

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

Summarised accounts of local health boards NHS trusts and special health authorities in Wales
for the year ended 31 March 2023.

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para 1 & Para 5(2)

NHS (Wales) Summarised Accounts
Local Health Boards, NHS Trusts and
Special Health Authorities in Wales
2022-23

NHS Wales Summarised Accounts 2022-23

FOREWORD

Introduction

1. The Welsh Ministers are required to prepare Summarised Accounts from the individual accounts of NHS Wales organisations. The foreword is prepared on the audited accounts.
2. These Summarised Accounts of the Local Health Boards (LHBs) and NHS trusts and two Special Health Authorities, Health Education and Improvement Wales (HEIW) and Digital Health Care Wales (DHCW), (subsequently, collectively referred to as NHS Wales organisations) have been prepared to comply with the Accounts Direction given by HM Treasury in accordance with Section 178, Schedule 9, Para 5(4) of the National Health Service (NHS) Wales Act 2006 (the Act).
3. The Auditor General for Wales (AGW) is required to examine, certify and report the Summarised Account (Section 178, Schedule 9 para 5(6) of the Act).
4. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2022-23 which include the results of the NHS Wales organisations.
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 NHS Wales organisations.

Summarised Accounts

7. The Summarised Accounts of the NHS Wales organisations have been prepared in compliance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) issued by HM Treasury as applied to the NHS in Wales, as applicable to the Summarised Accounts. The 2022-23 Summarised Accounts for NHS Wales have been prepared, to include seven LHBs, three NHS trusts and two Special Health Authorities.

Local Health Boards

8. LHBs were established under section 11 and Schedule 2 of the National Health Service (Wales) Act 2006.
9. In 2022-23 the seven LHBs in Wales planned, secured and delivered healthcare services in their areas:
 - Aneurin Bevan University Health Board;
 - Betsi Cadwaladr University Health Board;
 - Cardiff & Vale University Health Board;
 - Cwm Taf Morgannwg University Health Board;
 - Hywel Dda University Health Board;
 - Powys Teaching Health Board;
 - Swansea Bay University Health Board.

NHS Trusts

10. 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 LHBs and the Welsh Health Specialised Services Committee (WHSSC) which is hosted by Cwm Taf Morgannwg University Health Board.
11. There are currently three NHS Trusts in Wales, each with an All-Wales focus. These are the Welsh Ambulance Services Trust for emergency services, Velindre University NHS Trust offering specialist services in cancer care and a range of national support services and Public Health Wales, the unified Public Health organisation in Wales.

Special Health Authorities

12. Health Education and Improvement Wales (HEIW) was established as a Special Health Authority under the Act on the 5th October 2017. The organisation has a leading role in the education, training, development and shaping of the healthcare workforce.
13. Digital Health Care Wales (DHCW) was established by establishment order 2020 No 1451 (W313) under section 22 of the National Health Service (Wales) Act 2006 (“the Act”), which was made on 7th December 2020 and came into force on 30th December 2020. The organisation was established to lead on the digital transformation needed to support healthcare services in Wales.

Performance against statutory and administrative financial duties

14. Welsh Health Circular (2016) 054 clarifies the statutory financial duties of LHBs and NHS trusts in Wales further to the NHS Finance (Wales) Act 2014 and is effective from 2016-17 financial year.
15. Section 175 6A of the NHS (Wales) Act 2006 requires the Welsh Ministers to report in relation to each three-year accounting period, to the Welsh Parliament before the end of the financial year following that period on whether each LHB has complied with the first financial duty. The LHB Statutory Financial Duties commentary below, contained within these NHS Summarised Accounts, is laid before the Welsh Parliament and accordingly discharges this duty.

Local Health Board Performance - Statutory Financial Duties and Audit Opinions

16. For LHBs, the first financial duty is to ensure, in a rolling three-year period, that its aggregate expenditure does not exceed its aggregate approved resource limit, including any other sums received for both revenue and capital allocations. The first assessment of the rolling three-year duty took place at the end of 2016-17 and is undertaken annually.
17. The second financial duty – to prepare an Integrated Medium-Term Plan to secure compliance with the first financial duty, and for the plan to be approved by the Welsh Ministers - 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 in the first year of the plan. Performance against this second financial duty, including any breach of this duty, is reported in the Annual Accounts of the LHBs each year, including the Annual Governance Statement. Due to the pandemic, the process has been suspended since 2020 but was reintroduced for 2022-25.
18. In 2022-23 six LHBs failed to achieve financial balance; that is to manage aggregate expenditure within aggregate revenue resource allocations over the rolling three-year assessment and therefore failed to meet the first financial duty (Aneurin Bevan, Cwm Taf Morgannwg, Cardiff and Vale, Hywel Dda, Powys and Swansea Bay) and therefore the regularity opinion on their accounts was qualified.

19. Only one LHB, Betsi Cadwaladr managed to achieve financial balance and break-even over the three-year period, but their accounts were qualified by the Auditor General due to an inability to obtain sufficient evidence about the opening balances and whether £122 million expenditure in Note 3.3 of their accounts “Expenditure on Hospital and Community Health Services occurred in the year or has been properly accounted for in the correct year. This is a follow on from the 2021-22 accounts where the Health Board failed to undertake an exercise to review and correct its 2021-22 accounting records and thereby failed to identify the corrections needed to ensure its 2022-23 financial statements give a true and fair view. The Regularity opinion was also qualified by the AGW as the Health Board incurred irregular expenditure by failing to obtain Welsh Government approval to pay an executive officer above the authorised salary level and so exceeded their authority to spend.
20. All LHBs kept expenditure within capital resource allocations.
21. As stated in para 17 above the second financial duty was reinstated for 2022-2025 and all bodies were expected to prepare and have approved by the Welsh Government a rolling three year integrated medium term plan. Three LHBs (Aneurin Bevan, Powys and Swansea Bay) met their statutory duty to submit an integrated three year plan for the period 2022 to 2025 which was approved by the Minister for Health and Social Services.
22. In last year’s accounts all LHBs and both Velindre University NHS Trust and Public Health Wales NHS Trust were subject to a qualified Regularity audit opinion from the AGWs for irregular expenditure in the form of provisions for the future tax liabilities of clinicians arising from a breach of their pension tax allowance thresholds due to taking on more work. NHS bodies were directed to make such provisions, to be funded by WG. This year given the ongoing nature of the matter, the AGW has no longer deemed it to be material.
23. All LHBs with the exception of Betsi Cadwaladr University Health Board received a true and fair audit opinion from the Auditor General for Wales for 2022-23 in respect of their annual accounts. Further details on the Auditor General for Wales audit opinion are contained in the Annual Governance Statement attached to these accounts.
24. At 31 March 2023 Betsi Cadwaladr University Health Board was in Special Measures having been returned to this status by the Minister for Health and Social Services on 27 February 2023. The decision to escalate the Health Board related to serious concerns about board effectiveness, organisational culture, quality service and reconfiguration, governance, patient safety, operational delivery, leadership and financial management. Cwm Taf Morgannwg University Health Board was de-escalated from special measures to targeted intervention for maternity and neonatal services, quality and governance remained in targeted intervention, performance was escalated to targeted intervention; and planning and finance escalated to enhanced monitoring.

Hywel Dda remained in targeted intervention for finance and planning and enhanced monitoring for quality issues related to poor performance. Swansea Bay UHB was in enhanced monitoring for quality issues related to poor performance. Cardiff and Vale had been escalated to enhanced monitoring for planning and finance, Aneurin Bevan UHB and Powys tHB were in routine monitoring.

25. All NHS Trusts and Special Health Authorities were subject to routine arrangements. Further comment on the monitoring, escalation and intervention arrangements is set out in the NHS Summarised Accounts Annual Governance Statement.
26. The details of the LHBs' performance against the first and second financial duties, and their surpluses and deficits are set out in Annexes 1 and 4 to this Foreword.

NHS Trust Performance - Statutory Financial Duties and Audit Opinions

27. For NHS trusts, the first financial duty is to ensure over a rolling three-year period that expenditure is covered by income. No NHS trust breached their first financial duty for the rolling three-year period to 2022-23. During 2022-23, all trusts achieved operating surpluses in the 2022-23 financial year.
28. The three NHS trusts also met the second financial duty for 2022 to 2025 to submit an integrated medium-term three-year plan which was approved by the Minister for Health and Social Services.
29. All three trusts received unqualified true and fair audit opinions from the Auditor General for Wales in respect of their financial statements for 2022-23.
30. The details of the NHS trusts' first and second financial duty compliance, surpluses and deficits are set out in Annexes 2 and 4 to this Foreword.

External financing limit

31. 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 LHBs or the SHAs.

32. Due to the circumstances that arose as a result of COVID 19, the suspension of the National Loan Fund temporary deposit facility and the requirement to issue year-end capital adjustments, the requirement to achieve the administrative External Financing Target was suspended between 2019-20 and 2021-22 and this suspension has again been continued into the 2022-23 financial year.

Strategic Health Authorities- Financial Duties and Audit Opinions

33. Both HEIW and DHCW met their financial duty to breakeven against their revenue and capital resource limits in 2022-23. Neither body has a formal administrative duty to have an approved plan for 2022-23. The accounts of both bodies for 2022-23 were certified as true and fair. The opinion on regularity was unqualified for both bodies.

Prompt Payment Performance

34. All NHS Wales bodies 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.
35. The performance of each NHS Wales body, 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 5 to this Foreword.
36. The number of non-NHS invoices paid within 30 days ranged from 88.7% to 98.3% for NHS bodies, with an average for the year of 95.1% (2021-22 94.7%). Three out of twelve bodies failed to meet this target in 2022-23 (2021-22 three bodies failed to meet the target). Full details are contained within the statutory accounts of the NHS organisations.
37. Full details are contained within the statutory accounts of the NHS organisations.

Statement of Financial Position Issues

Clinical Negligence Provisions

38. At 31st March 2023, known actual and anticipated liabilities for clinical negligence totalled £845.042 million (2021-22 £787.475 million) in LHBs and NHS Trusts. These provisions are calculated on the basis of claims against the organisations, where it is assessed that there is a probable chance of the claim being settled.

39. Excluded from the provisions calculations included within the Summarised Accounts is a further estimated £1,182.816 million (2021-22 £1,251.236 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.
40. The figures at paragraphs 43 and 45 reflect the gross liability for claims against the NHS trusts and LHBs before considering amounts recoverable from the Welsh Risk Pool (WRP). LHBs and NHS trusts in Wales are able (subject to managing claims in accordance with Putting Things Right guidance) to recover the costs of clinical negligence claims above £25,000 from the WRP.

Welsh Risk Pool (WRP)

41. The Welsh Risk Pool (WRP) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The WRP 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.
42. The Pool is managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre University NHS Trust. The reimbursement of claims by the Pool is managed by the Welsh Risk Pool Committee comprising representatives from NHS trusts, LHBs and the Welsh Government.
43. Velindre University 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.
44. The Welsh Risk Pool provision is disclosed separately for clarity at note 21.2 of the NHS Wales summarised accounts. This amounted to £1,494 million at 31st March 2023 (2021-22 £1,492 million). The provision includes Structured Settlement liabilities – where claim settlements are to be paid over a future period in regular payments, usually annually, rather than by a lump sum of £640.576 million (2021-22 £633.177 million).
45. As the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist, the summarised account note 15 includes current and non-current receivables with the Welsh Government in respect of Welsh Risk Pool liabilities. The Welsh Government's Core Resource Accounts will reflect the Welsh Risk Pool liabilities at 31 March 2023 as a provision.

46. The provision increased in 2022-23 by £64.683 million (2021-22 increased by £296.725 million). The number of new matters opened in year, assessed as probable or certain, was 537 compared to 514 in 2021-22.
47. Putting Things Right (PTR) is the NHS Wales process for raising concerns about care and treatment so that the NHS body can look into what may have gone wrong and try to make it better. Research shows that high reporting is a positive indicator of an open and supportive patient safety culture where the reporting of serious incidents enables full investigations of every case for continuous learning and improvement in the quality of services provided. NHS organisations in Wales are supported by Improvement Cymru, which is part of Public Health Wales. The team leads national work on a range of quality improvement initiatives including healthcare associated infections, sepsis and surgical complications. During the year, the WRP made payments of £126.860 million (2021-22: £102.688 million) in relation to claims. Of this £96.417 million related to clinical negligence claims and £6.448 million related to personal injury claims (2021-22 £96.324million and £3.589 million respectively).

Sustainability Reporting

48. 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.
49. 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, established in the Wellbeing of Future Generations (Wales) Act. 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.
50. To ease the reporting burden, in line with HM Treasury Financial Reporting Manual, NHS Wales bodies were not required to include this in 2022-23 as part of their Performance Report and were allowed to disclose the details on their websites when the relevant metrics were available as a standalone document.

Annual Quality Statement

51. 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 are required to publish an Annual Quality Statement as part of their annual reports. For 2022-23, this requirement was suspended and issues in relation to quality in NHS bodies were reported as part of their Performance Reports. The introduction of the Health and Social Care (Quality and Engagement) (Wales) Act 2020, requires NHS bodies to report on their Duty of Candour and Duty of Quality annually. This will be introduced in 2023-24.

COVID 19 Funding

52. Additional funding allocated to NHS Wales bodies in the financial year 2022-23 was £357.022 million revenue funding and £5.987 million capital funding.

New Bodies

NHS Executive

53. The decision to establish an NHS Wales Executive was made in *A Healthier Wales* in 2018 and reconfirmed in the Programme for Government. Work on planning and establishing the NHS Executive was paused in 2020 to ensure that resources were focussed on responding to the immediate onset of COVID 19 across Wales and the United Kingdom.

54. The NHS Wales Executive is a hybrid model, rather than a standalone organisation. It has been set up to drive improvements in the quality and safety of care by providing a stronger central guiding hand for the health system, additional transformational capacity and streamlining of current structures. It was established on 1 April 2023 and is hosted by Public Health Wales NHS Trust. Former NHS Wales functions including the Finance Delivery Unit, Delivery Unit, NHS Collaborative, Improvement Cymru will transfer into the NHS Executive. The following functions will now operate as new directorates within the NHS Wales Executive structure:

- Finance Planning and Delivery Directorate;
- Strategic Programme for Mental Health;
- Networks and Planning Directorate;
- Performance and Assurance Directorate;
- Quality, Safety and Improvement Directorate Strategic Programme for Planned Care.

Citizens Advice Body / Llais

55. On 1st April 2023, the seven Community Health Councils, hosted by Powys Local Health Board demised and were succeeded by a new organisation called Citizens Voice Body/Llais. A transfer of assets and liabilities held in respect of this function has taken place between Powys Local Health Board and Citizens Advice Body /Llais. Llais is an independent statutory body, set up by the Welsh Government to give the people of Wales more say in the planning and delivery of their health and social care services – locally, regionally and nationally.

Judith Paget

Director General, Health and Social Services Group,

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

in Wales

9th November 2023

Annex 1 Local Health Board Financial Duties

First Financial Duty

- Revenue Resource Limit

Under/(Over) spend against revenue resource allocation limit

	2020-21	2021-22	2022-23	Three year duty
	£000	£000	£000	£000
Aneurin Bevan University LHB	245	249	(36,842)	(36,348)
Betsi Cadwaladr University LHB	490	289	389	1,168
Cardiff and Vale University LHB	90	232	(26,789)	(26,467)
Cwm Taf Morgannwg University LHB	88	172	(24,481)	(24,221)
Hywel Dda University LHB	(24,910)	(25,000)	(59,044)	(108,954)
Powys Teaching LHB	143	80	(7,002)	(6,779)
Swansea Bay University LHB	(24,304)	(24,399)	1,838	(46,865)
All local health boards	(48,158)	(48,377)	(151,931)	(248,466)

Health Boards operating within resource allocation

Number	5	5	2	1
Percentage %	71	71	29	14

- Capital Resource Limit

Under/(Over) spend against capital resource allocation limit

	2020-21	2021-22	2022-23	Three year duty
	£000	£000	£000	£000
Aneurin Bevan University LHB	13	50	43	106
Betsi Cadwaladr University LHB	61	22	29	112
Cardiff and Vale University LHB	104	41	88	233
Cwm Taf Morgannwg University LHB	47	42	43	132
Hywel Dda University LHB	60	62	69	191
Powys Teaching LHB	27	67	68	162
Swansea Bay University LHB	28	32	38	98
All local health boards	340	316	378	1,034

Health Boards operating within resource allocation

Number	7	7	7	7
Percentage %	100.0	100.0	100.0	100.0

Annex 2 NHS Trust Financial Duties

First Financial Duty

- Break Even Duty

	2020-21	2021-22	2022-23	Three year duty
	£000	£000	£000	£000
Retained Surplus				
Public Health Wales NHS Trust	77	794	895	1,766
Velindre University NHS Trust	1,222	(203)	76	1,095
Welsh Ambulances Services NHS Trust	70	260	62	392
Adjusted Surplus				
Public Health Wales NHS Trust	32	143	85	260
Velindre University NHS Trust	38	41	76	155
Welsh Ambulances Services NHS Trust	70	75	62	207
All NHS Trusts Adjusted Surplus	<u>140</u>	<u>259</u>	<u>223</u>	<u>622</u>
All NHS Trusts operating within Break Even (Adjusted Surplus)				
No	3	3	3	3
Percentage %	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.

