

Cardiff and Vale NHS Trust

Foreword

These accounts for the year ended 31 March 2005 have been prepared by the Cardiff and Vale 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 set out within its published aims. The aims of the Trust are those which underpin the National Health Service (NHS) across the United Kingdom. Within the resources available we wish to work in partnership with our stakeholders to excel in treating illness, promoting health and supporting healthcare education, research and development.

The Trust holds a unique role within the healthcare network in Wales by working alongside the Cardiff University in providing healthcare, education, research and development. As a teaching Trust, we intend to be at the forefront of developments by providing innovative services for patients and to continually increase the standard of care being provided.

Within this framework our specific aims include:

- 1) The provision of a comprehensive range of acute, community, mental health and dental care services for the residents of Cardiff and the Vale of Glamorgan Council areas, Rhymney Valley and parts of the old counties of Gwent and Mid Glamorgan.
- 2) The maintenance and development of a range and volume of specialist services for the population of South Wales and beyond.
- 3) The development of an academic clinical partnership with the Cardiff University.
- 4) The development of new ways of working in partnership with our healthcare partners and stakeholders.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2005

	Note	£000	2003-04 £000
Income from activities	3	456,766	401,056
Other operating income	4	91,965	80,954
Total income		548,731	482,010
Operating expenses	5	(540,431)	(472,350)
Operating surplus/(deficit)		8,300	9,660
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(712)	255
Surplus/(deficit) before interest		7,588	9,915
Interest receivable		1,591	947
Interest payable	9	(296)	(285)
Other finance costs	16	(135)	(158)
Surplus/(deficit) for the financial year		8,748	10,419
Public Dividend Capital dividends payable		(10,703)	(12,911)
Retained surplus/(deficit) for the year	17	(1,955)	(2,492)

It should be noted that the 2004/5 deficit was within the £2.1m approved by the Welsh Assembly Government. The 2004/5 performance and the recovery plan developments are explained in more detail in Note 24.

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

		2003-04
	£000	£000
	Note	
Surplus/(deficit) for the financial year before dividend payments		10,419
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	12,807
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	3,615
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(392)
Additions/(reductions) in "other reserves"	17	0
		<u>0</u>
Total recognised gains and losses for the financial year		26,449
Prior period adjustment	17	(2,343)
		<u>(122)</u>
Total gains and losses recognised in the financial year		<u>24,106</u>
		<u>34,826</u>

BALANCE SHEET AS AT 31 MARCH 2005

	Note	£000	£000	31 March 2004 £000
Fixed assets				
Intangible assets	10	660		113
Tangible assets	11	384,582		347,052
			385,242	347,165
Current assets				
Stocks and work-in-progress	12	6,968		6,986
Debtors	13	56,004		35,228
Investments	14	14,200		7,000
Cash at bank and in hand	18.3	3,348		3,348
			80,520	52,562
Creditors: amounts falling due within 1 year	15		(73,119)	(56,668)
Net current assets/(liabilities)			7,401	(4,106)
Total assets less current liabilities			392,643	343,059
Creditors: amounts falling due after more than one year	15		(20,543)	(18,725)
Provisions for liabilities and charges	16		(24,243)	(12,857)
Total assets employed			347,857	311,477
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		223,759	211,624
Revaluation reserve	17		125,141	100,494
Donated asset reserve	17		9,765	8,212
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		(10,808)	(8,853)
Total taxpayer's equity			347,857	311,477

The comparatives for Debtors, Creditors, Revaluation Reserve and The Income and Expenditure Reserve have all been subject to a Prior Year Adjustment. This adjustment has been made to correctly reflect the substance of the ST Davids PFI Scheme on the Trust's Balance Sheet.

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		20,854	32,856
Returns on investments and servicing of finance				
Interest received		1,494		931
Interest paid		0		0
Interest element of finance leases		(300)		(301)
Net cash inflow/(outflow) from returns on investments and servicing of finance			1,194	630
Capital expenditure				
Payments to acquire tangible fixed assets		(24,771)		(22,200)
Receipts from sale of tangible fixed assets		3,225		175
Payments to acquire/ receipts from sale of intangible assets		(573)		(113)
Net cash inflow/(outflow) from capital expenditure			(22,119)	(22,138)
Public dividend capital dividends paid			(10,276)	(12,484)
Management of liquid resources				
Purchase of current asset investments		(31,200)		(7,000)
Sale of investments		24,000		0
Net cash inflow/(outflow) from management of liquid resources			(7,200)	(7,000)
Net cash inflow/(outflow) before financing			(17,547)	(8,136)
Financing				
Public dividend capital received		12,090		3,577
Public dividend capital repaid (not previously accrued)		(612)		(333)
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		2,100		2,507
Loan advances/brokerage repaid		0		0
Other capital receipts		3,997		2,414
Capital element of finance leases		(28)		(29)
Net cash inflow/(outflow) from financing			17,547	8,136
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

