

Conwy & Denbighshire NHS Trust

Foreword

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

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

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2007 - CONSOLIDATED

	2006-07 £000	2005-06 £000
Income from activities	274,157	245,215
Other operating income	15,015	13,384
Total income	289,172	258,599
Operating expenses	(285,888)	(252,601)
Operating surplus/ (deficit)	3,284	5,998
Costs of fundamental reorganisation/restructuring	0	0
Profit /(loss) on disposal of fixed assets	(14)	(60)
Surplus /(deficit) before interest	3,270	5,938
Interest receivable	1,045	1,299
Interest payable	0	0
Other finance costs	(959)	(7,008)
Surplus /(deficit) for the financial year	3,356	229
Public Dividend Capital dividends payable	(4,513)	(4,413)
Retained surplus /(deficit) for the year	(1,157)	(4,184)

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

	2006-07	2005-06
	£000	£000
Surplus /(deficit) for the financial year before dividend payments	3,356	229
Fixed asset impairment losses	(695)	(1,705)
Unrealised surplus /(deficit) on fixed assets revaluations / indexation	8,966	2,588
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	297	1,502
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	(706)	(523)
Additions / (reductions) in "other reserves"	0	0
Defined benefit scheme actuarial gains & losses	0	0
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	11,218	2,091
Prior period adjustment	0	0
	<hr/>	<hr/>
Total gains and losses recognised in the financial year	11,218	2,091
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BALANCE SHEET AS AT 31 MARCH 2007 - CONSOLIDATED

	31 March 2007	31 March 2006
	£000	£000
Fixed assets		
Intangible assets	217	202
Tangible assets	146,784	139,069
	<u>147,001</u>	<u>139,271</u>
Current assets		
Stocks and work-in-progress	1,767	1,574
Debtors	282,841	260,973
Investments	0	0
Cash at bank and in hand	5,984	15,511
	<u>290,592</u>	<u>278,058</u>
Creditors: amounts falling due within 1 year	<u>(19,402)</u>	<u>(35,230)</u>
Net current assets/ (liabilities)	<u>271,190</u>	<u>242,828</u>
Total assets less current liabilities	418,191	382,099
Creditors: amounts falling due after more than one year	<u>(45,922)</u>	<u>(40,704)</u>
Provisions for liabilities and charges	<u>(235,268)</u>	<u>(210,928)</u>
Total assets employed	<u>137,001</u>	<u>130,467</u>
Financed by:		
Taxpayers' equity		
Public dividend capital	85,319	85,490
Revaluation reserve	53,078	44,995
Donated asset reserve	4,638	4,875
Government grant reserve	0	0
Other reserves	0	0
Income and expenditure reserve	<u>(6,034)</u>	<u>(4,893)</u>
Total taxpayers' equity	<u>137,001</u>	<u>130,467</u>

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007 - CONSOLIDATED

	2006-07	2005-06
£000	£000	£000
Operating activities		
Net cash inflow from operating activities	1,441	904
Returns on investments and servicing of finance		
Interest received	1,089	1,331
Interest paid	0	0
Interest element of finance leases	0	0
Net cash (outflow) from returns on investments and servicing of finance	1,089	1,331
Capital expenditure		
Payments to acquire tangible fixed assets	(7,750)	(10,456)
Receipts from sale of tangible fixed assets	70	19
Payments to acquire receipts from sale of intangible assets	0	0
Net cash inflow/ (outflow) from capital expenditure	(7,680)	(10,437)
Public dividend capital dividends paid	(4,503)	(4,325)
Management of liquid resources		
Purchase of current asset investments	0	0
Sale of investments	0	0
Net cash inflow/ (outflow) from management of liquid resources	0	0
Net cash inflow/ (outflow) before financing	(9,653)	(12,527)
Financing		
Public dividend capital received	8	2,150
Public dividend capital repaid (not previously accrued)	(179)	0
Public dividend capital repaid (accrued in previous period)	0	(22)
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	297	1,500
Capital element of finance leases	0	0
Net cash inflow / (outflow) from financing	126	3,628
Increase (decrease) in cash	(9,527)	(8,899)

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

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.

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 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 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.nhs.gov.uk. Copies can also be obtained from The Stationery Office

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

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

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

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

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

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

[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. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase. (Remove last sentence if Trust has any fixed asset investments).

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.

1.24 Welsh Risk Pool

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

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

The accounts of the Welsh Risk Pool are based on audited figures which are included in the final accounts of individual health bodies at 31 March 2006. The figures included within the accounts of individual health bodies are compiled in accordance with FRS 12 which recognises all claims with a probability of settlement which is greater than 50%. These potential liabilities are reflected in the Welsh Risk Pool Accounts. The potential liabilities of the Welsh Risk Pool are offset in the accounts by available cash and other debtors but the resultant liability is mitigated by the creation of a National Assembly Debtor.

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

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

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

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

1.25 Welsh Risk pool activities

i. Income

During 2006-07 the Welsh Risk Pool (the Pool) received its income from the Assembly.

ii. Special Payments

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

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

1.26 Pooled budgets

The Trust has no pooled budgets.

2. Segmental reporting

The following information segments the results of the Trust by:

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

	Welsh Risk Pool		Healthcare activities		Total	
	£000		£000		£000	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Segment income	68,465	50,696	220,666	207,840	289,172	258,599
Costs directly attributable to the segment	(67,885)	(44,555)	(217,962)	(207,983)	(285,888)	(252,601)
Surplus/deficit	580	6,141	2,704	(143)	3,284	5,998
Common costs	0	0	0	0	0	0
Surplus/deficit before interest	580	6,141	2,704	(143)	3,284	5,998
Net Assets						
Segment net assets	0	0	137,001	130,467	137,001	130,467

This note includes inter-segment trading which amounted to £41k (2005/06 £63k). This is "netted-off" from the consolidated position shown in the main Income and Expenditure Account.

