

Swansea NHS Trust

Foreword

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

The main functions of the trust are primarily the provision of health services in the City and County of Swansea, but its' catchment area embraces population both East and West of Swansea, particularly in its' provision of regional and sub-regional specialities.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2005

	Note	£000	2003-04 £000
Income from activities	3	294,260	264,269
Other operating income	4	41,430	37,966
Total income		335,690	302,235
Operating expenses	5	(328,197)	(293,958)
Operating surplus/(deficit)		7,493	8,277
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(28)	(26)
Surplus/(deficit) before interest		7,465	8,251
Interest receivable		932	674
Interest payable	9	0	0
Other finance costs	16	(57)	(51)
Surplus/(deficit) for the financial year		8,340	8,874
Public Dividend Capital dividends payable		(8,333)	(8,867)
Retained surplus/(deficit) for the year	17	7	7

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

	Note	£000	2003-04 £000
Surplus/(deficit) for the financial year before dividend payments		8,340	8,874
Fixed asset impairment losses	17	0	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	17,728	11,574
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	871	155
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(318)	(294)
Additions/(reductions) in "other reserves"	17	0	0
		26,621	20,309
Total recognised gains and losses for the financial year		26,621	20,309
Prior period adjustment	17	0	0
Total gains and losses recognised in the financial year		26,621	20,309

BALANCE SHEET AS AT 31 MARCH 2005

			31 March	
			2004	
	Note	£000	£000	£000
Fixed assets				
Intangible assets	10	0		0
Tangible assets	11	260,941		238,217
			<u>260,941</u>	<u>238,217</u>
Current assets				
Stocks and work-in-progress	12	3,020		2,582
Debtors	13	36,309		19,210
Investments	14	0		0
Cash at bank and in hand	18.3	259		259
			<u>39,588</u>	<u>22,051</u>
Creditors: amounts falling due within 1 year	15		<u>(21,379)</u>	<u>(17,062)</u>
Net current assets/(liabilities)			<u>18,209</u>	<u>4,989</u>
Total assets less current liabilities			<u>279,150</u>	<u>243,206</u>
Creditors: amounts falling due after more than one year	15		0	0
Provisions for liabilities and charges	16		<u>(25,210)</u>	<u>(12,814)</u>
Total assets employed			<u>253,940</u>	<u>230,392</u>
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		166,781	161,521
Revaluation reserve	17		81,443	63,873
Donated asset reserve	17		3,253	2,542
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		<u>2,463</u>	<u>2,456</u>
Total taxpayer's equity			<u>253,940</u>	<u>230,392</u>

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	£000	£000	2003-04 £000
Operating activities				
Net cash inflow from operating activities	18.1		18,770	18,311
Returns on investments and servicing of finance				
Interest received		933		673
Interest paid		(57)		(51)
Interest element of finance leases		0		0
			876	622
Net cash inflow/(outflow) from returns on investments and servicing of finance				
Capital expenditure				
Payments to acquire tangible fixed assets		(15,517)		(14,268)
Receipts from sale of tangible fixed assets		0		42
Payments to acquire/ receipts from sale of intangible assets		0		0
			(15,517)	(14,226)
Net cash inflow/(outflow) from capital expenditure			(15,517)	(14,226)
Public dividend capital dividends paid			(9,389)	(7,818)
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
			0	0
Net cash inflow/(outflow) from management of liquid resources				
			0	0
Net cash inflow/(outflow) before financing				
			(5,260)	(3,111)
Financing				
Public dividend capital received		5,260		3,443
Public dividend capital repaid (not previously accrued)		0		(332)
Public dividend capital repaid (accrued in previous period)		0		0
Government loans received: short term		0		0
Government loans repaid: short term		0		0
Loan advances/brokerage received		0		0
Loan advances/brokerage repaid		0		0
Other capital receipts		0		0
Capital element of finance leases		0		0
			5,260	3,111
Net cash inflow/(outflow) from financing				
			0	0
Increase/(decrease) in cash	18.2		0	0

Notes to the accounts

1. Accounting policies and other information

The National Assembly for Wales has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS trust manual for accounts which shall be agreed with HM Treasury. The accounting policies contained in the manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts with one exception see note 1.12. The accounting policies are laid down in the manual for accounts and are not determined by individual NHS trusts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the trust is from commissioners in respect of healthcare services provided under Service and Financial Framework agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

i. Capitalisation

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

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

ii. Valuation

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

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

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

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

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

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

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

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

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

iii. Depreciation

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

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

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

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

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

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

1.6 Donated fixed assets

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

1.7 Government grants

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

1.8 Leases

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

1.9 Private Finance Initiative

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

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

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

1.10 Stocks and work-in-progress

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

1.11 Research and development

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

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

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

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

1.12 Provisions

The trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms. This is a change from the rate of 6% applied in 2002-03 and earlier. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

The accounts depart from the requirements of FRS 12 Provisions, contingent liabilities and contingent assets in relation to 2004/05 Agenda for Change costs. FRS 12 requires that the Trust endeavours to calculate a reliable estimate of the costs of Agenda for Change for inclusion in these accounts. If no reliable estimate can be made then no provision should be recognised.

