

PUBLIC AUDIT (WALES) ACT 2004
GOVERNMENT OF WALES ACT 2006
NATIONAL HEALTH SERVICE (WALES) ACT 2006

Summarised accounts of local health boards and NHS trusts in Wales for the year ended
31 March 2017

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para5(2)

NHS (Wales) Summarised Accounts 2016-17

NHS Wales Summarised Accounts 2016-17

FOREWORD

Introduction

1. Section 178, Schedule 9 Para 3(1) and 4 of the National Health Service (NHS) Wales Act 2006 requires all NHS organisations in Wales to prepare annual accounts and to submit them to the Auditor General for Wales (AGW) for audit.
2. The accounts for each NHS body must be laid before the National Assembly for Wales.
3. The Welsh Ministers are then required to prepare, in such form as HM Treasury may direct, summarised accounts from those individual accounts of NHS Wales organisations. The Auditor General for Wales is required to examine, certify and report on those summarised accounts (Section 178, Schedule 9 para 5(6)).
4. The annual accounts of all NHS Wales organisations have been audited and these summarised accounts are based on those audited figures. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2016-17 which include the results of the local health boards.
5. The chief executives of the individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.
6. In my capacity as Additional Accounting Officer, I have financial responsibility for health service expenditure. Accordingly, I have signed the summarised accounts of the local health boards (LHBs) and of the NHS trusts.

Summarised Accounts

7. HM Treasury directed that the accounts of the central government departments and entities in the wider public sector, be produced using all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales from 2009-10 onwards. Two summarised accounts for NHS Wales have been prepared, one for the seven local health boards and one for the three NHS trusts.

(a) Local Health Boards

8. Local health boards were established under section 11 and Schedule 2 of the National Health Service (Wales) Act 2006.

9. The summarised account for the local health boards in Wales is based on the audited accounts of the seven local health boards. All seven local health boards received unqualified true and fair audit opinions for 2016-17, and three of the seven local health boards received unqualified regularity audit opinions from the Auditor General for Wales (AGW) for 2016-17.
10. Four of the local health boards (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) received qualified regularity audit opinions and a substantive narrative report placed upon their accounts, as a consequence of their failure to achieve their first financial duty, to manage their expenditure within their revenue resource allocations for the 3 financial years 2014-15 to 2016-17. The substantive narrative reports also cover the failure of the four local health boards to achieve their second financial duty in relation to approved Integrated Medium Term plans. All local health boards met their first financial duty with regard to capital resource allocations.
11. At the end of March 2017, one local health board (Betsi Cadwaladr) remained in special measures and three local health boards (Abertawe Bro Morgannwg, Cardiff and Vale, and Hywel Dda) were all subject to targeted intervention in accordance with the Welsh Government escalation arrangements. Betsi Cadwaladr was placed in special measures on the 8th June 2015. In October 2015 the Deputy Minister for Health announced that the health board would remain in special measures for the next two years. Abertawe Bro Morgannwg, Cardiff and Vale and Hywel Dda were placed into targeted intervention on the 7th September 2016. All other local health boards were on routine monitoring arrangements.
12. Further comment on the monitoring and escalation arrangements for local health boards is set out in the NHS Summarised Accounts Annual Governance Statement.

(a) NHS Trusts

13. NHS trusts were established under section 18 of the National Health Service (Wales) Act 2006. They receive most of their income from the Welsh Government, the local health boards and the Welsh Health Specialised Services Committee (WHSSC) which is hosted by Cwm Taf Health Board.
14. The summarised account for the NHS trusts in Wales is based on the audited accounts of the three Welsh NHS trusts. All three trusts received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales for 2016-17.
15. No NHS trust incurred an operating deficit in the 2016-17 financial year. All three trusts achieved their rolling three year duty to ensure expenditure is covered by income.
16. On 7th September 2016 the Welsh Ambulance Services NHS Trust was de – escalated from enhanced monitoring in accordance with the Welsh Government escalation framework consequent to achieving objectives directly linked to its’ escalation status.

17. All NHS Trusts at 31 March 2017 were on routine monitoring arrangements.

Performance against statutory and administrative financial duties

18. Welsh Health Circular (2016) 054 clarifies the statutory financial duties of local health boards and NHS trusts in Wales further to the NHS Finance (Wales) Act 2014, and is effective from 2016-17 financial year, replacing Welsh Health Circular 2015 (014).

Local Health Board Statutory Financial Duties

19. The NHS Finance (Wales) Act 2014 amended the statutory financial duties of Local Health Boards within the National Health Service (Wales) Act 2006 to the following two financial duties:

- S175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years
- S175 (2A) and the Directions issued by the Welsh Ministers under section 175(2) to prepare a plan which sets out its strategy for securing compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

20. For local health boards, the first financial duty is to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved resource limit, including any other sums received. The first assessment of the rolling 3 year duty took place at the end of 2016-17.

21. The second financial duty was effective from the 2014-15 financial year and is assessed annually. Failure to comply with the planning duty, including not submitting a plan and not having the plan approved by the Minister, is a breach of this second statutory financial duty. The plan is required to be approved prior to the Accountable Officer signing of the financial statements for the first year of each three-year plan. In practice the Minister seeks to confirm approval of plans by the 30th June. Performance against this second financial duty, including any breach of this duty, is reported in the Annual Accounts of the local health boards each year, including the Annual Governance Statement.

22. In 2016-17, three of the seven local health boards (Aneurin Bevan, Cwm Taf and Powys) incurred expenditure within revenue resource allocations over the first rolling 3 year assessment and consequently met their first financial duty.

23. Failure to achieve financial balance, that is to manage aggregate expenditure within aggregate revenue resource allocations over the first rolling 3 year assessment has resulted in four health boards (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) failing to meet the first financial duty.

24. All local health boards kept expenditure within capital resource allocations.
25. The details of the local health board first financial duty compliance, surpluses and deficits for 2016-17 are set out in Annex 1 to this Foreword.
26. In 2016-17, three of the seven local health boards (Aneurin Bevan, Cwm Taf and Powys) met their statutory duty to submit an integrated three year plan for the period 2016/17 to 2018/19 which was approved by the Cabinet Secretary for Health, Well-being & Sport.
27. Four health boards (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) were unable to develop approvable three year plans for the period 2016/17 to 2018/19 for approval by the Minister and therefore did not meet their second financial duty.
28. Three local health boards (Aneurin Bevan, Cwm Taf and Powys) have submitted three year plans covering the period 2017-18 to 2019-20, which have been approved by the Cabinet Secretary for Health Well-being and Sport.
29. Four local health boards (Abertawe Bro Morganwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) have been unable to submit approvable three year plans covering the period 2017-18 to 2019-20 and are instead preparing annual operating plans.
30. Further comment on the progress of local health boards integrated three year plans is set out in the NHS Summarised Accounts Annual Governance Statement.
31. The details of the local health board second financial duty compliance for 2016-17 are set out in Annex 1 to this Foreword.

NHS Trust Statutory Financial Duties

32. The NHS (Wales) Act 2006, Schedule 4 Paragraph 2, sets down the financial obligations of NHS trusts including in relation to the revenue financial breakeven duty. These are:

“(1) Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.
(2) Each NHS trust must achieve such financial objectives as may from time to time be set by the Welsh Ministers with the consent of the Treasury and are applicable to it.
(3) Any such objectives may be made applicable to NHS trusts generally, or to a particular NHS trust or to NHS trusts of a particular description.”

33. Welsh Health Circular (2016) 054 sets out the first financial duty under Schedule 4 Paragraph 2 (1) will be met if expenditure is covered by income over a rolling 3 year period. Failure to achieve financial balance over the 3 year accounting duty will result in a trust being considered to have breached its duty. The first assessment of the 3 year rolling financial duty took place at the end of 2016-17.
34. While the National Health Service Finance (Wales) Act 2014 relates to the statutory financial duties of Local Health Boards, the principles behind the Act, of two financial duties, also applies to NHS trusts
35. Following HM Treasury consent, and through the issue of Welsh Health Circular (2016) 054 under the powers of Schedule 4 Paragraph 2 (2) of the NHS (Wales) Act 2006, the planning requirement is set by the Welsh Ministers as a financial objective for NHS Trusts. From the 2016-17 financial year, each Trust has a statutory duty to achieve that financial objective which will operationally be referred to as the Second Financial Duty. Performance against this second financial duty, including any breach of this duty, is reported in the Annual Accounts of the NHS trusts each year, including the Annual Governance Statement.
36. No NHS trust breached their first financial duty for the first rolling three year period to 2016-17.
37. During 2016-17, all three trusts achieved operating surpluses. The overall retained income and expenditure surplus of the three NHS trusts in Wales for 2016-17 was £0.487 million, with an adjusted income and expenditure surplus of £0.095 million. (For 2015-16 the NHS Wales trusts collectively reported a retained surplus of £0.202 million.) The details of the NHS trusts' surpluses and deficits for 2016-17, and the three financial years 2014-15 to 2016-17 are set out in Annex 2 to this Foreword.
38. All three NHS trusts met the second financial duty for 2016-17 to submit an integrated three year plan for the period 2016/17 to 2018/19 which was approved by the Cabinet Secretary for Health, Well-being & Sport.
39. All three NHS trusts have submitted three year plans for 2017-18 to 2019-20 which have been approved by the Cabinet Secretary for Health, Well-being and Sport.
40. Further comment on the progress of NHS trusts integrated three year plans is set out in the NHS Summarised Accounts Annual Governance Statement.
41. The details of the NHS trusts second financial duty compliance for 2016-17 are set out in Annex 2 to this Foreword.

External financing limit

42. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to local health boards.
43. In 2016-17, the overall external financing limit for NHS trusts was £6.222 million and each of the trusts in Wales stayed within their individual external financing limits. Performance against this duty for each NHS trust is set out in Annex 3 to this Foreword.

Prompt Payment Performance

44. Local health boards and NHS trusts are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay 95% of non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
45. The performance of each local health board and NHS trust in Wales, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent, and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 3 to this Foreword.
46. The number of non NHS invoices paid within 30 days ranged from 89.1% to 99.0% for NHS bodies, with an average for the year of 94.2% for local health boards and 96% for NHS trusts (2015-16 92.9% and 94.5%). Full details are contained within the statutory accounts of the NHS organisations.

Summary of achievement of financial duties

47. A summary of performance for each financial duty by individual organisation is provided as follows:

- Annex 1 Local Health Boards' Performance against Financial Duties
- Annex 2 NHS Trust Performance against Financial Duties
- Annex 3 NHS Trust and Local Health Board Public Sector Payment Performance.
NHS Trust Performance against External Financing Limits.

Statement of Financial Position Issues

Clinical Negligence Provisions

48. At 31 March 2017, known actual and anticipated liabilities for clinical negligence totalled £5.860 million (2015-16 £9.767 million) in NHS trusts and a further £521.816 million (2015-16 £382.785 million) in local health boards. These provisions are calculated on the basis of claims against the organisation, where it is assessed that there is a probable chance of the claim being settled.
49. Excluded from the provisions calculations included within the summarised accounts is a further estimated £870.061 million (2015-16 £808.530 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities, as the likelihood of settlement is assessed as possible, rather than probable.

Welsh Risk Pool (WRP)

50. The Welsh Risk Pool (the Pool) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The Pool is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.
51. The Pool is managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre NHS Trust. The reimbursement of claims by the Pool continues to be managed by the Welsh Risk Pool Committee comprising representatives from NHS trusts, local health boards and the Welsh Government.
52. Velindre 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 for claims less than £25,000 and with the members of the pool for claims settlements exceeding the funding to the Pool by NHS Wales. The NHS trust summarised account includes the WRP activities in the Velindre NHS Trust activities (amended for NHS Trust interparty trading elimination), as part of the hosted NWSSP. The Welsh Government's Resource Accounts provision for the Welsh Risk Pool at 31 March 2017 of £866.860 million (2015-16 £682.110 million) includes the reimbursable element of LHB and NHST clinical negligence liabilities and the structured settlement liabilities which are managed by the WRP.
53. The provision has seen a substantial increase in 2016-17 of £184.750 million. A significant proportion of this increase is due to the impact of changes in the personal injury discount rate announced by the Lord Chancellor on 27th February 2017, effective from 20th March 2017. The rate changed from 2.5% (the level maintained since 2001) to -0.75%. The decision will result in higher pay outs for the lump sum element of personal injury claims, including those affected by medical negligence. Few Welsh Risk Pool claims have been settled since the introduction of the new rate, however the claims assessed as requiring a provision at 31 March 2017 have been adjusted to reflect the expected impact of the rate upon settlement, increasing the provision for future liabilities this financial year.

54. During the year, the Pool made payments of £55.986 million (2015-16: £44.173 million) in relation to claims. Of this £54.120 million related to clinical negligence claims and £1.782 million related to personal injury claims (2015-16 £41.020 million and £2.655 million respectively).

Sustainability Reporting

55. Subsequent to the HMT Simplifying and Streamlining Accounts Project, there is no requirement in the Government Financial Reporting Manual (FRoM) for public sector bodies to produce a standalone Sustainability Report, although entities may choose to include one should they so wish. Mandatory reporting requirements are retained against the high level indicators under the Greening Government Commitments, in addition to performance against financial and non-financial reporting areas.
56. Guidance issued by HMT on Sustainability Reporting is not applicable to the devolved government of Wales, however Wales is unique in the UK in having sustainable development as its central organising principle. Sustainability reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting.
57. The local health boards and NHS trusts in Wales are required therefore to include the mandatory sustainability reporting requirements within the Performance Report section of the Annual Report and Accounts, (due for publication no later than 31st July 2017) and provide a summary of performance in accordance with guidance issued in the NHS Manual for Accounts. The option to produce a standalone report within the Performance Report is retained in Wales.

Annual Quality Statement

58. In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS organisations to publish an Annual Quality Statement as part of the NHS organisations' annual reports.
59. The Annual Quality Statement will bring together each year, a summary highlighting how the organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.

60. In 2016-17 the Annual Quality Statement for individual health boards and NHS trusts should be published no later than 31 July 2017.

Events after the Reporting Period

61. There were no events after the reporting period to report.



Dr Andrew Goodall
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Chief Executive NHS Wales
Health and Social Services Group
30 June 2017

Annex 1 Local Health Board Financial Duties

First Financial Duty - Revenue Resource Limit	Underspend / (overspend) against revenue resource allocation limit			
	2014-15	2015-16	2016-17	Three year total
	£000	£000	£000	£000
Abertawe Bro Morgannwg University Local Health Board	99	86	(39,316)	(39,131)
Aneurin Bevan University Local Health Board	409	214	49	672
Betsi Cadwaladr University Local Health Board	(26,616)	(19,525)	(29,784)	(75,925)
Cardiff and Vale University Local Health Board	(21,364)	68	(29,243)	(50,539)
Cwm Taf University Local Health Board	30	22	18	70
Hywel Dda University Local Health Board	(7,474)	(31,199)	(49,613)	(88,286)
Powys Teaching Local Health Board	39	40	85	164
All local health boards	(54,877)	(50,294)	(147,804)	(252,975)
Number of local health boards operating within resource allocation	4	5	3	3
Percentage of local health boards operating within resource allocation	57%	71%	43%	43%
First Financial Duty - Capital Resource Limit	Underspend / (overspend) against capital resource allocation limit			
	2014-15	2015-16	2016-17	Three year total
	£000	£000	£000	£000
Abertawe Bro Morgannwg University Local Health Board	83	37	94	214
Aneurin Bevan University Local Health Board	15	89	42	146
Betsi Cadwaladr University Local Health Board	32	3	29	64
Cardiff and Vale University Local Health Board	79	60	78	217
Cwm Taf University Local Health Board	3	8	5	16
Hywel Dda University Local Health Board	55	28	30	113
Powys Teaching Local Health Board	2	2	17	21
All local health boards	269	227	295	791
Number of local health boards operating within resource allocation	7	7	7	7
Percentage of local health boards operating within resource allocation	100%	100%	100%	100%

Annex 1 (continued) Local Health Board Financial Duties

Second Financial Duty - Approved Integrated Medium Term Plan	Integrated Medium Term Plan
Abertawe Bro Morgannwg University Local Health Board	×
Aneurin Bevan University Local Health Board	✓
Betsi Cadwaladr University Local Health Board	×
Cardiff and Vale University Local Health Board	×
Cwm Taf University Local Health Board	✓
Hywel Dda University Local Health Board	×
Powys Teaching Local Health Board	✓
Number of local health boards operating with approved IMTP	3
Percentage of local health boards operating with approved IMTP	43%

The Second Financial Duty is an annual duty.

The test of duty for 2016-17 relates to IMTPs for 2016/17 to 2018/19.

Annex 2 NHS Trust Financial Duties

First Financial Duty Break Even Duty	Surplus / deficit against break- even			Three year duty
	2014-15	2015-16	2016-17	
	£000	£000	£000	£000
Retained Surplus				
Public Health Wales Trust	35	17	16	
Velindre NHS Trust	616	136	427	
Welsh Ambulance Services NHS Trust	148	49	44	
Adjusted Surplus				
Public Health Wales Trust	35	17	16	68
Velindre NHS Trust	39	40	35	114
Welsh Ambulance Services NHS Trust	148	49	44	241
All NHS trusts	222	106	95	423
Number of NHS trusts operating within Break-even	3	3	3	3
	100%	100%	100%	100%

The adjusted surplus takes into consideration FReM accounting treatment, that the funding element for assets donated by third parties either by gift of the asset or by way of funds to acquire assets, should be recognised as income as required by IAS 20.

The treatment of such income in public sector budgets follows Consolidated Budgeting Guidance, the impact of such income on the revenue position is accordingly adjusted for in the consideration of NHS trusts break-even position.

Second Financial Duty Approved	Integrated Medium Term Plan
Integrated Medium Term Plan	
Public Health Wales Trust	✓
Velindre NHS Trust	✓
Welsh Ambulance Services NHS Trust	✓
Number of NHS trusts operating with approved IMTP	3
Percentage of NHS trusts operating with approved IMTP	100%

The Second Financial Duty is an annual duty.

The test of duty for 2016-17 relates to IMTPs for 2016/17 to 2018/19.

Annex 3 Local Health Board and NHS Trust Administrative Duties

Public Sector Payment Policy Performance (PSPP)

The NHS organisations are 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).