The accounts of the healthcare activities of the Trust are on pages 1 to 31 of the Healthcare Accounts and the accounts of the Welsh Risk Pool are on pages 1 to 9 of the Welsh Risk Pool Accounts.

3. Financial performance targets

The Trust has met 1 out of 3 of its financial targets. Details are given below:

3.1 Breakeven

The Trust has not broken even in 2006-07.

The Trust had reported an agreed deficit target of £2.5m for 2006/2007 in the previous years accounts. This was further revised to £1.8m. The Trust finally achieved a deficit of £1.157m, being an improvement of £0.643m on the agreed deficit.

However, Schedule 4, Paragraph 2 of the NHS (Wales) Act 2006 – formerly the National Health Service and Community Care Act 1990 lays down the statutory financial duties of NHS Trusts:

(1) Every NHS Trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet its outgoings properly charged to revenue account.

(2) Each NHS Trust must achieve such financial objectives as may from time to time be set by the Welsh Minister with the consent of the Treasury and as are applicable to it.

The Trust has a Service Change and Efficiency plan (SCEP) which has been accepted by the Welsh Assembly Government and has therefore achieved its statutory duty under Part (1) above. However the Trust has failed its statutory breakeven duty under Part (2) above. The Trust will take all necessary action to address the situation in 2007-08 as identified in the approved SCEP.

The plan to achieve a breakeven position in 2007/2008 has been formally approved by WAG. The plans formulated in partnership with Local Health Boards and other stakeholders addresses the residual financial risk and ensures liquidity is maintained.

3.2 External financing

All trusts are permitted to undershoot their external financing limit (EFL). In 2006-07 the trust was given a single consolidated EFL.

The Trust has achieved its consolidated external financing limit.

	31 March 2007	31 March 2006
	£000	£000
External financing limit set by the National Assembly	9,356	11,027
Cash flow financing	9,653	12,527
Finance leases taken out in year	0	0
Other capital receipts	(297)	(1,500)
External financing requirement	<u>9,356</u>	<u>11,027</u>
Undershoot (overshoot)	<u>0</u>	<u>0</u>

3.3 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:

	2006-07
Total number of non-NHS bills paid 2006-07	73,036
Total number of non-NHS bills paid within target	67,531
Percentage of non-NHS bills paid within target	92.5%

The Trust has not met the target.

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

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

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

Date 13th July 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: 13th July 2007

Chairman:

Date: 13th July 2007

Chief Executive:

Date: 13th July 2007

Director of Finance:

STATEMENT ON INTERNAL CONTROL 2006/2007
ORGANISATION NAME: CONWY AND DENBIGHSHIRE NHS TRUST

1. Scope of responsibility

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

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

2. The purpose of the system of internal control

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

3. Capacity to Manage Risk.

The Risk Management Policy and Strategy 2007 - 2008 was validated by the Risk Management Committee, and ratified by the Executive Management Team in January 2007. The strategy has been developed and is reviewed annually to ensure that all services provided and managed by the Trust are efficient, safe and reliable. It also provides a framework for the development of a robust management process throughout the Trust.

I have delegated responsibilities for risk management to the Director of Nursing. In embedding the risk management process as an integral part of the business of the organisation, a committee structure has been established to assist the Board to discharge its responsibilities.

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

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

Reporting Relationship

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

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

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

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

The organisation has adopted a new approach whereby the principal risks that could potentially threaten the achievement of the organisation's primary objectives have been systematically identified. This approach utilises the directorate and departmental risk registers, to provide an 'aggregated' register for top clinical risks (a top sixteen) and a 'red' register for operational risks. The clinical register will have a 'resolved' component to share learning across directorates, and the top operational risks will inform an assurance framework. This assurance framework will be devised in conjunction with the Director of the Internal audit department and operational leads.

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

4. The Risk and Control Framework

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

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

- Principal Committees for managing risks, including summarised Terms of Reference
- Controls Assurance Standards Leads and Standard leads for all the other Welsh Risk Management Standards.
- An established process of risk assessment that informs local risk registers and ultimately a corporate risk register.
- Annual risk management, infection control and health and safety report to the Trust Board
- Welsh Risk Pool and self assessment compliance against the standards
- Annual internal audit review on the five core standards
- Annual Audit by the Wales Audit Office

Confirmation of the five core Welsh Risk Pool Assessment Scores 2006/2007

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

• Standard 1	Risk Management Policy and Strategy	100%
• Standard 2	Risk Assessment and Treatment	99%
• Standard 3	Adverse Incident and Hazard Reporting	100%
• Standard 37	Governance	93.6%
• Standard 38	Financial Management	99.7%

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

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

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

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

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

5. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of

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

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

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

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

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

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

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

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

- Controls assurance standards
- Welsh Risk Management Standards, action plan and reports

- The Health and Safety Executives (HSE) visits and reports
- Commission For Health Improvement (CHI)
- Health Improvement Wales (HIW)
- Scheduled reports to the Board
- Wales Audit Office

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

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

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

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

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

6. 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 complied with.

7. Significant internal control problems

In April 2006, as part of a Wales wide roll out, the Trust implemented a new payroll system, the 'Electronic Staff Record' (ESR). However there have been problems with the system in 2006/07 and the main ones are as follows:

- Risk of potential unidentified overpayments;
- Sickness management reports were inaccurate or unavailable; and
- Some other functional management reports were unavailable.