1.10 Stocks and work-in-progress

Whilst it is accounting convention that stocks and work-in-progress are valued at the lower of cost and net realisable value, it should be recognised that the NHS is a special case in that stocks are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Thus due to the relatively high turnover of stocks, items are valued at cost. 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 FRS12 Provisions, contingent liabilities and contingent assets in relation to 2004/5 Agenda for Change Costs. FRS12 requires that the Trust endeavours to calculate a reliable estimate of the Costs of Agenda for Change for inclusion in 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 16, no provisions for Agenda for Change have been included in these accounts. If a reliable estimate had been calculated, a provision and 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 £33,027,514 (£15,209,967 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.nhs.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 entered into no pooled budget arrangements with any Local Authorities. However the Trust is involved in a number of other arrangements permissible under section 31 of the Health Act 1999 details of which are outlined in Note 27.

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	298,471	277,177
Health Commissioning Wales	123,226	106,776
NHS trusts	3,596	3,238
Strategic health authorities and primary care trusts	2,306	1,970
Foundation Trusts	0	0
Local authorities	1,774	1,678
National Assembly for Wales	21,238	4,511
Non NHS:		
Private patient income	2,608	2,338
Overseas patients (non-reciprocal)	174	453
Road Traffic Act charges	1,622	1,613
Other income from activities	1,751	1,302
Total	456,766	401,056

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

5. Operating expenses

5.1 Operating expenses comprise

	2003-04
	£000
Goods and services from other NHS bodies	11,215
Goods and services from other NHS Foundation Trusts	0
Purchase of healthcare from non-NHS bodies	6,785
Directors' costs	965
Staff costs	370,265
Supplies and services - clinical	93,445
Supplies and services - general	6,049
Establishment	12,443
Transport	669
Premises	22,926
Depreciation and amortisation	13,789
Fixed asset impairments and reversals	0
Audit fees	270
Other auditors' remuneration	0
Losses, special payments and irrecoverable debts	2,199
Other operating expenses	(589)
Total	540,431

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

	2003-04
	£000
Increase/decrease in provision for future payments:	£000
Clinical negligence	13,980
Personal injury	1,157
All other losses and special payments	26
Defence legal fees and other administrative costs	619
Gross increase/decrease in provision for future payments	15,782
Contribution to Welsh Risk Pool	0
Premium for other insurance arrangements	0
Irrecoverable debts	618
Less: income received/ due from Welsh Risk Pool	(14,201)
Total charge	2,199

Personal injury includes £0.168m (2003-04 £0.556m) in respect of permanent injury benefits

During 2004/5 allocations relating to welsh risk pool premiums were top sliced from Trusts by the Welsh Assembly Government. This funding was then passed directly to the Welsh Risk Pool via The Assembly instead of as in past years by the Trust.

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	933	916	71	274
Between 1 and 5 years	49	64	597	957
After 5 years	282	258	0	24
Total	1,264	1,238	668	1,255

Operating expenses include £2,711,577 for operating lease rentals (2003-04 £ 2,618,014.) and £1,808,778 for hire of plant/machinery (2003-04 £ 1,613,956).

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2003-04 £000
Non-executive directors' remuneration	111	0	111	81
Executive directors' remuneration:				
basic salaries	674	0	674	656
benefits	9	0	9	6
performance related bonuses	0	0	0	0
pension contributions paid	92	0	92	45
Sub-total	886	0	886	788
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	886	0	886	788

There were no performance related bonuses paid to any Directors in 2004/05

£ 0 was waived by 0 directors and £ 0 allowances were paid in lieu.

The increase in pension contributions paid resulted from an increase in the rate of Employers Superannuation Contributions payable by the Trust from 7% to 14% as outlined in Accounting policy note 1.14.