Local Health Board

	% of Non NHS bills paid within 30 days (by value and number)			
	Value of bills	Number of bills	Value of bills	Number of bills
	Restated	Restated		
	2015-16	2015-16	2016-17	2016-17
	%	%	%	%
Abertawe Bro Morgannwg University Local Health Board	94.4	95.3	94.7	96.1
Aneurin Bevan University Local Health Board	96.5	95.6	97.8	96.4
Betsi Cadwaladr University Local Health Board	94.0	93.3	98.2	96.5
Cardiff and Vale University Local Health Board	90.4	92.8	94.7	94.0
Cwm Taf University Local Health Board	90.5	91.7	91.3	89.4
Hywel Dda University Local Health Board	94.1	85.9	90.5	89.1
Powys Teaching Local Health Board	85.5	90.5	90.4	93.6
All local health boards	93.3	92.9	95.0	94.2
Number of LHBs operating within PSPP target \geq 95%		2		3
Percentage of LHBs operating within PSPP \geq 95%		29%		43%

NHS Trust

	% of Non NHS bills paid within 30 days (by value and number)			
	Value of bills	Number of bills	Value of bills	Number of bills
	2015-16	2015-16	2016-17	2016-17
	%	%	%	%
Public Health Wales Trust	94.4	95.4	95.1	96.0
Velindre NHS Trust	94.2	91.7	96.0	94.4
Welsh Ambulance Services NHS Trust	99.2	99.1	99.4	99.0
All NHS trusts	95.3	94.5	96.6	96.0
Number of NHS trusts operating within PSPP \geq 95%		2		2
Percentage of NHS trusts operating within PSPP \geq 95%		67%		67%

	External Finance Limit
	2016-17
Public Health Wales Trust	✓
Velindre NHS Trust	✓
Welsh Ambulance Services NHS Trust	✓
Number of NHS trusts operating within EFL limit	3
Percentage of NHS trusts operating within EFL limit	100%

NHS WALES SUMMARISED ACCOUNTS OF THE LOCAL HEALTH BOARDS AND NHS TRUSTS

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

1. As Additional Accounting Officer for the Health and Social Services Group (HSSG), I am responsible for maintaining a governance framework to support the efficient and effective production and audit of the two NHS Wales Summarised Accounts, comprising the Summarised Accounts of the Local Health Boards (LHBs) and NHS trusts in Wales (the Summarised Accounts).
2. This Statement is prepared in accordance with the Accounts Directions issued by HM Treasury for the Summarised Accounts, which require an Annual Governance Statement to be prepared, including information about the arrangements in place to assure the quality of the financial and other information included in the Summarised Accounts.
3. The governance framework for the Summarised Accounts is exercised in practice as a single process, and the Summarised Accounts are published for users as a single document, therefore the requirement to prepare an Annual Governance Statement for both the LHBs and NHS trust Summarised Accounts is discharged by the preparation of this single Statement.
4. The Summarised Accounts' governance framework is designed to minimise the risks to the process of preparing and publishing the accounts. The accounts of individual NHS entities included in the summarisation are each subject to their own governance frameworks, details of which can be found in the Annual Governance Statements of the three NHS trusts and the seven LHBs.
5. The framework is intended to manage risk to a reasonable level, rather than to eliminate all risk of failure to the summarisation preparation process. It provides a high level, but not absolute assurance of effectiveness. The framework is based on an ongoing process designed to identify and prioritise risks, to evaluate the likelihood of risks being realised and their potential impact and to manage them effectively.
6. In producing the Summarised Accounts, I rely on each Accountable Officer of the LHBs and NHS trusts to manage their own risks. The Accountable Officers are required to ensure the accounts of their respective organisations are properly prepared and presented in accordance with the Accounts Directions issued to them by the Welsh Ministers.

The Summarised Accounts governance framework

7. Matters relating to the governance of the preparation and audit of the Summarised Accounts are considered by the Health and Social Services Audit and Risk Committee. The Committee met on five occasions in the 2016-17 financial year.
8. During 2016-17, the Committee considered the following matters relating to the Summarised Accounts:
 - HSSG Risk Register.
 - 2015-16 Wales Audit Office - Audit of Financial Statements Report
 - 2015-16 Wales Audit Office - Welsh Government Management Letter
 - 2016-17 Wales Audit Office - NHS Summarised Accounts Audit Plan
 - Wales Audit Office Letter - NHS Finances (Wales) Act 2014 and the regularity audit opinion
9. The work of the Committee provides me with support and assurance on the adequacy of governance arrangements for the Summarised Accounts. I am satisfied that the Committee operates in an effective manner and provides good support in the monitoring of risk, control and governance processes as it affects the Summarised Accounts.
10. The Summarised Account governance framework has been in place for the year ended 31 March 2017 and up to the date of approval of the accounts and accords with Treasury guidance, including the relevant aspects of the *Corporate Governance in Central Government Departments; Code of Good Practice* to the extent that this is deemed relevant and practical.

Risk Management

11. Risks arise to the preparation of the Summarised Accounts from the underlying LHB and NHS trust statutory accounts processes, and the Summarised Account preparation process.
12. Preparation and publication of the Summarised Accounts is managed within the HSSG risk management framework, which in turn is part of the Welsh Government risk and control framework. Further details are set out in the Annual Governance Statement for the Welsh Government Consolidated Resource Account, which is laid separately before the National Assembly for Wales. The Director of Finance, HSSG, is responsible on a day-to day basis for managing risk, ensuring that the activities necessary for the production of the Summarised Accounts are properly planned, resourced and performed.

13. In 2016-17 no risks in relation to the preparation of the Summarised Account met the risk score threshold for escalation and reporting in the HSSG Risk Register.
14. The Summarised Accounts are prepared in accordance with the 2016-17 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or before 1 January 2016, and with the LHBs / NHS trust Manual For Accounts 2016-17.
15. The LHB / NHS trust Manual for Accounts issued by the HSSG Finance Directorate complements the FReM by providing additional advice and guidance on interpretations specific to the NHS in Wales. The Manual for Accounts is key to the management of risk as it provides sector specific guidance on how to complete the annual accounts proformas, supporting Financial Returns, and Memorandum Statements of debtor and creditor balances and income and expenditure transactions. Compliance with the Manual for Accounts is critical to ensuring the accurate and appropriate completion of the LHB and NHS Trust accounts returns for the preparation of the Summarised Accounts.
16. The key risks managed in relation to the underlying accounts submitted by the LHBs and the NHS trusts are:
 - Inaccuracies in individual NHS entity accounts, which cumulatively result in materially mis-stated balances in the Summarised Accounts;
 - Failures to provide data;
 - Delays in submission of NHS entity accounts; and
 - Mis-matching and / or non-elimination of intra-NHS entity transaction streams and balances, resulting in materially mis-stated figures;
17. HSSG Finance Directorate mitigate these risks through actions including:
 - Preparation and issue annually of the Manual for Accounts, templates and supporting papers
 - Participation in the NHS Wales Technical Accounting Group;
 - Preparation of the Summarised Accounts from audited statutory accounts transmitted to Welsh Government by Wales Audit Office;
 - Planning and engagement with LHBs and NHS Trusts to ensure clear understanding of requirements and delivery expectations;
 - Provision of support in the accounts preparation period to advise NHS entities on issues arising;
 - Provision of templates, guidance, training and active management of intra-NHS agreement of balances process and matrices.

18. The main risks specific to the Summarised Accounts preparation process identified and managed in year were:
- Insufficient availability of appropriately skilled HSSG Finance staff to prepare the accounts;
 - Inability to align timetables for LHB & NHS Trust accounts with the WG Summarised Accounts process as NHS audit planning commences earlier in the financial year than WG central planning, this is managed through HSSG liaison and co-ordination with WAO, WG FCS and NHS bodies ;
 - Late submission of quality assured LHB and NHS trust accounts properly presented and the lack of appropriate working papers;
 - Technical queries relating to the underlying accounts and the Summarised Account not being resolved in a timely manner between HSSG Finance, NHS organisations and Wales Audit Office;
 - Delayed issue of both draft and final NHS Manual for Accounts and accounts templates; and
 - Insufficient level of management review and scrutiny of the draft Summarised Accounts, including the relevant accounting and disclosure requirements, consolidation journals and supporting evidence, before submission to audit.
19. 2016-17 is the first year of assessment of revised statutory financial duties for Local Health Boards and NHS trusts in Wales, as set out in Welsh Health Circular (2016) 054¹. The HSSG risk assessment process identified forecast deficits arising in Local Health Boards during 2016-17 and consequent potential breaches of these statutory financial duties could lead to regularity qualifications in the Local Health Board accounts, potentially impacting upon the regularity opinions of associated statutory accounts, including the NHS Summarised Accounts.
20. HSSG Finance Directorate requested updated advice from Wales Audit Office on the impact of Local Health Board regularity qualifications for the NHS Summarised Accounts and Welsh Government Accounts. This advice was considered by the HSSG Audit and Risk Committee, shared with the Welsh Government Director of Finance and referred to the Welsh Government Audit and Risk Committee to assure clarity of potential impact was established early in the accounts planning process, and advised to all key stakeholders.

Role of Internal Audit

21. The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector Internal Audit Standards. They undertake a full programme of work based on an analysis of the major risks facing each Group. The process of the preparation of the Summarised Accounts has not been included in the Internal Audit programme for HSSG in the current financial year.

¹ [WHC \(2016\) 054](#)

Role of External Audit

22. The accounts of the individual NHS organisations are transmitted to HSSG Finance by the Auditor General for Wales (AGW), together with his audit opinion on the accounts of each body. This provides an independent assurance to Welsh Government that the data to be used to prepare the Summarised Accounts is authentic and agrees with the underlying source data from the audited LHB and NHS trust statutory accounts.
23. The AGW opinion on the financial statements discloses whether they give a true and fair view of the state of affairs of LHBs / NHS trusts for the financial year ending 31 March 2017 and whether they have been prepared in accordance with paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury. The opinion on regularity states whether the expenditure and income have been applied to the purposes intended by the National Assembly and the financial transactions conform to the authorities which govern them.
24. At the end of each financial year, the Accountable Officer in each LHB and NHS trust is required to present a Governance Statement alongside the audited Financial Statements. The Governance Statement is reviewed by the auditor to identify material inconsistencies with the audited financial statements.
25. The Summarised Accounts are subject to audit by the Auditor General for Wales, who issues an audit certificate and report to the National Assembly for Wales on the Summarised Accounts under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. On completion of the audit annually an 'Audit of Financial Statements Report' is prepared by the Wales Audit Office and reported to the Audit and Risk Committee noting any areas of concern or action required for the following year. HSSG Finance consider issues noted in the Financial Statements Report and undertake remedial actions accordingly.
26. Additionally, the Auditor General for Wales prepares a 'NHS Financial Statements Audits' summary report for the HSSG Finance Division on the preparation and audit of the LHB and NHS trust financial statements, which makes recommendations to improve the quality and efficiency of future years' accounts preparation. HSSG receive, respond to and implement the agreed recommendations contained in these reports annually, which serve to enhance the overall quality of preparation of the underlying NHS accounts.

Information Governance

27. In preparing the Summarised Accounts, HSSG Finance does not collect any personal data from NHS organisations. Summarised accounts information collected from NHS organisations is held within the Welsh Government records management systems.

28. Seven LHBs and one NHS Trust have reported significant data security lapses including those reported to the Information Commissioner during 2016-17. In all cases, appropriate subsequent action has been taken to ensure that the risks to data security are mitigated. Details of the data lapses and actions taken can be found in the Annual Governance Statements of the seven LHBs and Velindre NHS trust.

Significant governance issues in the underlying accounts

29. The Governance Statements of the LHBs and NHS trusts set out how successfully the organisation has coped with the challenges it faced. These Governance Statements provide evidence on the governance, risk management and control in order to provide a coherent and consistent reporting mechanism, including identification of significant control and governance issues. The full details can be found in the annual accounts of each LHB and NHS trust in Wales, which are laid separately before the National Assembly for Wales².

30. I have considered the Governance Statements, the associated audit reports on the statutory accounts of the NHS organisations in Wales and other information available to me from internal and external sources. This includes the detail from the formal scrutiny undertaken of all NHS organisation as part of the Welsh Government's governance framework via the:

- bi-annual JET process (Welsh Government/NHS body Joint Executive Team meetings);
- regular cycle of quality and delivery meetings (Welsh Government/NHS organisations), typically bi-monthly however regularity will be increased with organisations where a need is identified
- monthly NHS Board meetings; and
- quarterly tripartite (WAO/HIW/Welsh Government) escalation framework meetings

Information from the formal accountability mechanisms are considered alongside routine information from monthly monitoring returns and other ad hoc meetings. Through this process I have identified the following as significant governance issues in the underlying accounts.

Significant internal control or governance issues

- All LHBs and NHS trusts have declared their assessment within their respective Annual Governance Statements that generally sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2016-17. However in the Accountable Officers' assessments of effectiveness, areas of weakness or improvements required are noted and full details are contained in each individual body's own statements.

² <http://www.assembly.wales/en/bus-home/Pages/Plenary.aspx?assembly=4&category=Laid%20Document>

- All seven LHBs have concluded that there are no significant internal control or governance issues. All LHBs acknowledge there are areas of internal control or governance where improvements are required, including those linked to Betsi Cadwaladr UHB's Special Measures status and areas for improvement, and targeted intervention areas for improvement in Abertawe Bro Morgannwg, Cardiff & Vale and Hywel Dda UHB.
- All three NHS trusts have reported a conclusion of no significant governance issues within their Annual Governance Statements whilst noting there are areas of internal control or governance where improvements are required.

Local health boards and NHS trust subject to escalation actions

- In accordance with the Welsh Government NHS Escalation and Intervention Arrangements³, a number of NHS Wales organisations have been subject to escalation actions in the 2016-17 financial year, details of which are set out below.
- Betsi Cadwaladr University Health Board was placed in special measures on the 8 June 2015. In October 2015, the Deputy Minister for Health announced that the health board will remain in special measures for the next two years. Progress is reviewed against the milestones set out in the improvement framework. The health board reported on phase one milestones in May and phase two in November 2016, and is progressing with phase three delivery to November 2017.
- Abertawe Bro Morgannwg University Health Board was escalated from enhanced monitoring to targeted intervention on the 7th September 2016. The health board was placed into targeted intervention as it had been unable to deliver their previously approved integrated medium term plan, had made insufficient progress with quality issues and had continuing performance challenges in areas such as unscheduled care and cancer. The Cabinet Secretary for Health Wellbeing and Sport was unable to approve the health board's IMTP for 2016/17 – 2018/19 because it did not set out how the organisation would address the challenges it faces.
- Cardiff and Vale University Health Board was escalated from enhanced monitoring to targeted intervention on the 7th September 2016. The health board was placed into targeted intervention to highlight the need for improvement on specific issues, mainly related to the 3 year plan. It was noted that in the last year the organisation had made positive progress in delivering improved performance against a wide range of key delivery priorities. However, there was concern that the IMTP submission for 2016/17 did not provide sufficient assurance that this positive trajectory could be maintained and had translated into difficulties to manage within the available resources, for 2016-17 and the 3 year cycle. The Cabinet Secretary for Health Wellbeing and Sport was unable to approve their IMTP for 2016-17 – 2018-19 because the plan lacked the appropriate level of detail or assurance that the performance efficiencies, workforce or finance issues would be resolved.

³ <http://gov.wales/topics/health/nhswales/escalation/?lang=en>

- Hywel Dda University Health Board was escalated from enhanced monitoring to targeted intervention on the 7th September 2016. The health board was placed into targeted intervention in order to highlight the need for improvement of specific issues, mainly linked to the 3 year plan as it was determined further support is needed to facilitate the Health Board on a path to the development of an approvable plan. A three year cycle has elapsed without a comprehensive plan being in place. There was a significant overspend in the 2015-16 financial year and financial projections for 2016-17 forecast a further substantial deficit meriting further support and actions. The Cabinet Secretary for Health Wellbeing and Sport was unable to approve their IMTP for 2016-17 – 2018-19 as the Health Board faces ongoing strategic, service and financial challenges.

- The Welsh Ambulance Services NHS Trust was placed into routine monitoring arrangements, de-escalated from enhanced monitoring, on the 7th September 2016 as they achieved objectives to improve ambulance response times and submit an approvable IMTP for 2016-17 to 2018-19.

- Through the Welsh Government escalation process, clear concerns have been identified regarding the financial governance arrangements of the organisations in targeted intervention status. Accordingly Welsh Government has commissioned independent Financial Governance Reviews of Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda health boards.

- In addition to the Financial Governance Reviews, HSSG officials are taking action to support local health boards in escalation status, each support requirement is specific to the local health board, however action includes:
 - Monthly targeted intervention meetings with each health board
 - Monthly planning team liaison meetings with each health board to support development of plans
 - Regular HSSG EDT session to discuss issues relating to escalated organisations
 - Development of clear criteria for de-escalation for each health board
 - The commissioning of an independent Zero Based Review into the funding for Hywel Dda Health Board
 - Detailed review meeting on Financial Plan components and assumptions
 - Scrutiny of service delivery and performance plans, linked to financial plan assessment for 2017/18

- BCUHB Progress on milestones discussed at monthly EDT Escalation meetings and meetings held with BCU Executive on a six weekly basis.
 - Individual leads within Welsh Government in regular contact with BCU to monitor progress and improvement in the key areas set out in the improvement framework.
-
- Details on how each organisation in targeted intervention or special measures has taken action in 2016-17 to address the concerns identified is set out in the Governance Statements of Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda health boards.

Assurances and compliance

- All LHBs and NHS trusts have stated that they are compliant with the Corporate Governance Code to the extent it relates to NHS public sector organisations in Wales, and that they are satisfied they are complying with the main principles of the Code with no material exceptions.
- The NHS Head of Internal Audit provides an annual overall opinion to the Board of each NHS organisation on governance, risk management and control. The role of NHS Internal Audit is to provide an independent and objective opinion on the system of control. The work of NHS Internal Audit is undertaken in accordance with public sector internal audit standards, the scope of the work is agreed with the Audit Committee of each organisation and is focussed on significant risk areas and local improvement priorities.
- The annual assurance opinions for the Head of Internal Audit assessment on the overall adequacy of each organisation's governance, risk management and control processes are provided within a range from 'No Assurance' to 'Substantial Assurance'. No LHBs or NHS trusts received a 'No Assurance' overall opinion for 2016-17. One LHB (Powys) received a "Limited Assurance" overall opinion from the Head of Internal Audit. The Head of Internal Audit's opinion, details of the basis of that opinion, audit assignments with 'Limited' or 'No Assurance' opinions, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS organisations.
- Limited assurance reports and organisational responses to them are discussed as part of the tripartite escalation and intervention arrangements between Welsh Government, HIW and WAO. They are viewed as one of the indicators of the effectiveness of governance mechanisms in place in organisations. For example, the number of limited assurance reports and associated governance processes in ABMU was cited as one of the areas for escalating the Health Board to Targeted Intervention, and has been monitored through the associated escalation arrangements.