Internal Audit carried out a review of the ESR system and was able to provide only limited assurance that the implementation and controls for the system had adequately been established and applied. The Trust therefore undertook additional work to mitigate the control weaknesses and associated risks including reliance on budgetary control procedures and manual reconciliations. The Trust continues to work to resolve outstanding issues including pursuing the system supplier for electronic data to enable computer assisted audit techniques to be carried out.

Signed..... Date: 16 July 2007
Chief Executive
(On behalf of the board)

The certificate and report of the Auditor General for Wales to the National Assembly for Wales

Conwy & Denbighshire 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 consolidated financial statements on pages 2 to 14, which incorporate the Healthcare accounts on pages 2 to 31, and the Welsh Risk Pool accounts on pages 1 to 9, 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 2 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. The Directors and the Chief Executive are also responsible for the preparation of the Foreword and the contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I have been unable to read the other information contained in the Annual Report and consider whether it was consistent with the audited financial statements as it was not available at the time of my audit.

I review whether the statement on pages 17 to 23 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.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Conwy & Denbighshire NHS Trust as at 31 March 2007 and of its surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by Welsh Ministers; and

- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

My conclusion on Conwy & Denbighshire 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
3 August 2007

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

Conwy & Denbighshire NHS Trust

Foreword

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

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

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2007

	Note	£000	2005-06 £000
Income from activities	3	205,651	194,456
Other operating income	4	15,015	13,384
Total income		220,666	207,840
Operating expenses	5	(217,962)	(207,983)
Operating surplus/(deficit)		2,704	(143)
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(14)	(60)
Surplus/(deficit) before interest		2,690	(203)
Interest receivable		696	476
Interest payable	9	0	0
Other finance costs	16	(30)	(44)
Surplus/(deficit) for the financial year		3,356	229
Public Dividend Capital dividends payable		(4,513)	(4,413)
Retained surplus/(deficit) for the year	17	(1,157)	(4,184)

**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		229
Fixed asset impairment losses	17	(1,705)
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	2,588
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	1,502
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(523)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		2,091
Prior period adjustment	17	0
		<u>0</u>
Total gains and losses recognised in the financial year		<u>2,091</u>

BALANCE SHEET AS AT 31 MARCH 2007

	Note	£000	£000	31 March 2006 £000
Fixed assets				
Intangible assets	10	217		202
Tangible assets	11	146,784		139,069
Investment assets	11.4	0		0
			147,001	139,271
Current assets				
Stocks and work-in-progress	12	1,767		1,574
Debtors	13	10,590		10,049
Investments	14	0		0
Cash at bank and in hand	18.3	32		32
Total current assets			12,389	11,655
Creditors: amounts falling due within 1 year	15		(11,782)	(11,344)
Net current assets/(liabilities)			607	311
Total assets less current liabilities			147,608	139,582
Creditors: amounts falling due after more than one year	15		(149)	(37)
Provisions for liabilities and charges	16		(10,458)	(9,078)
Total assets employed			137,001	130,467
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		85,319	85,490
Revaluation reserve	17		53,078	44,995
Donated asset reserve	17		4,638	4,875
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		(6,034)	(4,893)
Total taxpayer's equity			137,001	130,467

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		11,368	10,658
Returns on investments and servicing of finance				
Interest received		689		476
Interest paid		0		0
Interest element of finance leases		0		0
Net cash inflow/(outflow) from returns on investments and servicing of finance			689	476
Capital expenditure				
Payments to acquire tangible fixed assets		(7,750)		(10,456)
Receipts from sale of tangible fixed assets		70		19
Payments to acquire/ receipts from sale of intangible assets		0		0
Net cash inflow/(outflow) from capital expenditure			(7,680)	(10,437)
Public dividend capital dividends paid			(4,503)	(4,325)
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
Net cash inflow/(outflow) from management of liquid resources			0	0
Net cash inflow/(outflow) before financing			(126)	(3,628)
Financing				
Public dividend capital received		8		2,150
Public dividend capital repaid (not previously accrued)		(179)		0
Public dividend capital repaid (accrued in previous period)		0		(22)
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		297		1,500
Capital element of finance leases		0		0
Net cash inflow/(outflow) from financing			126	3,628
Increase/(decrease) in cash	18.2		0	0

1. Accounting policies and other information

See consolidated accounts.

2. Segmental reporting

See consolidated accounts.

3. Income from activities

	2005-06	2006-07
	£000	£000
Local health boards	176,705	189,449
Health Commission Wales	4,574	5,891
NHS trusts	924	1,777
Strategic health authorities and primary care trusts	2,989	3,452
Foundation Trusts	0	0
Local authorities	1,111	960
National Assembly for Wales	6,530	2,382
Non NHS:		
Private patient income	664	787
Overseas patients (non-reciprocal)	54	67
Road Traffic Act charges/NHS Injury Costs Recovery (ICR) Scheme	497	568
Other income from activities	408	318
Total	194,456	205,651

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

4. Other operating income

	2005-06	2006-07
	£000	£000
Patient transport services	0	0
Education, training and research	6,516	6,945
Charitable and other contributions to expenditure	687	897
Transfer from the donated asset reserve	523	706
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	727	938
Other income:		
Provision of laundry, pathology, payroll services	1,504	1,503
Accommodation and catering charges	870	827
Mortuary fees	123	117
Staff payments for use of cars	0	0
Business unit	0	0
Other	2,434	3,082
Total	13,384	15,015

Other income of £3,082k includes the following sources:

Direct credit income	554	483
Informing Healthcare projects	467	487
Secondment funding	27	206
Diabetic Retinopathy	170	177
NWBSP funding	0	143
Other miscellaneous	1,216	1,586
Total	2,434	3,082

Other income also includes £143k funding in respect of NWBSP costs (see Note 31)

5. Operating expenses

5.1 Operating expenses comprise

	£000	2005-06 £000
Goods and services from other NHS bodies	3,610	3,129
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	0	0
Directors' costs	779	763
Staff costs	161,279	154,588
Supplies and services - clinical	25,989	24,394
Supplies and services - general	2,561	2,424
Establishment	2,327	2,075
Transport	3,544	3,666
Premises	7,783	7,596
Depreciation	7,878	7,073
Amortisation	46	0
Fixed asset impairments and reversals	0	0
Audit fees	203	206
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	837	706
Other operating expenses	1,126	1,363
Total	217,962	207,983

The operating expenses include £143k North Wales Business Support Partnership costs, as detailed in Note 31.