On the Assembly's direction as set out in note 21, no provisions for Agenda for Change have been included in these accounts. If a reliable estimate had been calculated, a provision and its associated funding would have been included in the accounts. We are unable to quantify the effect of this departure as we have not made a reliable estimate.

1.13 Losses and special payments

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

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

1.14 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State. As a consequence it is not possible for the trust to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2004-05 was £21,647,089 (£9,868,581 for 2003-04).

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

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

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

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

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

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

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

1.15 Liquid resources

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

1.16 Value added tax

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

1.17 Foreign Exchange

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

1.18 Third party assets

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

1.19 Public Dividend Capital Dividends

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

1.20 Pooled budgets

The trust has no pooled budgets.

2. Segmental reporting

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

3. Income from activities

	£000	2003-04 £000
Local health boards	219,047	209,652
Health Commissioning Wales	72,192	50,759
NHS trusts	0	0
Strategic health authorities and primary care trusts	181	644
Foundation Trusts	0	0
Local authorities	167	0
National Assembly for Wales	355	684
Non NHS:		
Private patient income	1,067	1,213
Overseas patients (non-reciprocal)	3	13
Road Traffic Act charges	1,185	1,239
Other income from activities	63	65
Total	294,260	264,269

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

4. Other operating income

	£000	2003-04 £000
Patient transport services	0	0
Education, training and research	20,033	15,962
Charitable and other contributions to expenditure	0	0
Transfer from the donated asset reserve	318	294
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	2,014	1,859
Other income:		
Provision of laundry, pathology, payroll services	2,459	2,333
Accommodation and catering charges	1,975	1,838
Mortuary fees	150	141
Staff payments for use of cars	286	258
Centre For Health Leadership (Staff College)	2,488	4,272
Other	11,707	11,009
Total	41,430	37,966

Other Income includes £4,486k services to other bodies, £1,160k from Informing Healthcare, £1,791k income in respect of projects ongoing in the Trust including Sure Start, Cantoris, CARIS, Innovations in Care and projects with the South Wales Cancer Network and MacMillan organisations and £1,022k pharmacy income

5. Operating expenses

5.1 Operating expenses comprise

	£000	2003-04 £000
Goods and services from other NHS bodies	3,362	3,207
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	2,543	1,500
Directors' costs	712	678
Staff costs	224,642	194,547
Supplies and services - clinical	48,854	43,968
Supplies and services - general	7,565	7,520
Establishment	6,424	6,631
Transport	465	392
Premises	15,922	14,681
Depreciation and amortisation	11,364	10,156
Fixed asset impairments and reversals	0	0
Audit fees	157	145
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	384	3,001
Other operating expenses	5,803	7,532
Total	328,197	293,958

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

	£000	2003-04 £000
Increase/decrease in provision for future payments:		
Clinical negligence	15,667	(617)
Personal injury	957	2,290
All other losses and special payments	66	51
Defence legal fees and other administrative costs	(839)	(282)
Gross increase/decrease in provision for future payments	15,851	1,442
Contribution to Welsh Risk Pool	0	2,056
Premium for other insurance arrangements	0	0
Irrecoverable debts	0	0
Less: income received/ due from Welsh Risk Pool	(15,467)	(497)
Total charge	384	3,001

Personal injury includes £1,754,367 (2003-04 £790,362) in respect of permanent injury benefits

5.3 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2003-04 £000	£000	2003-04 £000
Operating leases which expire:				
Within 1 year	0	0	0	0
Between 1 and 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	0	0	0	0

Operating expenses include £ 0 for operating lease rentals (2003-04 £0)

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2003-04 £000
Non-executive directors' remuneration	102	0	102	74
Executive directors' remuneration:				
basic salaries	456	88	544	557
benefits	8	0	8	13
performance related bonuses	0	0	0	0
pension contributions paid	63	11	74	39
Sub-total	629	99	728	683
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
Total	629	99	728	683

£ 9,600 was waived by 1 Non Executive Director and £ 0 allowances were paid in lieu.