- Four LHBs have received a qualified audit opinion for 2016-17 in respect of the regularity opinion of the Auditor General for Wales. The qualified opinion is on the basis that the health boards did not achieve their statutory financial duty set out in the National Health Service (Wales) Act 2006 section 175 (1) *to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years*. The local health boards affected and their accumulated revenue deficits over the 3 year period of assessment are as follows:

Abertawe Bro Morgannwg	(£39.131m)
Betsi Cadwaladr	(£75.925m)
Cardiff & Vale	(£50.539m)
Hywel Dda	(£88.286m)

- It is anticipated that due to the qualification of these underlying LHB accounts the Summarised Account of the Local Health Boards will also receive a qualified regularity opinion. This anticipated qualification does not reflect the preparation and summarisation process of the Summarised Account, or the ‘true and fair’ opinion, it arises as a consequence of four LHBs generating financial deficits over the statutory duty assessment period 2014-15 to 2016-17. Those overall deficits constitute irregular expenditure.
- All three NHS trusts in Wales met their financial duty under Schedule 4 Paragraph 2 of the National Health Service (Wales) Act 2006 to ‘ensure that its revenue is not less than sufficient, taking one financial year with another’ measured over a rolling three year period.
- Under the NHS Finance (Wales) Act 2014, Schedule 4 Paragraph 2(2) of the National Health Service (Wales) Act 2006 and the NHS Wales Planning Framework health boards and NHS trusts are required to prepare and submit an Integrated Medium Term Plan to the Welsh Government for approval by the Cabinet Secretary for Health, Wellbeing and Sport by the 30th June annually.
- For the 2016-17 financial year Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda University Health boards did not meet their statutory duty to have an approved integrated medium term plan in place, and operated an annual plan for the financial year. The remaining three local health boards met their statutory duty to have an approved integrated medium term plan in place.
- All three NHS trusts met their statutory duty to have an approved integrated medium term plan in place for the 2016-17 financial year.

- In relation to the requirement to submit integrated medium term plans for the period 2017-18 to 2019-20 for approval, the plans for three health boards, Aneurin Bevan University, Cwm Taf University and Powys Teaching Health Boards and all three NHS Trusts were approved by the Cabinet Secretary for Health Well-being and Sport on the 15th June 2017.
- Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda were unable to develop, finalise and submit Board approved balanced integrated plans for the period 2017-18 to 2019-20, and instead are developing annual operating plans for 2017-18.

Disclosure of information to auditors

31. As the Additional Accounting Officer, I confirm that there is no relevant audit information of which the Auditor General for Wales is unaware. I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the external auditor is aware of that information.

Review of effectiveness

32. As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the HSSG Audit and Risk Assurance Committee and comments made by the external auditors in their management letter and other reports.
33. I am satisfied that the risks in relation to the preparation of the Summarised Account are generally well managed and that the internal controls provide an appropriate framework to assure the process of consolidation.
34. The Welsh Government health budget balanced overall in 2016-17 despite the deficits incurred by four local health boards. The Welsh Government has been in constant discussion with health boards about their financial forecasts. As independent bodies that have a statutory duty to manage their finances Welsh Government expects the health boards to take action to significantly improve their financial position.
35. The legislation introduced in 2014 provided organisations more flexibility to manage their finances over a three year period. Six organisations have successfully adapted to this new regime, and are managing financial balance within their three year plans. Through the targeted intervention process, and special measures in the case of Betsi Cadwaladr, Welsh Government continues to provide challenge and support to those organisations yet to adapt to the new regime.

36. As Chief Executive NHS Wales I will be working closely with the LHBs and NHS trusts to address the significant governance issues identified, in particular to ensure that learning is shared across NHS Wales organisations.
37. I will work with the NHS Wales organisations on service change, strengthening of regional planning and delivery within three year integrated plans, and support the development of integrated plans for those who have yet to submit approvable sustainable three year plans. The Escalation Framework will continue to be used to intervene in organisations whose performance falls short.
38. A Finance Delivery Unit is being set up to monitor and manage more closely financial risk in NHS Wales, and to enable the Welsh Government to respond at pace where organisations are in financial failure. It will provide assurance to me, the HSSG Finance Director and the Cabinet Secretary, on the robust development and delivery of in-year and medium term financial and resource plans by NHS organisations.
39. Through the NHS Escalation and Intervention arrangements, I will continue to work with the Auditor General for Wales and Healthcare Inspectorate Wales to share information and respond when issues of concern become apparent in NHS bodies in Wales.



Dr Andrew Goodall

Director General, Health and Social Services Group,

Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

30 June 2017

Local Health Boards in Wales

Statement of the Welsh Government and Accounting Officer's responsibilities

Section 126 (6) of the Government of Wales Act 2006 requires that the Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Government. Section 133 (2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Government staff as Additional Accounting Officers.

Under these arrangements, the Director General, Health, Chief Executive NHS Wales, Health and Social Services Group has been appointed as an Additional Accounting Officer. His relevant responsibilities for the Summarised Account of Local Health Boards in Wales, including his responsibilities for the propriety and regularity of public finances for which he is answerable, for the keeping of proper records and the preparation of accounts, have been assigned to him through the Memorandum for Additional Accounting Officers.

Section 178, Schedule 9, Para 5(2) of the National Health Service (Wales) Act 2006 requires the Welsh Government to prepare a statement of accounts for each financial year in the form and on the basis directed by HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Local Health Boards in Wales at the year end and their net operating costs and cash flows for the financial year.

In preparing the accounts Welsh Ministers are required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

Audit report of the Auditor General to the National Assembly

Local Health Board Summarised Accounts

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

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards in Wales for the year ended 31 March 2017 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity, the related notes and the financial duties note in annex 1. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

Respective responsibilities of the Additional Accounting Officer and Auditor

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out on page 2, the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006, and directions made by HM Treasury there under, and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to LHBs' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the LHB Directors and Chief Executives; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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 addition, I read all the financial and non-financial information in the Foreword and Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards in Wales as at 31 March 2017 and of their net operating costs for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Basis for Qualified Opinion on Regularity

Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and Vale and Hywel Dda University Local Health Boards have breached their revenue resource limits by spending £253.9 million over the £11,757 million that they were authorised to spend in the three-year period 2014-15 to 2016-17. This spend constitutes irregular expenditure. Further detail is set out in the attached Report.

Qualified Opinion on Regularity

In my opinion, except for the irregular expenditure of £253.9 million incurred in the period 2014-15 to 2016-17 explained in the paragraph above, 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.

Opinion on other matters

In my opinion, the information contained in the Foreword and Annual Governance Statement is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury's guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Report

Please see my Report on page 5.

Huw Vaughan Thomas
Auditor General for Wales
5 July 2017

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

Introduction

Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.

For 2016-17 four of the seven LHBs failed to meet either of these duties. As a result I placed a narrative report alongside my audit certificate at each of those four LHBs. I have decided to issue a narrative report on these summarised accounts to explain the position.

Failure of the first financial duty

The first financial duty gives additional flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The first three-year period under this duty is 2014-15 to 2016-17, and so it is measured this year for the first time.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and Vale and Hywel Dda University Local Health Boards did not manage their revenue expenditure within their resource allocation over this three year period. Their combined cumulative revenue resource limits of £11,757 million over the three years were exceeded by £253.9 million.

Where an LHB incurs expenditure above its resource allocation (i.e. spending limit) over a rolling three-year period, any expenditure over the resource allocation for those three years exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend. As a result my regularity opinion on each of these four LHBs was qualified and consequently my regularity opinion on the summarised accounts of LHBs is qualified.

Failure of the second financial duty

The second financial duty requires LHBs to prepare, and have approved by the Welsh Ministers, a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2016-17 if it submitted a 2016-17 to 2018-19 plan approved by its Board to the Welsh Ministers who then approved it by 30 June 2016.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and the Vale and Hywel Dda University Local LHBs did not meet their second financial duty to have an approved three-year integrated medium term plan in place for the period 2016-17 to 2018-19.

Look ahead

On 1st April 2014 the NHS Finance (Wales) Act 2014 amended the NHS (Wales) Act 2006 and required LHBs to meet two new statutory financial duties. Shortly, I will publish a value for money report on the implementation by Welsh Government and NHS Wales of the NHS Finance (Wales) Act 2014.

Huw Vaughan Thomas

Auditor General for Wales

5 July 2017

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Expenditure on Primary Healthcare Services	2.1	1,388,122	1,401,178
Expenditure on healthcare from other providers	2.2	1,042,829	966,708
Expenditure on Hospital and Community Health Services	2.3	4,276,625	3,961,900
		6,707,576	6,329,786
Less: Miscellaneous Income	3	(395,678)	(384,318)
LHB net operating costs before interest and other gains and losses		6,311,898	5,945,468
Less :Investment Income	7	(22)	(23)
Other (Gains) / Losses	8	(593)	(163)
Finance costs	9	7,518	6,543
Net operating costs for the financial year		6,318,801	5,951,825
		2016-17	2015-16
		£'000	£'000
Other Comprehensive Net Expenditure			
Net gain / (loss) on revaluation of property, plant and equipment		13,116	65,278
Net gain / (loss) on revaluation of intangibles		-	3
Net gain / (loss) on revaluation of available for sale financial assets		(1,347)	706
Impairment and reversals		(164)	-
Other comprehensive net expenditure for the year		11,605	65,987
Total comprehensive net expenditure for the year		6,307,196	5,885,838

The notes on pages 12 to 50 form part of these accounts

Statement of Financial Position as at 31 March 2017

	Notes	31 March 2017 £'000	31 March 2016 £'000
Non-current assets			
Property, plant and equipment	10.1	2,900,035	2,849,991
Intangible assets	11	9,979	8,946
Trade and other receivables	14	306,420	191,901
Other financial assets	21	724	755
Total non-current assets		3,217,158	3,051,593
Current assets			
Inventories	13.1	61,200	60,063
Trade and other receivables	14	389,084	349,391
Other financial assets	21	361	354
Cash and cash equivalents	20	15,353	13,122
		465,998	422,930
Non-current assets classified as "Held for Sale"	10.2	4,103	3,148
Total current assets		470,101	426,078
Total assets		3,687,259	3,477,671
Current liabilities			
Trade and other payables	15	763,884	713,336
Provisions	16	258,510	235,696
Total current liabilities		1,022,394	949,032
Net current assets/ (liabilities)		(552,293)	(522,954)
Non-current liabilities			
Trade and other payables	15	66,119	70,676
Provisions	16	339,157	222,880
Total non-current liabilities		405,276	293,556
Total assets employed		2,259,589	2,235,083
Financed by :			
Taxpayers' equity			
General Fund		1,872,722	1,851,509
Revaluation reserve		386,867	383,574
Total taxpayers' equity		2,259,589	2,235,083

The notes on pages 12 to 50 form part of these accounts



Dr Andrew Goodall, Director General, Health, Chief Executive NHS Wales, Health and Social Services Group
30 June 2017

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2017

	General Fund £'000	Revaluation reserve £'000	Total reserves £'000
Changes in taxpayers' equity for 2016-17			
Balance at 1 April 2016	1,851,509	383,574	2,235,083
Net operating cost for the year	(6,318,801)	-	(6,318,801)
Net gain on revaluation of property, plant and equipment	-	12,952	12,952
Net loss on revaluation of assets held for sale	-	(1,347)	(1,347)
Transfers between reserves	8,312	(8,312)	-
Total recognised income and expense for 2016-17	(6,310,489)	3,293	(6,307,196)
Net Welsh Government funding	6,331,702	-	6,331,702
Balance at 31 March 2017	1,872,722	386,867	2,259,589

The notes on pages 12 to 50 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2016

	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2015-16			
Balance at 1 April 2015	1,843,230	327,099	2,170,329
Net operating cost for the year	(5,951,825)	-	(5,951,825)
Net gain on revaluation of property, plant and equipment	-	65,278	65,278
Net gain on revaluation of intangible assets	-	3	3
Net gain on revaluation of assets held for sale	-	706	706
Transfers between reserves	9,512	(9,512)	-
Total recognised income and expense for 2015-16	(5,942,313)	56,475	(5,885,838)
Net Welsh Government funding	5,950,592	-	5,950,592
Balance at 31 March 2016	1,851,509	383,574	2,235,083

The notes on pages 12 to 50 form part of these accounts

Statement of Cash Flows for year ended 31 March 2017

	2016-17	2015-16
	£'000	£'000
Cash flows from operating activities		
Net operating costs for the financial year	(6,318,801)	(5,951,825)
Movements in Working Capital	28 (139,705)	141,263
Other cash flow adjustments	29 396,107	122,972
Provisions utilised	16 (75,856)	(75,466)
Net cash outflow from operating activities	(6,138,255)	(5,763,056)
Cash flows from investing activities		
Purchase of property, plant and equipment	(189,268)	(185,240)
Proceeds from disposal of property, plant and equipment	2,179	1,434
Purchase of intangible assets	(4,127)	(2,070)
Net cash outflow from investing activities	(191,216)	(185,876)
Net cash outflow before financing	(6,329,471)	(5,948,932)
Cash flows from financing activities		
Welsh Government funding (including capital)	6,331,702	5,950,592
Net financing	6,331,702	5,950,592
Net increase in cash and cash equivalents	2,231	1,660
Cash and cash equivalents at 1 April 2016	13,122	11,462
Cash and cash equivalents at 31 March 2017	15,353	13,122

The notes on pages 12 to 50 form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2016-17 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Boards (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Acquisitions and discontinued operations

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

1.3 Income and funding

The main source of funding for the LHB's are allocations (Welsh Government Funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the LHBs. Welsh Government funding is recognised in the financial period in which the cash is received. Non discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical or ophthalmic services identified by the Welsh Government. Non discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the general fund.

- Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHBs for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHBs in their provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions 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, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

Other Pensions Disclosure National Employment Savings Trust (NEST)

The NHS has to offer an alternative pensions scheme for employees not eligible to join the NHS Pensions scheme. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

1.5 Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for the LHBs services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets (MEA) and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales bodies have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

In 2012-13 a formal revaluation exercise by the District Valuation Office was applied to the land and properties of NHS Wales as from 1 April 2012. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that that impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure.

From 2015-16, the LHB must comply with IFRS 13 Fair Value Measurement in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

In accordance with the adaptation of IAS 16 in table 6.2 of the FReM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the LHB could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset.

Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13. Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated, NHS bodies are required to get all All Wales Capital Schemes that are completed in a financial year revalued during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses.

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to use the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 Depreciation, amortisation and impairments

Freehold land and assets under construction and properties held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the LHB expects to obtain economic benefits or service potential from the asset. This is specific to the LHB and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the LHBs check whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic values or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

1.9 Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the SoCNE. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

1.11 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

1.11.1 The Local Health Board as lessee

Amounts held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are charged directly to the SoCNE.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred. Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.11.2 The Local Health Board as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the LHBs net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the LHB's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.12 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out/weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.13 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.14 Provisions

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the LHB has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the LHB has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are

those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.15 Clinical negligence costs

The Welsh Risk Pool operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2016-17. The Welsh Risk Pool is hosted by Velindre NHS Trust.

1.16 Financial assets

Financial assets are recognised on the Statement of Financial Position when the LHB becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

1.16.1 Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1.16.2 Financial assets at fair value through SoCNE

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through SoCNE. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.16.3 Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

1.16.4 Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the SoCNE on de-recognition.

1.16.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the LHBs assess whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the SoCNE and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the SoCNE to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.17 Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.17.1 Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through SoCNE' or other financial liabilities.

1.17.2 Financial liabilities at fair value through SoCNE

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through the SoCNE. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.17.3 Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.18 Value Added Tax

Most of the activities of the LHB 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.

1.19 Foreign currencies

Transactions 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 SoCNE. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHBs have no beneficial interest in them. Details of third party assets are given in note 24 to the accounts.

1.21 Losses and Special Payments

Losses and special payments are items that the Welsh Government 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 relevant functional headings in the SoCNE on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

1.22 Pooled budgets

Several LHBs have entered into a pooled budget with Local Authorities. Under the arrangement funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006.

Payments for services provided are accounted for as Miscellaneous Income. LHBs account for their share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

1.23 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The LHB therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI assets

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the LHBs approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the SoCNE.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the SoCNE.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the LHBs criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the LHB to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the LHBs Statement of Financial Position.

Other assets contributed by the LHB to the operator

Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the LHB through the asset being made available to third party users.

1.24 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LHB. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.25 Carbon Reduction Commitment Scheme

Carbon Reduction Commitment Scheme allowances are accounted for as government grant funded intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be measured initially at cost. Scheme assets in respect of allowances shall be valued at fair value where there is evidence of an active market.

1.26 Absorption accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

1.27 Accounting standards that have been issued but not yet been adopted

The following accounting standards have been issued by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM :

IFRS 9 Financial Instruments
IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from contracts with customers
IFRS 16 Leases

1.28 Accounting standards that have been adopted early

No accounting standards issued have been adopted early.

1.29 Charities

The LHBs with the agreement of the Welsh Government have adopted the IFRS 10 exemption to consolidate. The Welsh Government as the ultimate parent of the Local Health Boards will disclose the Charitable Accounts of the Local Health Boards in the Welsh Governments Consolidated Accounts, if they exceed the relevant materiality criteria.