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	156	0	156	160
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>156</u>	<u>0</u>	<u>156</u>	<u>160</u>
Pension contributions	21	0	21	11
	<u>177</u>	<u>0</u>	<u>177</u>	<u>171</u>
Highest paid director*				
Basic salaries	178	0	178	167
Benefits	1	0	1	0
Performance related bonuses	0	0	0	0
	<u>179</u>	<u>0</u>	<u>179</u>	<u>167</u>
Pension contributions	24	0	24	11
Total	<u>203</u>	<u>0</u>	<u>203</u>	<u>178</u>

* The Medical Director was the highest paid Director in 2004/05

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

Name and title	2004-05			2003-04		
	Salary £5k bands £000	Other Remuneration £5k bands £000	Benefits in Kind Rounded to nearest £100 £00	Salary £000	Other Remuneration £000	Benefits in Kind £000
Executive directors						
H Ross, Chief Executive	120-125	0	4			
D Edwards, Former Chief Executive	30-35	0	1	160-165	0	0
I F Lane, Medical Director	175-180	0	14	165-170	0	0
J P Davies, Director of Operations	120-125	0	26	115-120	0	2
P G Davies, Finance Director	120-125	0	45	115-120	0	4
S Gregory, Nurse Director	80-85	0	2			
S J Hobbs, Former Nurse Director	15-20	0	2	90-95	0	0
J Hardisty, Director of Human Resources	95-100	0	3	90-95	0	0
S S Harries, Director of Development	95-100	0	3	90-95	0	0
P A Welsh, Director of Corporate Management	85-90	0	13	85-90	0	0
Non executive directors						
S Jones, Chairman	40-45	0	0	30-35	0	0
P Gray, Non Executive	5-10	0	0	5-10	0	0
H L Young, Non Executive	5-10	0	0	5-10	0	0
D R Thomas, Non Executive	5-10	0	0	5-10	0	0
R Hutchings, Non Executive	5-10	0	0	5-10	0	0
A Hassan-Arwo, Non Executive	5-10	0	0	5-10	0	0
M Hassard, Non Executive	5-10	0	0	5-10	0	0
M Webb, Non Executive	5-10	0	0	5-10	0	0

During the year 3 individuals occupied the post of Chief Executive:

D Edwards 01/04/2004 to 31/05/2004
 J P Davies (Director of Operations) 01/06/2004 to 30/06/2004
 H Ross 01/07/2004 to 31/03/2005

During the year 2 individuals occupied the post of Nurse Director

S J Hobbs 01/04/2004 to 11/06/2004
 S Gregory 07/06/2004 to 31/03/2005

Benefits in kind relate to car/mileage allowances

Note: Benefits in kind for 2004/5 are in pounds hundreds, 2003/4 figures have not been amended and are shown in pounds thousand

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

Name and title	Real increase in pension & related lump sum at age 60	Total accrued pension & related lump sum at age 60 at 31 Mar 2005	Cash Equivalent transfer value at 31 Mar 2005	Cash Equivalent transfer value at 31 Mar 2004	Real increase in Cash equivalent transfer value at	Employers Contribution to Stakeholder Pension
	£2.5k bands £000	£5k bands £000	£000	£000	£000	To nearest £100
Executive directors						
H Ross, Chief Executive	*	*	*	*	*	*
D Edwards, Former Chief Executive	*	*	*	*	*	*
I F Lane, Medical Director	*	*	*	*	*	*
J P Davies, Director of Operations	*	*	*	*	*	*
P G Davies, Finance Director	*	*	*	*	*	*
S Gregory, Nurse Director	*	*	*	*	*	*
S J Hobbs, Former Nurse Director	*	*	*	*	*	*
J Hardisty, Human Resources Director	*	*	*	*	*	*
S S Harries, Director of Development	*	*	*	*	*	*
P A Welsh, Director of Corporate Management	*	*	*	*	*	*

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

The Executive Directors above are all members of the NHS Pensions scheme, which is a contributory "final salary" scheme. The NHS scheme requires that employees pay 6% of their earnings into the pension scheme, with the employer contributing 14%.

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	303,863	161	11,966	315,990	282,110
Social security costs	21,918	0	0	21,918	19,660
Pension costs	33,028	0	0	33,028	15,210
Other pension costs	174	0	0	174	0
Total	358,983	161	11,966	371,110	316,980

In 2004-05 £395,751 of salaries were capitalised (2003-04 £352,014).

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	1,023	0	9	1,032	1,001
Ambulance staff	0	0	0	0	0
Administrative and estates	2,240	3	27	2,270	2,173
Healthcare assistants and other support staff	993	0	0	993	920
Nursing, midwifery and health visiting staff	4,890	1	131	5,022	4,876
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	1,713	0	4	1,717	1,615
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	10,859	4	171	11,034	10,585

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	20,199	3.7%	18,223	3.8%
Income	548,731		482,010	

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 35 (49) 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 £1,945,015 (£3,046,176).