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	883	2,015
Personal injury	212	138
All other losses and special payments	12	14
Defence legal fees and other administrative costs	106	144
Gross increase/decrease in provision for future payments	1,213	2,311
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	17	15
Irrecoverable debts	100	12
Less: income received/ due from Welsh Risk Pool	(493)	(1,632)
Total charge	837	706

Personal injury includes £249,822 (2005-06 £76,800) 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	437	365
Between 1 and 5 years	0	0	669	730
After 5 years	0	0	0	0
Total	0	0	1,106	1,095

Operating expenses include £1,106,746 for operating lease rentals (2005-06 £1,094,756) and £73,467 for hire of plant/machinery (2005-06 £76,436).

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2005-06 £000
Non-executive directors' remuneration	95	0	95	98
Executive directors' remuneration:				
basic salaries	541	0	541	524
benefits	21	0	21	22
performance related bonuses	0	0	0	0
pension contributions paid	74	0	74	72
Sub-total	731	0	731	716
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	731	0	731	716

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

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

5.4 Directors' remuneration (continued):

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

	Remuneration as director £000	Other remuneration £000	Total £000	2005-06 £000
Chairman				
Basic remuneration	39	0	39	39
Benefits	0	0	0	0
	<u>39</u>	<u>0</u>	<u>39</u>	<u>39</u>
Chief Executive				
Basic salaries	128	0	128	126
Benefits	7	0	7	7
Performance related bonuses	0	0	0	0
	<u>135</u>	<u>0</u>	<u>135</u>	<u>133</u>
Pension contributions	18	0	18	17
	<u>153</u>	<u>0</u>	<u>153</u>	<u>150</u>
Highest paid director*				
Basic salaries	159	0	159	152
Benefits	4	0	4	4
Performance related bonuses	0	0	0	0
	<u>163</u>	<u>0</u>	<u>163</u>	<u>156</u>
Pension contributions	21	0	21	20
Total	<u>184</u>	<u>0</u>	<u>184</u>	<u>176</u>

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	134,268	0	1,832	136,100	129,549
Social security costs	9,830	0	121	9,951	10,459
Pension costs	15,693	0	210	15,903	15,245
Other pension costs	0	0	0	0	0
Total	159,791	0	2,163	161,954	155,253

Employee costs include BSP employee costs (refer Note 31)

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	393	0	9	402	383
Ambulance staff	0	0	0	0	0
Administrative and estates	885	0	13	898	902
Healthcare assistants and other support staff	552	0	0	552	500
Nursing, midwifery and health visiting staff	2,138	0	3	2,141	2,239
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	755	0	13	768	742
Social care staff	0	0	0	0	0
Other	3	0	0	3	6
Total	4,726	0	38	4,764	4,772

6.3 Employee benefits

The trust does not have an employee benefit scheme.

6.4 Trust management costs

	£000	Percentage of total income	2005-06	
			£000	Percentage of total income
Trust management costs	8,888	4.0%	8,402	4.0%
Income	220,523		207,840	

This cost information is collected using the definition for Trust management costs from WHC(2000)113. NWBSP costs and income are excluded.

6.5 Retirement costs due to ill-health

During 2006-07 (prior year 2005-06) there were 9 (10) 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 £403,062 (£556,223).

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	1,560	9,831	9,303
Total bills paid within target	1,278	9,361	9,016
Percentage of bills paid within target	81.9%	95.2%	96.9%
Non-NHS			
Total bills paid 2006-07	73,036	49,248	51,864
Total bills paid within target	67,531	46,895	49,230
Percentage of bills paid within target	92.5%	95.2%	94.9%
Total			
Total bills paid 2006-07	74,596	59,079	61,167
Total bills paid within target	68,809	56,256	58,246
Percentage of bills paid within target	92.2%	95.2%	95.2%

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:

	£000	2005-06 £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	10
Loss on disposal of plant and equipment	(14)	(70)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
	(14)	(60)

9. Interest payable

	£000	2005-06 £000
Government borrowing	0	0
Finance leases and PFI schemes	0	0
Other	0	0
	0	0

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	254	0	0	0	254
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	61	0	0	0	61
Disposals	0	0	0	0	0
Gross cost at 31 March 2007	315	0	0	0	315
Accumulated amortisation at 1 April 2006	52	0	0	0	52
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	46	0	0	0	46
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2007	98	0	0	0	98
Net book value at 1 April 2006	202	0	0	0	202
Net book value at 31 March 2007	217	0	0	0	217