1.30 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The amount recognised as provisions give rise to significant judgement and uncertainty. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking in to account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. A change in the assumptions could cause an increase or decrease in the amounts recognised as a provision which could materially impact the results of operations.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2016-17 Total £'000	2015-16 £'000
General Medical Services	487,073	-	487,073	486,556
Pharmaceutical Services	150,074	(10,442)	139,632	155,376
General Dental Services	173,579	-	173,579	172,564
General Ophthalmic Services	6,238	32,781	39,019	32,585
Other Primary Health Care expenditure	29,254	-	29,254	31,344
Prescribed drugs and appliances	519,565	-	519,565	522,753
Total	1,365,783	22,339	1,388,122	1,401,178

2.2 Expenditure on healthcare from other providers

	2016-17 £'000	2015-16 £'000
Goods and services from other NHS Wales Trusts	261,558	242,992
Goods and services from other non Welsh NHS bodies	254,557	244,808
Local Authorities	55,040	35,437
Voluntary organisations	35,502	36,141
NHS Funded Nursing Care	39,484	38,482
Continuing Care	330,952	318,525
Private providers	65,899	49,732
Specific projects funded by the Welsh Assembly Government	-	1
Other	(163)	590
Total	1,042,829	966,708

2.3 Expenditure on Hospital and Community Health Services

	2016-17	2015-16
	£'000	£'000
Directors' costs	12,881	12,090
Staff costs	3,104,531	2,927,285
Supplies and services - clinical	618,641	575,344
Supplies and services - general	69,607	62,667
Consultancy Services	7,108	7,035
Establishment	63,861	58,787
Transport	13,476	11,890
Premises	153,330	152,001
External Contractors	5,435	4,864
Depreciation	139,244	138,136
Amortisation	2,949	2,457
Fixed asset impairments and reversals (Property, plant & equipment)	47,845	(31,472)
Impairments and reversals of non-current assets held for sale	-	787
Audit fees	2,772	2,764
Other auditors' remuneration	5	7
Losses, special payments and irrecoverable debts	19,780	16,380
Research and Development	455	821
Other operating expenses	14,705	20,057
Total	4,276,625	3,961,900

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

	2016-17	2015-16
	£'000	£'000
Increase/(decrease) in provision for future payments:		
Clinical negligence	218,547	25,341
Personal injury	4,736	4,554
All other losses and special payments	2,015	1,090
Defence legal fees and other administrative costs	5,298	3,922
Gross increase/(decrease) in provision for future payments	<u>230,596</u>	<u>34,907</u>
Premium for other insurance arrangements	-	596
Irrecoverable debts	1,342	1,020
Less: income received/ due from Welsh Risk Pool	(212,158)	(20,087)
Total	19,780	16,436

Losses expenditure is included in note 2.1 and note 2.3.

Personal injury includes £2,412,657 (2015-16: £1,333,330) in respect of permanent injury benefits

Payments in respect of clinical redress were £2,244,323 (2015-16: £2,089,397)

The discount rate set by the Lord Chancellor on which lump sum settlements for clinical negligence and personal injury are calculated reduced from 2.5% to -0.75% on and has resulted in the material increase in the gross expenditure for losses and special payments.

3. Miscellaneous Income

	2016-17 £'000	2015-16 £'000
NHS trusts	28,443	26,993
Other NHS England bodies	29,464	29,812
Foundation Trusts	1,349	1,114
Local authorities	53,069	49,558
Welsh Government	21,059	24,129
Non NHS:		
Prescription charge income	204	152
Dental fee income	37,258	35,857
Private patient income	6,143	6,190
Overseas patients (non-reciprocal)	1,023	1,140
Injury Costs Recovery (ICR) Scheme	10,948	10,984
Other income from activities	10,769	9,545
Patient transport services	31	2
Education, training and research	115,824	116,872
Charitable and other contributions to expenditure	5,490	5,683
Receipt of donated assets	7,209	3,557
Receipt of Government granted assets	1,648	452
Non-patient care income generation schemes	3,718	3,237
NWSSP	-	3
Deferred income released to revenue	6,688	1,144
Rental income from operating leases	1,630	1,039
Other income:		
Provision of laundry, pathology, payroll services	5,037	5,177
Accommodation and catering charges	15,275	15,315
Mortuary fees	1,656	1,852
Staff payments for use of cars	3,726	3,337
Business units	1,970	347
Other	26,047	30,827
Total	395,678	384,318

ICR income is subject to a provision for impairment of 22.94% (2015-16 21.99%) to reflect expected rates of collection.

4. Employee benefits and staff numbers

4.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	
	£'000	£'000	£'000	2016-17 £'000	2015-16 £'000
Salaries and wages	2,483,927	9,213	151,894	2,645,034	2,524,516
Social security costs	235,636	12	-	235,648	178,502
Employer contributions to NHS Pension Scheme	299,201	20	-	299,221	289,209
Other pension costs	729	-	2	731	290
Termination benefits	651	-	-	651	1,803
Total	3,020,144	9,245	151,896	3,181,285	2,994,320
Charged to capital				4,428	3,874
Charged to revenue				3,176,857	2,990,446
				3,181,285	2,994,320

The full employee costs reported above are included in note 2.1 General Medical Services and note 2.3 Expenditure on Hospital and Community Services.

4.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	
	Number	Number	Number	2016-17 Number	2015-16 Number
Administrative, clerical and board members	12,086	36	177	12,299	11,686
Medical and dental	6,185	58	450	6,693	6,482
Nursing, midwifery registered	21,934	8	759	22,701	22,236
Professional, Scientific, and technical staff	2,546	21	31	2,598	3,187
Additional Clinical Services	13,244	1	172	13,417	12,941
Allied Health Professions	4,152	12	140	4,304	3,394
Healthcare Scientists	1,645	-	45	1,690	1,667
Estates and Ancillary	6,451	-	82	6,533	6,453
Students	65	2	-	67	56
Total	68,308	138	1,856	70,302	68,102

4.3. Retirements due to ill-health

During 2016-17 there were 90 (2015-16 108) early retirements from LHBs agreed on the grounds of ill-health.

The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £4,737,560 (2015-16 £5,448,846).

4.4 Employee benefits

There were no employee benefit schemes operating in 2016-17

4.5 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this ‘employer cost cap’ assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

c) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It’s a non-departmental public body (NDPB) that operates at arm’s length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 2% of a jobholder’s qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing to 8% over the next three years.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £43,000 for the 2016-17 tax year (2015-16 £5,824 and £42,385).

NEST has an annual contribution limit of £4,900 for the 2016-17 tax year (£4,700 for 2015-16). This means the most that can be contributed to a single pot in the current tax year is £4,900. This figure will be adjusted annually in line with average earnings. The annual contribution limit includes member contributions, money from their employer and any tax relief. Alternatively under certification, employers may choose to calculate contributions in a way that meets the requirements of one of three sets of tiers described in the legislation. The three tiers have minimum contribution rates as detailed on the NEST website.

5. Operating leases

LHB as lessee

Detailed disclosures are made in the individual LHB accounts.

Payments recognised as an expense	2016-17	2015-16
	£'000	£'000
Minimum lease payments	23,606	22,776
Total	23,606	22,776

Total future minimum lease payments

Payable	£'000	£'000
Not later than one year	18,485	17,862
Between one and five years	38,313	40,097
After 5 years	38,898	37,291
Total	95,696	95,250

LHB as lessor

Rental revenue	£'000	£'000
Rent	1,387	1,301
Total revenue rental	1,387	1,301

Total future minimum lease payments

Receivable		£'000
Not later than one year	1,321	1,298
Between one and five years	2,186	2,088
After 5 years	2,915	3,140
Total	6,422	6,526

6. The Late Payment of Commercial Debts (Interest) Act 1998

	2016-17	2015-16
	£	£
Amounts included within finance costs from claims made under this legislation	138	770
Compensation paid to cover debt recovery costs under this legislation	81	70
Total	219	840

7. Investment Income

	2016-17	2015-16
	£'000	£'000
Interest revenue :		
Other financial assets	22	23
Total	22	23

8. Other gains and losses

	2016-17	2015-16
	£'000	£'000
Gain/(loss) on disposal of property, plant and equipment	520	153
Gain/(loss) on disposal of assets held for sale	73	10
Total	593	163

9. Finance costs

	2016-17	2015-16
	£'000	£'000
Interest on obligations under finance leases	76	92
main finance cost	4,742	5,077
contingent finance cost	2,315	2,418
Interest on late payment of commercial debt	-	1
Total interest expense	7,133	7,588
Provisions unwinding of discount	385	(1,045)
Total	7,518	6,543

10.1 Property, plant and equipment

	Land £'000	Buildings, excluding dwellings £'000	Dwellings £'000	Assets under construction & payments on account £'000	Plant and machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Cost or valuation at 1 April 2016	368,335	2,331,041	49,654	226,243	516,987	6,260	117,471	26,758	3,642,749
Indexation	12,599	-	-	-	-	-	-	-	12,599
Additions - purchased	162	30,804	150	110,926	52,653	179	22,162	2,352	219,388
Additions - donated	-	861	-	494	4,607	-	364	709	7,035
Additions - government granted	-	1,639	-	-	-	-	9	-	1,648
Transfer from/into other NHS bodies	-	-	-	-	(1,072)	(718)	(397)	(26)	(2,213)
Reclassifications	-	157,561	(4)	(163,838)	5,217	-	898	144	(22)
Revaluations	(1,316)	962	-	-	-	-	-	-	(354)
Reversal of impairments	1,541	-	-	-	-	-	-	-	1,541
Impairments	(64)	(46,398)	-	(29)	(96)	-	-	-	(46,587)
Reclassified as held for sale	(1,278)	(318)	-	-	-	-	-	-	(1,596)
Disposals	(763)	(2,555)	-	-	(23,282)	(486)	(9,364)	(644)	(37,094)
At 31 March 2017	379,216	2,473,597	49,800	173,796	555,014	5,235	131,143	29,293	3,797,094
Depreciation at 1 April 2016	515	323,604	5,868	1,792	361,168	5,325	78,790	15,696	792,758
Indexation	527	-	-	-	-	-	-	-	527
Transfers from/into other NHS bodies	-	-	-	-	(702)	(699)	(326)	(26)	(1,753)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	(51)	-	-	-	-	-	-	(51)
Reversal of impairments	(507)	-	-	-	-	-	-	-	(507)
Impairments	140	3,404	-	-	(74)	-	-	-	3,470
Reclassified as held for sale	-	(168)	-	-	-	-	-	-	(168)
Disposals	(467)	(2,303)	-	-	(23,187)	(486)	(9,374)	(644)	(36,461)
Provided during the year	-	80,186	1,463	-	41,232	277	13,448	2,638	139,244
At 31 March 2017	208	404,672	7,331	1,792	378,437	4,417	82,538	17,664	897,059
Net book value at 1 April 2016	367,820	2,007,437	43,786	224,451	155,819	935	38,681	11,062	2,849,991
Net book value at 31 March 2017	379,008	2,068,925	42,469	172,004	176,577	818	48,605	11,629	2,900,035
Net book value at 31 March 2017 comprises :									
Purchased	375,167	2,034,207	42,469	171,489	162,317	808	47,591	10,735	2,844,783
Donated	3,841	31,721	-	515	14,196	-	743	830	51,846
Government Granted	-	2,997	-	-	64	10	271	64	3,406
	379,008	2,068,925	42,469	172,004	176,577	818	48,605	11,629	2,900,035
Asset financing :									
Owned	367,068	1,977,577	40,251	172,004	174,915	818	48,605	11,629	2,792,867
Held on finance lease	-	2,087	-	-	1,213	-	-	-	3,300
On-SoFP PFI contracts	11,940	89,261	2,218	-	449	-	-	-	103,868
Total	379,008	2,068,925	42,469	172,004	176,577	818	48,605	11,629	2,900,035

The net book value of land, buildings and dwellings at 31 March 2017 comprises :

	£'000
Freehold	2,382,147
Long Leasehold	82,174
Short Leasehold	26,081
	2,490,402

10.1 Property, plant and equipment

	Land £'000	Buildings, excluding dwellings £'000	Dwellings £'000	Assets under construction on account £'000	Plant and machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Cost or valuation at 1 April 2015	358,635	2,109,296	47,424	234,099	509,419	6,134	110,994	25,118	3,401,119
Indexation	6,166	67,812	2,306	-	-	-	-	-	76,284
Additions - purchased	2,571	18,090	96	106,353	24,912	16	10,581	1,907	164,526
Additions - donated	-	640	-	115	2,444	-	205	6	3,410
Additions - government granted	-	-	-	385	-	-	28	-	413
Reclassifications	-	101,463	(182)	(114,709)	10,993	452	878	1,042	(63)
Revaluations	2,065	1,198	5	-	-	-	-	-	3,268
Reversal of impairments	850	52,806	402	-	-	-	-	-	54,058
Impairments	(232)	(19,702)	(19)	-	(10)	-	-	(15)	(19,978)
Reclassified as held for sale	(1,541)	(460)	-	-	-	-	-	-	(2,001)
Disposals	(179)	(102)	(378)	-	(30,771)	(342)	(5,215)	(1,300)	(38,287)
At 31 March 2016	368,335	2,331,041	49,654	226,243	516,987	6,260	117,471	26,758	3,642,749
Depreciation at 1 April 2015	155	230,032	4,105	1,792	350,054	5,340	70,436	14,069	675,983
Indexation	372	14,260	256	-	-	-	-	-	14,888
Reclassifications	-	-	-	-	1	-	-	(1)	-
Revaluations	-	(1,321)	1	-	-	-	-	-	(1,320)
Reversal of impairments	(369)	(1,166)	(22)	-	-	-	-	-	(1,557)
Impairments	357	3,826	(9)	-	(9)	-	-	-	4,165
Reclassified as held for sale	-	(34)	-	-	-	-	-	-	(34)
Disposals	-	(11)	(35)	-	(30,607)	(342)	(5,209)	(1,299)	(37,503)
Provided during the year	-	78,018	1,572	-	41,729	327	13,563	2,927	138,136
At 31 March 2016	515	323,604	5,868	1,792	361,168	5,325	78,790	15,696	792,758
Net book value at 1 April 2015	358,480	1,879,264	43,319	232,307	159,365	794	40,558	11,049	2,725,136
Net book value at 31 March 2016	367,820	2,007,437	43,786	224,451	155,819	935	38,681	11,062	2,849,991
Net book value at 31 March 2016 comprises :									
Purchased	364,120	1,974,675	43,786	224,297	142,975	922	37,786	10,825	2,799,386
Donated	3,700	31,342	-	115	12,751	-	580	158	48,646
Government Granted	-	1,420	-	39	93	13	315	79	1,959
	367,820	2,007,437	43,786	224,451	155,819	935	38,681	11,062	2,849,991
Asset financing :									
Owned	356,323	1,912,634	41,504	224,451	153,676	935	38,681	11,062	2,739,266
Held on finance lease	-	2,662	-	-	1,516	-	-	-	4,178
On-SoFP PFI contracts	11,497	92,141	2,282	-	627	-	-	-	106,547
Total	367,820	2,007,437	43,786	224,451	155,819	935	38,681	11,062	2,849,991

The net book value of land, buildings and dwellings at 31 March 2016 comprises :

	£'000
Freehold	2,307,613
Long Leasehold	84,091
Short Leasehold	27,339
	2,419,043

The LHB Land and Buildings were revalued by the District Valuation Service with an effective date of 1st April 2012. The valuation has been prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition. LHB's are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

10. Property, plant and equipment (continued)

10.2 Non-current assets held for sale	Land	Buildings, including dwelling	Total
	£'000	£'000	£'000
Balance brought forward 1 April 2016	2,783	365	3,148
Plus assets classified as held for sale in the year	2,552	150	2,702
Less assets sold in the year	(108)	(365)	(473)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(1,274)	-	(1,274)
Balance carried forward 31 March 2017	<u>3,953</u>	<u>150</u>	<u>4,103</u>
 Balance brought forward 1 April 2015	 1,398	 1,057	 2,455
Plus assets classified as held for sale in the year	1,542	425	1,967
Less assets sold in the year	(370)	(117)	(487)
Reversal of impairments	233	-	233
Less impairment of assets held for sale	(20)	(1,000)	(1,020)
Balance carried forward 31 March 2016	<u>2,783</u>	<u>365</u>	<u>3,148</u>

11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2016	17,534	3,288	51	20,873
Reclassifications	22	-	-	22
Additions- purchased	2,456	1,401	-	3,857
Additions- donated	174	-	-	174
Transfers	-	-	(51)	(51)
Disposals	(825)	-	-	(825)
Gross cost at 31 March 2017	19,361	4,689	-	24,050
Amortisation at 1 April 2016	11,190	737	-	11,927
Provided during the year	2,232	717	-	2,949
Disposals	(805)	-	-	(805)
Amortisation at 31 March 2017	12,617	1,454	-	14,071
Net book value at 1 April 2016	6,344	2,551	51	8,946
Net book value at 31 March 2017	6,744	3,235	-	9,979
At 31 March 2017				
Purchased	6,276	3,235	-	9,511
Donated	467	-	-	467
Government Granted	1	-	-	1
Internally generated	-	-	-	-
Total at 31 March 2017	6,744	3,235	-	9,979

11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2015	15,554	2,874	53	18,481
Revaluation	-	-	3	3
Reclassifications	63	-	-	63
Additions- purchased	1,782	376	(5)	2,153
Additions- donated	147	-	-	147
Additions- government granted	1	38	-	39
Disposals	(13)	-	-	(13)
Gross cost at 31 March 2016	17,534	3,288	51	20,873
Amortisation at 1 April 2015	9,293	190	-	9,483
Provided during the year	1,910	547	-	2,457
Disposals	(13)	-	-	(13)
Amortisation at 31 March 2016	11,190	737	-	11,927
Net book value at 1 April 2015	6,261	2,684	53	8,998
Net book value at 31 March 2016	6,344	2,551	51	8,946
At 31 March 2016				
Purchased	5,972	2,513	51	8,536
Donated	120	-	-	120
Government Granted	252	38	-	290
Total at 31 March 2016	6,344	2,551	51	8,946

14. Trade and other receivables

Current	31 March 2017 £'000	31 March 2016 £'000
Welsh Government	6,284	3,879
Welsh NHS Trusts	4,259	6,250
Non - Welsh Trusts	4,431	5,908
Other NHS	2,989	1,018
Welsh Risk Pool	281,349	248,883
Local Authorities	13,455	17,020
Capital debtors	53	41
Other debtors	59,526	53,686
Provision for irrecoverable debts	(11,473)	(11,117)
Other prepayments	25,108	19,273
Other accrued income	3,103	4,550
Sub total	389,084	349,391
Non-current		
Welsh Risk Pool	298,986	184,243
Other debtors	5,481	5,561
Provision for irrecoverable debts	(1,672)	(1,523)
Other prepayments and accrued income	1,252	1,284
Other accrued income	2,373	2,336
Sub total	306,420	191,901
Total	695,504	541,292
Receivables past their due date but not impaired		
By up to three months	15,890	18,829
By three to six months	1,925	2,112
By more than six months	6,894	8,088
	24,709	29,029
Provision for impairment of receivables		
Balance at 1 April	(12,640)	(11,789)
Amount written off during the year	525	352
Amount recovered during the year	779	959
(Increase) / decrease in receivables impaired	(1,810)	(2,592)
Bad debts recovered during year	1	430
Balance at 31 March	(13,145)	(12,640)
Receivables VAT		
Trade receivables	4,531	3,685
Other	3,808	2,624
Total	8,339	6,309