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	3,992	41,114	36,692
Total bills paid within target	3,800	40,029	36,554
Percentage of bills paid within target	95.2%	97.4%	99.6%
Non-NHS			
Total bills paid 2004-05	197,108	180,396	158,615
Total bills paid within target	183,115	166,754	148,952
Percentage of bills paid within target	92.9%	92.4%	93.9%
Total			
Total bills paid 2004-05	201,100	221,510	195,307
Total bills paid within target	186,915	206,783	185,506
Percentage of bills paid within target	92.9%	93.4%	95.0%

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	37	942
Loss on disposal of land and buildings	(466)	(73)
Profit on disposal of plant and equipment	1	0
Loss on disposal of plant and equipment	(284)	(614)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
	(712)	255

The above loss on disposal of land and buildings of £0.466m relates to the sale of Sully Hospital

9. Interest payable

	£000	2003-04 £000
Government borrowing	0	0
Finance leases and PFI schemes	296	285
Other [specify]:	0	0
	296	285

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April	113	0	0	0	113
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	573	0	0	0	573
Disposals	0	0	0	0	0
Gross cost at 31 March	686	0	0	0	686
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	26	0	0	0	26
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March	26	0	0	0	26
Net book value at 1 April	113	0	0	0	113
Net book value at 31 March	660	0	0	0	660

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding Land		Buildings, excluding dwellings		Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2004	83,915	223,945	10,713	18,144	53,674	1,250	4,547	206	396,394	
Indexation	5,874	17,707	847	1,339	1,159	27	98	4	27,055	
Additions										
- purchased	348	9,141	0	6,367	11,706	158	940	8	28,668	
- donated	0	77	0	1,952	356	0	0	0	2,385	
- government granted	0	0	0	0	0	0	0	0	0	
Reclassifications	4,745	8,650	0	(13,395)	0	0	0	0	0	
Impairments	0	0	0	0	0	0	0	0	0	
Other in-year revaluations	0	(1,241)	0	0	0	0	0	0	(1,241)	
Disposals	(57)	0	(138)	(3,466)	(3,730)	(17)	(262)	0	(7,670)	
At 31 March 2005	94,825	258,279	11,422	10,941	63,165	1,418	5,323	218	445,591	
Depreciation										
At 1 April 2004	0	11,310	392	0	33,639	814	3,010	177	49,342	
Indexation	0	894	31	0	726	17	65	4	1,737	
Reclassifications	0	0	0	0	0	0	0	0	0	
Impairments	0	0	0	0	0	0	0	0	0	
Reversal of impairments	0	0	0	0	0	0	0	0	0	
Other in-year revaluations	0	(106)	0	0	0	0	0	0	(106)	
Disposals	0	0	(8)	0	(3,451)	(17)	(251)	0	(3,727)	
Provided during the year	0	8,535	282	0	4,261	100	579	6	13,763	
At 31 March 2005	0	20,633	697	0	35,175	914	3,403	187	61,009	
Net book value at 1 April 2004	83,915	212,635	10,321	18,144	20,035	436	1,537	29	347,052	
Net book value at 31 March 2005	94,825	237,646	10,725	10,941	27,990	504	1,920	31	384,582	
Net book value of assets held under finance leases and hire purchase contracts										
Total	6	903	0	0	0	0	0	0	909	
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	45	0	0	0	0	0	0	45	

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.

Property currently held at existing use value has an open market value of £0, which is materially different to its existing use value by £0. During the period no assets had a material change in the estimate of useful economic life/residual value.

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

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2004	3,689	9,483	607	0	0	0	0	0	13,779
Indexation	258	750	48	0	0	0	0	0	1,056
Additions	118	281	0	0	0	0	0	0	399
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2005	4,065	10,514	655	0	0	0	0	0	15,234

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March 2004	
	£000	£000
Freehold	337,994	310,351
Long leasehold	16,143	14,664
Short leasehold	0	0
Total	354,137	325,015

12. Stocks and work-in-progress	31 March 2004	
	£000	£000
Raw materials and consumables	6,968	6,986
Work-in-progress	0	0
Finished processed goods	0	0
Total	6,968	6,986

13. Debtors	31 March 2004	
Amounts falling due within one year:	£000	£000
Welsh Risk Pool	8,132	6,716
NHS debtors	22,278	11,799
PDC dividend debtors	0	0
Other debtors	10,495	9,236
Provision for irrecoverable debts	(1,004)	(937)
Other prepayments and accrued income	1,631	1,527
Sub-total	41,532	28,341
Amounts falling due after more than one year:		
Welsh Risk Pool	9,137	391
NHS debtors	0	0
Other prepayments and accrued income	3,881	4,025
Other debtors	1,454	2,471
Sub-total	14,472	6,887
Total	56,004	35,228

Amounts falling due within one year as at 31st March 2004 have been reduced by £8.316m. This prior year adjustment has been made to correctly reflect the substance of the ST Davids PFI Scheme on the Trust's Balance Sheet.