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding Land		Dwellings	Assets under construction and payments on account		Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000		£000	£000					
At 1 April 2006	7,358	139,266	7,707	1,638	29,089	664	5,894	718	192,334	
Indexation	394	11,206	620	104	739	18	0	19	13,100	
Additions										
- purchased	0	3,779	21	1,525	1,185	37	448	116	7,111	
- donated	0	33	0	0	202	0	62	0	297	
- government granted	0	0	0	0	0	0	0	0	0	
Reclassifications	0	5,416	0	(723)	(2,223)	0	(2,461)	(9)	0	
Impairments	0	(780)	0	0	0	0	0	0	(780)	
Other in-year revaluations	0	(4,447)	0	0	(111)	0	0	0	(4,558)	
Disposals	0	0	0	0	(645)	0	0	0	(645)	
At 31 March 2007	7,752	154,473	8,348	2,544	28,236	719	3,943	844	206,859	
Depreciation										
At 1 April 2006	0	28,772	3,965	324	15,027	540	4,500	137	53,265	
Indexation	0	2,315	319	0	385	15	0	3	3,037	
Reclassifications	0	3,414	0	0	(976)	0	(2,431)	(7)	0	
Impairments	0	(83)	0	0	0	0	0	0	(83)	
Reversal of impairments	0	0	0	0	0	0	0	0	0	
Other in-year revaluations	0	(3,350)	0	0	(111)	0	0	0	(3,461)	
Disposals	0	0	0	0	(561)	0	0	0	(561)	
Provided during the year	0	4,907	92	0	2,364	51	386	78	7,878	
At 31 March 2007	0	35,975	4,376	324	16,128	606	2,455	211	60,075	
Net book value at 1 April 2006	7,358	110,494	3,742	1,314	14,062	124	1,394	581	139,069	
Net book value at 31 March 2007	7,752	118,498	3,972	2,220	12,108	113	1,488	633	146,784	
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	

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

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

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

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

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2006	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2007	0	0	0	0	0	0	0	0	0

11.3 The net book value of land and buildings at the balance sheet date comprise:		31 March
		2006
	£000	£000
Freehold	130,222	121,594
Long leasehold	0	0
Short leasehold	0	0
Total	130,222	121,594

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

The Trust has no fixed asset investments.

		31 March
		2006
	£000	£000
Details of investment	0	0
Details of investment	0	0
Total	0	0

12. Stocks and work-in-progress

		31 March
		2006
	£000	£000
Raw materials and consumables	1,767	1,574
Work-in-progress	0	0
Finished processed goods	0	0
Total	1,767	1,574

13. Debtors

		31 March
		2006
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	3,075	2,804
NHS debtors	2,375	2,526
PDC dividend debtors	8	18
Other debtors	3,493	3,158
Provision for irrecoverable debts	(279)	(179)
Other prepayments and accrued income	1,727	1,502
Sub-total	10,399	9,829
Amounts falling due after more than one year:		
Welsh Risk Pool	0	0
NHS debtors	52	136
Other prepayments and accrued income	0	0
Other debtors	139	84
Sub-total	191	220
Total	10,590	10,049

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

14. Current Asset Investments

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

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

	31 March 2006	
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	0	0
NHS creditors	2,222	3,130
Non-NHS trade creditors - revenue	2,551	2,683
Non-NHS trade creditors - capital	506	401
Non-NHS trade creditors - losses and special payments	15	21
Tax and social security costs	1,120	2,504
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	0	0
Other creditors - all other creditors	4,286	1,652
Accruals	987	738
Deferred income	95	215
Sub-total	11,782	11,344
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	0	0
NHS creditors	149	37
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	149	37
Total	11,931	11,381

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

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	2,669	0	0	1,683	(800)	(691)	0	2,861
Personal injury	1,323	0	0	507	(295)	(174)	18	1,379
All other losses and special payments	0	0	0	12	0	(12)	0	0
Defence legal fees and other administration	335	0	0	238	(132)	(113)		328
Sub-total	4,327	0	0	2,440	(1,227)	(990)	18	4,568
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	531			21	0	(44)	12	520
Restructurings	0			0	0	0		0
Other	4,220			1,150	0	0		5,370
Total	9,078	0	0	3,611	(1,227)	(1,034)	30	10,458

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	2,860	0	0	2,860
Personal injury	414	231	735	1,380
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	323	5	0	328
Pensions - former directors	0	0	0	0
Pensions - other staff	36	135	349	520
Restructuring	0	0	0	0
Other	5,370	0	0	5,370
Total	9,003	371	1,084	10,458

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

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	44,995	4,875	0	0	(4,893)	44,977
Prior period adjustment					0	0
At 1 April 2006 as restated	44,995	4,875	0	0	(4,893)	44,977
Transfer from income and expenditure account					(1,157)	(1,157)
Impairments	(695)	0	0			(695)
Surplus (deficit) on revaluation / indexation of fixed assets	8,794	172	0			8,966
Transfer of realised profits/ (losses)	(16)	0	0		16	0
Receipt of donated/government granted assets		297	0			297
Depreciation, impairment and disposal of donated/government granted assets		(706)	0			(706)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2007	53,078	4,638	0	0	(6,034)	51,682

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)	2,704	(143)
Depreciation charge	7,924	7,073
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	(706)	(523)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(193)	(232)
(Increase)/decrease in debtors	(157)	3,334
Increase/(decrease) in creditors	416	(3,456)
Increase/(decrease) in provisions	1,380	4,605
Net cash inflow from operating activities before restructuring costs	11,368	10,658
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	11,368	10,658

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	0	0
Change in net debt resulting from cash flows	0	0
Non-cash changes in debt	0	0
Net debt at 1 April	32	32
Net debt at 31 March	32	32

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	20	0		20
Commercial Cash at bank and in hand	12	0		12
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	0	0	0	0
	32	0	0	32

Cash at bank and in hand at 31 March 2007 includes £79k in accounts with Office of HM Paymaster General.
(31 March 2006 £117k)

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £1,579,309 (and in 2005-06 were £33,975).