15. Trade and other payables

Current	31 March 2017 £'000	31 March 2016 £'000
Welsh Government	88	301
Welsh NHS Trusts	13,694	16,371
Other NHS	58,977	64,504
Taxation and social security payable / refunds	24,780	16,205
VAT payable to HMRC	107	61
Other taxes payable to HMRC	8,767	4,682
NI contributions payable to HMRC	25,935	21,377
Non-NHS creditors	139,208	131,376
Local Authorities	48,951	36,724
Capital Creditors	64,129	33,403
Obligations under finance leases, HP contracts	568	724
Imputed finance lease element of on SoFP PFI contracts	3,323	3,168
Pensions: staff	20,508	20,150
Accruals	330,356	337,802
Deferred Income brought forward	9,196	2,294
Deferred Income Additions	853	8,237
Released to SoCNE	(6,822)	(1,335)
Other creditors	40,004	37,526
PFI assets –deferred credits	108	293
Payments on account	(18,846)	(20,527)
Total	763,884	713,336
Non-current		
Obligations under finance leases, HP contracts	1,671	2,469
Imputed finance lease element of on SoFP PFI contracts	64,246	67,898
PFI assets –deferred credits	202	309
Sub-total	66,119	70,676
Total	830,003	784,012

16. Provisions

	At 1 April 2016	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current									
Clinical negligence	199,989	(24,003)	(10,986)	(9,196)	171,960	(54,639)	(47,183)	(1,195)	224,747
Personal injury	9,875	-	(54)	717	7,063	(4,792)	(4,044)	188	8,953
All other losses and special payments	185	-	-	-	2,056	(2,056)	(41)	-	144
Defence legal fees and other administration	9,006	-	-	1,300	8,795	(3,800)	(5,255)	-	10,046
Pensions relating to former directors	2	-	-	4	-	(4)	-	-	2
Pensions relating to other staff	1,737	-	-	873	1,067	(1,913)	(24)	136	1,876
Other	14,902	-	(496)	543	7,140	(4,099)	(5,248)	-	12,742
Total	235,696	(24,003)	(11,536)	(5,759)	198,081	(71,303)	(61,795)	(871)	258,510
Non Current									
Clinical negligence	182,796	-	-	9,196	115,539	(4,018)	(6,418)	(26)	297,069
Personal injury	18,796	-	-	(717)	1,731	-	-	45	19,855
All other losses and special payments	-	-	-	-	-	-	-	-	-
Defence legal fees and other administration	3,277	-	-	(1,300)	1,995	(267)	(247)	-	3,458
Pensions relating to former directors	23	-	-	(4)	1	-	-	-	20
Pensions relating to other staff	13,232	-	-	(873)	438	-	(223)	11	12,585
Other	4,756	-	-	(543)	4,213	(268)	(1,988)	-	6,170
Total	222,880	-	-	5,759	123,917	(4,553)	(8,876)	30	339,157
TOTAL									
Clinical negligence	382,785	(24,003)	(10,986)	-	287,499	(58,657)	(53,601)	(1,221)	521,816
Personal injury	28,671	-	(54)	-	8,794	(4,792)	(4,044)	233	28,808
All other losses and special payments	185	-	-	-	2,056	(2,056)	(41)	-	144
Defence legal fees and other administration	12,283	-	-	-	10,790	(4,067)	(5,502)	-	13,504
Pensions relating to former directors	25	-	-	-	1	(4)	-	-	22
Pensions relating to other staff	14,969	-	-	-	1,505	(1,913)	(247)	147	14,461
Other	19,658	-	(496)	-	11,353	(4,367)	(7,236)	-	18,912
Total	458,576	(24,003)	(11,536)	-	321,998	(75,856)	(70,671)	(841)	597,667

Expected timing of cash flows:

	In year to 31 March 2018	Between 1 April 2018- 31 March 2022	Thereafter	Total
	£'000	£'000	£'000	£'000
Clinical negligence	224,747	295,400	1,669	521,816
Personal injury	8,953	7,750	12,105	28,808
All other losses and special payments	144	-	-	144
Defence legal fees and other administration	10,046	3,458	-	13,504
Pensions relating to former directors	2	20	-	22
Pensions relating to other staff	1,876	9,325	3,260	14,461
Other	12,742	5,738	432	18,912
Total	258,510	321,691	17,466	597,667

16. Provisions (continued)

	At 1 April 2015	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
	£'000	£000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current									
Clinical negligence	197,061	(10,136)	(14,556)	68,241	120,562	(49,251)	(110,458)	(1,474)	199,989
Personal injury	12,643	-	(55)	(686)	7,706	(6,683)	(3,298)	248	9,875
All other losses and special payments	1,181	-	-	-	2,121	(2,086)	(1,031)	-	185
Defence legal fees and other administration	7,701	-	-	2,253	8,927	(3,790)	(6,085)	-	9,006
Pensions relating to former directors	8	-	-	3	-	(4)	(5)	-	2
Pensions relating to other staff	2,070	-	-	1,128	337	(1,987)	(11)	200	1,737
Other	19,477	-	(840)	1,611	5,206	(6,588)	(3,964)	-	14,902
Total	240,141	(10,136)	(15,451)	72,550	144,859	(70,389)	(124,852)	(1,026)	235,696
Non Current									
Clinical negligence	232,475	-	(724)	(68,241)	42,437	(3,955)	(19,153)	(43)	182,796
Personal injury	17,921	-	-	686	158	-	(12)	43	18,796
All other losses and special payments	-	-	-	-	-	-	-	-	-
Defence legal fees and other administration	4,743	-	-	(2,253)	1,609	(261)	(561)	-	3,277
Pensions relating to former directors	26	-	-	(3)	-	-	-	-	23
Pensions relating to other staff	14,287	-	-	(1,128)	496	-	(436)	13	13,232
Other	6,656	-	-	(1,611)	1,703	(861)	(1,131)	-	4,756
Total	276,108	-	(724)	(72,550)	46,403	(5,077)	(21,293)	13	222,880
TOTAL									
Clinical negligence	429,536	(10,136)	(15,280)	-	162,999	(53,206)	(129,611)	(1,517)	382,785
Personal injury	30,564	-	(55)	-	7,864	(6,683)	(3,310)	291	28,671
All other losses and special payments	1,181	-	-	-	2,121	(2,086)	(1,031)	-	185
Defence legal fees and other administration	12,444	-	-	-	10,536	(4,051)	(6,646)	-	12,283
Pensions relating to former directors	34	-	-	-	-	(4)	(5)	-	25
Pensions relating to other staff	16,357	-	-	-	833	(1,987)	(447)	213	14,969
Other	26,133	-	(840)	-	6,909	(7,449)	(5,095)	-	19,658
Total	516,249	(10,136)	(16,175)	-	191,262	(75,466)	(146,145)	(1,013)	458,576

17. Contingencies

17.1 Contingent liabilities

Provisions have not been made in the accounts for the following amounts :

	2016-17	2015-16
	£'000	£'000
Legal claims for alleged medical or employer negligence	860,010	804,118
Defence costs	20,146	18,718
Continuing Care health costs	30,456	26,832
Other	10	116
Total value of disputed claims	910,622	849,784
Less amounts recovered in the event of claims being successful	842,965	785,447
Net contingent liability	67,657	64,337

Health Boards in Wales (and equivalent bodies across the UK) are currently waiting for the Supreme Court to deliver its ruling over the responsibility for the costs of nurses delivering care in care homes. The Health Boards currently pay for what they consider to be appropriate "nursing care" costs in accordance with legislation, however, the Supreme Court case focuses on the local authorities claim that the "nursing care" should be more widely defined than at present. The Health Boards are currently not in a position to determine the likely outcome of this ruling nor any potential financial impact.

17.2 Contingent assets

The LHBs have no contingent asset disclosures.

18. Capital commitments

Contracted capital commitments at 31 March for	2016-17	2015-16
	£'000	£'000
Property, plant and equipment	86,943	87,839
Intangible assets	444	44
Total	87,387	87,883

19. Losses and special payments

Losses and special payments are charged to the SoCNE in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2017		Approved to write-off to 31 March 2017	
	Number	£	Number	£
Clinical negligence	759	71,753,584	420	53,902,315
Personal injury	325	4,290,492	148	2,364,777
All other losses and special payments	1,407	2,660,607	1,430	2,770,567
Total	2,491	78,704,683	1,998	59,037,659

Analysis of cases which exceed £300,000

	Cases over £300,000, paid out during the year		Cumulative interim payments over £300,000	
	Number	£	Number	£
Clinical negligence	57	44,311,697	128	136,209,739
Personal injury	-	-	3	1,276,673
All other losses and special payments	1	425,808	1	425,808
Total	58	44,737,505	132	137,912,220

20. Cash and cash equivalents

	2016-17	2015-16
	£'000	£'000
Balance at 1 April	13,122	11,462
Net change in cash and cash equivalent balances	2,231	1,660
Balance at 31 March	<u>15,353</u>	<u>13,122</u>
Made up of:		
Cash held at Office of HM Paymaster General / GBS	13,461	12,027
Commercial banks	1,539	576
Cash in hand	353	519
Cash and cash equivalents as in Statement of Financial Position	<u>15,353</u>	<u>13,122</u>
Bank overdraft - Office of HM Paymaster General / GBS	-	-
Bank overdraft - Commercial banks	-	-
Cash and cash equivalents as in Statement of Cash Flows	<u>15,353</u>	<u>13,122</u>

21. Other Financial Assets

	Current		Non-current	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Financial assets				
Loans at amortised cost	31	30	724	755
At fair value through SoCNE	330	324	-	-
Total	<u>361</u>	<u>354</u>	<u>724</u>	<u>755</u>

22. Other financial liabilities

No other financial liabilities were reported by LHB's.

23. Related Party Transactions

The Welsh Government was regarded as a related party. During the year the LHBs had a significant number of material transactions with the Welsh Government and with other NHS bodies.

All seven LHBs undertook related party transactions. The details of these can be found in the underlying accounts.

24. Third Party Assets

LHB's held £2,877,250 cash at bank and in hand at 31 March 2017 (31 March 2016: £2,741,925) which relates to monies held by the LHB on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts. Betsi Cadwaladr University Health Board, also held £44,584 deposits for staff in residential accommodation.

Some LHB's also held consignment stock, the details of which can be found in the underlying accounts.

25. Finance leases obligations (as lessee)

Amounts payable under finance leases:

Buildings	31 March 2017 £'000	31 March 2016 £'000
Minimum lease payments		
Within one year	238	436
Between one and five years	661	1,122
After five years	-	-
Less finance charges allocated to future periods	(21)	(43)
Minimum lease payments	878	1,515
Included in:		
Current borrowings	229	417
Non-current borrowings	649	1,098
	878	1,515

Present value of minimum lease payments

Within one year	222	397
Between one and five years	589	979
After five years	-	-
Present value of minimum lease payments	811	1,376

Included in:

Current borrowings	-	-
Non-current borrowings	-	-
	-	-

Other

	31 March 2017 £'000	31 March 2016 £'000
Minimum lease payments		
Within one year	380	
Between one and five years	1,070	1,443
After five years	-	-
Less finance charges allocated to future periods	(89)	(144)
Minimum lease payments	1,361	1,677
Included in:		
Current borrowings	339	323
Non-current borrowings	1,022	1,354
	1,361	1,677

Present value of minimum lease payments

Within one year	336	320
Between one and five years	994	1,312
After five years	-	-

Present value of minimum lease payments

	1,330	1,632
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Included in:

Current borrowings	246	233
Non-current borrowings	739	985
	985	1,218

26. Private Finance Initiative contracts

26.1 Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2017	31 March 2016
	£'000	£'000
Total payments due within one year	1,273	1,244
Total payments due between 1 and 5 years	4,345	4,733
Total payments due thereafter	4,437	5,086
Total future payments in relation to PFI contracts	10,055	11,063
Total estimated capital value of off-SoFP PFI contracts	4,482	4,482

26.2 Total obligations for on-Statement of Financial Position PFI contracts due

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2017	31 March 2017	31 March 2017
	£'000	£'000	£'000
Total payments due within one year	3,323	6,747	9,655
Total payments due between 1 and 5 years	16,354	26,906	39,253
Total payments due thereafter	47,892	56,551	75,004
Total future payments in relation to PFI contracts	67,569	90,204	123,912

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2016	31 March 2016	31 March 2016
	£'000	£'000	£'000
Total payments due within one year	3,168	6,929	9,252
Total payments due between 1 and 5 years	15,071	27,530	38,351
Total payments due thereafter	52,827	64,753	83,304
Total future payments in relation to PFI contracts	71,066	99,212	130,907
Total present value of obligations for on-SoFP PFI contracts	112,403		

26. Private Finance Initiative contracts

26.3 Charges to expenditure	2016-17	2015-16
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	7,176	7,022
Total expense for Off Balance sheet PFI contracts	1,311	1,147
The total charged in the year to expenditure in respect of PFI contracts	<u>8,487</u>	<u>8,169</u>

The LHB is committed to the following annual charges

	31 March 2017	31 March 2016
PFI scheme expiry date:	£000	£000
Not later than one year	2,198	2,128
Later than one year, not later than five years	9,056	8,765
Later than five years	33,215	34,119
Total	<u>44,469</u>	<u>45,012</u>

The estimated annual payments in future years will vary from those which the LHB is committed to make during the next year by the impact of movement in the Retail Prices Index.

26.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	8	2
Number of PFI contracts which individually have a total commitment > £500m	1	-

27. Financial risk management

Financial Reporting Standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHBs 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 listed companies, to which these standards mainly apply. The LHBs have limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs in undertaking their activities.

Currency risk

The LHBs are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHBs have no overseas operations. The LHBs therefore have low exposure to currency rate fluctuations.

Interest rate risk

LHBs are not permitted to borrow. The LHBs therefore have low exposure to interest rate fluctuations.

Credit risk

Because the majority of the LHB's funding derives from funds voted by the Welsh Government the LHBs have low exposure to credit risk.

Liquidity risk

The LHBs are required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. The LHBs are not, therefore, exposed to significant liquidity risks.

28. Movements in working capital

	2016-17 £'000	2015-16 £'000
Decrease / (increase) in inventories	(1,137)	(1,233)
(Increase) in trade and other receivables - non-current	(114,488)	54,951
(Increase) / decrease in trade and other receivables -current	(39,700)	(31,673)
(Decrease) in trade and other payables- non-current	(4,557)	(4,180)
Increase / (decrease) in trade and other payables- current	50,548	102,210
Total	(109,334)	120,075
Adjustment for accrual movements in fixed assets -creditors	(30,726)	20,967
Adjustment for accrual movements in fixed assets -debtors	12	(71)
Other adjustments	343	292
Total	(139,705)	141,263

29. Other cash flow adjustments

	2016-17 £'000	2015-16 £'000
Depreciation	139,244	138,136
Amortisation	2,949	2,457
(Gains)/Loss on Disposal	(593)	(163)
Impairments and reversals	47,845	(30,685)
Release of PFI deferred credits	(292)	(292)
Donated assets received credited to revenue but non-cash	(7,209)	(3,557)
Government Grant assets received credited to revenue but non-cash	(1,648)	(452)
Non-cash movements in provisions	215,811	17,528
Total	396,107	122,972

30. Events after the end of the Reporting Period

No Health Boards have disclosed any events after the Reporting Period.

**THE NATIONAL HEALTH SERVICE – LOCAL HEALTH BOARDS IN WALES
SUMMARISED ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN
ACCORDANCE WITH SECTION 178, SCHEDULE 9, PARA 5(4) OF THE
NATIONAL HEALTH SERVICES (WALES) ACT 2006**

1. HM Treasury directs that an account, summarised by consolidation, of the Local Health Boards in Wales shall be prepared in respect of the financial year ended 31 March 2014, and subsequent financial years. The basis of preparation and form of accounts shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The summarised account of the Local Health Boards in Wales shall be prepared from the audited accounts of the Local Health Boards to which it relates.

FORM AND CONTENT

3. The summarised account of the Local Health Boards in Wales shall be prepared in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) issued by HM Treasury which is in force for the financial year, but specifically excluding a Statement of Parliamentary Supply and any other divergences as have been formally agreed for that year by HM Treasury.

4. The summarised account of the Local Health Boards shall be prepared so as to:

- a. give a true and fair view of the state of affairs as at 31 March 2014, and subsequent financial year-ends, and of the Statement of Comprehensive Net Expenditure, Statement of Changes in Taxpayers' Equity and Statement of Cash Flows for the financial year then ended; and
- b. provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

5. The Foreword, Governance Statement and Statement of Financial Position shall be signed by the Accounting Officer and dated.

6. Compliance with the reporting requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with these reporting requirements is inconsistent with the requirement to give a true and fair view, the requirements the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment that should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with HM Treasury.

7. This direction supersedes all previous directions.

Ross Campbell
Deputy Director, Government Financial Reporting
HM Treasury
10 February 2014

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING REQUIREMENTS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the Local Health Boards unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the Local Health Boards, the information relating to Local Health Boards shall be contained in the foreword.

Accounting Standards

3. Local Health Boards are not required to include a note showing the historical cost profits and losses.

SCHEDULE 2

ADDITIONAL REQUIREMENTS

Foreword

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (2) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the Local Health Boards to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.

Governance statement

3. The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the summarised account of Local Health Boards in Wales (there are separate Accounts Directions for Local Health Boards). The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the summarised account, including the role of Internal Audit.
4. The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and officials appointed by the Department for Health and Social Services to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).

NHS Trusts in Wales

Statement of the Welsh Government and Accounting Officer's responsibilities

Section 129 (6) of the Government of Wales Act 2006 requires that the Principal Accounting Officer for the Welsh Ministers, is the Permanent Secretary to the Welsh Government. Section 133(2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Government staff as Additional Accounting Officers.

Under these arrangements, the Director General, for the Department for Health, Social Services and Chief Executive, NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities, for the Summarised Account of NHS Trusts in Wales, including his responsibilities for the propriety and regularity of public finances for which he is answerable, for the keeping of proper records and the preparation of accounts have been assigned to him through the Memorandum for Additional Accounting Officers.

Section 178, Schedule 9, Para 5(2) of the National Health Service (Wales) Act 2006 requires the Welsh Government to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view on the state of affairs of the NHS Trusts in Wales at the year end and their income and expenditure, and cash flows for the financial year.