5.4 Directors' remuneration (continued):

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

	Remuneration as director £000	Other remuneration £000	Total £000	2003-04 £000
Chairman				
Basic remuneration	44	0	44	30
Benefits	0	0	0	0
	<u>44</u>	<u>0</u>	<u>44</u>	<u>30</u>
Chief Executive				
Basic salaries	136	0	136	119
Benefits	4	0	4	4
Performance related bonuses	0	0	0	0
	<u>140</u>	<u>0</u>	<u>140</u>	<u>123</u>
Pension contributions	19	0	19	8
	<u>159</u>	<u>0</u>	<u>159</u>	<u>131</u>
Highest paid director*				
Basic salaries	0	0	0	0
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Pension contributions	0	0	0	0
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

* where chief executive is not the highest paid member.

5.5 Salary and pension entitlements of senior managers

Remuneration

Name and title	Salary	2004-05	Benefits in	Salary	2003-04	Benefits in
	£5k bands	Other Remuneration £5k bands	Kind Rounded to nearest £100	£000	Other Remuneration £000	Kind £000
	£000	£000	£00	£000	£000	£000
Executive directors						
Ms J Perrin (Chief Executive)	135 - 140	0	4,200	115 - 120	0	4
Mr DC Roberts (Acting Director of Finance & Performance)	80 - 85	0	0	135 - 140	0	0
Mr AJ Bellamy (Director Of Service Strategy & Modernisation)	90 - 95	0	4,200	85 - 90	0	4
Mr JP Calvert (Medical Director)	65 - 70	85 - 90	0	50 - 55	90 - 95	0
Ms S Franks (Director of Nursing)	75 - 80	0	0	70 - 75	0	0
Associate Directors (Co-Opted)						
Mr N Schofield (Director of Estates & Facilities)	70 - 75	0	0	45 - 50	0	0
Mr P Dilworth (Director of IM & T)	65 - 70	0	0	65 - 70	0	0
Mr S Combe (Associate Director of Corporate Services)	55 - 60	0	0	55 - 60	0	0
MR G Evans (Director of HR)	75 - 80	0	0	50 - 55	0	0
Non executive directors						
Mr DH Thomas (Chairman)	40 - 45	0	0	30 - 35	0	0
Mr M Williams (Vice Chairman)	5 - 10	0	0	5 - 10	0	0
Mr AJ Richards	5 - 10	0	0	5 - 10	0	0
..... Mrs C Patel	5 - 10	0	0	5 - 10	0	0
..... Coun MJ Hedges	5 - 10	0	0	5 - 10	0	0
Prof ML Jones	10 - 15	0	0	0	0	0
Mr KT Morgan	5 - 10	0	0	5 - 10	0	0
Mr RJ Davies	0	0	0	0	0	0

Benefits in kind relate to private use of a car provided via the Trust's leased car scheme

The Director of Finance costs for 2003/04 included the acting costs of Mr DC Roberts from October 2003 and the salary costs of Mr R Harry the substantive Finance Director who was on long term sickness absence.

The salary costs of Mr N Schofield and Mr G Evans for 2003/04 relate to only a part year salary from August 2003 to March 2004

Prof ML Jones Non Executive Director was not in post during 2003/2004.

Where more than one individual occupied the same post over the year details must be disclosed here
Details of benefit in kind must be disclosed here

5.5 (continued) Salary and pension entitlements of senior managers

Pension Benefits

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

Executive directors

Ms J Perrin (Chief Executive)	*	*	*	*	*	*
Mr DC Roberts (Acting Director of Finance & Performance)	*	*	*	*	*	*
Mr AJ Bellamy (Director of Service Strategy & Modernisation)	*	*	*	*	*	*
Mr JP Calvert (Medical Director)	*	*	*	*	*	*
Ms S Franks (Director of Nursing)	*	*	*	*	*	*

Associate Directors (Co-Opted)

MR N Schofield (Director of Estates & Facilities)	*	*	*	*	*	*
Mr P Dilworth (Director of IM & T)	*	*	*	*	*	*
Mr S Combe (Associate Director of Corporate Services)	*	*	*	*	*	*
Mr G Evans (Director of HR)	*	*	*	*	*	*

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

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

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

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

6. Employee costs and numbers

6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2003-04
	£000	£000	£000	£000	£000
Salaries and wages	187,056	8	2,432	189,496	172,551
Social security costs	14,098	0	0	14,098	12,726
Pension costs	21,647	1	0	21,648	9,869
Other pension costs	0	0	0	0	0
Total	222,801	9	2,432	225,242	195,146