Annex 3 Special Health Authority (SHA)- Financial Duties

First Financial Duty

The Statutory financial duties are set out in Section 172 of the SHA section of the National Health Services (Wales) Act 2006. Section 172(1) sets out what is referred to as the First Financial Duty - a duty to secure that SHA expenditure does not exceed the aggregate of the allotted to it for a financial year.

WHC/2019/004 clarified that the annual financial duty is set separately for revenue and capital resource allocations.

- Revenue Resource Limit

Under/(Over) spend against revenue resource allocation limit

	2022-23
	£000
Digital Health and Care Wales (DHCW)	204
Health Education and Improvement Wales (HEIW)	1,141
All Special Health Authorities	1,345

- Capital Resource Limit

Under/(Over) spend against capital resource allocation limit

	2022-23
	£000
Digital Health and Care Wales (DHCW)	88
Health Education and Improvement Wales	-
All Special Health Authorities	88

Annex 4 NHS Trust & Local Health Board Financial Duties.

Second Financial Duty

- Approved Integrated Medium Term Plan

	2022-23
	Integrated medium term plan status
Aneurin Bevan University LHB	✓
Betsi Cadwaladr University LHB	×
Cardiff and Vale University LHB	×
Cwm Taf Morgannwg University LHB	×
Hywel Dda University LHB	×
Powys Teaching LHB	✓
Swansea Bay University LHB	✓
Public Health Wales NHS Trust	✓
Velindre University NHS Trust	✓
Welsh Ambulances Services NHS Trust	✓

LHBs and NHS Trusts operating within approved IMTP

Number	6
%	60.0

Approved	✓
Not approved	×

The second financial test of duty for 2022-23 relates to IMTPs for 2022-23 to 2024-25.

This is the first NHS Planning Framework of the new Government term and it is published at a time of extreme pressure on the health and care system.

It is recognised that Powys Teaching Health Board, the three NHS Trusts, the two Strategic Health Authorities and the other supporting organisations each have specific portfolios or organisational features which mean that the “standard” Planning Framework will need to be adapted and tailored as appropriate.

The SHAs with the agreement of the Welsh Government, have operated under an annual operating plan.

Annex 5 Administrative Duties

NHS Trusts

- External Finance Limit Performance (EFL)

Due to VFM issues, the requirement to achieve the External Financing Target has been suspended for 2022-23. It will be reintroduced in 2023-24 if a short term investment in the National Loans Funds is deemed VFM.

Local Health Boards and NHS Trusts

- Public Sector Payment Policy performance (PSPP)

	% of Non NHS bills paid within 30 days (by value and number)			
	2022-23		2021-22	
	Value of bills	No. of bills	Value of bills	No. of bills
Aneurin Bevan University LHB	95.8	95.2	95.3	95.0
Betsi Cadwaladr University LHB	96.8	95.0	97.0	95.4
Cardiff and Vale University LHB	95.7	95.2	95.6	93.1
Cwm Taf Morgannwg University LHB	94.4	95.4	93.6	95.7
Hywel Dda University LHB	98.0	95.5	96.5	95.2
Powys Teaching LHB	96.1	88.7	96.3	87.5
Swansea Bay University LHB	91.2	94.7	91.3	94.2
Public Health Wales NHS Trust	95.2	96.4	95.5	96.6
Velindre University NHS Trust	94.1	95.6	96.5	95.7
Welsh Ambulances Services NHS Trust	97.8	97.4	98.4	97.2
Digital Health and Care Wales (DHCW)	95.5	98.3	96.1	97.1
Health Education and Improvement Wales	98.2	93.9	99.6	96.8
All (LHBs NHS trusts and Special Health Authorities)	95.6	95.1	95.5	94.7
Organisations operating within PSPP target \geq 95%				
Number		9		9
Percentage %		75.0		75.0

NHS WALES SUMMARISED ACCOUNTS OF THE LOCAL HEALTH BOARDS, NHS TRUSTS AND SPECIAL HEALTH AUTHORITIES - 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 NHS Wales Summarised Accounts (the Summarised Accounts), comprising of the Local Health Boards (LHBs) and NHS Trusts in Wales and Special Health Authorities (SHAs).
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.
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, the seven LHBs and two SHAs.
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, NHS Trusts, and SHAs 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 Assurance Committee. The Committee met on four occasions in the 2022-23 financial year.
8. During 2022-23, amongst other issues, the Committee considered the following matters which related to this Summarised Account:
 - Health and Social Services Group Risk Register;
 - Health and Social Services Internal and external Audit recommendations;
 - Integrated Medium Term Plan updates;
 - NHS Executive updates;
 - Audit Wales Value for Money audit plans.
9. 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 these affect the Summarised Accounts.
10. The Summarised Accounts governance framework has been in place for the year ended 31 March 2023 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, NHS Trust and SHA statutory accounts processes, and the Summarised Accounts 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 Senedd. 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 2022-23 no risks in relation to the preparation of the Summarised Accounts met the risk score threshold for escalation and reporting in the HSSG Risk Register. Risks relating to the preparation of the Summarised Accounts process, are outlined in para 16 below.
14. The Summarised Accounts are prepared in accordance with the 2022-23 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or after 1 January 2018, and with the LHB and NHS Trust Manual for Accounts 2022-23 The Manual is also applicable to the Special Health Authorities.
15. The LHB and 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, NHS Trust and SHA accounts returns for the preparation of the Summarised Accounts.
16. The key risks managed in relation to the underlying accounts submitted by the LHBs, NHS Trusts and SHAs 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
 - Mismatching 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;
 - Planning and engagement with NHS Wales entities to ensure clear understanding of requirements and delivery expectations;
 - Provision of support in the accounts preparation period to advise NHS entities on issues arising; and
 - 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;
 - The potential impact of adopting new accounting standards;
 - Inability to align timetables for NHS Wales bodies 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 Audit Wales, WG Financial Control and NHS bodies;
 - Late submission of quality assured LHB, NHS Trust, and SHA accounts properly presented and the lack of appropriate working papers;
 - Technical queries relating to the underlying accounts and the Summarised Accounts not being resolved in a timely manner between HSSG Finance, NHS organisations and Audit Wales;
 - 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. The accounts preparation and audit time was agreed with Audit Wales, NHS Directors of Finance and Welsh Government colleagues. As a result of these consultations, draft accounts were submitted by 5 May 2023 (29 April 2022) and final accounts were submitted by 31 July 2023 (15 June 2022). All organisations successfully managed to meet these submission dates, with the exception of Betsi Cadwaladr University Health Board which was submitted on 25 August 2023.
20. The financial year 2022-23, is the seventh year of assessment of the ‘first financial duty’ for LHBs and NHS Trusts in Wales. As set out in Welsh Health Circular (2016) 054¹ the ‘first financial duty’ relates to the balancing of expenditure and income, or resources allocated over a three-year period of assessment.
21. The HSSG risk assessment process identified forecast deficits arising in several LHBs during 2022-23, and that consequent potential breaches of the first financial duty would lead to regularity qualifications in those LHB accounts, potentially impacting upon the regularity opinions of associated statutory accounts, including the NHS Summarised Accounts.

¹ [WHC \(2016\) 054](#)

Role of Internal Audit

22. 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 but they switched to an “agile” planning approach to meet challenges in responding to the UK’s exit from the EU and this approach has again been continued in the current year during 2022-23. The process of the preparation of the Summarised Accounts was not included in the Internal Audit programme for HSSG in 2022-23.

Role of External Audit

23. The accounts of the individual NHS organisations are transmitted to HSSG Finance by auditors on behalf of 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, NHS Trust and SHA statutory accounts.
24. 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 and SHAs for the financial year ending 31 March 2023 and whether they have been prepared in accordance with paragraph 3 (1) of Schedule 9 Section 178 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 Welsh Parliament and the financial transactions conform to the authorities which govern them.
25. At the end of each financial year, the Accountable Officer in each statutory NHS Wales body is required to present a Governance Statement alongside the audited Financial Statements. The Governance Statement is reviewed by the auditor to identify any material inconsistencies with the audited financial statements.
26. The Summarised Account is subject to audit by the Auditor General for Wales, who issues an audit certificate and report to the Senedd 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 Audit Wales and issued to the Director General HSSG as Additional Accounting Officer for their consideration, prior to the approval of the Summarised Accounts.

27. Additionally, the Auditor General for Wales (AGW), prepares an ‘Audit of Accounts Report’ on NHS Summarised accounts for those charged with governance setting out issues arising on the audit, which will include any significant recommendations to improve the quality and efficiency of future years’ accounts preparation. HSSG receive, respond to and implement any agreed recommendations, which serve to enhance the overall quality of preparation of accounts.

Information Governance

28. In preparing the Summarised Accounts, HSSG Finance does not collect any personal data from NHS organisations other than that placed in the public domain in the underlying accounts. Summarised accounts information collected from NHS organisations is held within the Welsh Government records management systems.
29. All LHBs and NHS Trusts have programmes of action in place to achieve compliance with the requirements of the General Data Protection Regulations (GDPR) which came into force on 25 May 2018.
30. All LHBs, NHS Trusts and SHAs reported significant data security lapses including those reported to the Information Commissioner during 2022-23, except for Cwm Taf University Health Board. 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 bodies mentioned above.

Public reporting since the onset of the COVID -19 pandemic

31. All bodies have confirmed in their Governance Statements since the onset of the pandemic in early 2020, that in managing the response to the pandemic, there were limitations on Boards and Committees being able to physically meet due to the dangers of congregating in the same venues. In accordance with the Public Bodies (Admissions to Meetings) Act 1960 organisations are required to meet in public. As a result of the health risk linked to the pandemic there were limitations on public gatherings, and it was not possible to allow the public to attend meetings of Boards and Committees. In several organisations Standing Orders were temporarily amended to enable organisations to meet their duties. The range of alternative arrangements, such as holding Board Meetings using video communication systems, ensuring only essential business is dealt with, use of consent agendas are set out in the respective Annual Reports of NHS Wales organisations. In the 2022-23 financial year all organisations have reverted to business as usual and are holding open meetings for Board members but has not yet in all cases been extended to members of the public.

Significant governance and control issues in the underlying accounts

32. The Governance Statements of the LHBs, NHS Trusts and SHAs set out how successfully the organisation has coped with the challenges it faced. These Governance Statements provide evidence on the governance, risk management and controls in place 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 NHS Wales organisation, which are laid separately before the Senedd.
33. 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 included the detail from the formal scrutiny undertaken of all NHS organisations 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 Integrated Quality Planning and Delivery meetings (Welsh Government/NHS organisations),
 - Planning and Response Group which met to ensure rapid and effective decision making in relation to COVID 19 and to manage system risks
 - Monthly NHS Wales Leadership Board meetings;
 - Weekly Health and Social Care Group Executive Director Team (EDT) meetings aligned to EDT Contingencies to ensure continued focus on reset of business alongside continued focus on COVID 19 risk;
 - Regular Welsh Government intervention meetings with organisations in escalation;
 - Regular meetings with NHS Peer groups, Planners and Operational leads'.
34. 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.
35. All NHS Wales organisations (except for Betsi Cadwaladr University Health Board) 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 2022-23. However, in the Accountable Officers' assessments of effectiveness, individual areas of weakness or improvements relevant to each organisation are noted and full details are contained in each individual body's own statements.

36. The major area of concern in 2022-23 has been the performance and governance issues at Betsi Cadwaladr University Health Board. The interim Chief Executive has confirmed in their Governance Statement that the Health Board has a limited system of internal control and requires significant improvement in relation to a range of matters including patient safety and compliance assurance. Further detail is disclosed below in paragraphs 65 to 72.
37. The three NHS Trusts have concluded that there are no significant internal control or governance issues.
38. The respective Health Education and Improvement Wales (HEIW) and Digital Health Care Wales (DHCW) Annual Reports have also concluded that there are no significant control or governance issues.

NHS Escalation and Intervention arrangements

39. At 31 March 2023 Betsi Cadwaladr University Health Board was in Special Measures having been returned to this status by the Minister for Health and Social Services on 27 February 2023. The decision to escalate the health Board related to serious concerns about board effectiveness, organisational culture, quality service and reconfiguration, governance, patient safety, operational delivery, leadership and financial management.
40. Cwm Taf Morgannwg University Health Board was de-escalated from special measures to targeted intervention for maternity and neonatal services, quality and governance remained in targeted intervention, performance was escalated to targeted intervention; and planning and finance escalated to enhanced monitoring.
41. Hywel Dda remained in targeted intervention for finance and planning and enhanced monitoring for quality issues related to poor performance.
42. Swansea Bay UHB was in enhanced monitoring for quality issues related to poor performance.
43. Cardiff and Vale had been escalated to enhanced monitoring for planning and finance, Aneurin Bevan UHB and Powys tHB were in routine monitoring.
44. The three NHS Trusts and two SHAs were also in routine monitoring status.

45. In August 2023, the Minister for Health and Social Services in her Written Statement set out the new escalation levels for the LHBs:

- **Aneurin Bevan UHB** to be escalated to enhanced monitoring for planning and finance;
- **Betsi Cadwaladr UHB** was placed into Special Measures on 27 February and this status was reconfirmed in the Written Statement;
- **Cardiff and Vale UHB** to remain in enhanced monitoring for planning and finance;
- **Hywel Dda UHB** to remain at their current escalation status of targeted intervention for planning and finance and enhanced monitoring for performance and quality;
- **Powys tHB** to be escalated to enhanced monitoring for planning and finance;
- **Swansea Bay UHB** to be escalated to enhanced monitoring for planning and finance and to remain in enhanced monitoring for quality and performance;
- **Cwm Taf Morgannwg UHB's** status is as follows:
 - enhanced monitoring for planning and finance;
 - enhanced monitoring for maternity and neo-natal (de-escalated from targeted intervention);
 - enhanced monitoring for quality and governance, leadership and culture, trust and confidence (de-escalated from targeted intervention); and
 - targeted intervention for quality issues relating to performance.

Assurances and compliance

46. All NHS Wales organisations (except Betsi Cadwaladr University Health Board) 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. Betsi Cadwaladr University Health Board have only partly complied with some challenges in meeting quoracy affecting decision-making processes.

47. 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.

48. 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'. All NHS Wales organisations, with the exception of Betsi Cadwaladr University Health Board, received a 'Reasonable Assurance' opinion. Betsi Cadwaladr received a limited assurance assessment from the Head of Internal Audit assessment. The Head of Internal Audit's opinion, details of the basis of that opinion, audit assignments with 'Limited Assurance' opinions, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS organisations.
49. Welsh Government requests quarterly notification from all LHBs, NHS Trusts and SHAs of all No Assurance and Limited Assurance internal audit reports received in that period. Limited Assurance reports and organisational responses to them are discussed as part of the tripartite escalation and intervention arrangements between Welsh Government, HIW and Audit Wales. They are viewed as one of the indicators of the effectiveness of governance mechanisms in place in organisations.

AGW Audit Opinions on financial statements and regularity

50. In his opinion on the financial statements of LHBs, NHS Trusts and SHAs, in all material respects every NHS Wales body (with the exception of Betsi Cadwaladr University Health Board, further details are given in paras 58 to 65) presented accounts which gave a true and fair view of the state of affairs of the organisation; were properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and were properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers. Betsi Cadwaladr University Health Board's accounts were qualified due to the failure to provide sufficient and appropriate evidence over whether £122 million of expenditure occurred in the year was properly accounted for in the correct accounting period.
51. The Auditor General for Wales issued qualified regularity opinions for all seven LHBs in 2022-23. The qualified opinions (except for Betsi Cadwaladr University Health Board) were issued 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.*

52. Betsi Cadwaladr University Health Board's qualified regularity opinion was due to irregular expenditure which breached its standing financial instructions in making payments to an interim executive member of their Board.
53. Betsi Cadwaladr University Health Board did meet its three-year statutory duty. The other LHBs' accumulated revenue deficits over the three-year period of assessment are as follows:
- Aneurin Bevan UHB (£36.3 million);
 - Cardiff and Vale UHB (£26.5 million);
 - Cwm Taf Morgannwg UHB (£24.2 million);
 - Hywel Dda University UHB (£108.1 million);
 - Powys tHB (£6.8 million);
 - Swansea Bay UHB (£46.7 million).
54. These NHS Wales Summarised Accounts have also received a qualified true and fair opinion due to the qualification at Betsi Cadwaladr University Health Board. The Regularity Opinion for the Summarised Accounts has also been qualified. This 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 six LHBs generating financial deficits over the statutory duty assessment period 2020-21 to 2022-23 and the Betsi Cadwaladr University Health Board qualification due to irregular payments to an Executive Director. Those overall deficits constitute irregular expenditure.
55. 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.
56. Both SHAs met their annual duty and did not exceed their respective allocated revenue resource limits.

NHS Wales Planning Framework 2022 to 2025

57. 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, LHBs and NHS Trusts are required to prepare and submit an Integrated Medium-Term Plan (IMTP) to the Welsh Government for approval by the Minister for Health & Social Services by the 30th June annually. This is the second financial duty.