In preparing the accounts the Welsh Government is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

Audit report of the Auditor General to the National Assembly

NHS Wales Trusts Summarised Accounts

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

I certify that I have audited the financial statements of the Summarised Accounts of the NHS Trusts in Wales for the year ended 31 March 2017 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity, the related notes and the financial duties note in annex 2. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

Respective responsibilities of the Additional Accounting Officer and Auditor

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out page 2, the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006 and directions made by HM Treasury there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to NHS Trusts' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Trust Directors and Chief Executives; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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 addition, I read all the financial and non-financial information in the Foreword and Annual Governance Statement provided with the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the NHS Trusts in Wales as at 31 March 2017 and of their surplus for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Opinion on Regularity

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

Opinion on other matters

In my opinion, the information contained in the Foreword and Annual Governance Statement is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury's guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
5 July 2017

24 Cathedral Road
Cardiff
CF11 9LJ

**STATEMENT OF COMPREHENSIVE NET INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2017**

		2016-17	2015-16
	Note	£000	£000
Revenue from patient care activities	2	602,337	401,407
Other operating revenue	3	323,455	295,606
Operating expenses	4	(928,154)	(697,431)
Operating (deficit)/surplus		(2,362)	(418)
Investment revenue	5	74	123
Other gains and losses	6	1,482	92
Finance costs	7	1,293	405
Retained surplus		487	202
Other Comprehensive Income			
Net gain/(loss) on revaluation of property, plant and equipment		918	3,708
Impairments and reversals		(21)	(196)
Total other comprehensive income for the year		897	3,512
Items that may be reclassified subsequently to net operating costs			
Total Comprehensive Income for the year		1,384	3,714

The notes on pages 10 to 52 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	31 March 2017 £000	31 March 2016 £000
Non-current assets			
Property, plant and equipment	12	198,088	188,158
Intangible assets	13	23,569	24,386
Trade and other receivables	19	610,105	461,086
Total non-current assets		831,762	673,630
Current assets			
Inventories	18	7,169	7,684
Trade and other receivables	19	341,446	303,787
Cash and cash equivalents	20	35,142	32,202
		383,757	343,673
Non-current assets held for sale	12.2	-	340
Total current assets		383,757	344,013
Total assets		1,215,519	1,017,643
Current liabilities			
Trade and other payables	21	(125,916)	(119,901)
Borrowings	22	(1,558)	(1,527)
Provisions	24	(249,772)	(210,480)
Total current liabilities		(377,246)	(331,908)
Net current assets/(liabilities)		6,511	12,105
Total assets less current liabilities		838,273	685,735
Non-current liabilities			
Trade and other payables	21	(310,093)	(272,176)
Borrowings	22	(2,503)	(3,921)
Provisions	24	(308,709)	(202,052)
Total non-current liabilities		(621,305)	(478,149)
Total assets employed		216,968	207,586
Financed by:			
Taxpayers' equity			
Public dividend capital		175,256	167,258
Retained earnings		5,989	4,219
Revaluation reserve		35,723	36,109
Total taxpayers' equity		216,968	207,586

The notes on pages 10 to 52 form part of these accounts.



Dr Andrew Goodall
Director General, Health and Social Services, Chief Executive NHS Wales.

30th June 2017

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2017

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance as at 1 April 2016	167,258	4,219	36,109	207,586
Changes in taxpayers' equity for 2016-17				
Retained surplus/(deficit) for the year		487	-	487
Net gain on revaluation of property, plant and equipment		-	918	918
Impairments and reversals		-	(21)	(21)
Movements in other reserves		110	(110)	-
Transfers between reserves		1,173	(1,173)	-
New Public Dividend Capital received	7,998			7,998
Balance at 31 March 2017	175,256	5,989	35,723	216,968

The notes on pages 10 to 52 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2016

	Public Dividend Capital	Retained earnings	Revaluation reserve	Total
	£000	£000	£000	£000
Balance at 1 April 2015	158,027	3,454	33,160	194,641
Changes in taxpayers' equity for 2015 -16				
Retained surplus/(deficit) for the year		202	-	202
Net gain on revaluation of property, plant and equipment		51	3,657	3,708
Impairments and reversals		-	(196)	(196)
Transfers between reserves		512	(512)	-
New Public Dividend Capital received	11,400			11,400
Public Dividend Capital repaid in year	(2,169)			(2,169)
Balance at 31 March 2016	167,258	4,219	36,109	207,586

The notes on pages 10 to 52 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Note	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Operating surplus/(deficit)	SoI&E	(2,362)	(418)
Depreciation and amortisation		32,756	32,004
Impairments and reversals		5,750	506
Donated Assets received credited to revenue but non cash		(392)	(96)
Interest paid		(238)	(287)
(Increase)/decrease in inventories		515	(678)
(Increase)/decrease in trade and other receivables		(186,557)	(32,277)
Increase/(decrease) in trade and other payables		47,450	78,699
Increase/(decrease) in provisions		147,562	(41,532)
Net cash inflow/(outflow) from operating activities		44,484	35,921
Cash flows from investing activities			
Interest received		74	123
(Payments) for property, plant and equipment		(43,353)	(42,160)
Proceeds from disposal of property, plant and equipment		2,015	958
(Payments) for intangible assets		(6,457)	(4,421)
Net cash inflow/(outflow) from investing activities		(47,721)	(45,500)
Net cash inflow/(outflow) before financing		(3,237)	(9,579)
Cash flows from financing activities			
Public Dividend Capital received		8,052	11,649
Public Dividend Capital repaid		-	(2,169)
Capital elements of finance leases and on SoFP PFI		(1,875)	(1,961)
Net cash inflow/(outflow) from financing activities		6,177	7,519
Net increase/(decrease) in cash and cash equivalents		2,940	(2,060)
Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year	20	32,202	34,262
Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year	20	35,142	32,202

The notes on pages 10 to 52 form part of these accounts.

Notes to the Accounts

1. Accounting policies

The Cabinet Secretary for Health, Wellbeing and Sport has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS Trusts' Manual for Accounts. Consequently, the underlying financial statements have been prepared in accordance with the 2016-17 NHS Trusts' Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts' Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS trusts are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

1.2 Acquisitions and discontinued operations

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

1.3 Revenue

The main source of revenue for the trusts is from the Welsh Government and the Health Boards. Revenue is recognised in the period in which services are provided.

Where income is received from Non NHS bodies for a specific activity that is to be delivered in the following year, that income is deferred.

The NHS trusts receive income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The NHS trusts recognise the income when it receives notification from the Department for Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

1.4 Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where material, the cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions 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, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the trusts commit themselves to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the trusts' accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the period is recognised within operating expenses. The expected gain during the period from scheme assets is recognised within finance income. The interest cost for the period arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses for the period are recognised in the pensions reserve and reported as an item of other comprehensive income.

The NHS Trust has to offer an alternative pensions scheme for employees not eligible to join the NHS Pensions scheme. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

1.5 Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.6 Property, plant and equipment

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are depreciated over their own useful economic lives, where they are significant in relation to the whole.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the trusts' services or for administrative purposes are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the balance sheet date. Fair values are determined as follows:

- Land and non specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. The Welsh Government has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales trusts have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by interpretation of IAS 23 for the public sector, for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

From 2015-16, IFRS 13 Fair Value Measurement must be complied with in full. However, IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Where there is no single class of asset that falls within IFRS 13, disclosures should be for material items only.

In accordance with the adaptation of IAS 16 in table 6.2 of the FREM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the Trust could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

A formal revaluation exercise by the District Valuation Office was applied to the land and properties of NHS Wales Trusts as from 1 April 2012. The carrying value of existing assets at that date written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for the trust's services or for administrative purposes are stated in the balance sheet at their revalued amounts less any subsequent accumulated depreciation and impairment losses. An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to retained earnings.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trusts' business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 Depreciation, amortisation and impairments

Freehold land properties under construction and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the trusts expect to obtain economic benefits or service potential from the asset. This is specific to the trust and may be shorter than the physical life of the asset itself.

Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the trusts check whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Statement of Comprehensive Net Expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to the Statement of Comprehensive Net Expenditure. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

1.9 Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.10 Donated assets

A donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their face value on receipt, with a matching credit to miscellaneous income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

1.11 Government grants

A government grant reserve is no longer maintained. The value of assets received by means of government grant are credited directly to miscellaneous income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the government grant preclude immediate recognition of the gain.

1.12 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Income Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.13 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The trusts as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the trusts' surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

The trusts as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS trusts' net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the trusts' net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.14 Private Finance Initiative (PFI) transactions

The NHS trusts have no PFI arrangements.

1.15 Inventories

Inventories are valued at the lower of cost and net realisable value using the weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.16 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the NHS trusts' cash management.

1.17 Provisions

Provisions are recognised when the NHS trusts have a present legal or constructive obligation as a result of a past event, it is probable that the NHS trusts will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the amount receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the trusts have a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the NHS trusts have developed a detailed formal plan for the restructuring and have raised a valid expectation in those affected that they will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.18 Clinical Negligence Costs

The Welsh Risk Pool (WRP) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2016-17. The WRP is hosted by Velindre NHS Trust as part of the NWSSP transfer. The WRP accounts are consolidated into the summarised NHS trust account.

1.19 CRC Trading Scheme

The NHS trusts are not members of the CRC Trading Scheme.

1.20 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trusts, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trusts. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.21 Financial assets

Financial assets are recognised when the NHS trusts become party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through Statement of Comprehensive Income and Expenditure

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the trusts' surplus or deficit for the accounting period. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the trusts assess whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.22 Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the trusts become party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Welsh Government are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

The NHS trusts do not have any financial guarantee contract liabilities nor any financial derivatives requiring to be stated at fair value through profit and loss.

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Welsh Government, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.23 Value Added Tax

Most of the activities of the trusts 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.

1.24 Foreign currencies

The NHS trusts' functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March 2017. Resulting exchange gains and losses for either of these are recognised in the trusts' surplus/deficit in the period in which they arise.

1.25 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS trusts have no beneficial interest in them.

1.26 Public Dividend Capital

Public Dividend Capital represents taxpayers' equity in the NHS trusts. At any time the Welsh Minister for Health and Social Services with the approval of HM Treasury can issue new PDC to, and require repayments of, PDC from the NHS trusts. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

From 1 April 2010 the requirement to pay a public dividend over to the Welsh Government ceased.

1.27 Losses and Special Payments

Losses and special payments are items that the Welsh Government 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 relevant functional headings in the income statement on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which is prepared on a cash basis.

The trusts account for all losses and special payments gross (including assistance from the Welsh Risk Pool). The trusts accrue or provide for the best estimate of its future pay outs for certain or probable 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%. Expected reimbursements from the Welsh Risk Pool are included in debtors. As the WRP accounts have been consolidated into the summarised account this debtor has been eliminated on summarisation. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.28 Absorption Accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

1.29 Subsidiaries

Material entities over which the trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

1.30 Accounting standards that have been issued but have not yet been adopted

The following accounting standards have been issued by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM

IFRS 9 Financial Instruments
IFRS14 Regulatory Deferral Accounts
IFRS15 Revenue from contracts with customers
IFRS 16 Leases

1.31 Accounting standards issued that have been adopted early

No accounting standards issued have been adopted early.

1.32 Charities

From 2013-14 Velindre NHS Trust consolidated their NHS charitable funds for which they are the corporate trustee. On the basis that the charitable funds consolidation will be dealt with in the underlying accounts and that the consolidation is not material at the Summarised Account level the NHS Trust Summarised Account will not summarise any charitable funds elements.

1.33 Critical Judgements in applying accounting policies

There are no critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.34 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The amount recognised as provisions give rise to significant judgement and uncertainty. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking in to account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. A change in the assumptions could cause an increase or decrease in the amounts recognised as a provision which could materially impact the results of operations.

Summarised Accounts of NHS Trusts in Wales 2016-17

2. Revenue from patient care activities	2016-17	2015-16
	£000	£000
Welsh Government	353,157	169,474
Welsh Health Specialised Services & Emergency Ambulance Services Committee (WHSSC & EASC)	170,094	158,904
Local health boards	75,982	69,765
Other NHS trusts	10	65
Other English NHS bodies	16	-
Foundation Trusts	127	198
Welsh Local Authorities	2	-
Non NHS:		
Private patient income	1,845	1,866
Overseas patients (non-reciprocal)	-	3
Injury Costs Recovery (ICR) Scheme	408	418
Other revenue from activities	696	714
Total	602,337	401,407

ICR income is subject to a provision for impairment of 22.94% to reflect expected rates of collection.

3. Other operating revenue	2016-17	2015-16
	£000	£000
Education, training and research	5,560	5,397
Charitable and other contributions to expenditure	3,245	3,111
Receipt of donations for capital acquisitions	392	96
Non-patient care services to other bodies	768	687
Income generation	812	899
Rental revenue from operating leases	79	79
Other revenue:		
Provision of laundry, pathology, payroll services	15,208	14,327
Accommodation and catering charges	161	158
Staff payments for use of cars	487	361
Other	296,743	270,491
Total	323,455	295,606

Other revenue includes:

NHS Wales Shared Services Partnership (NWSSP)	214,677	199,946
NHS Wales Informatics Services (NWIS)	53,568	49,772
PHW WG and LHB Non core Income	8,264	3,300
Ambulance Radio Replacement Programme (ARRP)	2,250	2,269
Hazardous Area Response Team (HART)	2,226	2,230
Staff Recharges	2,298	2,250
Personal injury benefit scheme (PIBS)	1,644	747
Air Ambulance paramedic funding	716	597
Other	11,100	9,380
Total	296,743	270,491

4. Operating expenses

	2016-17	2015-16
	£000	£000
Welsh Government	34	3
Local Health Boards	17,472	16,007
Other NHS Trusts	163	117
Goods and services from other NHS bodies	244	309
Purchase of healthcare from non-NHS bodies	2,234	2,048
Welsh Local Authorities	4,627	4,500
Directors' costs	3,399	3,220
Staff costs	331,990	309,519
Supplies and services - clinical	53,109	47,676
Supplies and services - general	41,405	40,094
Consultancy Services	3,311	2,769
Establishment	26,030	26,262
Transport	15,254	14,973
Premises	37,523	32,697
Depreciation	24,972	23,819
Amortisation	7,784	8,185
Impairments and reversals of property, plant and equipment	5,750	506
Audit fees	485	502
Other auditors' remuneration	-	(16)
Losses, special payments and irrecoverable debts	263,268	79,492
Other operating expenses	89,100	84,749
Total	928,154	697,431

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

	2016-17	2015-16
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence	248,001	37,535
Personal injury	5,184	3,263
All other losses and special payments	429	340
Defence legal fees and other administrative costs	2,095	739
Gross increase/(decrease) in provision for future payments	255,709	41,877
Contribution to Welsh Risk Pool	-	-
Welsh Risk Pool creditor movement	6,773	42,931
Irrecoverable debts	(151)	186
Less: income received/ due from Welsh Risk Pool	937	(5,502)
Total charge	263,268	79,492

Personal injury includes £1,909k in respect of permanent injury benefits [2015-16 £764k].

The discount rate set by the Lord Chancellor on which lump sum settlements for clinical negligence and personal injury are calculated reduced from 2.5% to -0.75% and has resulted in the material increase in the gross expenditure for losses and special payments.

Summarised Accounts of NHS Trusts in Wales 2016-17

5. Investment revenue	2016-17	2015-16
	£000	£000
Interest revenue:		
Bank accounts	<u>74</u>	123
Total	<u>74</u>	<u>123</u>

6. Other gains and losses	2016-17	2015-16
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	5	92
Gain/(loss) on disposal of assets held for sale	<u>1,477</u>	-
Total	<u>1,482</u>	<u>92</u>

7. Finance costs	2016-17	2015-16
	£000	£000
Interest on obligations under finance leases	<u>238</u>	287
Total interest expense	238	287
Provisions unwinding of discount	(2,047)	(2,974)
Periodical Payment Order unwinding of discount	516	2,282
Total	<u>(1,293)</u>	<u>(405)</u>

The finance costs of £(1,293k) [2015-16: £(405)k] includes £(1,616k) [2015-16: £(775k)] which relates to the Welsh Risk Pool unwinding of discount.

8. Operating leases

As lessee

There are some significant leasing arrangements where the Trusts are the lessee and the lease agreement exceeds 5 years. Detailed disclosures are included within the individual NHS trust accounts.

Payments recognised as an expense	2016-17	2015-16
	£000	£000
Minimum lease payments	6,395	5,733
Total	6,395	5,733

Total future minimum lease payments	2016-17	2015-16
	£000	£000
Payable:		
Not later than one year	5,646	5,576
Between one and five years	13,940	15,241
After 5 years	10,618	12,375
Total	30,204	33,192

Total future sublease payments expected to be received	-	-
--	---	---

As lessor

The rental revenue relates to Vantage Point House part of which is leased to Aneurin Bevan LHB in respect of their GP Out of Hours Service.

Rental Revenue	2016-17	2015-16
	£000	£000
Other	79	79
Total rental revenue	79	79

Total future minimum lease payments	2016-17	
	£000	£000
Receivable:		
Not later than one year	72	72
Between one and five years	155	227
Total	227	299

9. Employee costs and numbers

9.1 Employee costs	Permanently Employed	Agency Staff	Staff on Inward Secondment	2016-17	2015-16
				£000	£000
				Total	Total
	£000	£000	£000	£000	£000
Salaries and wages	268,461	4,378	5,951	278,790	263,091
Social security costs	25,842	-	21	25,863	18,870
Employer contributions to NHS Pensions Scheme	34,485	-	15	34,500	31,207
Other pension costs	16	-	-	16	19
Total	328,804	4,378	5,987	339,169	313,187
Of the total above:					
Charged to capital				1,921	1,261
Charged to revenue				337,248	311,926
				339,169	313,187

Net movement in accrued employee benefits (untaken staff leave accrual included above) (8) (17)

9.2 Average number of employees

9.2 Average number of employees	Permanently Employed	Agency Staff	Staff on Inward Secondment	2016-17	2015-16
				Total	Total Restated
				Number	Number
Administrative, clerical and board members	3,378	55	55	3,488	
Medical and dental	516	3	27	546	556
Nursing, midwifery registered	358	-	1	359	591
Professional, scientific and technical staff	530	3	-	533	506
Additional Clinical Services	1,554	1	-	1,555	1,673
Allied Health Professions	1,097	34	-	1,131	1,174
Healthcare scientists	127	1	-	128	241
Estates and Ancillary	343	23	-	366	596
Students	1	-	-	1	-
Total	7,904	120	83	8,107	7,661

9.3 Employee benefits

Two of the three NHS trusts offer employee benefit schemes, details of which are disclosed in their statutory accounts.