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2003-04
	Number	Number	Number	Number	Number
Medical and dental	675	0	43	718	659
Ambulance staff	0	0	0	0	0
Administrative and estates	1,447	1	15	1,463	1,396
Healthcare assistants and other support staff	449	0	30	479	483
Nursing, midwifery and health visiting staff	3,297	0	72	3,369	3,234
Nursing, midwifery and health visiting learners	39	0	0	39	17
Scientific, therapeutic and technical staff	956	0	13	969	927
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	6,863	1	173	7,037	6,716

6.3 Employee benefits

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

6.4 Trust management costs

	£000	Percentage of total income	2003-04	
			£000	Percentage of total income
Trust management costs	12,443	3.7%	10,820	3.6%
Income	335,690		302,235	

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

6.5 Retirement costs due to ill-health

During 2004-05 (prior year 2003-04) there were 28 (34) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £2,278,231 (£2,492,489).

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

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

	Number	£000	2003-04 £000
NHS			
Total bills paid 2004-05	2,538	14,571	14,243
Total bills paid within target	2,376	14,255	14,083
Percentage of bills paid within target	93.6%	97.8%	98.9%
Non-NHS			
Total bills paid 2004-05	89,384	100,476	93,253
Total bills paid within target	85,253	96,768	89,752
Percentage of bills paid within target	95.4%	96.3%	96.2%
Total			
Total bills paid 2004-05	91,922	115,047	107,496
Total bills paid within target	87,629	111,023	103,835
Percentage of bills paid within target	95.3%	96.5%	96.6%

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

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

8. Profit (loss) on disposal of fixed assets

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

	£000	2003-04 £000
Profit on disposal of land and buildings	0	5
Loss on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	(28)	(31)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
	(28)	(26)

The loss of £28k arose following the disposal of 129 assets deemed to be beyond their useful life.

9. Interest payable

	£000	2003-04 £000
Government borrowing	0	0
Finance leases and PFI schemes	0	0
Other [specify]:	0	0
	0	0

10. Intangible fixed assets

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

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
				construction and payments on account £000					
At 1 April 2004	16,819	199,284	7,240	8,502	44,291	1,487	2,525	3,221	283,369
Indexation	1,177	16,467	534	1	996	30	52	44	19,301
Additions									
- purchased	0	8,616	0	2,929	3,942	20	0	10	15,517
- donated	0	0	0	0	871	0	0	0	871
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	8,486	0	(8,486)	609	0	(85)	(524)	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,167)	(265)	(586)	(985)	(3,003)
At 31 March 2005	17,996	232,853	7,774	2,946	49,542	1,272	1,906	1,766	316,055
Depreciation									
At 1 April 2004	0	9,945	405	0	29,496	1,210	2,017	2,079	45,152
Indexation	0	788	32	0	669	24	41	19	1,573
Reclassifications	0	0	0	0	609	0	(85)	(524)	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,139)	(265)	(586)	(985)	(2,975)
Provided during the year	0	7,748	240	0	2,854	73	181	268	11,364
At 31 March 2005	0	18,481	677	0	32,489	1,042	1,568	857	55,114
Net book value at 1 April 2004	16,819	189,339	6,835	8,502	14,795	277	508	1,142	238,217
Net book value at 31 March 2005	17,996	214,372	7,097	2,946	17,053	230	338	909	260,941
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0

Of the totals at 31 March 2005, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

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

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

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

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March 2004	
	£000	£000
Freehold	239,465	212,993
Long leasehold	0	0
Short leasehold	0	0
Total	239,465	212,993

12. Stocks and work-in-progress	31 March 2004	
	£000	£000
Raw materials and consumables	2,984	2,553
Work-in-progress	0	0
Finished processed goods	36	29
Total	3,020	2,582

13. Debtors	31 March 2004	
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	3,734	3,114
NHS debtors	8,880	6,968
PDC dividend debtors	361	0
Other debtors	5,794	4,206
Provision for irrecoverable debts	(579)	(550)
Other prepayments and accrued income	1,057	1,080
Sub-total	19,247	14,818
Amounts falling due after more than one year:		
Welsh Risk Pool	17,062	4,392
NHS debtors	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub-total	17,062	4,392
Total	36,309	19,210

14. Investments

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

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

	31 March 2004	
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	26	206
NHS creditors	2,151	1,777
Non-NHS trade creditors - revenue	14,020	10,041
Non-NHS trade creditors - capital	0	0
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	2,506	1,987
PDC dividend payable	0	695
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	2,676	1,620
Other creditors - all other creditors	0	0
Accruals	0	0
Deferred income	0	736
Sub-total	21,379	17,062
Amounts falling due after more than one year:		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	0	0
Total	21,379	17,062

NHS creditors include:

£x for payments due in future years under arrangements to but out the liability for
x early retirements over 5 instalments; and
£x outstanding pensions contributions at 31 March 2004.