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	5,530	7,221
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	5,530	7,221
Amount recovered under insurance arrangements in the event of these claims being successful	(4,796)	(6,637)
Net contingent liability	734	584

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

The Trust has received 60 formal claims under equal pay legislation. There is significant uncertainty regarding both the likelihood of success of any claims and the liability of the Trust if any claims were to be successful. No cases have been referred to employment tribunal. It is unlikely that any of these cases will be settled within the next two years

Contingent assets

The Trust has no contingent assets.

22. Losses and special payments

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

Gross loss to the Exchequer

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

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	21	690,724	8	1,275,700
Personal injury	24	173,417	9	51,665
All other losses and special payments	103	11,967	102	11,967
Total	148	876,108	119	1,339,332

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			
Medical Negligence case ref 98RT8MN0009	0	1,050,282	1,050,282
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
Sub-total	0	1,050,282	1,050,282
All other cases	876,108	1,344,105	289,050
Total cases	876,108	2,394,387	1,339,332

23.1 Movements in Government funds

2005-06

	£000	£000
Surplus/(deficit) for the financial year	3,356	229
Public dividend capital dividends	(4,513)	(4,413)
Subtotal	(1,157)	(4,184)
Gains/(losses) from revaluation/indexation of purchased fixed assets	8,778	2,442
Impairment of fixed assets	(695)	(1,705)
New public dividend capital	8	2,256
Public dividend capital repaid	(179)	0
Public dividend capital repayable	0	0
New loans from Government	0	0
Government loans repaid	0	0
Transfers from the donated asset reserve	0	5
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	16	69
Net addition/(reduction) to Government funds	6,771	(1,117)
Opening Government funds at 1 April	125,592	126,709
Before deducting prior period adjustment of	0	0
Closing Government funds	132,363	125,592

23.2 Movements in public dividend capital

2005-06

	£000	£000
At 1 April 2006	85,490	83,234
New PDC issued in year	8	2,256
PDC due but not issued	0	0
PDC repaid in year	(179)	0
PDC repayable	0	0
At 31 March 2007	85,319	85,490

24. Financial performance targets

The Trust has met 1 out of 3 of its financial targets. Details are given below:

24.1 Breakeven	£'000
Target retained surplus/(deficit)	(1,800)
Actual retained surplus/(deficit)	(1,157)
Variance	(643)

The Trust had reported an agreed deficit target of £2.5m for 2006/2007 in the previous years accounts. This was further revised to £1.8m. The Trust finally achieved a deficit of £1.157m, being an improvement of £0.643m on the agreed deficit.

However, Schedule 4, Paragraph 2 of the NHS (Wales) Act 2006 – formerly the National Health Service and Community Care Act 1990 lays down the statutory financial duties of NHS Trusts:

(1) Every NHS Trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet its outgoings properly charged to revenue account.

(2) Each NHS Trust must achieve such financial objectives as may from time to time be set by the Welsh Minister with the consent of the Treasury and as are applicable to it.

The Trust has a Service Change and Efficiency plan (SCEP) which has been accepted by the Welsh Assembly Government and has therefore achieved its statutory duty under Part (1) above. However the Trust has failed its statutory breakeven duty under Part (2) above. The Trust will take all necessary action to address the situation in 2007-08 as identified in the approved SCEP.

The plan to achieve a breakeven position in 2007/2008 has been formally approved by WAG. The plans formulated in partnership with Local Health Boards and other stakeholders addresses the residual financial risk and ensures liquidity is maintained.

24.2 External financing		31 March
The Trust is given an external financing limit which it is permitted to undershoot		2006
	£000	£000
External financing limit set by the Assembly		(171)
Cash flow financing	126	2,128
Finance leases taken out in the year	0	3,628
Other capital receipts	297	0
External financing requirement		(171)
Undershoot (overshoot)		2,128
		0

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
	73,036
Total number of non-NHS bills paid within target	67,531
Percentage of non-NHS bills paid within target	92.5%

The Trust has not met the target.

25. Related Party transactions

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

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

Director	Title	Organisation
Prof D Jones	Non Executive Director	NEWI Wrexham
Dr C Cefai	Non Executive Director	North East Wales NHS 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,

	Payments to £000's	Receipts from £000's	Amounts owed to £000's	Amounts due £000's
Welsh Assembly Government	4,503	8,355	0	883
Health Commission Wales	0	6,129	0	37
NEWI Wrexham	17	0	0	0
Bro Morgannwg NHS Trust	3,055	557	215	10
Cardiff & Vale NHS Trust	66	460	11	41
Conwy LHB	0	63,921	1	62
Denbighshire LHB	0	86,368	1,113	161
Denbighshire County Council	0	0	0	0
Flintshire LHB	0	25,851	0	43
Gwynedd LHB	0	4,360	0	1
North East Wales NHS Trust	1,158	1,558	80	292
North West Wales NHS Trust	1,049	1,298	114	159
Velindre NHS Trust	689	1,081	115	171
Wrexham LHB	0	5,872	0	29
Ynys Mon LHB	0	2,215	0	0
Welsh Ambulance Services NHS Tru	1,121	156	31	13

The Trust also received revenue and capital payments from a number of Charitable funds, all of the Trustees are also members of the Trust board. The value of receipts from these amounted to £1,076,273.

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	238
Amortisation of PFI deferred asset	0
Net charge to operating expenses	238

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

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

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

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

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

PFI scheme which expires:	£000
Within one year	293
Years 2-5 (inclusive)	1172
Years 6-10 (inclusive)	1465
Years 11-15 (inclusive)	1465
Years 16-20 (inclusive)	1465
Years 21-25 (inclusive)	1465
Years 26-30 (inclusive)	733

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

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

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

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

26. Other/ Private finance transactions continued

26.2 The Trust has no PFI operational schemes deemed to be on-balance sheet

26. Other/ Private finance transactions continued

26.3 The Trust has no Public Private Partnerships

27. Third party assets

The Trust has no Third Party Assets.