10. Pension and Retirement Costs Due to Ill Health

10.1 Pension Costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this ‘employer cost cap’ assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

10.1 Pension Costs (continued)

c) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 2% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing to 8% over the next three years.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,824 and £43,000 for the 2016-17 tax year (2015-16 £5,824 and £42,385).

NEST has an annual contribution limit of £4,900 for the 2016-17 tax year (£4,700 for 2015-16). This means the most that can be contributed to a single pot in the current tax year is £4,900. This figure will be adjusted annually in line with average earnings. The annual contribution limit includes member contributions, money from their employer and any tax relief.

Alternatively under certification, employers may choose to calculate contributions in a way that meets the requirements of one of three sets of tiers described in the legislation. The three tiers have minimum contribution rates as detailed on the NEST website.

10.2 Retirement costs due to ill-health

During 2016-17 there were 8 [2015-16 11] early retirements from the trusts agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements will be £414k [2015-16 £717k]. The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

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

The NHS trusts had no interest or compensation charges under legislation, in relation to the late payment of commercial debt.

Summarised Accounts of NHS Trusts in Wales 2016-17

12. Property, plant and equipment :
2016-17

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2016	23,944	84,506	256	25,818	64,897	67,476	66,026	2,311	335,234
Indexation	918	-	-	-	-	-	-	-	918
Additions - purchased	-	2,977	-	25,667	2,914	1,327	5,899	982	39,766
Additions - donated	-	335	-	-	54	-	3	-	392
Transfers from/(into) other NHS bodies	-	-	-	-	1,044	718	397	26	2,185
Reclassifications	825	11,944	-	(24,746)	3,604	6,953	(1,860)	404	(2,876)
Reclassified as held for sale	(18)	-	-	-	(1,038)	(2,286)	-	-	(3,342)
Disposals other than by sale	-	(166)	-	-	(9,995)	(67)	(13,309)	(185)	(23,722)
Impairments	(3)	(5,731)	-	-	(11)	-	(5)	-	(5,750)
At 31 March 2017	25,666	93,865	256	26,739	61,469	74,121	57,151	3,538	342,805
Depreciation									
At 1 April 2016	-	23,384	48	-	40,040	39,836	41,763	2,005	147,076
Transfers from/(into) other NHS bodies	-	-	-	-	674	698	326	26	1,724
Reclassifications	-	(15)	-	-	21	3	(2,022)	(13)	(2,026)
Reclassified as held for sale	-	-	-	-	(1,038)	(2,280)	-	-	(3,318)
Disposals other than by sale	-	(166)	-	-	(9,983)	(67)	(13,310)	(185)	(23,711)
Charged during the year	-	3,220	6	-	5,764	8,632	7,187	163	24,972
At 31 March 2017	-	26,423	54	-	35,478	46,822	33,944	1,996	144,717
Net book value at 1 April 2016	23,944	61,122	208	25,818	24,857	27,640	24,263	306	188,158
Net book value At 31 March 2017	25,666	67,442	202	26,739	25,991	27,299	23,207	1,542	198,088
Net book value at 31 March 2017 comprises :									
Purchased	25,666	61,405	202	26,739	25,732	27,299	23,192	1,542	191,777
Donated	-	6,037	-	-	259	-	9	-	6,305
Government Granted	-	-	-	-	-	-	6	-	6
At 31 March 2017	25,666	67,442	202	26,739	25,991	27,299	23,207	1,542	198,088
Asset Financing:									
Owned	25,666	67,442	202	26,739	25,976	27,299	19,797	1,538	194,659
Held on finance lease	-	-	-	-	15	-	3,410	4	3,429
At 31 March 2017	25,666	67,442	202	26,739	25,991	27,299	23,207	1,542	198,088

The net book value of land, buildings and dwellings at 31 March 2017 comprises :

	£000
Freehold	88,623
Long Leasehold	334
Short Leasehold	4,353
	93,310

In April 2016 the Ambulance and Fire Service Resource Centre (AFSRC) in Wrexham was commissioned and brought into use. This is a joint facility for use by the Trust in conjunction with the North Wales Fire and Rescue Service (NWFRS). The land relating to this facility was purchased by this Trust for £0.825m and was reclassified in year from Assets under Construction. The element of build cost relating to NWFRS was recharged to NWFRS during the build. In order to provide NWFRS with security of tenure the Trust issued a 50 year lease for the economic life of the building in return for their initial contribution plus a peppercorn rent.

Following commissioning, the Trust arranged for a valuation of their share of the building to take place. This resulted in an impairment of £4.557m.

12. Property, plant and equipment (continued):
2015-16

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2015	23,551	79,243	242	20,628	66,041	57,869	62,132	2,252	311,958
Indexation	463	4,388	14	-	-	-	-	-	4,865
Additions - purchased	-	1,016	-	27,540	647	818	3,491	123	33,635
Additions - donated	-	-	-	-	66	-	9	-	75
Transfers from/(into) other NHS bodies	-	-	-	-	-	102	(1)	-	101
Reclassifications	-	2,089	-	(22,226)	4,509	11,351	3,331	-	(946)
Reclassified as held for sale	(52)	(1,368)	-	-	(122)	(2,520)	-	-	(4,062)
Disposals other than by sale	-	(547)	-	-	(6,244)	(144)	(2,936)	(64)	(9,935)
Impairments	(18)	(660)	-	(124)	-	-	-	-	(802)
Reversal of impairments	-	345	-	-	-	-	-	-	345
At 31 March 2016	23,944	84,506	256	25,818	64,897	67,476	66,026	2,311	335,234
Depreciation									
At 1 April 2015	-	20,915	32	-	41,032	34,843	37,723	1,985	136,530
Indexation	-	1,155	2	-	-	-	-	-	1,157
Transfers from/(into) other NHS bodies	-	-	-	-	-	102	-	-	102
Reclassifications	-	-	-	-	-	-	(852)	-	(852)
Reclassified as held for sale	-	(1,364)	-	-	(122)	(2,504)	-	-	(3,990)
Disposals other than by sale	-	(547)	-	-	(6,244)	(144)	(2,936)	(64)	(9,935)
Impairments	-	214	-	-	-	-	-	-	214
Reversal of impairments	-	31	-	-	-	-	-	-	31
Charged during the year	-	2,980	14	-	5,374	7,539	7,828	84	23,819
At 31 March 2016	-	23,384	48	-	40,040	39,836	41,763	2,005	147,076
Net book value									
at 1 April 2015	23,551	58,328	210	20,628	25,009	23,026	24,409	267	175,428
Net book value									
At 31 March 2016	23,944	61,122	208	25,818	24,857	27,640	24,263	306	188,158
Net book value at 31 March 2016 comprises :									
Purchased	23,944	55,180	208	25,818	24,564	27,640	24,246	306	181,906
Donated	-	5,942	-	-	293	-	8	-	6,243
Government Granted	-	-	-	-	-	-	9	-	9
At 31 March 2016	23,944	61,122	208	25,818	24,857	27,640	24,263	306	188,158
Asset Financing:									
Owned	23,944	61,122	208	25,818	24,848	27,640	19,256	302	183,138
Held on finance lease	-	-	-	-	9	-	5,007	4	5,020
At 31 March 2016	23,944	61,122	208	25,818	24,857	27,640	24,263	306	188,158

The net book value of land, buildings and dwellings at 31 March 2016 comprises :

	£000
Freehold	81,271
Long Leasehold	247
Short Leasehold	3,756
	85,274

Impairment charges of £196k have been reclassified at Wales Ambulance Services Trust and consequently this change has been made to the NHS Summarised account for consistency.

12.2 Non-current assets held for sale

	Land	Buildings, including dwellings	Other property plant and equipment	Total
	£000	£000	£000	£000
Balance b/f 1 April 2016	336	4	-	340
Plus assets classified as held for sale in year	68	-	6	74
Less assets sold in year	(354)	(4)	(6)	(364)
Less assets no longer classified as held for sale for reasons other than disposal by sale	(50)	-	-	(50)
Balance c/f 31 March 2017	-	-	-	-
Balance b/f 1 April 2015	284	-	-	284
Plus assets classified as held for sale in year	52	4	16	72
Less assets sold in year	-	-	(16)	(16)
Balance c/f 31 March 2016	336	4	-	340

Only one trust held assets for sale. Four properties were included within this category at 1 April 2016, namely New Quay, Wrexham, Monmouth and Chirk. During the year disposals of all these except for Monmouth took place. Monmouth is now no longer classed as held for sale as it no longer meets the criteria.

- Both Wrexham Ambulance Station and Chirk Ambulance Station/Clinic became surplus to requirement following the commissioning of the newly built AFSRC in April 2016.

- New Quay Ambulance station became surplus to requirement following the relocation of crews to a new social standby point in New Quay Fire Station.

13. Intangible assets

2016-17

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2016	54,150	6,310	4,186	64,646
Additions				
- purchased	4,905	74	1,144	6,123
- donated	1	-	-	1
Reclassifications	2,871	-	5	2,876
Disposals other than by sale	(13,223)	(3,660)	-	(16,883)
Gross cost at 31 March 2017	48,704	2,724	5,335	56,763
Amortisation				
Accumulated amortisation at 1 April 2016	33,621	5,340	1,299	40,260
Reclassifications	2,026	-	-	2,026
Disposals other than by sale	(13,219)	(3,657)	-	(16,876)
Charged during the year	6,597	442	745	7,784
Accumulated amortisation at 31 March 2017	29,025	2,125	2,044	33,194
Net book value at 1 April 2016	20,529	970	2,887	24,386
Net book value at 31 March 2017	19,679	599	3,291	23,569
Net book value				
Purchased	19,664	-	3,291	22,955
Internally Generated	-	599	-	599
Donated	15	-	-	15
Total at 31 March 2017	19,679	599	3,291	23,569

13. Intangible assets (continued)

2015-16

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2015	52,708	6,292	1,924	60,924
Additions				
- purchased	2,869	18	1,063	3,950
- donated	21	-	-	21
Reclassifications	(253)	-	1,199	946
Disposals other than by sale	(1,195)	-	-	(1,195)
Gross cost at 31 March 2016	54,150	6,310	4,186	64,646
Amortisation				
Accumulated amortisation at 1 April 2015	27,771	4,647	-	32,418
Reclassifications	(39)	-	891	852
Disposals other than by sale	(1,195)	-	-	(1,195)
Charged during the year	7,084	693	408	8,185
Accumulated amortisation at 31 March 2016	33,621	5,340	1,299	40,260
Net book value at 1 April 2015	24,937	1,645	1,924	28,506
Net book value at 31 March 2016	20,529	970	2,887	24,386
Net book value				
Purchased	20,510	-	2,887	23,397
Internally Generated	-	970	-	970
Donated	19	-	-	19
Total at 31 March 2016	20,529	970	2,887	24,386

14. Revaluation reserve balance for intangible assets

The NHS trusts have no revaluation reserve balances for intangible assets.

At 31 March

	2016-17	2015-16
	Property, plant & equipment £000	Property, plant & equipment £000
Unforeseen obsolescence	-	124
Other	5,750	678
Reversal of impairment	-	(297)
Total	5,750	505

Impairments charged in the year to

Operating expenses in Statement of Comprehensive Income	5,750	506
Total	5,750	506

In April 2016 the newly built Ambulance and Fire Services Resource Centre (AFSRC) in Wrexham was commissioned and became fully operational. As a result of a valuation undertaken by the District Valuer following commissioning, an impairment of £4.557m was recognised. This is included within the £5.750m shown above.

During the year a review was undertaken in connection with expenditure incurred on one of the trusts buildings. This review identified expenditure of £1.170m on buildings where the value of the building had not been enhanced.

16. Capital commitments

Commitments under capital expenditure contracts at the statement of financial position date were:

	31 March	31 March
	2017	2016
	£000	£000
Property, plant and equipment	4,044	1,695
Intangible assets	1,872	1,685
Total	5,916	3,380

17. Other financial assets

The NHS trusts have no Other Financial Assets.

18. Inventories

18.1 Inventories

	31 March	31 March
	2017	2016
	£000	£000
Drugs	1,016	1,344
Consumables	5,049	4,881
Other	1,104	1,459
Total	7,169	7,684
Of which held at net realisable value:	-	-

18.2 Inventories recognised in expenses

	31 March	31 March
	2017	2016
	£000	£000
Inventories recognised as an expense in the period	50,855	49,317
Write-down of inventories (including losses)	410	39
Total	51,265	49,356

19. Trade and other receivables

19.1 Trade and other receivables

	31 March	31 March
	2017	2016
	£000	£000
Current		
Welsh Government	313,780	264,879
WHSSC/EASC	838	2,554
Welsh Health Boards	12,835	13,833
Non - Welsh Trusts	44	182
Other NHS	364	216
Welsh Local Authorities	323	101
Capital debtors	175	-
Other debtors	5,906	15,826
Provision for impairment of trade receivables	(659)	(580)
Other prepayments	6,946	6,279
Accrued income	894	497
Sub-total	341,446	303,787
Non-current		
Welsh Government	609,547	460,564
Other debtors	558	522
Sub-total	610,105	461,086
Total trade and other receivables	951,551	764,873

The majority of trade is with the Welsh Government and Welsh Health Boards. As these bodies are either Welsh Government or funded by Welsh Government, no credit scoring of them is considered necessary.

The NHS Welsh Government non current receivables relate to the consolidation of the Welsh Risk Pool "debtor of last resort".

19.2 Receivables VAT	31 March	31 March
	2017	2016
	£000	£000
Trade receivables	617	650
Total	617	650

19.3 Receivables past their due date but not impaired

	31 March	31 March
	2017	2016
	£000	£000
By up to 3 months	559	1,429
By 3 to 6 months	281	465
By more than 6 months	1,177	705
Balance at end of financial year	2,017	2,599

19.4 Provision for the impairment of receivables

	31 March	31 March
	2017	2016
	£000	£000
Balance at beginning of the year	(580)	(373)
Provision utilised (Amount written off during the year)	6	2
(Increase)/decrease in receivables impaired	(85)	(209)
Balance at end of financial year	(659)	(580)

In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies.

20. Cash and cash equivalents

	31 March	31 March
	2017	2016
	£000	£000
Opening Balance	32,202	34,262
Net change in year	2,940	(2,060)
Closing Balance	35,142	32,202
 Made up of:		
Cash with Government Banking Service (GBS)	19,383	9,712
Cash with Commercial banks	27	39
Cash in hand	32	51
Cash as in Statement of Financial Position	19,442	9,802
Current investments	15,700	22,400
Cash and cash equivalents as in Statement of Financial Position	35,142	32,202
Cash & cash equivalents as in Statement of Cash Flows	35,142	32,202

The current investment is a deposit in the UK Government National Loans Fund.

21. Trade and other payables

Trade and other payables at the Statement of Financial Position date consist of:

	31 March 2017 £000	31 March 2016 £000
Current		
Welsh Government	1,854	2,333
WHSSC & EASC	22	148
Welsh Health Boards	59,123	54,178
Other NHS	852	1,099
Welsh Local Authorities	977	1,113
Other Local Authorities	-	1
Income tax and social security		
Refunds of taxation by HMRC	1	(2)
VAT payable to HMRC	-	59
Other taxes payable to HMRC	2,161	1,761
National Insurance contributions payable to HMRC	3,148	2,512
Non-NHS trade payables - revenue	24,214	20,065
Non-NHS trade payables - capital	9,371	12,490
Rentals due under operating leases	17	34
Obligations due under finance leases and HP contracts	116	481
Pensions: staff	3,536	3,400
Accruals	18,224	18,635
Deferred Income		
Deferred income brought forward	1,905	1,222
Deferred income additions	2,005	905
Released to the Income Statement	(1,610)	(537)
Other liabilities - all other payables	-	4
Sub-total	<u>125,916</u>	<u>119,901</u>
Non-current		
Non-NHS trade payables - revenue	309,834	272,072
Rentals due under operating leases	259	-
Obligations due under finance leases and HP contracts	-	104
Sub-total	<u>310,093</u>	<u>272,176</u>
Total	<u>436,009</u>	<u>392,077</u>

The non current Non-NHS trade payables - revenue relates to the WRP periodical payment order.

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.

Details relating to the NEST pension contributions are included in the individual NHS trust' accounts.

Summarised Accounts of NHS Trusts in Wales 2016-17

22. Borrowings

Current	31 March	31 March
	2017	2016
	£000	£000
Finance lease liabilities	1,558	1,527
Total	<u>1,558</u>	<u>1,527</u>
Non-current		
Finance lease liabilities	2,503	3,921
Total	<u>2,503</u>	<u>3,921</u>

The borrowings relate to finance leases on plant and equipment.

22.2 Loan advance/strategic assistance funding

The NHS trusts have not received any loan advance or strategic funding from the Welsh Government.

23. Other financial liabilities

The NHS trusts have no Other Financial Liabilities.

24. Provisions

2016-17

24.1 NHS Trusts including Welsh Risk Pool

	At 1 April 2016	Structured settlement cases transferred to Risk Pool	Transfer of provisions to Creditors	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	198,856	(42,009)	(9,881)	(7,374)	180,191	(47,803)	(33,185)	(2,078)	236,717
Personal injury	5,206	-	-	87	6,169	(3,138)	(2,392)	70	6,002
All other losses and special payments	43	-	-	-	471	(428)	(42)	-	44
Defence legal fees and other administration	4,848	-	-	444	3,442	(1,039)	(2,391)	(13)	5,291
Pensions relating to: other staff	47		(6)	28	10	(37)	-	2	44
Restructurings	65			-	137	(65)	-		137
Other	1,415		-	-	1,149	(447)	(580)		1,537
Total	210,480	(42,009)	(9,887)	(6,815)	191,569	(52,957)	(38,590)	(2,019)	249,772
Non Current									
Clinical negligence	193,576	-	-	7,208	107,246	(3,524)	(6,251)	(25)	298,230
Personal injury	7,224	-	-	(83)	1,399	-	8	-	8,548
Defence legal fees and other administration	809	-	-	(282)	742	(72)	302	(3)	1,496
Pensions relating to: other staff	282			(28)	6	-	-	-	260
Other	161		-	-	14	-	-		175
Total	202,052	-	-	6,815	109,407	(3,596)	(5,941)	(28)	308,709
TOTAL									
Clinical negligence	392,432	(42,009)	(9,881)	(166)	287,437	(51,327)	(39,436)	(2,103)	534,947
Personal injury	12,430	-	-	4	7,568	(3,138)	(2,384)	70	14,550
All other losses and special payments	43	-	-	-	471	(428)	(42)	-	44
Defence legal fees and other administration	5,657	-	-	162	4,184	(1,111)	(2,089)	(16)	6,787
Pensions relating to: other staff	329		(6)	-	16	-	-	2	304
Restructurings	65			-	137	(65)	-		137
Other	1,576		-	-	1,163	(447)	(580)		1,712
Total	412,532	(42,009)	(9,887)	-	300,976	(56,553)	(44,531)	(2,047)	558,481

Expected timing of cash flows:

	Within 1 year to 31-Mar-18	> 1 year to 5 years 01-Apr-18 to 31-Mar-22	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence	236,717	200,801	97,429	534,947
Personal injury	6,002	2,928	5,620	14,550
All other losses and special payments	44	-	-	44
Defence legal fees and other administration	5,291	1,496	-	6,787
Pensions - other staff	44	149	111	304
Restructuring	137	-	-	137
Other	1,537	175	-	1,712
Total	249,772	205,549	103,160	558,481

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

Included within the above are no clinical negligence provisions arising from Redress.