58. This duty was suspended and replaced with interim annual planning frameworks for the financial years between 2019-20 and 2021-22. In November 2021, the Welsh Government reinstated a NHS Wales Integrated Medium Term Plan Planning Framework for 2022-2025. The Framework provides the clarity that needed to put in place the building blocks to harness the learning and innovation from the pandemic and to develop sustainable services for the future. The Framework also supports the wider Welsh Government objectives over the next three years to deliver sustainable services for patients in Wales as we learn to live with Covid. Organisations were expected to address the Ministerial priorities contained within the Planning Framework in their Integrated medium-term Plans (IMTPs). The Ministerial priorities are as follows:
- A Healthier Wales - as the overarching policy context;
 - Population health;
 - Covid - response;
 - NHS recovery;
 - Mental Health and emotional wellbeing;
 - Supporting the health and care workforce;
 - NHS Finance and managing within resources; and
 - Working alongside Social Care.
59. The Minister for Health and Social Services agreed the IMTPs from the following six bodies which consequently met their second financial duty:
- Aneurin Bevan UHB
 - Powys tHB
 - Swansea Bay UHB
 - Public Health Wales NHS Trust
 - Velindre NHS Trust
 - Welsh Ambulance Services NHS Trust
60. Although not a statutory requirement, HEIW and DHCW both submitted satisfactory IMTPs.

Ministerial Direction Pensions tax annual allowance – Scheme Pays Arrangements

61. In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government took action to support circumstances where pensions tax rules are impacting upon clinical staff who want to work additional hours, and determined that:
- Clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement.
62. Welsh Government, on behalf of NHS Wales bodies, will pay the members who opt for reimbursement of their pension, a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction.
63. This scheme will be funded directly by the Welsh Government to the NHS Business Services Authority Pension Division, the administrators on behalf of the Welsh claimants.
64. In 2021-22, the AGW qualified his regularity opinion on those NHS bodies with such expenditure in their accounts, as he deemed the funding of individuals' tax liabilities to be materially irregular. Given this is an ongoing issue, with likely small adjustments year to year as cost estimates change, he no longer views any additional expenditure as materially irregular and has not applied this qualification in his Regularity Opinion for any NHS Wales organisation in 2022-23.

Betsi Cadwaladr University Health Board - Qualified opinion due to inability to obtain sufficient evidence about the opening balances.

65. Betsi Cadwaladr University Health Board were issued a qualified 'true and fair' audit opinion on the 2021-22 financial statements by the AGW, due to the lack of appropriate audit evidence that accruals and related expenditure has been accounted for in the correct accounting period. The AGW's initial audit testing identified significant levels of error and uncertainty about whether payables and accruals of £9.1million existed at 31 March 2022 and whether expenditure of £9.4 million occurred in the year or has been properly accounted for in the correct accounting period.

66. Given the level of identified error and uncertainty initially identified, the AGW indicated to the BCU Health Board that he needed to undertake additional testing to assess the further extent of any error in the financial statements. BCU Health Board responded that it would be unable to support the AGW in undertaking any further testing owing to ‘limited resources within the finance team’ Consequently, the AGW was unable to complete the necessary further testing to assess the full extent of the error and uncertainty in the financial statements.
67. The AGW recommended to BCU Health Board that: the Health Board undertakes a comprehensive exercise to identify, and correct for, the errors in its accounting records; identifies the corrections it needs to make to ensure that its 2022-23 accounts give a true and fair view; and undertakes a review to understand why these issues occurred and to strengthen its controls accordingly.
68. In 2022-23, the AGW has again qualified his opinion on the financial statements as BCU did not undertake the recommended review. As such the AGW has not been able to assess the full extent of the error and uncertainty in these balances and has been unable to determine whether any adjustments were necessary. He has therefore qualified his audit opinion due to the failure of BCU to provide sufficient evidence over the existence of payables and accruals of £73.2 million at 1 April 2022 or whether 2022-23 expenditure of £122 million occurred in the year or has been properly accounted for in the correct accounting period.
69. The regularity opinion was also qualified as the Health Board incurred irregular expenditure and in doing so breached paragraph 14.1.4 of its standing financial instructions in making payments to an interim executive member of the Board. These specify that Welsh Government approval is obtained when an executive director post is paid above the agreed scale. The incident related to payments to an interim Executive Director.
70. The Health Board’s Remuneration Committee approved payments that exceeded the maximum pay point and Welsh Government approval was not obtained contrary to the requirements of its standing financial instructions.

71. A report commissioned by the Audit Committee from Ernst and Young identified significant issues and a requirement for the Health Board to prioritise a review of the assurance arrangements for compliance, performance safety and risk management through the implementation of an integrated assurance model. The report attracted wide attention in the Welsh and UK media and there were five disciplinary cases arising following the investigation. The resulting comments from the Ernst and Young independent review have since been reflected in a revised Action Plan and the progress against the plan is being reported to the Audit Committee. Finance and governance is a key component of the Welsh Government Special Measures Framework for the Health Board and progress against delivery of agreed action plans is monitored through the special measures process.
72. During 2022-23 the Board membership changed significantly with two interim Chief Executives being appointed and all of the Independent Members stepping aside from their roles on 27 February 2023. The organisation was also placed into Special Measures on this date and an Intervention Order was issued on 13 March 2023.

Disclosure of information to auditors

73. 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

74. 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 Audit of Financial Statements Report.
75. 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.

76. I do remain extremely concerned about the operating conditions and governance arrangements at Betsi Cadwaladr University Health Board. In 2023-24, I will continue to monitor the organisation's progress against the action plan developed in response to previous Audit Wales recommendations and the Ernst and Young report, and the approach to Finance & Governance as outlined in the Special Measures Framework and will expect and encourage the new Board to improve service delivery and effective governance arrangements.
77. As Chief Executive NHS Wales, I will continue to work closely with all NHS Wales organisations to address the significant governance issues identified, to ensure that learning from governance failures is shared across NHS Wales to prevent similar issues arising in other NHS Wales bodies.
78. The Financial Planning & Delivery Directorate of the NHS Executive will be essential in monitoring and managing financial risk in NHS Wales to enable the Welsh Government to respond quickly where organisations are in financial failure.
79. 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.
80. The response and ongoing recovery from the Covid 19 pandemic together with the energy crisis, high inflation levels and the impact of the Ukrainian war have had a significant impact on NHS Wales and wider society. The need to recover from the pandemic and economic challenges will be prevalent in 2023-24 and beyond for government and wider society. It remains a significant challenge to deliver services alongside the management of, and response to any new strands of Covid. I will ensure our Governance Framework considers and responds appropriately to this need.
81. I remain sincerely grateful to all NHS staff for their commitment, energy and efforts since the onset of the pandemic in 2020 and over the last three years. I am also grateful to my own staff for the commitment they have shown over this period.

Judith Paget

Director General, Health and Social Services Group,

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

9th November 2023

2022-23 Summarised Financial Statement
Local Health Boards, NHS Trusts
and Special Health Authorities in Wales

Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales.

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 and Social Services Group, Chief Executive NHS Wales has been appointed as an Additional Accounting Officer (AAO). The relevant AAO responsibilities for the Summarised Account of Local Health Boards, NHS Trusts and Special Health Authorities in Wales includes responsibilities for the propriety and regularity of public finances for which the AAO is answerable, for the keeping of proper records and the preparation of accounts. These have been assigned to the Director General, Health and Social Services Group, Chief Executive NHS Wales 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, NHS Trusts and Special Health Authorities in Wales at the year end and their net operating costs and cash flows for the financial year.

I confirm that the Foreword, Annual Governance Statement and Accounts as a whole are fair, balanced and understandable and I take personal responsibility for these and the judgement required for doing so.

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.

Judith Paget, Director General, Health and Social Services Group,
Chief Executive NHS Wales
9th November 2023

The Certificate and Report of the Auditor General for Wales to the Senedd

Opinion on financial statements

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards, NHS Trusts and Special Health Authorities in Wales for the year ended 31 March 2023 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006.

These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayer's Equity and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion on the financial statements section below, the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards, NHS Trusts, and Special Health Authorities in Wales collectively as at 31 March 2023 and of their net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; 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, except for the matters described in the Basis for qualified regularity opinion section below, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on the financial statements

I qualified my opinion on Summarised Accounts of the Local Health Boards, NHS Trusts and Special Health Authorities in Wales in 2021-22 as I had identified significant levels of error and uncertainty in the financial statements of Betsi Cadwaladr Health Board, which were material to these Accounts. As a result, I recommended that the Health Board undertook a comprehensive exercise to identify and correct the identified errors and, in particular, identify the corrections needed to ensure that its 2022- 23 accounts gave a true and fair view. The Health Board did not undertake such a review.

Consequently, and as a result of this failure, I have been unable to obtain sufficient and appropriate evidence over the existence of payables and accruals of £73.2 million at 1 April 2022 or whether 2022-23 expenditure of £122 million in Note 2.3 'Expenditure on Hospital, Community Health Services and by Special Health Authorities' of these Accounts occurred in the year or has been properly accounted for in the correct accounting period.

As I have been unable to assess the full extent of the error and uncertainty in these balances in the financial statements and have been unable to determine whether any adjustments to the amounts were necessary, I am qualifying my audit opinion on the grounds that there is insufficient appropriate audit evidence that this expenditure of £122 million occurred in the year or has been properly accounted for in the correct accounting period.

Further detail is set out in my Report attached.

Basis for qualified regularity opinion

I have qualified my opinion on the regularity of the Summarised Accounts of the Local Health Boards, NHS Trusts and Special Health Authorities in Wales because:

- Aneurin Bevan, Cardiff and Vale, Cwm Taf, Hywel Dda, Powys and Swansea Bay Health Boards breached their revenue resource limits by collectively spending £249.651 million over the amount they were authorised to spend in the three-year period 2020-21 to 2022-23. This expenditure, which is included within the Accounts, constitutes material irregular expenditure.
- Betsi Cadwaladr Health Board did not comply with paragraph 14.1.4 of the standing financial instructions issued by Welsh Government in appointing an Interim Executive Director of Nursing and Midwifery at a pay point that was higher than that set out by the Welsh Government without receiving appropriate approval. Consequently, the Health Board made irregular payments of £105,648 plus oncosts to an Interim Executive Director, at a rate of pay which is equivalent to a full-time annual salary of £469,500 (excluding oncosts). The maximum approved pay point was £149,334. This expenditure, which is included within the Accounts, constitutes material irregular expenditure.

Further detail is set out in my Report attached.

Basis of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

My staff and I are independent of the Local Health Boards, NHS Trusts and Special Health Authorities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Local Health Boards, NHS Trusts or Special Health Authorities to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Additional Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other information

The other information comprises the information included in the NHS (Wales) Summarised accounts 2022-23 other than the financial statements and my auditor's report thereon. The Additional Accounting Officer is responsible for the other information contained within the NHS (Wales) Summarised accounts 2022-23. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with directions issued by HM Treasury; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with directions issued by HM Treasury.

Matters on which I report by exception

Except for the possible effects of the matters described in the Basis for qualified opinion on the financial statements section above, in the light of the knowledge and understanding of the Local Health Boards, NHS Trusts and Special Health Authorities in Wales and their environment obtained in the course of the audit, I have not identified material misstatements in the Foreword or Annual Governance Statement.

In respect solely of the limitations in receiving sufficient and appropriate evidence regarding the occurrence of expenditure consolidated into the Accounts from Betsi Cadwaladr University Health Board described in my Basis for qualified opinion on the financial statements section above:

- I have not received all the information and explanations I require for my audit; and
- adequate accounting records have not been kept, nor returns adequate for my audit received from Betsi Cadwaladr University Health Board.

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

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept; nor returns adequate for my audit received; and
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of the Additional Accounting Officer for the financial statements

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, for being satisfied that they give a true and fair view;
- internal controls as the Additional Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Local Health Boards, NHS Trusts, and Special Health Authorities in Wales ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service (Wales) Act 2006.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud;

obtaining an understanding of the framework of authority for the Local Health Boards, NHS Trusts and Special Health Authorities as well as other legal and regulatory frameworks that they operate in, focusing on those laws and regulations that had a direct effect on the financial statements; and

reviewing the 2022-23 accounts and audit opinions of each of the Local Health Boards, NHS Trusts and Special Health Authorities.

In addition to the above, my procedures to respond to identified risks included the following:

- addressing the risk of fraud through management override of controls, checking transactions and balances to the underlying audited NHS accounts and testing the appropriateness of journals and consolidation adjustments.

I also communicated relevant identified laws and regulations and potential fraud risks to the audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the controls operated by the Local Health Boards, NHS Trusts and Special Health Authorities, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I am also required to sufficient evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit

Report

Please see my Report attached.

Adrian Crompton
Auditor General for Wales
10 November 2023

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Report of the Auditor General to the Senedd

Introduction

Under paragraph 5 of Schedule 9 to the NHS (Wales) Act 2006, I am responsible for auditing, certifying and reporting on the NHS (Wales) Summarised Accounts (the Accounts) of the Local Health Boards, NHS Trusts and Special Health Authorities in Wales. I am reporting on these financial statements for the year ended 31 March 2023 to draw attention to four key matters as follows:

- qualified opinion on the truth and fairness of the Accounts due to an inability to obtain sufficient appropriate audit evidence on the accuracy of expenditure recognised in the Accounts through the consolidation of Betsi Cadwaladr University Health Board;
- qualified regularity opinion due to Betsi Cadwaladr Health Board incurring irregular expenditure in making payments to an interim executive board member without the required Welsh Government approval;
- qualified regularity opinion resulting from failure of six of the Local Health Boards to meet their first financial duty; and
- failure by four of the Local Health Boards and one NHS Trust to meet their second financial duty.

Qualified opinion due to inability to obtain sufficient appropriate audit evidence about expenditure

I qualified my true and fair audit opinion on the financial statements of Betsi Cadwaladr University Health Board in 2021-22 because my audit identified a high level of error in the expenditure reported by the Health Board which resulted in material uncertainty over the level of expenditure which should be recognised in the financial statements.

I was unable to undertake the work necessary to fully assess the impact of any error in the Health Board's financial statements and consequently was unable to obtain sufficient appropriate audit evidence that expenditure totalling £122.2 million had been incurred in 2021-22 or had been properly accounted for in the correct accounting period. That expenditure was consolidated into these NHS (Wales) Summarised Accounts in 2021-22 and was material by value, so I qualified my true and fair audit opinion on these Accounts in 2021-22.

Unfortunately, the Health Board has not resolved the uncertainty, so we do not know how much of the £122.2 million uncertainty reported in 2021-22 should have been included within 2022-23 expenditure and so have been unable to conclude that that expenditure is fairly stated in all material respects. For that reason, I qualified my true and fair opinions at the Health Board in 2022-23 and do so on these Accounts.

Qualified regularity opinion due to irregular expenditure in making payments to an interim executive board member without approval

I have qualified my regularity opinion on the financial statements of Betsi Cadwaladr University Health Board in 2022-23 because it incurred irregular expenditure in making

payments to an interim executive member of the Board between 1 April and 31 July 2022 at a higher rate than the amount approved by the Remuneration Committee, which exceeded the Welsh Government's approved salary for the role, and the required Welsh Ministerial approval was neither requested nor obtained.

The Health Board did not comply with paragraph 14.1.4 of the standing financial instructions issued by Welsh Government in appointing an Interim Executive Director of Nursing and Midwifery at a pay point that was higher than that set out by the Welsh Government without receiving appropriate approval to do so.

Consequently, the Health Board made irregular payments of £105,648 plus oncosts to an Interim Executive Director, at a rate of pay which is equivalent to a full-time annual salary of £469,500 (excluding oncosts). The maximum approved pay point was £149,334. This expenditure, which is included within these Accounts, constitutes material irregular expenditure.

Qualified regularity opinion due to failure of six health boards to meet their first financial duty

Local Health Boards and NHS Trusts are required to meet a 'first' statutory financial duty to 'break-even' across a rolling three-year period. Special Health Authorities are required to 'break-even' in a single year. The duty gives additional flexibility to Health Boards and Trusts by allowing them to balance their income with their expenditure over a three-year rolling period – which for this year is measured from 2020-21 to 2022-23.

Whilst Health Boards and Special Health Authorities are set annual spending limits which they should not exceed, Trusts are not set such limits and must simply balance income with expenditure. When Health Boards or Health Authorities exceed their spending limit, they also exceed their authority to spend, that excess spend is deemed to be material and irregular and I must qualify my regularity opinion.

When Trusts do not break-even there is no impact on my regularity opinion as they have no spending limit and hence no restricted authority to spend.

As shown in Annex 1 to the Foreword, for 2022-23 six of the seven Health Boards failed to meet their duty to 'break-even' over the three-year period ending 31 March 2023, and as a result, I have qualified my regularity opinions on each of those six LHBs and issued narrative reports alongside my audit certificates for each of them.

The combined cumulative revenue resource limits of those six health boards of £19,991 million over the last three years were exceeded by just under £250 million.