The Trust held £3,237 cash at bank and in hand at 31 March 2007 (31 March 2006: £3,721) which relates to monies held by the Trust on behalf of patients.

28. Financial instruments

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

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

Liquidity Risk

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

Interest-rate risks

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

Foreign currency risk

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

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

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

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

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

29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
2006-07:				
National Assembly for Wales	883	0	0	0
Welsh Local Health Boards	502	99	1122	0
Welsh NHS Trusts	1143	18	586	122
Health Commission Wales	37	27	0	0
All English Health Bodies	845	70	655	27
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	22	0	0	0
Miscellaneous	50	0	0	0
Credit note provision	-690	-162		
Sub total	2,792	52	2,363	149
Other Central Government Bodies				
Other Government Departments*	0	0	0	0
Revenue & Customs	271	0	1120	0
Local Authorities	455	0	0	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	0	0	0	0
TOTAL	3,518	52	3,483	149
2005-06:				
National Assembly for Wales	838	173	0	0
Welsh Local Health Boards	513	78	81	0
Welsh NHS Trusts	744	123	980	8
Health Commission Wales	342	27	0	0
All English Health Bodies	540	0	250	29
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	1	0
Miscellaneous	4	0	1,817	0
Credit note provision	-310	-265		
Sub total	2,671	136	3,129	37
Other Central Government Bodies				
Other Government Departments*	0	0	0	0
Revenue & Customs	273	0	2,504	0
Local Authorities	602	0	0	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	0	0	0	0
TOTAL	3,546	136	5,633	37

30. Pooled budgets

The Trust has no pooled budgets.

31. Other

The Trust is to host the North Wales Business Support Partnership (NWBSB) from 1st April 2007.

The NWBSB is a pilot project to support the establishment of shared services within NHS North Wales. The project is sponsored by the Welsh Assembly Government and is a key policy theme within 'Making the Connections'. The NWBSB involves the three Acute NHS Trusts and the Ambulance Trust, and the LHBs through the North Region Business Service Centre, an existing form of shared services. The objective is the implementation of cost effective business services across NHS organisations in North Wales with a view to being a pilot for the rest of Wales. The NWBSB will develop options for shared services across North Wales to encompass those aspects of Finance, Procurement, Human Resources and, IM&T which lend themselves to shared service working either through technology or specialisation in terms of skill or expertise.

Those Initial set up costs incurred by the Trust when it became the host for the NWBSB, prior to the 1st April 2007, have been funded and therefore there is no financial impact on the Trust in 2006/2007.

	£000's
Set up costs included in Note 5.1	143
Funding received included in Note 4	143

	£000's
Set up costs included in Note 5.1	
Staff costs (including BSP Chief Executive)	104
Supplies and services - general	2
Establishment	11
Other operating expenses	26
Total	<u>143</u>

**INCOME AND EXPENDITURE FOR THE WELSH RISK POOL
FOR THE YEAR ENDED 31 MARCH 2007**

	Note	£000	2005-06 £000
Income from activities	1	<u>68,465</u>	<u>50,696</u>
Total income		68,465	50,696
Operating expenses	2.1	<u>(67,885)</u>	<u>(44,555)</u>
Operating surplus/ (deficit)		580	6,141
Surplus /(deficit) before interest		580	6,141
Interest receivable		349	823
Interest payable		0	0
Other finance costs		<u>(929)</u>	<u>(6,964)</u>
Surplus /(deficit) for the financial year		<u>0</u>	<u>0</u>
Retained surplus /(deficit) for the year		<u>0</u>	<u>0</u>

**BALANCE SHEET FOR THE WELSH RISK POOL
AS AT 31 MARCH 2007**

		31 March 2007	31 March 2006
	Note	£000	£000
Current assets			
Debtors: amounts falling due:			
after one year	4	134,575	140,679
within one year	4	140,838	113,124
Investments		0	0
Cash at bank and in hand	7.3	5,952	15,479
		<u>281,365</u>	<u>269,282</u>
Creditors: amounts falling due within 1 year	5	<u>(10,782)</u>	<u>(26,765)</u>
Total assets less current liabilities		<u>270,583</u>	<u>242,517</u>
Creditors: amounts falling due			
after more than one year	5	(45,773)	(40,667)
Provisions for liabilities and charges	6	<u>(224,810)</u>	<u>(201,850)</u>
Total assets employed		<u>0</u>	<u>0</u>
Financed by:			
Capital and reserves			
Income and expenditure reserve		<u>0</u>	<u>0</u>
Total capital and reserves		<u>0</u>	<u>0</u>

**CASH FLOW STATEMENT FOR THE WELSH RISK POOL
FOR THE YEAR ENDED 31 MARCH 2007**

	Note	£000	£000	2005-06 £000
Operating activities				
Net cash inflow from operating activities	7.1		(9,927)	(9,754)
Returns on investments and servicing of finance				
Interest received		400		855
Interest paid		0		0
Interest element of finance leases		0		0
Net cash inflow/(outflow) from returns on investments and servicing of finance			400	855
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
Net cash inflow/ (outflow) from management of liquid resources			0	0
Net cash inflow/ (outflow)			(9,527)	(8,899)
Increase (decrease) in cash	7.2		(9,527)	(8,899)