15.2 Loans/brokerage31 March
2004

Amounts falling due:	£000	£000
In one year or less	0	0
Between one and two years	0	0
Between two and five years	0	0
In five years or more	0	0
Sub-total	<u>0</u>	<u>0</u>
Wholly repayable within five years	0	0
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Sub-total	<u>0</u>	<u>0</u>
Total repayable after five years by instalments	0	0

Details of loan/brokerage:

The Trust does not have any loans outstanding

15.3 Finance lease obligations31 March
2004

Payable:	£000	£000
Within one year	0	0
Between one and two years	0	0
Between two and five years	0	0
After five years	0	0
Sub-total	<u>0</u>	<u>0</u>
Less finance charges allocated to future periods	0	0
Total	<u>0</u>	<u>0</u>

15.4 Finance lease commitments

The Trust has no finance lease commitments

16. Provisions for liabilities and charges

	At 1 April 2004 £000	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2005 £000
Clinical negligence	5,478	0	0	17,647	(1,980)	(2,058)	0	19,087
Personal injury	2,807	0	0	1,637	(680)	(841)	57	2,980
All other losses and special payments	0	0	0	66	0	(66)	0	0
Defence legal fees and other administration	3,475	0	0	1,192	(2,031)	(288)		2,348
Sub-total	11,760	0	0	20,542	(4,691)	(3,253)	57	24,415
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	1,054			0	(198)	(61)	0	795
Restructurings	0			0	0	0		0
Other	0			0	0	0		0
Total	12,814	0	0	20,542	(4,889)	(3,314)	57	25,210

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	2,015	17,072	0	19,087
Personal injury	2,980	0	0	2,980
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	2,348	0	0	2,348
Pensions - former directors	0	0	0	0
Pensions - other staff	61	224	510	795
Restructuring	0	0	0	0
Other	0	0	0	0
Total	7,404	17,296	510	25,210

The trust estimates that in 2005-06 it will receive £3,017,036, and in 2006-07 and beyond £17,061,945 from the Welsh Risk Pool in respect of the losses and special payments (including clinical negligence).

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2004 as previously stated	63,873	2,542	0	0	2,456	68,871
Prior period adjustment					0	0
At 1 April 2004 as restated	63,873	2,542	0	0	2,456	68,871
Transfer from income and expenditure account					7	7
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	17,570	158	0			17,728
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		871	0			871
Depreciation, impairment and disposal of donated/government granted assets		(318)	0			(318)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2005	81,443	3,253	0	0	2,463	87,159

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2003-04 £000
Total operating surplus/(deficit)	7,493	8,277
Depreciation charge	11,364	10,156
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	(318)	(294)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(438)	(162)
(Increase)/decrease in debtors	(16,739)	(1,698)
Increase/(decrease) in creditors	5,012	2,779
Increase/(decrease) in provisions	12,396	(747)
Net cash inflow from operating activities before restructuring costs	18,770	18,311
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	18,770	18,311

18.2 Reconciliation of net cash flow to movement in net debt	£000	2003-04 £000
Increase/(decrease) in cash in the period	0	0
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	0	0
Non-cash changes in debt	0	0
Net debt at 1 April	259	259
Net debt at 31 March	259	259

18.3 Analysis of changes in net debt

	At 1 April 2004 £000	Cash flows £000	Non-cash changes £000	At 31 March 2005 £000
Cash at bank and in hand	259	0		259
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	0	0	0
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	259	0	0	259

Cash at bank and in hand at 31-3-05 includes £523k in accounts with the Office of HM Paymaster General.

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £ 5,071,153 (and in 2003-04 were £ 3,405,546).

20. Post balance sheet events

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

21. Contingent liabilities

Provision has not been made in the 2004-05 accounts for the following amounts:		31 March 2004 £000
Legal claims for alleged medical or employer negligence	38,109	43,942
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	38,109	43,942
Amount recovered under insurance arrangements in the event of these claims being successful	(36,062)	(42,030)
Net contingent liability	2,047	1,912

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

In respect of Agenda for Change, due to the fact that there has only been limited assimilation of the posts across Wales, a reliable estimate could not be made for creating a provision for the Agenda for Change costs at local level. As a result the Trust is not required by the Assembly to provide for these costs in the accounts. Instead the Assembly will account for the provision separately within the Resource Accounts.