Failure of four health boards to meet their second financial duty

The 'second' financial duty requires Health Boards and Trusts 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. Health Boards and Trusts will be deemed to have met this duty for 2022-23 if they submitted a 2022-23 to 2024-25 board approved plan to Welsh Ministers who then approved it by the 30 June 2022. This duty has resumed after a pause from 2019-20 due to the pandemic, when the focus was on shorter-term planning.

As shown in Annex 4 to the Foreword, Betsi Cadwaladr, Cardiff and Vale, Cwm Taf, and Hywel Dda University Health Boards did not meet this second financial duty by having an approved three-year integrated medium-term plan in place for the period 2022-23 to 2024-25.

Adrian Crompton
Auditor General for Wales
10 November 2023

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000 Restated
Expenditure on Primary Healthcare Services	2.1	1,650,732	1,600,894
Expenditure on healthcare from other providers	2.2	1,121,969	1,140,708
Expenditure on Hospital, Community Health Services and by Special Health Authorities	2.3	7,713,194	7,465,759
		10,485,895	10,207,361
Less: Income	3	(1,031,455)	(1,291,927)
Net operating costs before interest and other gains and losses		9,454,440	8,915,434
Investment Income	4	(2,284)	(72)
Other (Gains)	5	(1,121)	(179)
Finance costs	6	(896)	7,758
Net operating costs for the financial year		9,450,139	8,922,941
		2022-23 £000	2021-22 £000 Restated
Other Comprehensive Net Expenditure			
Net loss/(gain) on revaluation of property, plant and equipment		(234,726)	(74,622)
Net (gain)/loss on revaluation of right of use assets		758	-
Loss/(gain) on other reserve movements		(84)	(10)
Net loss/(gain) on revaluation of PPE & Intangible assets held for sale		(220)	(206)
Other comprehensive net expenditure for the year		(234,272)	(74,838)
Total comprehensive net expenditure for the year		9,215,867	8,848,103

The notes on pages 14 to 69 form part of these accounts

Statement of Financial Position as at 31 March 2023

	Notes	31 March 2023 £000	31 March 2022 £000 Restated
Non-current assets			
Property, plant and equipment	10.1	4,335,401	4,068,388
Right of Use Assets	11	166,414	
Intangible assets	12	53,871	53,796
Trade and other receivables	15	1,117,538	1,104,732
Other financial assets	16	1,847	521
Total non-current assets		5,675,071	5,227,437
Current assets			
Inventories	14.1	115,840	145,021
Trade and other receivables	15	761,775	700,704
Other financial assets	16	203	33
Cash and cash equivalents	17	108,920	132,578
Sub total		986,738	978,336
Non-current assets classified as "Held for Sale"	10.2	203	543
Total current assets		986,941	978,879
Total assets		6,662,012	6,206,316
Current liabilities			
Trade and other payables	18	(1,453,823)	(1,522,129)
Borrowings	19	(5,936)	(1,364)
Provisions	21	(454,288)	(391,844)
Total current liabilities		(1,914,047)	(1,915,337)
Net current assets/ (liabilities)		(927,106)	(936,458)
Non-current liabilities			
Trade and other payables	18	(149,041)	(53,023)
Borrowings	19	(16,417)	-
Provisions	21	(1,143,638)	(1,143,539)
Total non-current liabilities		(1,309,096)	(1,196,562)
Total assets employed		3,438,869	3,094,417
Financed by :			
Taxpayers' equity			
PDC		237,348	223,431
General Fund		2,365,188	2,249,993
Revaluation reserve		836,333	620,993
Total taxpayers' equity		3,438,869	3,094,417

The notes on pages 14 to 69 form part of these accounts

Judith Paget, Director General, Health and Social Services Group, Chief Executive NHS Wales
9th November 2023

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2023

	Public Dividend Capital £000	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2022-23				
Balance as at 31 March 2022	223,431	2,249,993	620,993	3,094,417
RoU Asset Transitioning Adjustment	-	4,050	-	4,050
Balance at 1 April 2022	223,431	2,254,043	620,993	3,098,467
Net operating cost for the year		(9,450,139)	-	(9,450,139)
Net gain/(loss) on revaluation of property, plant and equipment		-	234,726	234,726
Net gain/(loss) on revaluation of right of use assets		-	(758)	(758)
Net gain/(loss) on revaluation of PPE and Intangible assets held for sale		-	220	220
Movements in other reserves		98	(14)	84
Transfers between reserves		18,834	(18,834)	-
Release of reserves to SoCNE		24	-	24
Total recognised income and expense for 2022-23		(9,431,183)	215,340	(9,215,843)
New Public Dividend Capital received	24,985			24,985
Public Dividend Capital repaid in year	(11,068)			(11,068)
Net Welsh Government funding (LHB and SHA only)		9,355,914		9,355,914
Notional Welsh Government Funding (LHB and SHA only)		186,414		186,414
Balance at 31 March 2023	237,348	2,365,188	836,333	3,438,869

The notes on pages 14 to 69 form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2022

	Public Dividend Capital £000	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2021-22		Restated		Restated
Balance at 1 April 2021	222,208	2,103,812	563,909	2,889,929
Net operating cost for the year		(8,922,941)	-	(8,922,941)
Net gain/(loss) on revaluation of property, plant and equipment		-	74,622	74,622
Net gain/(loss) on revaluation of PPE and Intangible assets held for sale		-	206	206
Other reserve movements		13	(3)	10
Transfers between reserves		17,738	(17,738)	-
Release of reserves to SoCNE		3	(3)	-
Total recognised income and expense for 2021-22		(8,905,187)	57,084	(8,848,103)
New Public Dividend Capital received	15,374			15,374
Public Dividend Capital repaid in year	(14,151)			(14,151)
Net Welsh Government funding (LHB and SHA only)		8,876,821		8,876,821
Notional Welsh Government Funding (LHB and SHA only)		174,547		174,547
Balance at 31 March 2022	223,431	2,249,993	620,993	3,094,417

The notes on pages 14 to 69 form part of these accounts

Statement of Cash Flows for year ended 31 March 2023

		2022-23 £000	2021-22 £000
Cash flows from operating activities	Notes		Restated
Net operating costs for the financial year		(9,450,139)	(8,922,941)
Movements in Working Capital	28	(82,669)	(220,752)
Other cash flow adjustments	29	692,849	890,561
Provisions utilised	21	(132,660)	(178,749)
Net cash outflow from operating activities		(8,972,619)	(8,431,881)
Cash flows from investing activities			
Purchase of property, plant and equipment		(374,293)	(413,256)
Proceeds from disposal of property, plant and equipment		2,171	3,427
Purchase of intangible assets		(21,288)	(14,720)
Proceeds from disposal of intangible assets		3,638	-
Net cash outflow from investing activities		(389,772)	(424,549)
Net cash outflow before financing		(9,362,391)	(8,856,430)
Cash flows from financing activities			
Welsh Government LHB funding (including LHB and SHA capital)		9,355,914	8,876,821
Capital grants received		522	25
Public Dividend Capital received		24,985	15,374
Public Dividend Capital repaid		(11,068)	(14,151)
Capital element of payments in respect of finance leases and on-SoFP		(3,383)	1,606
Capital element of payments in respect of on-SoFP PFI		(1,115)	(163)
Capital Element of payments in respect of Right of Use Assets		(27,122)	-
Net financing		9,338,733	8,879,512
Net increase in cash and cash equivalents		(23,658)	23,082
Cash and cash equivalents at 1 April	17	132,578	109,496
Cash and cash equivalents at 31 March	17	108,920	132,578

The notes on pages 14 to 69 form part of these accounts

Notes to the Accounts

1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Local Health Boards, NHS Trusts and Special Health Authorities in Wales (subsequently, collectively referred to as NHS Wales' organisations), shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2022-23. Manual for Accounts. The accounting policies contained in that manual follow the 2022-23 Financial Reporting Manual (FReM), conformity with the requirements of the Companies Act 2006, except for IFRS 16 Leases, which was deferred until 1st April 2022; to the extent that they are meaningful and appropriate to the NHS in Wales.

Where the 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 NHS Wales organisation for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS Wales' organisations 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 and inventories.

1.2. Accounts Format

The NHS (Wales) Summarised Account combine the accounts of the seven Local Health Boards (LHBs), the three NHS Wales Trusts (NHSTs) and the two Special Health Authorities. In preparing the summarised financial statements, where appropriate adjustments for the effects of interparty transactions have been made.

1.3. 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.

1.4. Income and funding

The main source of funding for the LHBs and SHAs are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the LHB and SHA. 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/SHA and is not funded directly by the Welsh Government. The income of the NHS Wales Trusts is recorded in the income note.

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.

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. Only non-NHS income may be deferred.

From 2018-19, IFRS 15 Revenue from Contracts with Customers has been applied, as interpreted and adapted for the public sector, in the FREM. It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. The potential amendments identified as a result of the adoption of IFRS 15 are significantly below materiality levels.

1.5. Employee benefits

1.5.1. 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.

1.5.2. 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.

The latest NHS Pension Scheme valuation results indicated that an increase in benefit required a 6.3% increase (14.38% to 20.68%) which was implemented from 1 April 2019.

As an organisation within the full funding scope, the joint (in NHS England and NHS Wales) transitional arrangement operated in 2019-20 where employers in the Scheme would continue to pay 14.38% employer contributions under their normal monthly payment process, in Wales the additional 6.3% being funded by Welsh Government directly to the Pension Scheme administrator, the NHS Business Services Authority (BSA the NHS Pensions Agency).

However, NHS Wales' organisations are required to account for **their staff** employer contributions of 20.68% in full and on a gross basis, in their annual accounts. Payments made on their behalf by Welsh Government are accounted for on a notional basis. For detailed information see Note 32 Other (Note 33.4) within these accounts.

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 NHS Wales organisation 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 NHS Wales organisation's 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.

1.5.3. NEST Pension Scheme

An alternative pensions scheme for employees not eligible to join the NHS Pensions scheme has to be offered. 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.

1.6. 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.

1.7. Property, plant and equipment

1.7.1. 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 NHS Wales organisation;
- 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.

1.7.2. 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 services or for administrative purposes are stated in the Statement of Financial Position (SoFP) 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 and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales' organisations 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 2022-23 a formal revaluation exercise was applied to land and properties. 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 the 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 (SoCNE).

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 NHS organisation or the asset which would prevent access to the market at the reporting date. If the NHS organisation 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.

1.7.3. 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 ensures that asset carrying values are not materially overstated. For All Wales Capital Schemes that are completed in a financial year, NHS Wales organisations are required to obtain a revaluation 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.

1.8. Intangible assets

1.8.1. Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the 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 NHS Wales organisation; 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
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.8.2 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.

1.9. Depreciation, amortisation and impairments

Freehold land, assets 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 NHS Wales organisation expects to obtain economic benefits or service potential from the asset. This is specific to the NHS Wales organisation 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 NHS Wales organisation checks 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 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.

1.10. 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.

1.11 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.

1.12 Leases

A lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

IFRS 16 leases is effective across public sector from 1 April 2022. The transition to IFRS 16 has been completed in accordance with paragraph C5 (b) of the Standard, applying IFRS 16 requirements retrospectively recognising the cumulative effects at the date of initial application.

In the transition to IFRS 16 a number of elections and practical expedients offered in the standard have been employed. These are as follows:

The practical expedient offered in the standard per paragraph C3 to apply IFRS 16 to contracts or arrangements previously identified as containing a lease under the previous leasing standards IAS 17 leases and IFRIC 4 determining whether an arrangement contains a lease and not to those that were identified as not containing a lease under previous leasing standards has been applied.

On initial application the right of use assets for leases previously classified as operating leases per IFRS 16 C8 (b)(ii), at an amount equal to the lease liability adjusted for accrued or prepaid lease payments has been measured.

No adjustments have been made for operating leases in which the underlying asset is of low value per paragraph C9 (a) of the standard.

The transitional provisions have not been applied to operating leases whose terms end within 12 months of the date of initial application has been employed per paragraph C10 (c) of IFRS 16.

Hindsight is used to determine the lease term when contracts or arrangements contain options to extend or terminate the lease in accordance with C10 (e) of IFRS 16.

Due to transitional provisions employed the requirements for identifying a lease within paragraphs 9 to 11 of IFRS 16 are not employed for leases in existence at the initial date of application. Leases entered into on or after the 1st April 2022 are assessed under the requirements of IFRS 16.

There are further expedients or election that have been employed include:

- the measurement requirements under IFRS 16 are not applied to leases with a term of 12 months or less under paragraph 5 (a) of IFRS 16;
- the measurement requirements under IFRS 16 are not applied to leases where the underlying asset is of a low value which are identified as those assets of a value of less than £5,000, excluding any irrecoverable VAT, under paragraph 5 (b) of IFRS 16.

IFRS 16 has not been applied to any new leases of intangible assets (see 1.8.1).

Other expedients employed by the entity (such as low value 5(b) or 15 on componentisation HM Treasury have adapted the public sector approach to IFRS 16 which impacts on the identification and measurement of leasing arrangements that will be accounted for under IFRS 16

IFRS 16 applies to lease like arrangements entered into:

- with other public sector entities that are in substance akin to an enforceable contract, that in their formal legal form may not be enforceable; subject to an assessment that in all other respects these arrangements meet the definition of a lease under the standard;

- in which consideration exchanged is nil or nominal, therefore significantly below market value. These arrangements are described as peppercorn leases. Such arrangements are again required to meet the definition of a lease in every other respect prior to inclusion in the scope of IFRS 16. The accounting for peppercorn arrangements aligns to that identified for donated assets. Peppercorn leases are different in substance to arrangements in which consideration is below market value but not significantly below market value.

The nature of the accounting policy change for the lessee is more significant than for the lessor under IFRS 16. IFRS 16 introduces a singular lessee approach to measurement and classification in which lessees recognise a right of use asset.

For the lessor leases remain classified as finance leases when substantially all the risks and rewards incidental to ownership of an underlying asset are transferred to the lessee. When this transfer does not occur, leases are classified as operating leases.

1.12.1 Lessee Accounting

At the commencement date for the leasing arrangement a lessee shall recognise a right of use asset and corresponding lease liability. The entity employs a revaluation model for the subsequent measurement of its right of use assets unless cost is considered to be an appropriate proxy for current value in existing use or fair value in line with the accounting policy for owned assets. Where consideration exchanged is identified as below market value, cost is not considered to be an appropriate proxy to value the right of use asset.

Irrecoverable VAT is expensed in the period to which it relates and therefore not included in the measurement of the lease liability and consequently the value of the right of use asset.

Appropriate incremental borrowing rate have been applied to the lease liabilities recognised at the date of initial application of IFRS 16.

Where changes in future lease payments result from a change in an index or rate or rent review, the lease liabilities are remeasured using an unchanged discount rate.

Where there is a change in a lease term or an option to purchase the underlying asset [the entity] applies a revised rate to the remaining lease liability.

Where existing leases are modified it is determined whether the arrangement constitutes a separate lease and apply the standard accordingly.

Lease payments are recognised as an expense on a straight-line or another systematic basis over the lease term, where the lease term is in substance 12 months or less, or is elected as a lease containing low value underlying asset.

1.12.2 Lessor Accounting

A lessor shall classify each of its leases as an operating or finance lease. A lease is classified as finance lease when the lease substantially transfers all the risks and rewards incidental to ownership of an underlying asset. Where substantially all the risks and rewards are not transferred, a lease is classified as an operating lease.

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

Income from operating leases is recognised on a straight-line or another systematic 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 as an expense on a straight-line basis over the lease term.

Where the lessor is an intermediate lessor, being a lessor and a lessee regarding the same underlying asset, classification of the sublease is required to be made by the intermediate lessor considering the term of the arrangement and the nature of the right of use asset arising from the head lease.

On transition the classification of all of continuing subleasing arrangements to include peppercorn leases has been assessed.

1.13. Inventories

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the weighted average or "first-in first-out" cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.14. 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 (SoCF), 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.

1.15. Provisions

Provisions are recognised when the NHS Wales organisation has a present legal or constructive obligation as a result of a past event, it is probable that the NHS Wales organisation 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 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 NHS Wales organisation 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 NHS Wales organisation 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.

1.15.1. Clinical negligence and personal injury costs

The Welsh Risk Pool Services (WRPS) 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 has been implemented since 2019-20. The WRP is hosted by Velindre NHS Trust.

1.15.2. Future Liability Scheme (FLS) - General Medical Practice Indemnity (GMPI)

The FLS is a state backed scheme to provide clinical negligence General Medical Practice Indemnity (GMPI) for providers of GMP services in Wales.

In March 2019, the Minister issued a Direction to Velindre NHS Trust to enable Legal and Risk Services to operate the Scheme. The GMPI is underpinned by new secondary legislation, The NHS (Clinical Negligence Scheme) (Wales) Regulations 2019 which came into force on 1 April 2019.

GMP Service Providers are not direct members of the GMPI FLS, their qualifying liabilities are the subject of an arrangement between them and their relevant LHB, which is a member of the scheme. The qualifying reimbursements to the LHB are not subject to the £25,000 excess.

1.16. Financial Instruments

From 2018-19 IFRS 9 Financial Instruments has applied, as interpreted and adapted for the public sector, in the FReM. The principal impact of IFRS 9 adoption by NHS Wales' organisations, was to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM recognised the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that included the date of initial application in the opening general fund within Taxpayer's equity.