2. Operating expenses

2.1 Operating expenses comprise

	£000	£000
Goods and services from other NHS bodies	0	0
Directors' costs	0	0
Staff costs	384	318
Supplies and services - general	64	96
Establishment	48	44
Transport	0	0
Premises	17	13
Audit fees	13	13
Other auditors' remuneration	0	0
Special payments and irrecoverable debts	67,300	43,988
Other operating expenses	59	83
Total	67,885	44,555

2.2 Special payments and irrecoverable debts: charges to operating expenses

	Charge to Income & expenditure account £000	2005-06 £000
Clinical negligence	63,998	29,368
Personal injury	87	4,073
All other special payments (excluding bad debts)	34	0
Defence legal fees and other administrative costs	0	0
Movement on claims/structured settlement creditor	3,181	10,547
Total charge	67,300	43,988

Funded by:

Retained funds from 2005/2006	327
Funding received from Welsh Assembly Government 2006/2007	44,000
Increase in Welsh Assembly Government Debtor	22,973
	67,300

3. Employee costs and numbers

	£000	2005-06 £000
Salaries and wages	315	260
Social security costs	25	21
Pension costs	44	37
Other pension costs	0	0
Agency and contracted staff	0	0
Seconded-in staff	0	0
Total	384	318

4. Debtors

31 March

2006

Amounts falling due within one year:	£000	£000
National Assembly for Wales	140,603	111,529
NHS debtors	90	67
Other debtors	27	1,403
Other prepayments and accrued income	118	125
Sub-total	140,838	113,124
Amounts falling due after more than one year:		
National Assembly for Wales	134,575	140,679
NHS debtors	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub-total	134,575	140,679
Total	275,413	253,803

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

31 March

2006

Amounts falling due within one year:	£000	£000
Bank overdrafts	0	0
Interest payable	0	0
Payments received on account	0	0
NHS creditors	8,935	25,177
Non-NHS trade creditors - revenue	0	0
Non-NHS trade creditors - revenue - structured settlements	1,822	1,570
Other creditors - superannuation	0	0
Other creditors - all other creditors	10	18
Accruals and deferred income	15	0
Sub-total	10,782	26,765
Amounts falling due after more than one year:		
NHS creditors	0	0
Non-NHS trade creditors - revenue - structured settlements	45,773	40,667
Other	0	0
Sub-total	45,773	40,667
Total	56,555	67,432

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

6. Provisions for liabilities and charges

	At 1 April 2006	Movement in year	At 31 March 2007
	£000	£000	£000
Clinical negligence	196,026	24,245	220,271
Personal injury	5,824	(1,285)	4,539
All other special payments	0	0	0
Defence legal fees and other administration	0	0	0
Sub-total	201,850	22,960	224,810
Restructurings	0	0	0
Other	0	0	0
Total	201,850	22,960	224,810

The total Welsh Risk Pool provision of £224,810k represents potential future payments in respect of Clinical Negligence, Personal Injury, all other losses and special payments and defence legal fees payable by the Welsh Risk Pool on behalf of the member health bodies. The figure has been compiled from audited figures of NHS Trusts and Powys Local Health Board submitted to the National Assembly for Wales on 23rd May 2007.

7. Notes to the cash flow statement

7.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2005-06 £000
Total operating surplus/ (deficit)	580	6,141
(Increase) /decrease in debtors	(21,661)	(50,929)
Increase /(decrease) in creditors	(11,806)	25,572
Increase /(decrease) in provisions	22,960	9,462
Net cash inflow from operating activities	(9,927)	(9,754)

7.2 Reconciliation of net cash flow to movement in net debt	£000	2005-06 £000
Increase / (decrease) in cash in the period	(9,527)	(8,899)
Cash (inflow) / outflow from (decrease) / increase in liquid resources	0	0
Change in net debt resulting from cash flows	(9,527)	(8,899)
Non-cash changes in debt	0	0
Net debt at 31 March 2005	15,479	24,378
Net debt at 31 March 2007	5,952	15,479

7.3 Analysis of changes in net debt	At 1 April 2006 £000	Cash flows £000	Non-cash changes £000	At 31 March 2007 £000
Cash at bank and in hand	15,479	(9,527)	0	5,952
Bank overdrafts	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Current asset investments	0	0	0	0
	15,479	(9,527)	0	5,952

8. Post balance sheet events

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

9. Contingent liabilities

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

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

10. Special payments

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

	Amounts paid out in year		Approved to write-off in year	
	Number	£	Number	£
Clinical negligence	172	37,941,953	172	37,941,953
Personal injury	53	1,290,419	53	1,290,419
All other losses and special payments	1	34,316	1	34,316
Total	226	39,266,688	226	39,266,688

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

	No of cases	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000				
Bro Morgannwg NHS Trust	1	396,534	482,550	396,534
Cardiff & Vale NHS Trust	1	311,734	311,734	311,734
Carmarthenshire NHS Trust	3	961,922	1,049,601	961,922
Gwent Healthcare NHS Trust	2	5,450,042	5,895,111	5,450,042
North East Wales NHS Trust	1	495,165	495,165	495,165
North Glamorgan NHS Trust	2	1,547,464	1,547,464	1,547,464
North West Wales NHS Trust	2	1,059,996	1,059,996	1,059,996
Powys LHB (former Health Authority)	6	15,320,565	15,506,886	15,320,565
Swansea NHS Trust	2	4,714,697	5,315,495	4,714,697
Velindre NHS Trust	1	256,609	256,609	256,609
		0	0	0
		0	0	0
		0	0	0
				0
Sub-total	21	30,514,728	31,920,611	30,514,728
All other cases	205	8,751,960	29,504,423	8,751,960
Total cases	226	39,266,688	61,425,034	39,266,688