22. Losses and special payments

Gross loss to the Exchequer

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

	Amounts paid out in year		Approved to write-off in year	
	Number	£	Number	£
Clinical negligence	50	2,058,171	13	1,071,252
Personal injury	57	841,862	10	71,126
All other losses and special payments	208	66,272	208	66,272
Total	315	2,966,305	231	1,208,650

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

		Amounts paid out in year	Cumulative amount	Approved to write-off in year
		£	£	£
Cases exceeding £100,000				
Clinical Negligence	00RKRMN0006	0	196,500	0
Clinical Negligence	00RKRMN0019	336,650	336,650	0
Clinical Negligence	01RVCMN0056	185,000	185,000	0
Clinical Negligence	98RQHMN0011	413,847	483,347	0
Personal Injury	98RQHPI0004	305,324	355,324	0
Clinical Negligence	99RVCMN0010	125,000	125,000	0
Clinical Negligence	99RVCMN0014	175,942	175,942	0
Clinical Negligence	99RVCMN0015	76,000	676,000	676,000
Clinical Negligence	99RVCMN0020	0	185,000	185,000
Clinical Negligence	99RVCMN0022	63,895	109,395	0
Sub-total		1,681,658	2,828,158	861,000
All other cases		1,284,647	1,957,712	347,650
Total cases		2,966,305	4,785,870	1,208,650

23.1 Movements in Government funds

2003-04

	£000	£000
Surplus/(deficit) for the financial year	8,340	8,874
Public dividend capital dividends	<u>(8,333)</u>	<u>(8,867)</u>
Subtotal	7	7
Gains/(losses) from revaluation/indexation of purchased fixed assets	17,570	11,452
Impairment of fixed assets	0	0
New public dividend capital	5,260	3,443
Public dividend capital repaid	0	(332)
Public dividend capital repayable	0	0
New loans from Government	0	0
Government loans repaid	0	0
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	0	0
Addition/(reduction) in other reserves	<u>0</u>	<u>0</u>
Net addition/(reduction) to Government funds	22,837	14,570
Opening Government funds at 1 April	227,850	213,280
Before deducting prior period adjustment of	<u>0</u>	<u>0</u>
Closing Government funds	<u>250,687</u>	<u>227,850</u>

23.2 Movements in public dividend capital

2003-04

	£000	£000
At 1 April 2004	161,521	158,410
New PDC issued in year	5,260	3,443
PDC due but not issued	0	0
PDC repaid in year	0	(332)
PDC repayable	<u>0</u>	<u>0</u>
At 31 March 2005	<u>166,781</u>	<u>161,521</u>

24. Financial performance targets

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

24.1 Breakeven

Target retained surplus/deficit	0
Actual retained surplus/deficit	7
Variance	<u>(7)</u>

The Trust has broken even in 2004-05.

24.2 External financing

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

	£000	£000	31 March 2004 £000
External financing limit set by the Assembly		5,260	3,111
Cash flow financing	5,260		3,111
Finance leases taken out in the year	0		0
Other capital receipts	<u>0</u>		<u>0</u>
External financing requirement		<u>5,260</u>	<u>3,111</u>
Undershoot (overshoot)		<u>0</u>	<u>0</u>

The Trust has achieved its external financing limit.

24.3 Creditor payment

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

Total number of non-NHS bills paid 2004-05	89,384
Total number of non-NHS bills paid within target	85,253
Percentage of non-NHS bills paid within target	95.4%

The Trust has met the target.

25. Related Party transactions

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

During the year bodies with which board members or members of the key management staff or parties related to them have an interest undertook the following transactions with the Trust

	Payments to related party £	Receipts from related party £	Amounts owed to related party £	Amounts due from related party £
Mr DH Thomas	5,308,463	1,466,789	106,532	208,097
Mr M Williams	11,570	1,036	0	60
Mrs C Patel	3,808	303	0	0
Mr AJ Richards	1,229,116	0	0	0
Coun M Hedges	2,196,499	1,025,421	13,183	180,235

Mr DH Thomas, Chairman, is a member of the Council of the University College of Wales and a Governor of the University of Glamorgan.

Mr M Williams, Non Executive Director, is Group Chief Executive of the Gwalia Housing Group Ltd and a Governor of the Swansea College of Further Education.