IFRS 9 requirements required a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS 9 to construct a provision matrix.

1.17. Financial assets

Financial assets are recognised on the SoFP when the NHS Wales organisation 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.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to

lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

IFRS 9 requirements required a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS 9 to construct a provision matrix.

1.17.1. 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.

1.17.2. 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.

1.17.3 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.

1.17.4. 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.

1.17.5. 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 SOFP date, the NHS Wales organisation assesses 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 of 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.

1.18. Financial liabilities

Financial liabilities are recognised on the SOFP when the NHS Wales organisation 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.

1.18.1. Financial liabilities are initially recognised at fair value

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

1.18.2. Financial liabilities at fair value through the 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 profit and loss. 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.

1.18.3. 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.

1.19. Value Added Tax (VAT)

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

1.20. Foreign 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 SoFP date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.21. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Wales organisation has no beneficial interest in them. Details of third party assets are given in the Notes to the accounts.

1.22. 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 the NHS Wales organisation 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.

The NHS Wales organisation accounts for all losses and special payments gross (including assistance from the WRPS).

The NHS Wales organisation accrues or provides for the best estimate of future pay-outs for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Due to the interparty eliminations required for the summarisation process, expected reimbursements from the WRP are included within the debtor balance due from the Welsh Government. For those claims where the probability of settlement is between 5- 50%, the liability is disclosed as a contingent liability.

1.23. Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.24. Key sources of estimation uncertainty

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

Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool Services.

Significant estimations are also made for continuing care costs resulting from claims post 1 April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.

Estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilities are adjusted in the following reporting period.

1.24.1. Provisions

The NHS Wales organisation provides for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Following settlement to individual claimants by the NHS Wales organisation, the full cost is recognised in year and matched to income (less a £25K excess) via a WRPS debtor, until reimbursement has been received from the WRPS Committee.

1.24.2. Probable & Certain Cases – Accounting Treatment

A provision for these cases is calculated in accordance with IAS 37.

The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership.

The solicitors estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of minus 0.25%.

Future liabilities for certain & probable cases with a probability of 95%-100% and 50%- 94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

Further details re the calculation of provisions and the periodical payment orders are contained within the accounts of Velindre NHS Trust.

1.25 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 NHS Wales organisation 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'.

1.25.1. Services received

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

1.25.2. PFI asset

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 NHS Wales organisation's approach for each relevant class of asset in accordance with the principles of IAS 16.

1.25.3. 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.

1.25.4. Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the NHS Wales organisation's 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.

1.25.5. Assets contributed by the NHS Wales organisation 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 NHS Wales organisation's SoFP.

1.25.6. Other assets contributed by the NHS Wales organisation to the operator

Assets contributed (e.g. cash payments, surplus property) by the NHS Wales organisation 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 NHS Wales organisation, 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 NHS Wales organisation through the asset being made available to third party users.

1.26. 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 NHS Wales organisation, 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 NHS Wales organisation. 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.

1.27. 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.

1.28. Accounting standards that have been issued but not yet been adopted

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

IFRS14 Regulatory Deferral Accounts Not UK-endorsed.*
Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable.

IFRS 17 Insurance Contracts, Application required for accounting periods beginning on or after 1 January 2021. Standard is not yet adopted by the FReM which is expected to be from April 2025.

1.29. Accounting standards issued that have been adopted early

During 2022-23 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

1.30. Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.31. Public Dividend Capital (PDC) and PDC dividend

PDC represents taxpayers' equity in the NHS Wales Trusts. At any time the 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 Wales organisation. 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.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £000	Non-cash limited £000	2022-23 Total £000	2021-22 £000
General Medical Services	614,407	-	614,407	606,824
Pharmaceutical Services	161,802	(25,239)	136,563	140,217
General Dental Services	202,084	-	202,084	195,146
General Ophthalmic Services	11,199	31,522	42,721	46,744
Other Primary Health Care expenditure	45,087	-	45,087	48,148
Prescribed drugs and appliances	609,870	-	609,870	563,815
Total	1,644,449	6,283	1,650,732	1,600,894

2.2 Expenditure on healthcare from other providers

	2022-23 £000	2021-22 £000
Goods and services from other non Welsh NHS bodies	332,259	331,936
Local Authorities	136,600	175,796
Voluntary organisations	43,364	62,815
NHS Funded Nursing Care	47,529	45,814
Continuing Care	447,090	430,873
Private providers	114,661	93,094
Specific projects funded by the Welsh Assembly Government	466	380
Total	1,121,969	1,140,708

2.3 Expenditure on Hospital, Community Health Services and by Special Health Authorities

	2022-23 £000	2021-22 £000 Restated
Directors' costs	22,506	21,570
Operational Staff costs	4,959,854	4,708,243
Non operational trainee staff costs	229,121	137,379
Non operational collaborative bank staff costs	347	234
Single lead employer Staff Trainee Cost	112,525	43,793
Collaborative Bank Staff Cost	10	1,446
Supplies and services - clinical	962,345	968,841
Supplies and services - general	183,841	194,518
Consultancy Services	13,353	19,610
Establishment	98,410	108,479
Transport	32,518	32,815
Premises	346,039	304,953
DHCW - General Medical Services	16,314	17,588
HEIW - Non Medical Education and Training	95,141	97,492
HEIW - Post Graduate Medical Dental & Pharmacy Education	6,637	5,312
External Contractors	16,749	12,760
Depreciation	239,267	230,435
Depreciation (Right of use assets RoU)	28,233	
Amortisation	16,165	15,251
Fixed asset impairments and reversals (Property, plant & equipment)	32,504	(4,093)
Fixed asset impairments and reversals (RoU Assets)	1,894	
Fixed asset impairments and reversals (Intangible assets)	348	-
Impairments and reversals of non-current assets held for sale	-	11
Audit fees	3,939	3,583
Losses, special payments and irrecoverable debts	245,045	481,691
Research and Development	6,039	6,532
Expense related to short-term leases	4,922	-
Expense related to low-value asset leases (excluding short-term leases)	2,176	-
Other operating expenses	36,952	57,316
Total	7,713,194	7,465,759

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

	2022-23 £000	2021-22 £000
Increase/(decrease) in provision for future payments:		
Clinical negligence		
- Secondary care	207,306	299,722
- Primary care	568	144
- Redress Secondary Care	2,569	1,178
- Redress Primary Care	-	182
Personal injury	(4,911)	3,554
All other losses and special payments	23,814	30,354
Defence legal fees and other administrative costs	8,584	7,542
WRPS Structured Settlements	(9,454)	123,967
Gross increase/(decrease) in provision for future payments	228,476	466,643
Irrecoverable debts	3,778	2,507
Less: income received/ due for reimbursement	12,791	12,541
Total	245,045	481,691
	£	£
Permanent injury included within personal injury:	(8,076,057)	1,266,781

The Post Employment Benefit discount rates issued by HM Treasury in December 2022 changed from -1.3% to 1.7% resulted in a benefit to 2022-23 income.

3. Income

	2022-23	2021-22
	£000	£000
Foundation Trusts	1,235	1,231
Other NHS England bodies	38,182	33,246
Other NHS bodies	772	771
Local authorities	66,875	71,704
Welsh Government	241,157	289,748
Welsh Government Funding - Welsh Risk Pool Reimbursements		
NHS Wales Secondary Health Sector	199,763	424,563
NHS Wales Primary Sector Future Liability Scheme Reimbursement	144	93
NHS Wales Redress	1,503	1,679
Welsh Government Income for Hosted bodies	193,046	165,681
Non NHS:		
Prescription charge income	168	22
Dental fee income	22,540	19,336
Private patient income	4,119	3,203
Overseas patients (non-reciprocal)	848	351
Injury Costs Recovery (ICR) Scheme	8,046	7,282
Other income from activities	22,742	21,294
Income Generation	961	989
Patient transport services	18	-
Education, training and research	60,188	63,668
Charitable and other contributions to expenditure	8,516	9,488
Receipt of Covid centrally purchased assets from other organisations	762	1,724
Receipt of donated assets	3,106	3,299
Receipt of Government granted assets	105	2,507
Right of Use Grant (Peppercorn Lease)	2,721	-
Non-patient care income generation schemes	6,429	5,311
Deferred income released to revenue	3,587	1,566
Contingent rental income from finance leases	10	-
Rental income from operating leases	1,181	1,146
Other income:		
Provision of laundry, pathology, payroll services	6,617	13,187
Accommodation and catering charges	17,907	14,884
Mortuary fees	2,681	2,265
Staff payments for use of cars	5,957	5,241
Scheme Pays Reimbursement Notional	(2,876)	7,310
Other	112,445	119,138
Total	1,031,455	1,291,927

2022-23

4. Investment Income

	2022-23	2021-22
	£000	£000
Rental revenue :		
Interest revenue :		
Bank accounts	2,266	56
Other financial assets	18	16
Total	2,284	72

5. Other gains and losses

	2022-23	2021-22
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	839	58
Gain/(loss) on disposal of intangible assets	-	(35)
Gain/(loss) on disposal of assets held for sale	282	156
Total	1,121	179

6. Finance costs

	2022-23	2021-22
	£000	£000
Interest on obligations under finance leases	12	46
Interest on obligations under Right of Use Leases	1,546	-
Interest on obligations under PFI contracts		
main finance cost	3,296	3,575
contingent finance cost	3,466	3,550
Interest on late payment of commercial debt	5	-
Other interest expense	2	-
Total interest expense	8,327	7,171
Provisions unwinding of discount	(4,900)	(556)
Periodical Payment Order unwinding of discount	(4,323)	1,143
Total	(896)	7,758

7. Operating leases

LHB, NHS Trust and SHA as lessee

Detailed disclosures are made in the individual LHB, NHS Trust and SHA accounts.

	Post Implementation of IFRS 16		Pre implementation of IFRS 16
	Low Value & Short Term	Other	
Payments recognised as an expense	2022-23	2022-23	2021-22
	£000	£000	£000
Minimum lease payments	15,518	3,918	39,363
Total	15,518	3,918	39,363
Total future minimum lease payments			
Payable	£000	£000	£000
Not later than one year	6,523	2,576	32,310
Between one and five years	4,030	3,182	72,043
After 5 years	361	588	65,971
Total	10,914	6,346	170,324

As a result of the implementation of IFRS 16 the current year operating lease figures relate to low value and short term leases separately.

LHB SHA & NHS Trust as lessor

	Post	Pre
	Implementation of IFRS 16	implementation of IFRS 16
	2022-23	2021-22
	£000	£000
Rental revenue		
Rent	1,508	1,387
Other	150	143
Total revenue rental	1,658	1,530
Total future minimum lease payments		
Receivable	£000	£000
Not later than one year	1,440	1,697
Between one and five years	4,541	5,952
After 5 years	3,688	3,531
Total	9,669	11,180

8. Employee benefits and staff numbers

8.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Specialist Trainee (SLE) Staff	Collaborative Bank Staff	Other	Total	
	£000	£000	£000	£000	£000	£000	2022-23	2021-22
Salaries and wages	3,809,671	22,527	283,427	163,728	296	71,757	4,351,406	3,999,244
Social security costs	396,784	28	-	13,645	20	3,411	413,888	367,911
Employer contributions to NHS Pension Scheme	652,660	32	-	14,675	29	343	667,739	628,762
Other pension costs	2,478	-	-	-	-	-	2,478	2,153
Other employment benefits	(1,092)	-	-	-	-	7	(1,085)	2,261
Termination benefits	626	-	-	-	-	-	626	2,416
Total	4,861,127	22,587	283,427	192,048	345	75,518	5,435,052	5,002,747

Charged to capital							11,361	11,362
Charged to revenue							5,423,691	4,991,385
							5,435,052	5,002,747

Net movement in accrued employee benefits (untaken staff leave accrual included in above)							(28,902)	15,244
Covid 19 - Net movement in accrued employee benefits (untaken staff leave accrual included in above)							-	17,213
All non Covid 19 - Net movement in accrued employee benefits (untaken staff leave accrual included in above)								(1,969)

The full employee costs reported above are included in note 2.1 Expenditure on Primary Healthcare Services and note 2.3 Expenditure on Hospital, Community Health Services and by Special Health Authorities.

8.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Specialist Trainee (SLE) Staff	Collaborative Bank Staff	Other	Total	
	Number	Number	Number	Number	Number	Number	2022-23	2021-22
Administrative, clerical and board members	20,973	155	303	-	-	68	21,499	20,681
Medical and dental	5,202	61	182	2,570	-	378	8,393	7,990
Nursing, midwifery registered	24,112	33	1,967	-	18	6	26,136	25,516
Professional, Scientific, and technical staff	2,848	15	17	-	-	6	2,886	2,750
Additional Clinical Services	18,884	-	664	-	-	10	19,558	18,758
Allied Health Professions	7,006	7	118	-	-	30	7,161	6,809
Healthcare Scientists	2,308	6	50	-	-	15	2,379	2,287
Estates and Ancillary	7,122	-	298	-	-	65	7,485	7,543
Students	122	-	-	-	-	2	124	94
Total	88,577	277	3,599	2,570	18	580	95,621	92,428

8.3. Retirements due to ill-health		2022-23	2021-22
Number		104	71
Estimated additional pension costs £		6,700,046	3,512,626

The estimated additional pension costs of these ill-health retirements have been calculated on an average basis and are borne by the NHS Pension Scheme. The above early retirement information relates to the LHBs SHAs.

8.4 Employee benefits

LHBs do not disclose any employee benefit schemes. Two of the NHS Trusts and both the Special Health Authorities disclose employee benefit schemes. Please refer to their underlying accounts for further details.

8.5 Pension costs

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 for Health and Social Care 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 is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2023, is based on valuation data as 31 March 2022, updated to 31 March 2023 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 report of the scheme actuary, which forms part of the annual NHS Pension Scheme 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 recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

The actuarial valuation as at 31 March 2020 is currently underway and will set the new employer contribution rate due to be implemented from April 2024.

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 8% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 3% of this.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,240 and £50,270 for the 2022-2023 tax year (2021-2022 £6,240 and £50,000).

Restrictions on the annual contribution limits were removed on 1st April 2017.

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

	2022-23	2021-22
	£	£
Amounts included within finance costs from claims made under this legislation	573	6
Compensation paid to cover debt recovery costs under this legislation	653	192
Total	<u>1,226</u>	<u>198</u>

10.1 Property, plant and equipment

2022-23

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Asset under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost at 31 March 2022	375,914	3,319,710	55,240	298,148	851,704	92,237	312,710	40,149	5,345,812
Transfer of Finance Leases to ROU Asset Note	(942)	(18,848)	-	-	(2,388)	-	(20,547)	-	(42,725)
Cost or valuation at 1 April 2022	374,972	3,300,862	55,240	298,148	849,316	92,237	292,163	40,149	5,303,087
Indexation	(8,495)	88,341	2,159	-	-	-	-	-	82,005
Additions - purchased	29	30,302	153	222,522	39,948	4,500	21,827	3,083	322,364
Additions - donated	-	744	-	-	2,198	-	91	66	3,099
Additions - government granted	-	44	-	-	61	-	-	-	105
Transfer from/into other NHS bodies	-	-	-	(1,788)	1,788	-	-	-	-
Reclassifications	1,794	159,691	432	(190,799)	12,947	10,433	3,942	97	(1,463)
Revaluations	14,516	(206,742)	(2,609)	-	-	-	-	-	(194,835)
Reversal of impairments	1,204	77,538	1,899	-	-	-	-	-	80,641
Impairments	(18,979)	(170,116)	(678)	(2,649)	-	(679)	(45)	-	(193,146)
Reclassified as held for sale	-	-	-	-	(695)	(7,529)	-	-	(8,224)
Disposals	-	-	-	-	(73,672)	(2,134)	(29,304)	(4,961)	(110,071)
At 31 March 2023	365,041	3,280,664	56,596	325,434	831,891	96,828	288,674	38,434	5,283,562
At 31 March 2022	-	467,370	8,661	11	523,405	60,971	193,415	23,591	1,277,424
Transfer of Finance Leases to ROU Asset Note	-	(2,374)	-	-	(2,388)	-	(18,456)	-	(23,218)
Depreciation at 1 April 2022	-	464,996	8,661	11	521,017	60,971	174,959	23,591	1,254,206
Indexation	-	893	6	-	-	-	-	-	899
Reclassifications	7	(7)	-	-	31	4	3	7	45
Revaluations	(7)	(340,711)	(7,546)	(10)	(181)	-	-	-	(348,455)
Reversal of impairments	-	(45,060)	(738)	-	-	-	-	-	(45,798)
Impairments	-	(33,673)	-	-	-	(494)	(36)	-	(34,203)
Reclassified as held for sale	-	-	-	-	(695)	(7,529)	-	-	(8,224)
Disposals	-	-	-	-	(73,262)	(2,112)	(29,262)	(4,940)	(109,576)
Provided during the year	-	111,625	2,662	-	72,030	9,719	39,406	3,825	239,267
At 31 March 2023	-	158,063	3,045	1	518,940	60,559	185,070	22,483	948,161
Net book value at 1 April 2022	374,972	2,835,866	46,579	298,137	328,299	31,266	117,204	16,558	4,048,881
Net book value at 31 March 2023	365,041	3,122,601	53,551	325,433	312,951	36,269	103,604	15,951	4,335,401
Net book value at 31 March 2023 comprises :									
Purchased	361,672	3,071,159	53,551	325,408	300,426	36,090	103,201	15,514	4,267,021
Donated	3,369	49,843	-	25	7,865	179	388	432	62,101
Government Granted	-	1,599	-	-	4,660	-	15	5	6,279
	365,041	3,122,601	53,551	325,433	312,951	36,269	103,604	15,951	4,335,401
Asset financing :									
Owned	362,024	3,034,216	49,804	325,433	312,809	36,269	103,604	15,951	4,240,110
On-SoFP PFI contracts	3,017	88,385	3,747	-	142	-	-	-	95,291
Total	365,041	3,122,601	53,551	325,433	312,951	36,269	103,604	15,951	4,335,401

The net book value of land, buildings and dwellings at 31 March 2023 comprises :

	£000
Freehold	3,486,861
Long Leasehold	51,832
Short Leasehold	2,500
	3,541,193

The land and buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2022. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. LHBs, NHSTs and SHA 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 IAS 16 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.

