensurate with their role in the organisation and contribution they are expected to make to the risk management process. Training offered includes:

- Risk management
- Risk assessment
- Roles and responsibilities
- Root cause analysis/serious incident review (provided by NPSA)
- Consent
- Health & Safety
- Medical Equipment
- Conflict Management
- Manual Handling

The Risk Management Strategy and policy outlines the list of competent people in the Trust who are available to provide guidance and advice on specific risk management issues. Learning from good practice is identified from two areas.

- Externally:
 - Via benchmarking with other trusts
 - Joint working with other organisations and stakeholders
 - Welsh Risk Managers Network
 - National Patient Safety Agency

Internally:

- Root cause analysis/serious incident review
- Directorate Risk Management Groups
- Learning from Events Team
- Clinical Risk Group

4. The risk and control framework

Carmarthenshire NHS Trust assesses and prioritises all significant risks. This process leads to the formulation of a Trust wide risk profile that identifies the risks within the organisation which are significantly difficult to control.

The risk profile is a register of risks known to the Trust through a process of risk assessments across the whole organisation. Risk profiling underpins the overall risk management process and involves:

- The collection of information from all stakeholders about areas of perceived risk
- The willingness to report examples of latent and active errors soon after the event
- The management and reduction/elimination where possible of identified areas of risk

The Trust is committed to managing the risk inherent in the services it provides every day. It is not possible to manage a risk until it is known. The identification, assessment, documentation and prioritisation of risks are vital to the success of the risk management effort. Risk Management is a framework designed to identify the various causes of risk and hazard with the key objective of maintaining the safety of the stakeholders. It does this by proactively identifying risks and planning to meet new legislation and guidance. The Welsh Risk Management Standards make a key contribution to the effective management of risk. The Trust scored in excess of 75% in all of the Core Standards for the year 2005-2006.

Risk management is embedded in the organisation through:

- Directorate led integration of all areas of Risk Management, within existing processes/strategies and presentation of this in operational plans
- Systematic and timely risk profiling and review of action plans by Directorates and the Board
- Risk assessments for all service developments/changes
- Comprehensive risk management systems for reporting and reviewing all incidents, serious incidents and near misses will be utilised by all directorates/services and departments to identify hazards and risks, and trends analysis.
- Training in Root Cause Analysis (RCA) provided by the National Patient Safety Agency (NPSA) for all senior Directorate staff to enable a systematic approach to the review of unintended or unexpected patient outcome
- Further integration of Risk management, litigation and complaints in order to develop learning from the lessons
- Production of quarterly combined Risk, Complaints and Litigation report for Audit Committee
- Agreed performance indicators to demonstrate improvements in risk management
- Compliance with the requirements of the National Patient Safety Agency (NPSA)
- Monitoring of action plans arising from risk assessments and incident reviews
- Identifying areas of non-reporting and prompting a fair and just culture
- Joint working and risk assessments with partner organisations
- Monitoring of action plans arising from external reviews
- Agreed three year audit plan agreed with Internal Audit
- Consolidation of the implementation and monitoring of the Welsh Risk Management Standards in each directorate/service and department
- Directorates/services and departments complying with the requirements of the Health and Safety at Work etc Act 1974 (HSWA) and all other UK and EC statutes, legislation and regulations covering the Trusts activities.
- Achievement of the Corporate Health Standard
- Comprehensive training needs analysis to ensure competence and compliance for all staff in relation to their responsibilities for risk management

5. Review of effectiveness

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

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

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

I certify that I have audited the financial statements on pages 1 to 35 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 to 11.

Respective responsibilities of Directors, the Chief Executive and Auditor

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

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

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

I review whether the statement on pages 38 and 39 reflects the Trust's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury and the Assembly or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

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

Fundamental uncertainty

In forming my opinion, I have considered the disclosure made in the financial statements concerning the financial position for 2005-06, given the requirement to break-even, in particular;

- the absence of fully finalised plans to address the significant gap between expected income for the financial year and current expenditure levels
- the unclear position regarding loan repayment within the terms of the approved Strategic Change and Efficiency Plan.

Details of this fundamental uncertainty are described in Note 24.1.

My opinion is not qualified in this respect.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Carmarthenshire NHS Trust as at 31 March 2005 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 thereunder by the National Assembly for Wales; and
 - in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.
- I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales

29th July 2005

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

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

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

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

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

"Trust" means each and every NHS Trust.

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.