Mrs C Patel, Non Executive Director, is an Employee of Swansea Institute of Higher Education and a Board Member of the Gwalia Housing Group Ltd.

Mr AJ Richards, Non Executive Director, was for part of the year the Director of Finance of the Edmunds Webster Group of Building Contractors

Coun M Hedges, Non Executive Director, is a member of the City and County of Swansea Council, a Governor of the Swansea College of Further Education and an Employee of the University of Glamorgan

Ms J Perrin, Chief Executive, is Chairman of the South West Wales Division of the Institute of Healthcare Management

The Assembly is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is responsible namely,

Swansea Local Health Board (£159,769,996), Neath/Port Talbot Local Health Board (£33,553,095) and Carmarthenshire Local Health Board (£11,590,430).

In addition, the Trust has had a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Council of the City and County of Swansea.

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

26. Other/ Private finance transactions

The Trust has no PFI Schemes either on or off balance sheet

27. Pooled budget project

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

28. Third party assets

The Trust held £98,824 cash at bank and in hand at 31 March 2005 (31 March 2004: £98,383) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand reported in these accounts.

29. Financial instruments

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

30. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
National Assembly	5045	0	0	0
Welsh Local Health Boards	572	0	472	0
Welsh NHS Trusts	2030	0	1595	0
Health Commission Wales	1752	0	0	0
All English Health Bodies	198	0	2760	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	0	0	0	0
Credit note provision	0	0	0	0
Sub total	<u>9,597</u>	<u>0</u>	<u>4,827</u>	<u>0</u>
Other Central Government Bodies				
Other Government Departments*	4	0	0	0
Inland Revenue	0	0	2517	0
Customs and Excise	1064	0	0	0
Local Authorities	232	0	13	0
Balances with Public Corporations and trading func	0	0	93	0
Balances with bodies external to Government	8350	17062	13929	0
TOTAL	<u>19,247</u>	<u>17,062</u>	<u>21,379</u>	<u>0</u>

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

Please specify:

31. Other

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

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

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

Date: 2005 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Date:2005

Chairman:

Date:2005

Chief Executive:

Date:2005

Director of Finance:

PROFORMA STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

As Chief Executive I have delegated responsibility for Risk Management within the Trust. Responsibility for Risk Management has been delegated to the Associate Director of Corporate Services who is supported by the Trust Risk Manager, and the Health, Safety & Fire Manager. The Risk Management process is also a key component of the Clinical Governance Support Unit led by the Director of Nursing /, Medical Director and supported by the Clinical Governance Manager. The Trust Risk Manager and Clinical Director of Clinical Risk form part of the Clinical Governance Support Unit. The Trust produces an Annual and quarterly Risk Management Reports.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The arrangements for risk management are set out in the Trusts Risk Management Strategy. Within this clear leads are set out for each WRMS. Each lead is a member of the Trust Executive Board.

In addition each Division/Directorate has a lead identified for Risk Management and for the development and reporting on their Risk Register. Risk Management is fully integrated into the Clinical Governance process and is a key part of the Clinical Governance Support Unit, led by the Medical Director/Director of Nursing. To highlight the importance of clinical risk a Clinical Director of Clinical Risk Management has been appointed, working to the Medical Director.

4. The risk and control framework

The Trust has in place a Risk Management Strategy which has been endorsed by the Accounting Officer and approved by the Trust Risk Management Committee. The Strategy both clearly state that the organisation supports a low blame culture, encourages staff to be open and honest and sets out the structure for management and ownership of risk, at various levels throughout the organisation, and provides advice upon business planning and how new activities will be assessed for risk and incorporated within the risk register.

The Trust has a Risk Assessment programme for risk identification, the organisation then analyses and evaluates the risks and agrees a programme of actions to manage and control the risks. The process takes into account value for money, quality of service delivery, quality and reliability of the evidence to support the identified risk and the impact upon the organisation, stakeholders and partners and feeds into the risk register.

The Risk Register has continued to be developed during 2004/2005 and has been reviewed by the Trust Risk Management Group, Executive Board and Audit Committee. A corporate group, to quality assure the Risk Register, was established and, as a minimum annually, reviews the risk registers of the Divisions.

An integrated Risk Management Database is used by the Trust which supports the management of incident reporting, complaints, claims, risk register and patient experience. The database is used to identify trends and monitor the situation once controls have been put in place to ensure they are effective and assist with the population of the risk register.