10.1 Property, plant and equipment

2021-22	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 2021	367,934	3,076,334	51,878	190,060	789,036	92,274	288,865	41,963	4,898,344
Indexation	5,811	73,593	2,171	-	-	-	-	-	81,575
Additions - purchased	95	48,906	115	264,219	92,579	3,057	42,689	2,300	453,960
Additions - donated	-	138	-	1,391	1,634	65	42	-	3,270
Additions - government granted	-	-	-	27	2,382	-	-	-	2,409
Reclassifications	400	134,095	927	(156,849)	10,749	1,863	3,638	32	(5,145)
Revaluations	(47)	(10,517)	(11)	-	-	-	-	-	(10,575)
Reversal of impairments	1,556	68,404	254	-	-	-	-	-	70,214
Impairments	(81)	(70,661)	-	(700)	(541)	-	-	-	(71,983)
Reclassified as held for sale	109	(87)	(94)	-	(209)	(4,227)	-	-	(4,508)
Disposals	137	(495)	-	-	(43,926)	(795)	(22,524)	(4,146)	(71,749)
At 31 March 2022	375,914	3,319,710	55,240	298,148	851,704	92,237	312,710	40,149	5,345,812
Depreciation at 1 April 2021	-	365,368	6,590	-	500,502	56,278	179,057	23,768	1,131,563
Indexation	-	12,037	287	-	-	-	-	-	12,324
Reclassifications	-	(13)	2	11	51	(51)	-	-	-
Revaluations	-	(15,863)	(11)	-	(72)	-	-	-	(15,946)
Reversal of impairments	-	(116)	6	-	-	-	-	-	(110)
Impairments	-	(5,660)	-	(2)	(90)	-	-	-	(5,752)
Reclassified as held for sale	-	-	-	-	(118)	(4,227)	-	-	(4,345)
Disposals	-	(149)	-	-	(43,219)	(795)	(22,438)	(4,144)	(70,745)
Provided during the year	-	111,766	1,787	2	66,351	9,766	36,796	3,967	230,435
At 31 March 2022	-	467,370	8,661	11	523,405	60,971	193,415	23,591	1,277,424
Net book value at 1 April 2021	367,934	2,710,966	45,288	190,060	288,534	35,996	109,808	18,195	3,766,781
Net book value at 31 March 2022	375,914	2,852,340	46,579	298,137	328,299	31,266	119,295	16,558	4,068,388
Net book value at 31 March 2022 comprises :									
Purchased	371,680	2,803,595	46,579	298,107	314,583	31,041	118,758	16,051	4,000,394
Donated	4,234	46,778	-	30	8,065	225	514	499	60,345
Government Granted	-	1,967	-	-	5,651	-	23	8	7,649
	375,914	2,852,340	46,579	298,137	328,299	31,266	119,295	16,558	4,068,388
Asset financing :									
Owned	373,071	2,764,751	44,334	298,012	328,043	31,266	117,204	16,558	3,973,239
Held on finance lease	-	1,216	-	-	-	-	2,091	-	3,307
On-SoFP PFI contracts	2,843	86,373	2,245	125	256	-	-	-	91,842
Total	375,914	2,852,340	46,579	298,137	328,299	31,266	119,295	16,558	4,068,388

The net book value of land, buildings and dwellings at 31 March 2022 comprises :

	£000
Freehold	3,152,303
Long Leasehold	120,183
Short Leasehold	2,347
	<u>3,274,833</u>

10. Property, plant and equipment (continued)**10.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Other property, plant and equipment	Total
	£000	£000	£000	£000
Balance brought forward 1 April 2022	222	321	-	543
Revaluation	220	-	-	220
Less assets sold in the year	(413)	(147)	-	(560)
Balance carried forward 31 March 2023	29	174	-	203
Balance brought forward 1 April 2021	1,338	978	86	2,402
Plus assets classified as held for sale in the year	76	181	91	348
Revaluation	66	140	-	206
Less assets sold in the year	(1,062)	(978)	(177)	(2,217)
Less impairment of assets held for sale	(11)	-	-	(11)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(185)	-	-	(185)
Balance carried forward 31 March 2022	222	321	-	543

11. Right of Use Assets

Details of significant leases are provided in the accounts of the underlying bodies.

2022-23	Land £000	Land and buildings £000	Buildings £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Total £000
Cost or valuation at 31 March 2022	-	-	-	-	-	-	-
Prepayments re RoU Assets	-	395	-	157	18	-	570
Transfer of Finance Leases from PPE Note	627	14,163	5,000	2,388	-	20,547	42,725
Operating Leases Transitioning	1,516	91,727	30,558	18,349	2,747	7,227	152,124
Cost or valuation at 1 April 2022	2,143	106,285	35,558	20,894	2,765	27,774	195,419
Additions	1,779	5,185	4,096	9,919	1,879	2,527	25,385
Revaluations	-	(1,080)	(357)	-	-	-	(1,437)
Impairments	-	(2,804)	-	-	-	-	(2,804)
De-recognition	-	(287)	-	-	-	-	(287)
At 31 March 2023	3,922	107,299	39,297	30,813	4,644	30,301	216,276
Depreciation at 31 March 2022	-	-	-	-	-	-	-
Transfer of Finance Leases from PPE Note	-	1,232	1,142	2,388	-	18,456	23,218
Operating Leases Transitioning	-	-	-	-	-	-	-
Depreciation at 1 April 2022	-	1,232	1,142	2,388	-	18,456	23,218
Revaluations	-	(171)	(508)	-	-	-	(679)
Impairments	-	(910)	-	-	-	-	(910)
Provided during the year	141	12,262	4,084	5,116	1,612	5,018	28,233
At 31 March 2023	141	12,413	4,718	7,504	1,612	23,474	49,862
Net book value at 1 April	2,143	105,053	34,416	18,506	2,765	9,318	172,201
Net book value at 31 March	3,781	94,886	34,579	23,309	3,032	6,827	166,414
RoU Asset Total Value Split by Lessor	Land £000	Lamd & buildings £000	Buildings £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Total £000
Other Public Sector Peppercorn Leases	1,832	2,486	1,875	-	-	-	6,193
Other Public Sector Market Value Leases	33	7,929	3,712	-	-	-	11,674
Private Sector Peppercorn Leases	1,881	439	287	-	-	-	2,607
Private Sector Market Value Leases	35	84,032	28,705	23,309	3,032	6,827	145,940
Total	3,781	94,886	34,579	23,309	3,032	6,827	166,414

11.2 Right of Use Assets continued

Quantitative disclosures lessee

Maturity analysis	LAND	BUILDINGS	OTHER	TOTAL
Contractual undiscounted cash flows relating to lease liabilities	£000	£000	£000	£000
Minimum lease payments				
Within one year	20	16,917	10,211	27,148
Between one and five years	39	51,751	16,828	68,618
After five years	61	55,891	6,177	62,129
Less finance charges allocated to future periods	(50)	(8,367)	(886)	(9,303)
	70	116,192	32,330	148,592

Lease Liabilities (net of irrecoverable VAT)	LHB & SHA	NHST	TOTAL
	£000	£000	£000
Current	19,804	5,936	25,740
Non-Current	106,435	16,417	122,852
Total	126,239	22,353	148,592

Amounts Recognised in Statement of Comprehensive Net Expenditure	TOTAL
	£000
Depreciation	28,233
Impairment	1,894
Variable lease payments not included in lease liabilities - Interest expense	1,546
Sub-leasing income	2
Expense related to short-term leases	4,922
Expense related to low-value asset leases (excluding short-term leases)	2,176

Amounts Recognised in Statement of Cashflows (net of irrecoverable VAT)	TOTAL
Interest expense	(1,546)
Repayments of principal on leases	(27,122)
Total	(28,668)

The quantitative analysis reflects the position post the interparty eliminations. Further qualitative information is contained within the underlying accounts.

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	Assets Under Construction	Total
2022-23	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2022	84,783	10,042	21,018	2,706	5,673	124,222
Reclassifications	1,605	1,723	9	-	(1,875)	1,462
Impairments	(348)	-	-	-	-	(348)
Additions- purchased	3,768	581	3,024	1,432	3,638	12,443
Additions- internally generated	-	1,515	-	-	4,754	6,269
Additions- donated	-	-	7	-	-	7
Disposals	(4,135)	(123)	(2,766)	(3,638)	-	(10,662)
Gross cost at 31 March 2023	85,673	13,738	21,292	500	12,190	133,393
Amortisation at 1 April 2022	52,943	3,162	13,978	343	-	70,426
Reclassifications	(45)	-	-	-	-	(45)
Provided during the year	11,016	1,588	3,436	125	-	16,165
Disposals	(4,135)	(123)	(2,766)	-	-	(7,024)
Amortisation at 31 March 2023	59,779	4,627	14,648	468	-	79,522
Net book value at 1 April 2022	31,840	6,880	7,040	2,363	5,673	53,796
Net book value at 31 March 2023	25,894	9,111	6,644	32	12,190	53,871
NBV at 31 March 2023						
Purchased	25,818	4,640	6,634	-	6,537	43,629
Donated	59	-	10	-	-	69
Government Granted	17	-	-	-	-	17
Internally generated	-	4,471	-	32	5,653	10,156
Total at 31 March 2023	25,894	9,111	6,644	32	12,190	53,871

12. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	Assets Under Construction	Total
2021-22	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2021	88,452	7,708	20,739	1,415	-	118,314
Reclassifications	3,727	591	602	-	225	5,145
Additions- purchased	6,992	1,055	1,304	1,291	2,674	13,316
Additions- internally generated	-	743	-	-	2,774	3,517
Additions- donated	29	-	-	-	-	29
Additions- government granted	12	-	-	-	-	12
Disposals	(14,429)	(55)	(1,627)	-	-	(16,111)
Gross cost at 31 March 2022	84,783	10,042	21,018	2,706	5,673	124,222
Amortisation at 31 March 2021						
NHS Wales Transfers						
Amortisation at 1 April 2021	56,774	2,039	12,220	218	-	71,251
Provided during the year	10,595	1,178	3,353	125	-	15,251
Disposals	(14,426)	(55)	(1,595)	-	-	(16,076)
Amortisation at 31 March 2022	52,943	3,162	13,978	343	-	70,426
Net book value at 1 April 2021	31,678	5,669	8,519	1,197	-	47,063
Net book value at 31 March 2022	31,840	6,880	7,040	2,363	5,673	53,796
NBV at 31 March 2022						
Purchased	31,712	4,496	7,035	2,206	2,899	48,348
Donated	103	-	5	-	-	108
Government Granted	25	-	-	-	-	25
Internally generated	-	2,384	-	157	2,774	5,315
Total at 31 March 2022	31,840	6,880	7,040	2,363	5,673	53,796

13. Impairments

	2022-23 Property, plant & equipment £000	Right of Use Assets £000	Intangible assets £000	2021-22 Property, plant & equipment £000	Held for sale assets £000
Impairments arising from :					
Loss or damage from normal operations	7	-	-	-	-
Abandonment in the course of construction	1,149	-	348	171	-
Changes in market price	25,282	1,894	-	3,445	11
Others	109,960	-	-	60,544	-
Reversal of impairments	(103,894)	-	-	(68,253)	-
Total of all impairments	32,504	1,894	348	(4,093)	11

Analysis of impairments charged to reserves in year :

Charged to the Statement of Comprehensive Net Expenditure	32,504	1,894	348	(4,093)	11
Impairments as a result of a loss of economic value or service potential					
Charged to Revaluation Reserve	-	-	-	-	-
Total	32,504	1,894	348	(4,093)	11

14.1 Inventories

	31 March 2023 £000	31 March 2022 £000
Drugs	36,171	32,843
Consumables	71,997	104,513
Energy	1,665	1,787
Other	6,007	5,878
Total	115,840	145,021
Of which held at realisable value	13,011	2,290

14.2 Inventories recognised in expenses

	31 March 2023 £000	31 March 2022 £000
Inventories recognised as an expense in the period	132,077	177,011
Write-down of inventories (including losses)	19,164	13,124
Total	151,241	190,135

15. Trade and other receivables

	31 March 2023 £000	31 March 2022 £000 Restated
Current		
Welsh Government	549,598	510,052
Non - Welsh Trusts	4,902	5,859
Other NHS	7,076	3,057
2019-20 Scheme Pays - Welsh Government Reimbursement	2,698	4,318
Local Authorities	34,436	33,930
Capital debtors - tangibles	37	69
Other debtors	104,601	99,825
Provision for irrecoverable debts	(24,010)	(25,596)
Other prepayments	75,394	62,526
Other accrued income	7,043	6,664
Sub total	761,775	700,704
Non-current		
Welsh Government	1,106,800	1,091,598
Other NHS	466	23
2019-20 Scheme Pays - Welsh Government Reimbursement	2,759	5,185
Local Authorities	249	128
Other debtors	9,232	4,700
Provision for irrecoverable debts	(6,020)	(1,346)
Other prepayments	1,769	2,069
Other accrued income	2,283	2,375
Sub total	1,117,538	1,104,732
Total	1,879,313	1,805,436
Receivables past their due date but not impaired		
By up to three months	46,261	45,866
By three to six months	4,242	5,064
By more than six months	11,822	9,846
	62,325	60,776
Expected Credit Losses (ECL)/ Provision for Impairment of Receivables		
Balance at 1 April	(26,942)	(24,479)
Amount written off during the year	384	812
Amount recovered during the year	65	2,317
(Increase) / decrease in receivables impaired	(3,615)	(6,266)
Bad debts recovered during year	78	674
Balance at 31 March	(30,030)	(26,942)
Receivables VAT		
Trade receivables	8,991	9,001
Other	5,870	3,130
Total	14,861	12,131

16. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	£000	£000	£000	£000
Financial assets				
Loans at amortised cost	34	33	487	521
Right of Use Asset Finance Sublease	169		1,360	
Total	203	33	1,847	521

17. Cash and cash equivalents

	2022-23	2021-22
	£000	£000
Balance at 1 April	132,578	109,496
Net change in cash and cash equivalent balances	(23,658)	23,082
Balance at 31 March	108,920	132,578
Made up of:		
Cash held at Government Banking Service (GBS)	103,730	131,673
Commercial banks	427	433
Cash in hand	763	472
Total Cash	104,920	132,578
Current Investments	4,000	-
Cash and cash equivalents as in Statement of Financial Position	108,920	132,578
Cash and cash equivalents as in Statement of Cash Flows	108,920	132,578

18. Trade and other payables

	31 March 2023 £000	31 March 2022 £000 Restated
Current		
Welsh Government	9,415	9,709
Other NHS	93,825	94,689
Taxation and social security payable / refunds	42,296	23,174
Refunds of taxation by HMRC	-	(8)
VAT payable to HMRC	152	82
Other taxes payable to HMRC	22,459	11,830
NI contributions payable to HMRC	54,051	40,623
Non-NHS payables revenue	244,947	286,360
Local Authorities	101,634	82,157
Capital Creditors - Tangibles	70,236	121,088
Capital Creditors - Intangibles	3,556	6,132
Rentals due under operating leases	-	282
RoU Lease Liability	19,830	-
Obligations under finance leases, HP contracts	-	50
Imputed finance lease element of on SoFP PFI contracts	4,977	4,498
Pensions: staff	38,530	42,853
Non NHS Accruals	698,319	760,302
Deferred Income:		
Deferred Income brought forward	10,496	7,455
Deferred Income Additions	7,524	6,366
Transfer to / from current/non current deferred income	(6)	-
Released to SoCNE	(6,142)	(3,325)
Other creditors	58,566	46,078
PFI assets – deferred credits	18	18
Payments on account	(20,860)	(18,284)
Total	1,453,823	1,522,129
Non-current		
Welsh Government	2,500	7,000
Capital Creditors - Tangibles	829	-
Rentals due under operating leases	-	1,562
RoU Lease Liability	106,435	-
Obligations under finance leases, HP contracts	-	446
Imputed finance lease element of on SoFP PFI contracts	38,671	43,647
Deferred Income:		
Deferred Income brought forward	336	301
Deferred Income Additions	250	35
Transfer to / from current/non current deferred income	6	-
PFI assets – deferred credits	14	32
Sub-total	149,041	53,023
Total	1,602,864	1,575,152

RoU Lease Liability Transitioning & Transferring

	£000
RoU liability as at 31 March 2022	-
Transfer of Finance Leases from PPE Note	3,119
Operating Leases Transitioning	151,206
RoU Lease liability as at 1 April 2022	154,325

19. Borrowings

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	£000	£000	£000	£000
Finance lease liabilities	-	1,364	-	-
Right of Use Lease Liability	5,936		16,417	
Total	5,936	1,364	16,417	-

20. Other financial liabilities

No other financial liabilities were reported by the summarised organisations.