In addition to the provision shown above, contingent liabilities are given in the 'Contingent liabilities' note.

Other Provisions include:

- Dilapidations £941k
- Decommissioning cesium sources £175k
- Stock valuation £525k
- Employee Costs £71k

24. Provisions

2016-17

24.2 NHS Trusts excluding Welsh Risk Pool

	At 1 April 2016	Transfer of provisions to Creditors	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Current								
Clinical negligence	3,875	(222)	5,731	2,670	(1,425)	(4,935)	-	5,694
Personal injury	1,965	-	76	2,993	(1,473)	(784)	83	2,860
All other losses and special payments	43	-	-	471	(428)	(42)	-	44
Defence legal fees and other administration	511	-	(2)	267	(129)	(263)	-	384
Pensions relating to: other staff	47	(6)	28	10	(37)	-	2	44
Restructurings	65	-	-	137	(65)	-	-	137
Other	1,415	-	-	1,149	(447)	(580)	-	1,537
Total	7,921	(228)	5,833	7,697	(4,004)	(6,604)	85	10,700
Non Current								
Clinical negligence	5,892	-	(5,731)	5	-	-	-	166
Personal injury	7,225	-	(76)	1,399	-	-	-	8,548
Defence legal fees and other administration	-	-	2	-	-	-	-	2
Pensions relating to: other staff	282	-	(28)	6	-	-	-	260
Other	161	-	-	14	-	-	-	175
Total	13,560	-	(5,833)	1,424	-	-	-	9,151
TOTAL								
Clinical negligence	9,767	(222)	-	2,675	(1,425)	(4,935)	-	5,860
Personal injury	9,190	-	-	4,392	(1,473)	(784)	83	11,408
All other losses and special payments	43	-	-	471	(428)	(42)	-	44
Defence legal fees and other administration	511	-	-	267	(129)	(263)	-	386
Pensions relating to: other staff	329	(6)	-	16	-	-	2	304
Restructurings	65	-	-	137	(65)	-	-	137
Other	1,576	-	-	1,163	(447)	(580)	-	1,712
Total	21,481	(228)	-	9,121	(4,004)	(6,604)	85	19,851

Expected timing of cash flows:

	Within 1 year to 31-Mar-18	> 1 year to 5 years 01-Apr-18 to 31-Mar-22	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence	5,694	166	-	5,860
Personal injury	2,860	2,928	5,620	11,408
All other losses and special payments	44	-	-	44
Defence legal fees and other administration	384	2	-	386
Pensions - other staff	44	149	111	304
Restructuring	137	-	-	137
Other	1,537	175	-	1,712
Total	10,700	3,420	5,731	19,851

24. Provisions

2016-17

24.3 Welsh Risk Pool

	At 1 April 2016	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	203,432	(42,009)	(9,881)	(13,105)	180,491	(46,951)	(33,292)	(2,078)	236,607
Personal injury	4,477	-	-	11	4,738	(2,109)	(2,145)	(13)	4,959
Defence legal fees and other administration	4,456	-	-	446	3,188	(917)	(2,168)	(13)	4,992
Total	212,365	(42,009)	(9,881)	(12,648)	188,417	(49,977)	(37,605)	(2,104)	246,558
Non Current									
Clinical negligence	187,684	-	-	12,939	107,396	(3,524)	(6,251)	(25)	298,219
Personal injury	(1)	-	-	(7)	-	-	8	-	-
Defence legal fees and other administration	809	-	-	(284)	742	(72)	302	(3)	1,494
Total	188,492	-	-	12,648	108,138	(3,596)	(5,941)	(28)	299,713
TOTAL									
Clinical negligence	391,116	(42,009)	(9,881)	(166)	287,887	(50,475)	(39,543)	(2,103)	534,826
Personal injury	4,476	-	-	4	4,738	(2,109)	(2,137)	(13)	4,959
Defence legal fees and other administration	5,265	-	-	162	3,930	(989)	(1,866)	(16)	6,486
Total	400,857	(42,009)	(9,881)	-	296,555	(53,573)	(43,546)	(2,132)	546,271

Expected timing of cash flows:

	Within 1 year to 31-Mar-18	> 1 year to 5 years 01-Apr-18 to 31-Mar-22	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence	236,607	200,790	97,429	534,826
Personal injury	4,959	-	-	4,959
Defence legal fees and other administration	4,992	1,494	-	6,486
Total	246,558	202,284	97,429	546,271

The provisions relate to the amounts over £25,000 in respect of ongoing claims against the NHS in Wales, the outcome of which will not be determined until the case has been finalised. Timing of cashflow has been profiled to match total current liabilities. However, the total will include cases which may settle with a structured settlement, so the underlying cashflow may be over a number of years. There can also be delays in settlement dates anticipated for next year which will further impact the cash flow timing. During 2017-18 the Welsh Risk Pool best estimate is that £81m (2015-16: £63.5m) will be paid out on legal claims.

24. Provisions

2015-16

24.4 NHS Trusts including Welsh Risk Pool

	At 1 April 2015	Structured settlement cases transferred to Risk Pool	Transfer of provisions to Creditors	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	196,086	(10,037)	(12,310)	52,370	120,987	(44,181)	(101,080)	(2,979)	198,856
Personal injury	5,919	-	-	26	5,720	(3,793)	(2,737)	71	5,206
All other losses and special payments	140	-	-	-	431	(437)	(91)	-	43
Defence legal fees and other administration	5,051	-	-	255	3,826	(1,033)	(3,237)	(14)	4,848
Pensions relating to: other staff	43	-	(6)	30	15	(37)	-	2	47
Restructurings	430	-	-	-	199	(214)	(350)		65
Other	1,529	-	-	17	541	(480)	(192)		1,415
Total	209,198	(10,037)	(12,316)	52,698	131,719	(50,175)	(107,687)	(2,920)	210,480
Non Current									
Clinical negligence	237,231	(4,527)	(724)	(52,442)	31,834	(3,536)	(14,206)	(54)	193,576
Personal injury	7,015	-	-	(1)	280	(70)	-	-	7,224
Defence legal fees and other administration	937	-	-	(208)	279	(70)	(129)	-	809
Pensions relating to: other staff	291			(30)	21	-	-	-	282
Other	167			(17)	11	-	-		161
Total	245,641	(4,527)	(724)	(52,698)	32,425	(3,676)	(14,335)	(54)	202,052
TOTAL									
Clinical negligence	433,317	(14,564)	(13,034)	(72)	152,821	(47,717)	(115,286)	(3,033)	392,432
Personal injury	12,934	-	-	25	6,000	(3,863)	(2,737)	71	12,430
All other losses and special payments	140	-	-	-	431	(437)	(91)	-	43
Defence legal fees and other administration	5,988	-	-	47	4,105	(1,103)	(3,366)	(14)	5,657
Pensions relating to: other staff	334	-	(6)	-	36	-	-	2	329
Restructurings	430	-	-	-	199	(214)	(350)		65
Other	1,696	-	-	-	552	(480)	(192)		1,576
Total	454,839	(14,564)	(13,040)	-	164,144	(53,851)	(122,022)	(2,974)	412,532

The provisions relate to the total liability of the NHS Wales Trusts that is for amounts less than £25,000 and those greater than £25,000 which will be reimbursed by the Welsh Risk Pool.

Other Provisions include:

- Dilapidations £995k
- Decommissioning cesium sources £161k
- Stock £187k
- Employee Costs £233k

25. Contingencies

25.1 Contingent liabilities

Provision has not been made in these accounts for the following amounts:	31 March 2017 £000	31 March 2016 £000
Legal claims for alleged medical or employer negligence	855,782	789,358
Defence costs	52	-
Total value of disputed claims	855,834	789,358
Amount recovered under insurance arrangements in the event of these claims being successful	(854,463)	(788,962)
Net contingent liability	1,371	396

The above figures for 31st March 2017 includes all contingent liabilities >£25k for Health Bodies in Wales, from the consolidation of the Welsh Risk Pool within the Velindre NHS Trust Accounts, together with the NHS trust contingent liabilities <£25k.

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. Legal claims are provided in the accounts on the basis of settlement probability assessed by the Trust's independent legal advisors. The amount disclosed in respect of contingent liabilities relates to outstanding cases with a probability of settlement that has been classified as either 'possible' or 'remote'.

25.2 Contingent assets

The NHS trusts have no contingent assets.

26. Losses and special payments

26.1 NHS trusts including Welsh Risk Pool

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

Gross loss to the Exchequer

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

	Amounts paid out during year to 31 March 2017		Approved to write-off year to 31 March 2017	
	Number	£	Number	£
Clinical negligence	316	54,941,944	299	54,257,795
Personal injury	147	3,155,113	61	1,925,467
All other losses and special payments	138	478,747	27	103,802
Total	601	58,575,804	387	56,287,064

Cases paid in 2016-17 where the cumulative sum exceeded £300,000 are as follows:

	No of cases	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
		2016-17	2016-17	2016-17
All NHS Wales Health Boards and NHS Trusts				
ABMU	8	7,041,354	7,942,092	7,041,354
Aneurin Bevan	4	4,728,341	4,728,341	4,728,341
BCU	6	5,281,680	8,506,013	5,281,680
Cardiff and Vale	13	11,037,454	13,809,694	11,037,454
Cwm Taf	7	3,909,195	4,736,994	3,909,195
Hywel Dda	6	4,200,401	4,200,401	4,200,401
Public Health Wales	1	510,503	541,603	510,503
Welsh Ambulance Services	2	557,124	698,130	-
Sub-total	47	37,266,052	45,163,268	36,708,928
All other losses and payments	554	21,309,752	52,932,858	19,578,136
Total	601	58,575,804	98,096,126	56,287,064

To enable the reader of the accounts to compare NHS trust performance for current and past losses and special payments, the note has been prepared separately for the NHS Trusts and the Welsh Risk Pool.

26. Losses and special payments

26.2 NHS trusts excluding Welsh Risk Pool

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

Gross loss to the Exchequer

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

	Amounts paid out during year to 31 March 2017		Approved to write-off year to 31 March 2017	
	Number	£	Number	£
Clinical negligence	20	1,456,643	1	137,500
Personal injury	105	1,404,571	14	143,651
All other losses and special payments	134	395,253	23	20,308
Total	259	3,256,467	38	301,459

Cases paid in 2016-17 where the cumulative sum exceeded £300,000 are as follows:

Case Type	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
	2016-17	2016-17	2016-17
Medical Negligence	510,503	541,603	-
Personal Injury	342,843	378,967	-
Personal Injury	214,281	319,163	-
Sub-total	1,067,627	1,239,733	-
All other losses and payments	2,188,840	8,501,193	301,459
Total	3,256,467	9,740,926	301,459

To enable the reader of the accounts to compare NHS trust performance for current and past losses and special payments, the note has been prepared separately for the NHS Trusts and the Welsh Risk Pool.

26. Losses and special payments

26.3 Welsh Risk Pool

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

The Welsh Risk Pool reimburses Trusts and Local Health Boards for payments made in year.

	Amounts paid out during year to 31 March 2017		Approved to write-off year to 31 March 2017	
	Number	£	Number	£
Clinical negligence	298	54,120,295	298	54,120,295
Personal injury	47	1,781,816	47	1,781,816
All other losses and special payments	4	83,494	4	83,494
Total	349	55,985,605	349	55,985,605

Cases paid in 2016-17 where the cumulative sum exceeded £300,000 are as follows:

	No of cases	Amounts	Cumulative	Approved to
		paid out in year £	amount £	write-off in year £
		2016-17	2016-17	2016-17
ABMU	8	7,041,354	7,942,092	7,041,354
Aneurin Bevan	4	4,728,341	4,728,341	4,728,341
BCU	6	5,281,680	8,506,013	5,281,680
Cardiff and Vale	13	11,037,454	13,809,694	11,037,454
Cwm Taf	7	3,909,195	4,736,994	3,909,195
Hywel Dda	6	4,200,401	4,200,401	4,200,401
Welsh Ambulance Services	1	508,130	508,130	508,130
Sub-total	45	36,706,555	44,431,665	36,706,555
All other cases	304	19,279,050	88,193,674	19,279,050
Total cases	349	55,985,605	132,625,339	55,985,605

27. Finance lease obligations

27.1 Finance Lease obligations as lessee

Amounts payable under finance leases:

LAND & BUILDINGS

The NHS trusts have no amounts payable under finance leases relating to land or buildings.

The Trusts have other finance leases for the

- Picture Archive Computer System (PACS)
- Plant and equipment, mainly printers
- National Ambulance Radio Re-procurement

OTHER

	31 March	31 March
	2017	2016
	£000	£000
Minimum lease payments		
Within one year	1,815	2,237
Between one and five years	2,629	4,285
Less finance charges allocated to future periods	(267)	(444)
Minimum lease payments	4,177	6,078
Included in:		
Current borrowings	1,558	1,528
Non-current borrowings	2,503	3,921
	4,061	5,449
Present value of minimum lease payments		
Within one year	1,674	2,009
Between one and five years	2,503	4,025
Present value of minimum lease payments	4,177	6,034
Included in:		
Current borrowings	1,674	2,009
Non-current borrowings	2,503	4,025
	4,177	6,034

27.2 Finance lease receivables (as lessor)

The NHS trusts have no finance lease receivables as lessor.

27.3 Finance Lease Rental Revenue

The NHS trusts have no finance lease rental revenue.

27.4. Finance lease commitments

The NHS trusts have not entered into any new contracts to lease under finance leases during 2016-17.

28. Private finance transactions

Private Finance Initiatives (PFI) / Public Private Partnerships (PPP)

The NHS trusts have no PFI or PPP schemes deemed to be on or off the Statement of Financial Position.

29. Financial risk

IFRS 7, 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 trusts have with Welsh Health Specialised Services Committee 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 IFRS 7 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.

The NHS trusts' treasury management operations are carried out by the finance department within parameters defined formally within the NHS trusts' standing financial instructions and policies agreed by the board of directors. NHS trust treasury activity is subject to review by the NHS trusts' internal auditors.

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.

Credit Risk

Because the majority of the trusts' income comes from contracts with other public sector bodies, the trusts have low exposure to credit risk. The maximum exposures are in receivables from customers as disclosed in the Trade and other receivables note.

General

The powers of the NHS trusts to invest and borrow are limited. The Boards have determined that in order to maximise income from cash balances held, any balance of cash which is not required will be invested. The trusts do not borrow from the private sector. All other financial instruments are held for the sole purpose of managing the cash flow of the trusts on a day to day basis or arise from the operating activities of the trusts. The management of risks around these financial instruments therefore relates primarily to the trusts' overall arrangements for managing risks to their financial position, rather than the trusts' treasury management procedures.

30. Third party assets

The NHS trusts have no third party assets.

31. Events after reporting period

The Trusts have no events after the reporting period.

32. Related Party Transactions

The Welsh Government, local health boards and NHS trusts are regarded as related parties. During the year, the trusts' had a significant number of material transactions with the Welsh Government and with other NHS bodies.

All trusts disclosed other related party transactions, predominantly Universities and Local Authorities. Further details of transactions are given in the individual trust accounts.

**THE NATIONAL HEALTH SERVICE – NHS TRUSTS IN WALES SUMMARISED ACCOUNTS
DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 178, SCHEDULE 9,
PARA 5(4) OF THE NATIONAL HEALTH SERVICES (WALES) ACT 2006**

1. HM Treasury directs that an account, summarised by consolidation, of the NHS Trusts in Wales shall be prepared in respect of the financial year ended 31 March 2014, and subsequent financial years. The basis of preparation and form of accounts shall be as set out in the following paragraphs and Schedules.

2. In this direction, unless the context otherwise requires, “the NHS Trusts” means each and every NHS Trust in Wales.

BASIS OF PREPARATION

3. The summarised account of the NHS Trusts shall be prepared from the audited accounts of the NHS Trusts to which it relates and shall comply with:

- a. the accounting and disclosure requirements of the Companies Act 2006;
- b. all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales and are in force for the financial year for which the accounts are to be prepared;
- c. all relevant guidance given in the NHS Trust Accounts (Wales) – Manual for accounts;
- d. the historical cost convention modified by the inclusion of non-current assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

4. The summarised account of NHS Trusts shall be prepared so as to:

- a. give a true and fair view of the state of affairs as at 31 March 2014, and subsequent financial year-ends, and of the Statement of Comprehensive Income, Statement of Changes in Taxpayers’ Equity and Statement of Cash Flows for the financial year then ended; and
- b. provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

5. The Foreword, Governance Statement and Statement of Financial Position shall be signed by the Accounting Officer and dated.

6. Compliance with the reporting requirements set out in paragraph 3 a-d above will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with these reporting requirements is inconsistent with the requirement to give a true and fair view, the requirements set out in paragraph 3 a-d above should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment that should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the reporting requirements. Any material departure from the requirements set out in paragraph 3 a-d should be discussed with HM Treasury.

7. This direction supersedes all previous directions.

**Ross Campbell Deputy Director, Government Financial Reporting HM Treasury
10 February 2014**

**SCHEDULE 1
APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE
COMPANIES ACT AND ACCOUNTING REQUIREMENTS**

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS Trusts unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS Trusts shall be contained in the foreword.

Accounting Standards

3. NHS Trusts are not required to include a note showing the historical cost profits and losses.

**SCHEDULE 2
ADDITIONAL REQUIREMENTS**

Foreword

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 178, Schedule 9, Para 5 (2) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS Trusts to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.

Governance statement

3. The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the summarised account of NHS Trusts in Wales (there are separate Accounts Directions for NHS Trusts). The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the summarised account, including the role of Internal Audit.
4. The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and officials appointed by the Department for Health and Social Services to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).