As a minimum the Welsh Risk Pool has stated that Trusts need to achieve a compliance score of 75% overall and not less than 60% in 21 out of the 23 standards assessed. The Trust's overall compliance with the WRMS for 2004/2005 is 70% which represents a reduction from the 2003/04 score of 75%. This occurred as a result of a revision during the year in both the standards themselves and also the scoring methodology used to assess performance against the standards. Compliance with the core standards as verified by internal audit has increased and is as follows:

	03/04	04/05
WRMS 1 Risk Management Policy & Strategy	66%	75%
WRMS 2 Risk Profiling	59%	77%
WRMS 3 Incident Reporting	66%	93%
WRMS 37 Governance	82%	88%
WRMS 38 Financial Management	78%	86%

Risk Management is an integral element of the organisations business process. Hazards are risk assessed, analysed, evaluated and prioritised and included on the Divisional Risk Registers which reports into the Trust Risk Register and the risks are then submitted to the Capital Planning Programme and business planning process.

Significant risks which are outside the Trusts control are communicated to the Commissioners and the Welsh Assembly Government. As an example the Commissioners and the Welsh Assembly Government were notified of the electrical infrastructure significant risk for the Trust.

5. Review of Effectiveness

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

The Audit Committee provides oversight of many internal control mechanisms, including receipt of all internal and external audit reports.

Internal audit produce an annual report on Compliance with governance arrangements and compliance with WRMS. This includes an action plan to improve performance. These reports are considered by the Audit Committee which also monitors progress against the action plan.

The Risk Management Group also reviews progress against WRMS and the development of the Risk Register. In addition the external auditors produce an annual management letter. These are considered by the Audit Committee. Both the Audit and Risk Management Committees report to the Trust Board.

During 2004/05 the Trust continued to work towards progressing the 2nd year of the 2003 - 2006 three year Clinical Governance Action Plan. The development plan is monitored by the Clinical Governance Committee which is a delegated committee of the Trust Board and driven forward by the Clinical Governance Steering Group. The development plan is updated 6 monthly and submitted to the Regional Office and Clinical Governance Development Unit in WAG. An annual exception report is provided to the Clinical Governance Committee and Regional Office.

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

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

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

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

FORM OF ACCOUNTS

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

ACCOUNTS OF THE TRUST

3. The accounts in respect of the funds attributable to the performance of functions by the Trust shall comprise:

- a. a foreword;
- b. an income and expenditure account;
- c. a balance sheet;
- d. a cash flow statement;
- e. a statement of total recognised gains and losses; and
- f. such notes as may be necessary for the purposes referred to in paragraph 4 below.

4. The accounts shall give a true and fair view of the income and expenditure and cash flow for the year, and the state of affairs as at the end of the financial year. Subject to the foregoing requirement, the accounts shall also, without limiting the information given and as described in the Schedule, meet:

- a. the accounting and disclosure requirements of the Companies Act. The disclosure exemptions permitted by the Companies Act will not apply unless specifically authorised by the Assembly with the approval of the Treasury;
- b. best commercial accounting practice including accounting standards issued or adopted by the Accounting Standards Board, with the exception of the requirement contained in FRS 3 for the inclusion of a note showing historical cost profits and losses;
- c. all relevant guidance given in "Government Accounting" and in "Trading Accounts: A Guide for the Government Departments and Non-Departmental Public Bodies" and in "The NHS Trust Manual for Accounts";
- d. any disclosure and accounting requirements which the Assembly or Treasury may issue from time to time;

insofar as these are appropriate to the Trust and are in force for the financial period for which the accounts are to be prepared.

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

Dated.....

Signed by the authority of the National Assembly for Wales

Signed.....

Member of the Senior Civil Service
National Assembly for Wales

SCHEDULE

Foreword

1. The foreword shall include a statement that the accounts have been prepared in accordance with these Directions given by the National Assembly for Wales.
2. The foreword shall describe the statutory background and main functions of the Trust.

Income and Expenditure Account and Balance Sheet

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

Cash Flow Statement

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

Notes to the Account

5. The notes to the account shall, inter alia, include details of the accounting policies adopted.
6. Notes providing further explanations of figures in the account shall be made where it is considered appropriate for a proper understanding of the account.
7. The account shall be signed and dated by the Chief Executive and Chairman of the Trust.
8. The accounts direction shall be reproduced as an appendix to the account.

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

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

Respective responsibilities of Directors, the Chief Executive and Auditor

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

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

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

I review whether the statement on pages 38 to 40 reflects the Trust's compliance with the Treasury and Assembly's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury and the Assembly or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts,

disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Swansea NHS Trust as at 31 March 2005 and of its surplus/deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the National Assembly for Wales; and
- in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
29th July 2005

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