21. Provisions**21.1 Consolidated**

	At 1 April 2022	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 2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence									
Secondary Care	315,356	(40,291)	(33,789)	86,809	192,915	(55,442)	(96,868)	(4,637)	364,053
Primary Care	133	-	-	-	659	(70)	(91)	-	631
Redress Secondary care	2,421	-	(372)	12	3,920	(1,385)	(1,354)	-	3,242
Personal injury	10,330	-	(8)	3,054	5,965	(2,428)	(7,844)	(232)	8,837
All other losses and special payments	2,354	-	733	-	25,566	(21,266)	(1,752)	-	5,635
Defence legal fees and other administration	10,768	-	-	643	10,975	(6,067)	(5,237)	-	11,082
Structured Settlements - WRPS	18,070	1,247	-	-	24,219	(19,116)	(679)	(4,323)	19,418
Pensions relating to other staff	867	-	(5)	826	339	(883)	(423)	50	771
2019-20 Scheme Pays - Reimbursement	140	-	-	12	37	(113)	(3)	-	73
RoU Asset Dilapidations CAME	-	-	-	-	104	-	-	-	104
Other Capital Provisions	-	-	-	-	449	-	-	-	449
Other	31,405	-	2,277	672	24,676	(4,608)	(14,429)	-	39,993
Total	391,844	(39,044)	(31,164)	92,028	289,824	(111,378)	(128,680)	(9,142)	454,288
Non Current									
Clinical negligence									
Secondary Care	469,552	-	(630)	(86,809)	129,262	(16,259)	(18,003)	-	477,113
Redress Secondary care	12	-	-	(12)	3	-	-	-	3
Personal injury	33,356	-	-	(3,054)	(918)	(3,417)	(2,114)	(77)	23,776
Defence legal fees and other administration	5,964	-	-	(643)	3,366	(894)	(520)	-	7,273
Structured Settlements - WRPS	615,107	39,044	-	-	13,489	-	(46,483)	-	621,157
Pensions relating to other staff	4,307	-	-	(826)	135	(156)	(2)	(5)	3,453
2019-20 Scheme Pays - Reimbursement	9,363	-	-	(12)	989	(459)	(4,459)	-	5,422
RoU Asset Dilapidations CAME	-	-	-	-	82	-	-	-	82
Other	5,878	-	-	(672)	1,153	(97)	(903)	-	5,359
Total	1,143,539	39,044	(630)	(92,028)	147,561	(21,282)	(72,484)	(82)	1,143,638
TOTAL									
Clinical negligence									
Secondary Care	784,908	(40,291)	(34,419)	-	322,177	(71,701)	(114,871)	(4,637)	841,166
Primary Care	133	-	-	-	659	(70)	(91)	-	631
Redress Secondary care	2,433	-	(372)	-	3,923	(1,385)	(1,354)	-	3,245
Personal injury	43,686	-	(8)	-	5,047	(5,845)	(9,958)	(309)	32,613
All other losses and special payments	2,354	-	733	-	25,566	(21,266)	(1,752)	-	5,635
Defence legal fees and other administration	16,732	-	-	-	14,341	(6,961)	(5,757)	-	18,355
Structured Settlements - WRPS	633,177	40,291	-	-	37,708	(19,116)	(47,162)	(4,323)	640,575
Pensions relating to other staff	5,174	-	(5)	-	474	(1,039)	(425)	45	4,224
2019-20 Scheme Pays - Reimbursement	9,503	-	-	-	1,026	(572)	(4,462)	-	5,495
RoU Asset Dilapidations Capital AME	-	-	-	-	186	-	-	-	186
Other Capital Provisions	-	-	-	-	449	-	-	-	449
Other	37,283	-	2,277	-	25,829	(4,705)	(15,332)	-	45,352
Total	1,535,383	-	(31,794)	-	437,385	(132,660)	(201,164)	(9,224)	1,597,926

Expected timing of cash flows:

	In year to 31 March 2024	Between 1 April 2024 - 31 March 2028	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence				
Secondary Care	364,053	359,844	117,269	841,166
Primary Care	631	-	-	631
Redress Secondary care	3,242	3	-	3,245
Personal injury	8,837	8,312	15,464	32,613
All other losses and special payments	5,635	-	-	5,635
Defence legal fees and other administration	11,082	7,273	-	18,355
Structured Settlements - WRPS	19,418	83,967	537,190	640,575
Pensions relating to other staff	771	3,363	90	4,224
2019-20 Scheme Pays - Reimbursement	73	818	4,604	5,495
RoU Asset Dilapidations CAME	104	-	82	186
Other Capital Provisions	449	-	-	449
Other	39,993	4,183	1,176	45,352
Total	454,288	467,763	675,875	1,597,926

Provisions continued

21.2 Welsh Risk Pool

	At 1 April 2022	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 2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence									
Secondary Care	308,391	(40,292)	(33,716)	48,409	226,216	(61,159)	(88,065)	(4,637)	355,147
Primary Care	133	-	-	-	639	(69)	(72)	-	631
Redress Secondary care	2,301	-	(366)	8	3,638	(1,183)	(1,276)	-	3,122
Personal injury	3,777	-	(8)	(197)	4,177	(1,821)	(2,311)	-	3,617
Defence legal fees and other administration	5,316	-	-	363	4,118	(1,791)	(2,471)	-	5,535
Structured Settlements - WRPS	18,070	1,247	-	-	24,219	(19,116)	(679)	(4,323)	19,418
Total	337,988	(39,045)	(34,090)	48,583	263,007	(85,139)	(94,874)	(8,960)	387,470
Non Current									
Clinical negligence									
Secondary Care	472,825	-	(400)	(48,687)	100,677	(15,318)	(27,945)	-	481,152
Redress Secondary care	12	-	-	(12)	3	-	-	-	3
Personal injury	-	-	-	195	403	(247)	(139)	-	212
Defence legal fees and other administration	3,655	-	-	(79)	1,590	(292)	(599)	-	4,275
Structured Settlements - WRPS	615,107	39,045	-	-	13,489	-	(46,483)	-	621,158
Total	1,091,599	39,045	(400)	(48,583)	116,162	(15,857)	(75,166)	-	1,106,800
TOTAL									
Clinical negligence									
Secondary Care	781,216	(40,292)	(34,116)	(278)	326,893	(76,477)	(116,010)	(4,637)	836,299
Primary Care	133	-	-	-	639	(69)	(72)	-	631
Redress Secondary care	2,313	-	(366)	(4)	3,641	(1,183)	(1,276)	-	3,125
Personal injury	3,777	-	(8)	(2)	4,580	(2,068)	(2,450)	-	3,829
Defence legal fees and other administration	8,971	-	-	284	5,708	(2,083)	(3,070)	-	9,810
Structured Settlements - WRPS	633,177	40,292	-	-	37,708	(19,116)	(47,162)	(4,323)	640,576
Total	1,429,587	-	(34,490)	-	379,169	(100,996)	(170,040)	(8,960)	1,494,270

Expected timing of cash flows:

	In year to 31 March 2024	Between 1 April 2024 - 31 March 2028	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence				
Secondary Care	355,147	363,883	117,269	836,299
Primary Care	631	-	-	631
Redress Secondary care	3,122	3	-	3,125
Personal injury	3,617	212	-	3,829
Defence legal fees and other administration	5,535	4,275	-	9,810
Structured Settlements - WRPS	19,418	83,967	537,191	640,576
Total	387,470	452,340	654,460	1,494,270

Provisions continued

21.3 Prior Year Consolidated

	At 1 April 2021	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 2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence									
Secondary Care	290,569	(45,896)	(9,821)	71,812	167,902	(83,632)	(75,528)	(50)	315,356
Primary Care	70	-	-	-	186	(81)	(42)	-	133
Redress Secondary care	3,077	-	186	(9)	3,276	(2,011)	(2,098)	-	2,421
Redress Primary care	(139)	-	-	-	219	(43)	(37)	-	-
Personal injury	11,744	-	(241)	3,848	9,117	(7,568)	(6,440)	(130)	10,330
All other losses and special payments	1,232	-	(2,868)	-	30,761	(26,364)	(407)	-	2,354
Defence legal fees and other administration	10,635	-	-	1,603	9,501	(6,209)	(4,762)	-	10,768
Structured Settlements - WRPS	15,111	1,700	-	-	18,568	(16,645)	(1,807)	1,143	18,070
Pensions relating to other staff	1,577	-	(6)	741	578	(1,695)	(263)	(65)	867
2019-20 Scheme Pays - Reimbursement	-	-	-	-	140	-	-	-	140
Other	31,460	-	(582)	23	20,432	(13,154)	(6,774)	-	31,405
Total	365,336	(44,196)	(13,332)	78,018	260,680	(157,402)	(98,158)	898	391,844
Non Current									
Clinical negligence									
Secondary Care	358,956	(11,033)	(314)	(71,812)	247,658	(13,593)	(40,310)	-	469,552
Redress Secondary care	5	-	-	9	10	(2)	(10)	-	12
Personal injury	37,073	-	-	(3,848)	938	(602)	(61)	(144)	33,356
Defence legal fees and other administration	5,541	-	-	(1,603)	3,101	(777)	(298)	-	5,964
Structured Settlements - WRPS	452,672	55,229	-	-	108,342	-	(1,136)	-	615,107
Pensions relating to other staff	9,586	-	-	(741)	1,951	(6,293)	(141)	(55)	4,307
2019-20 Scheme Pays - Reimbursement	-	-	-	-	9,363	-	-	-	9,363
Other	4,735	-	-	(23)	1,970	(80)	(724)	-	5,878
Total	868,568	44,196	(314)	(78,018)	373,333	(21,347)	(42,680)	(199)	1,143,539
TOTAL									
Clinical negligence									
Secondary Care	649,525	(56,929)	(10,135)	-	415,560	(97,225)	(115,838)	(50)	784,908
Primary Care	70	-	-	-	186	(81)	(42)	-	133
Redress Secondary care	3,082	-	186	-	3,286	(2,013)	(2,108)	-	2,433
Redress Primary care	(139)	-	-	-	219	(43)	(37)	-	-
Personal injury	48,817	-	(241)	-	10,055	(8,170)	(6,501)	(274)	43,686
All other losses and special payments	1,232	-	(2,868)	-	30,761	(26,364)	(407)	-	2,354
Defence legal fees and other administration	16,176	-	-	-	12,602	(6,986)	(5,060)	-	16,732
Structured Settlements - WRPS	467,783	56,929	-	-	126,910	(16,645)	(2,943)	1,143	633,177
Pensions relating to other staff	11,163	-	(6)	-	2,529	(7,988)	(404)	(120)	5,174
2019-20 Scheme Pays - Reimbursement	-	-	-	-	9,503	-	-	-	9,503
Other	36,195	-	(582)	-	22,402	(13,234)	(7,498)	-	37,283
Total	1,233,904	-	(13,646)	-	634,013	(178,749)	(140,838)	699	1,535,383

22. Contingencies

22.1 Contingent liabilities

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

	2022-23 £000	2021-22 £000
Legal claims for alleged medical or employer negligence		
Clinical negligence- Secondary care	1,175,351	1,248,819
Clinical negligence- Primary care	6,043	1,130
Clinical negligence- Redress Secondary care	1,419	1,287
Clinical negligence- Redress Primary care	3	-
Defence costs	17,610	19,767
Continuing Care health costs	2,279	1,523
Other	7,618	135
Total value of disputed claims	<u>1,210,323</u>	<u>1,272,661</u>
Less amounts recovered in the event of claims being successful	<u>(1,179,655)</u>	<u>(1,249,237)</u>
Net contingent liability	<u>30,668</u>	<u>23,424</u>

22.2 Contingent assets

The summarised organisations have no contingent asset disclosures.

23. Capital commitments

Contracted capital commitments at 31 March for	2022-23 £000	2021-22 £000
Property, plant and equipment	243,702	265,041
Right of Use Assets	-	-
Intangible assets	<u>12,937</u>	<u>6,393</u>
Total	<u>256,639</u>	<u>271,434</u>

24. Losses and special payments**LHB, NHS Trusts and SHA**

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 during the financial year

	Amounts paid out during period to 31 March 2023	
	Number	£
Clinical negligence	781	96,416,938
Personal injury	413	6,447,698
All other losses & special payments	1,493	23,995,534
	2,687	126,860,170
Structured Settlements managed by WRP	264	19,483,889
Total	2,951	146,344,059

Analysis of cases in excess of £300,000

Case Type	In year claims in excess of £300,000		Cumulative claims in excess of £300,000	
	Number	£	Number	£
Clinical Negligence	68	67,111,330	169	244,045,965
Personal injury	2	745,177	24	14,567,437
Other	7	18,703,246	7	18,703,246
Damage to Property	1	394,144	1	394,144
Offences & Penalties	1	860,817	1	860,817
	79	87,814,714	202	278,571,610
All other cases		39,045,456		89,326,475
Total		126,860,170		367,898,085

25. Right of Use / Finance leases obligations**25.1 Obligations (as lessee)**

	Post Implementation of IFRS 16 (RoU) 31 March 2023
Amounts payable under finance leases:	
LAND	£000
Minimum lease payments	
Within one year	20
Between one and five years	39
After five years	61
Less finance charges allocated to future periods	(50)
Minimum lease payments	<u>70</u>
Present value of minimum lease payments	
Within one year	20
Between one and five years	37
After five years	13
Minimum lease payments	<u>70</u>
Included in:	
BUILDINGS	Post Implementation of IFRS 16 (RoU) 31 March 2023
Minimum lease payments	£000
Within one year	16,917
Between one and five years	51,751
After five years	55,891
Less finance charges allocated to future periods	(8,367)
Minimum lease payments	<u>116,192</u>
Present value of minimum lease payments	
Within one year	15,839
Between one and five years	48,708
After five years	51,571
Present value of minimum lease payments	<u>116,118</u>

25. Right of Use / Finance leases obligations

25.1 Obligations (as lessee)

Amounts payable under right of use asset / finance leases:

OTHER	Post Implementation of IFRS 16 (RoU) 31 March 2023 £000	Pre implementation of IFRS 16 (FL) 31 March 2022 £000
Minimum lease payments		
Within one year	10,211	1,427
Between one and five years	16,828	217
After five years	6,177	248
Less finance charges allocated to future periods	(886)	(32)
Minimum lease payments	32,330	1,860
Present value of minimum lease payments		
Within one year	9,943	1,414
Between one and five years	16,336	204
After five years	6,028	242
Present value of minimum lease payments	32,307	1,860

The finance lease information at the 31 March 2022 disclosed above relates to IT infrastructure held at two of the consolidated bodies (in a LHB and NHS trust). The disclosure at the 31 March 2023 is that for right of use assets.

25.2 Right of Use Assets / Finance lease receivables (as lessor)

Amounts receivable under right of use assets / finance leases:	Post Implementation of IFRS 16 (RoU) 31 March 2023 £000
Gross investment in leases	183
Within one year	732
Between one and five years	678
After five years	(64)
Less finance charges allocated to future periods	<u>1,529</u>
Minimum lease payments	<u>1,529</u>
Included in:	
Current borrowings NHST / Payables LHB	169
Non-current borrowings NHST / Payables LHB	<u>1,360</u>
	<u>1,529</u>
Present value of minimum lease payments	
Within one year	178
Between one and five years	701
After five years	638
Less finance charges allocated to future periods	-
Present value of minimum lease payments	<u>1,517</u>
Included in:	
Current borrowings NHST / Payables LHB	178
Non-current borrowings NHST / Payables LHB	<u>1,339</u>
	<u>1,517</u>

26. Private Finance Initiative contracts

The NHSTs and SHA have no PFI Contracts, the information below relates to LHBs only.

The Local Health Boards have eight PFI contracts within PPE, which are on the Statement of Financial Position. Due to the introduction of IFRS 16, in 2022/23 the off-statement of Financial Position PFI has been recognised as a Right of use Asset on transitioning. There are no contracts with an individual total commitment of greater than £500m. Details of the individual schemes are included in the individual Local Health Board statutory accounts.

26.1 Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2023 £000	31 March 2022 £000
Total payments due within one year	-	887
Total payments due between 1 and 5 years	-	2,412
Total future payments in relation to PFI contracts	<u>-</u>	<u>3,299</u>
Total estimated capital value of off-SoFP PFI contracts	-	3,300

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

	On SoFP PFI Capital element 31 March 2023 £000	On SoFP PFI Imputed interest 31 March 2023 £000	On SoFP PFI Service charges 31 March 2023 £000
	Total payments due within one year	4,977	6,256
Total payments due between 1 and 5 years	22,942	25,761	38,322
Total payments due thereafter	15,729	18,274	25,901
Total future payments in relation to PFI contracts	<u>43,648</u>	<u>50,291</u>	<u>76,572</u>
	On SoFP PFI Capital element 31 March 2022 £000	On SoFP PFI Imputed interest 31 March 2022 £000	On SoFP PFI Service charges 31 March 2022 £000
Total payments due within one year	4,498	6,291	11,617
Total payments due between 1 and 5 years	21,547	25,664	39,761
Total payments due thereafter	22,100	24,627	32,684
Total future payments in relation to PFI contracts	<u>48,145</u>	<u>56,582</u>	<u>84,062</u>
	£000		
Total present value of obligations for on-SoFP PFI contracts	149,923		

26. Private Finance Initiative contracts

26.3 Charges to expenditure	2022-23	2021-22
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	8,718	7,919
Total expense for Off Balance sheet PFI contracts	-	869
The total charged in the year to expenditure in respect of PFI contracts	8,718	8,788

LHB are committed to the following annual charges by PFI scheme expiry date:	31 March 2023	31 March 2022
	£000	£000
Not later than one year	2,841	2,726
Later than one year, not later than five years	13,067	13,153
Later than five years	23,462	25,110
Total	39,370	40,989

The estimated annual payments in future years will vary from those which the LHBs are 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	-

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, NHSTs and SHAs are not exposed to the degree of financial risk faced by business entities. 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, NHSTs and SHAs have limited powers to invest and NHSTs have limited powers to borrow, their financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs, NHSTs and SHAs in undertaking their activities.

Currency risk

The LHBs, NHSTs and SHAs are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHBs, NHSTs and SHA therefore have low exposure to currency rate fluctuations.

Interest rate risk

LHBs and SHAs are not permitted to borrow and the great majority of NHSTs' financial assets and financial liabilities carry nil or fixed rates of interest. LHBs, NHSTs and SHAs are not, therefore, exposed to significant interest-rate fluctuation risk.

Credit risk

The majority of the LHBs' and SHAs' funding derives from funds voted by the Welsh Government and the majority of the NHSTs' income comes from contracts with other public sector bodies. Therefore the LHBs, NHSTs and SHAs have low exposure to credit risk. The maximum exposures are in receivables from customers as disclosed in the trade and other receivables note.

Liquidity risk

The LHBs and SHAs are required to operate within cash limits set by the Welsh Government for the financial year and draw down funds from the Welsh Government as the requirement arises.

The Trusts' net operating costs are incurred under annual service agreements with various Health bodies, which are financed from resources voted annually by Parliament. NHSTs also largely finance their capital expenditure from funds made available from the Welsh Government under agreed borrowing limits.

The LHBs, NHSTs and SHAs are not, therefore, exposed to significant liquidity risks.

2022-23

28. Movements in working capital

	2022-23	2021-22
	£000	£000
		Restated
Decrease / (increase) in inventories	29,181	30,576
(Increase) in trade and other receivables - non-current	(14,132)	(280,936)
(Increase) / decrease in trade and other receivables -current	(61,241)	(22,631)
(Decrease) in trade and other payables- non-current	112,435	(6,464)
Increase / (decrease) in trade and other payables- current	(63,734)	103,078
Total	2,509	(176,377)
Adjustment for accrual movements in fixed assets - creditors	58,974	(42,401)
Adjustment for accrual movements in fixed assets - debtors	(32)	(555)
Adjustment for accrual movements in right of use assets - creditors	(148,618)	
Adjustment for accrual movements in right of use assets - debtors	1,496	
Other adjustments	3,002	(1,419)
Total	(82,669)	(220,752)

29. Other cash flow adjustments

	2022-23	2021-22
	£000	£000
Depreciation	267,500	230,435
Amortisation	16,165	15,251
(Gains)/Loss on Disposal	(1,121)	(179)
Impairments and reversals	34,746	(4,082)
Release of PFI deferred credits	(18)	(18)
Donated assets received credited to revenue but non-cash	(2,579)	(3,114)
Government Grant assets received credited to revenue but non-cash	(105)	(2,507)
Right of Use Grant (Peppercorn Lease) credited to revenue but non cash	(2,721)	-
Non-cash movements in provisions	194,568	480,228
Other movements	186,414	174,547
Total	692,849	890,561

Other movements are Notional funding received for the

- LHB and SHA notional 6.3% Staff Employer Pension Contributions and
- 2019/20 Pensions Annual Allowance Charge Compensation Scheme

funded directly to the NHSBA Pensions Division by Welsh Government.

30. Events after the end of the Reporting Period**30.1 Non Consolidated Pay**

NHS Wales bodies were notified in a pay circular letter issued on 25th May 2023 by the Welsh Government, of the additional pay arrangements for employees covered by the Agenda for Change terms and conditions in Wales for 2022 - 23, which will be funded by the Welsh Government. NHS Wales bodies will make a one off non-consolidated, prorated "recovery payment" for staff employed on the Agenda for Change terms and conditions (this includes most NHS staff including nursing staff but excludes medical staff). These costs have not been recognised in the 2022-23 financial statements because the obligating event was the publication of the offer agreed with the Minister on 20 April 2023 and therefore post 31st March 2023. The costs will be accounted for in the 2023-24 Annual Accounts of NHS Wales bodies. The estimated cost is £90,661k.

30.2 Reinforced Autoclaved Aerated Concrete (RAAC)

The detailed extent and condition of the NHS Wales organisations' buildings identified as having Reinforced Autoclaved Aerated Concrete (RAAC), is ongoing. To date Hywel Dda has received £12m Welsh Government remedial funding for RAAC repairs. Since sign-off of the Velindre Accounts - NWSSP has established that there are two instances where RAAC has been identified costs to be confirmed.

30.3 Transfers

On 1 April 2023

- the Community Health Councils(CHCs) hosted by Powys LHB were replaced by Llais, (Citizens Voice Body). Llais is an independent national body, which will represent people across Wales in shaping health and social care.
- the Delivery Unit hosted by Swansea Bay University Health Board and reported as an operating segment in their accounts transferred to Public Health Wales NHS Trust.

All assets and liabilities associated with the CHCs and Delivery Unit transferred as at 1st April 2023.

30.4 Velindre Cancer Centre

During the financial year, it was identified that in order to progress with the building of the new Velindre Cancer Centre, a European Protected Species Licence is required to allow clearance of the site in early 2023/2024. To secure this licence, a portion of the neighbouring Cardiff and Vale UHB site is required to create around 1.6 hectares of new habitat. The Trust Board agreed on 28 April 2023 that the Trust should express an interest in the acquisition of the site.

30.5 Financial statements authorised for issue date

These financial statements were authorised for issue by the Director General, Health and Social Services Group, Chief Executive NHS Wales on 10 November 2023 the date they were certified by the Auditor General for Wales.

31. Related Party Transactions

The Welsh Government was regarded as a related party. During the year the LHBs, NHSTs and SHA had a significant number of material transactions with the Welsh Government and with other NHS bodies. All NHS Wales Bodies undertook related party transactions. The details of these can be found in the underlying accounts.

32. Third Party Assets

The details of the third party assets held by LHBs, NHSTs and SHA can be found in the underlying accounts .

33 Other

33.1. Covid Stock

At 31st March 2023, there was £13.672m relating to Covid PPE and Testing stock with the continued Welsh Government request to hold 16 weeks of PPE to provide resilience in the event of any additional Covid waves.

Due to the expansion of the NWSSP Medicines Unit during 2022/23, the stock balance now includes £1.070m of drugs stock at 31st March 2023.

£0.283m of Covid equipment stock is held at 31st March 2023, of which £0.227m was donated from DHSC in 2020/21.

The continued high value of inventories recognised as an expense in the period is reported due to

(a) the quantities of PPE that have been issued from NWSSP stores during 2022/23, however this is a reduction on the 2021/22 values and

(b) NICE and high cost drug purchases made by VCS in 2022/2023.

Included in the write down of inventories is a loss of £12.858m in respect of the revaluation of PPE stocks to net realisable value, in addition to the write off of £3.604m of either faulty stock or stock of no value to NHS Wales which is held for a potential donation to Africa, and £2.396m of provisions for the potential write off of items nearing their expiry date that are unlikely to be utilised given the current stock issue rates.

During 2022/23 one donation of PPE and medical supplies totalling £0.258m was made to the Ukraine.

33.2. Prior Period Adjustments

The PPA in the underlying accounts are reflected in the 2022-23 NHS Wales Summarised Account.

33.2.1 Restatements and Reclassifications that impacted on Primary Statement

These were as a result of changes at

a) HEIW SHA

A reduction in Net operating income of £811k.

An increase in Trade receivables and General Fund of £7,007k.

An increase in Net Operating Costs in the financial year offset by a reduction in Movements in Working Capital of £811k.

The restatement was due to the payment terms set out in the contracts and the delays in agreeing

33. Other (continued)

the recruited student numbers for the spring intake, HEIW has historically accounted for the costs of some nursing and other health professional courses in the year in which the payments were made. In doing so, the accounts did not reflect the value of the debtor and prepayment applicable to each University at the balance sheet date nor the impact on the Statement of Comprehensive Net Expenditure of varying recruitment numbers.

b) Velindre NHS Trust

Restatement £41,749 transferred from Current Assets to Current Liabilities

To reverse the impact of a Welsh Government Credit Note which was recognised in 2021-22 as an increase in receivables and restated in 2022-23 as a reduction in payables.

c) CwmTaf Morgannwg LHB

Reclassification of £163k as a result of IFRS 16 implementation'

Reclassification of £163k in the financing section of the cashflow from Capital element of payments in respect of Finance Leases and on-SoFP PFI to Capital element of payments in respect of on-SoFP PFI .

Where appropriate these changes were also reflected in the notes supporting the Primary statements.

33.2.2. Other Underlying PPA adjustments not impacting on Primary Statements

a) **Reclassification in Velindre NHS Trust of £39,948k** - the reclassification occurred in note 3.3 from Supplies and services - general to Supplies and services - clinical.

b) **Restatement in Cardiff and Vale (£51k) and Powys Health Boards (£24k) totalling £75k** - the restatement occurred in the footnote to Note 3 Income to restate the ICR income in provision for impairment.

c) **Correction of signage Digital Health & Care Wales SHA of £6k** - the correction occurred in Note 4 Investment income for Bank account interest.

d) **Reclassification in Welsh Ambulance NHS Trust of £7,842k** - the reclassification occurred in Note 8.1 Employee Costs from Salaries and Wages to Employer contributions to NHS Pension Scheme.

e) **Restatement in Cwm Taf Health UHB of an increase of 254** - the restatement corrected an understatement in staff numbers in note 8.2 Average number of employees - Total for Medical and dental staff.

33. Other (continued)**33.2 Welsh Government Covid 19 Funding**

Details of Covid 19 Pandemic Welsh Government funding amounts provided to NHS Wales bodies:

	2022-23	2021-22
	£000	£000
Capital		
Capital Funding Equipment & Works	-	58,221
Capital Funding other (Specify)	5,987	-
Welsh Government Covid 19 Capital Funding	<u>5,987</u>	<u>58,221</u>
Revenue		
Stability Funding	163,236	446,962
Covid Recovery	-	164,508
Cleaning Standards	-	10,949
PPE (including All Wales Equipment via NWSSP)	40,846	72,494
Testing / TTP- Testing & Sampling - Pay & Non Pay	29,407	92,058
Tracing / TTP - NHS & LA Tracing - Pay & Non Pay	33,260	79,093
Extended Flu Vaccination / Vaccination - Extended Flu Programme	7,854	7,059
Mass Covid-19 Vaccination / Vaccination - COVID-19	61,058	90,087
Urgent & Emergency Care	-	23,534
Private Providers Adult Care / Support for Adult Social Care Providers	-	14,870
Hospices	-	4,500
Other Mental Health / Mental Health	-	3,177
Other Primary Care (Dental PCR Shortfall)	12,483	-
Social Care	-	13,490
Nosocomial C19 Funding	4,180	-
Other	4,698	4,469
Welsh Government Covid 19 Revenue Funding	<u>357,022</u>	<u>1,027,250</u>

The funding has been disclosed to represent the allocated budgetary amounts as issued by Welsh Government. Further details as to how this revenue was utilised may be found in the underlying accounts. Overall the Welsh Government budgetary allocations of £5,987k and £357,022k agree with the overall total utilised in the underlying accounts.

33. Other (continued)**33.3 6.3% Staff Employer Pension Contributions - Notional Element**

The notional transactions are based on estimated costs for the twelve month period, calculated from actual Welsh Government expenditure for the 6.3% staff employer pension contributions as at month eleven and the actual employer staff payments for month 12.

Transactions include notional expenditure in relation to the 6.3% paid to NHS BSA by Welsh Government and notional funding to cover that expenditure.

6.3% Notional NHS Pension Primary Statement Transactions	2022-23			2021-22
	LHBs £000	SHAs £000	NHSTs £000	Total £000
Statement of Comprehensive Net Expenditure for the year ended 31 March				Total £000
Expenditure on Primary Healthcare Services	3,069	-	-	3,069
Expenditure on Hospital, Community Health Services and by Special Health Authorities	178,520	4,694	28,195	195,454
Sub-total	181,589	4,694	28,195	198,681
Less: Income	-	-	(28,195)	(24,134)
Net operating costs before interest and other gains a	181,589	4,694	-	174,547
Statement of Changes in Taxpayers' Equity				
For the year ended 31 March				
Net operating cost for the year	(181,589)	(4,694)	-	(174,547)
Notional Welsh Government Funding (LHB and SHA o	181,589	4,694	-	174,547
Balance at 31 March	-	-	-	-
Statement of Cash Flows for year ended 31 March				
Net operating cost for the financial year	(181,589)	(4,694)	-	(174,547)
Other cash flow adjustments	181,589	4,694	-	174,547
Net cash outflow from operating activities	-	-	-	-

THE NATIONAL HEALTH SERVICE IN WALES

ACCOUNTS DIRECTION GIVEN BY HM TREASURY UNDER PARAGRAPH 5(4) OF SCHEDULE 9 TO THE NATIONAL HEALTH SERVICE (WALES) ACT 2006

SUMMARISED ACCOUNTS OF NHS BODIES

1. HM Treasury directs that summarised accounts prepared by the Welsh Ministers under paragraph 5(2) of Schedule 9 to the National Health Service (Wales) Act 2006 (“the Summarised Accounts”) be prepared in respect of the financial year ended 31 March 2020 and subsequent financial years in the form specified in paragraphs 3 to 6 below.
2. In this direction, “NHS bodies” means-
 - a. those bodies to which paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 applies, or
 - b. if the Welsh Ministers elect to include Special Health Authorities in the Summarised Accounts prepared for a financial year, those bodies specified in paragraph 1 of that Schedule.

BASIS OF PREPARATION

3. The Summarised Accounts must be prepared from the audited accounts prepared by the NHS bodies for the relevant financial year to which the Summarised Accounts relate, and such supplementary material as is, in the Welsh Ministers’ view, reasonably necessary to produce the Summarised Accounts.

FORM AND CONTENT

4. The Summarised Accounts must be prepared in compliance with the relevant accounting principles and disclosure requirements of the version in force for the relevant financial year of:
 - a. The edition of the Government Financial Reporting Manual (FReM) issued by HM Treasury, to the extent that this direction specifies the content of the Summarised Accounts.
 - b. The NHS Manual for Accounts issued by the Welsh Government.
5. The Summarised Accounts must be prepared so as to:
 - a. give a true and fair view of the state of affairs of the NHS bodies collectively as at the end of the relevant financial year, and of the net

- expenditure, financial position, cash flows and changes in taxpayers' equity 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.

6. The Summarised Accounts must be accompanied by:

a. A Foreword

The foreword shall include a statement that the Summarised Accounts have been prepared to comply with a direction given by HM Treasury in accordance with paragraph 5(4) of Schedule 9 to the National Health Service (Wales) Act 2006.

The foreword shall also contain a description of the statutory background and main functions of NHS bodies, together with a fair review of their operational and financial activities, and a summary of their performance against targets.

b. An Annual Governance Statement

The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the Summarised Accounts. 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 Accounts, including the role of Internal Audit.

The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and the official appointed by the Health and Social Services Group to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).

The Governance Statement shall include a statement by the Additional Accounting Officer confirming that there is no relevant audit information of which the Auditor General for Wales is unaware and that all the necessary steps have been taken to make the Additional Accounting Officer aware of any relevant audit information and to establish that the external auditor is aware of that information.

- c. A Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales.
- d. A Statement of Financial Position.

All of the material listed in a-d above must be signed and dated by the person serving as the Additional Accounting Officer for the NHS in Wales.

- 7. This direction supersedes all previous directions issued under paragraph 5(4) of Schedule 9 to the National Health Service (Wales) Act 2006.



Vicky Rock
Director, Public Spending Group
HM Treasury
July 2020

Audit report disclaimer for electronic publication of financial statements and auditor's opinion

The maintenance and integrity of Welsh Government's website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.