Amounts falling due after one year as at 31st March 2004 have been increased by £1.090m. This prior year adjustment has been made to correctly reflect the substance of the ST Davids PFI Scheme on the Trust's Balance Sheet.

14. Investments

		31 March 2004
	£000	£000
Government securities	14,200	7,000
Local authorities	0	0
Other	0	0
Total	14,200	7,000

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	1,237	797
NHS creditors	8,537	12,500
Non-NHS trade creditors - revenue	21,921	15,797
Non-NHS trade creditors - capital	9,470	3,188
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	7,365	6,735
PDC dividend payable	(240)	(667)
Obligations under finance leases and hire purchase contracts	28	28
Obligations under PFI schemes	254	254
Other creditors - superannuation	0	0
Other creditors - all other creditors	12,658	2,009
Accruals	11,889	9,639
Deferred income	0	6,388
Sub-total	73,119	56,668
Amounts falling due after more than one year:		
Loan advance/brokerage	18,236	16,136
Obligations under finance leases and hire purchase contracts	508	537
Obligations under PFI schemes	1,799	2,052
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	20,543	18,725
Total	93,662	75,393

NHS creditors include:

£52,549 for payments due in future years under arrangements to buy out the liability for early retirements and £4,068,609 outstanding pension contributions at 31 March 2004

Amounts falling due within one year as at 31st March 2004 have been reduced by £4.761m. This prior year adjustment has been made to correctly reflect the substance of the ST Davids PFI Scheme on the Trust's Balance Sheet.

15.2 Loans/brokerage	31 March 2004	
Amounts falling due:	£000	£000
In one year or less	0	0
Between one and two years	0	0
Between two and five years	8,057	5,957
In five years or more	10,179	10,179
Sub-total	18,236	16,136
Wholly repayable within five years	8,057	5,957
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	10,179	10,179
Sub-total	18,236	16,136
Total repayable after five years by instalments	10,179	10,179

Details of loan/brokerage:

The total includes loans of £10.179m provided to former Trusts prior to the establishment of the Cardiff and Vale NHS Trust. There are no current repayment terms agreed for these loans and they will be reviewed by the Assembly as part of the recovery plan developments. The total includes a loan of £3.450m provided in 2002/03, £2.507m in 2003/04, £2.100m in 2004/05 which is to be repaid in line with its recovery plan.

15.3 Finance lease obligations	31 March 2004	
Payable:	£000	£000
Within one year	182	177
Between one and two years	182	177
Between two and five years	544	532
After five years	2,832	3,036
Sub-total	3,740	3,922
Less finance charges allocated to future periods	(3,203)	(3,358)
Total	537	564

15.4 Finance lease commitments

The Trust has not entered into any contracts other than those shown above during the year to obtain the use of any asset under a finance lease agreement

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	5,962	0	0	15,060	(1,080)	(3,850)	0	16,092
Personal injury	2,661	0	(28)	1,883	(726)	(1,127)	51	2,714
All other losses and special payments	0	0	0	26	0	(26)	0	0
Defence legal fees and other administration	735	0	0	884	(265)	(444)		910
Sub-total	9,358	0	(28)	17,853	(2,071)	(5,447)	51	19,716
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	2,399			196	0	(216)	84	2,463
Restructurings	0			0	0	0		0
Other	1,100			2,064	(1,100)	0		2,064
Total	12,857	0	(28)	20,113	(3,171)	(5,663)	135	24,243

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	6,929	9,163	0	16,092
Personal injury	1,002	640	1,072	2,714
Defence legal fees and other administration	609	301	0	910
Pensions - other staff	313	750	1,400	2,463
Other	2,064	0	0	2,064
Total	10,917	10,854	2,472	24,243

The trust estimates that in 2005-06 it will receive £6,836,621 and in 2006-07 and beyond £9,115,661 from the Welsh Risk Pool in respect of the losses and special payments (including clinical negligence).

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

The Trust has included in it's Accounts a debtor of £0.266m in respect of permanent injury provision costs.

NHS Wales is in the process of implementing "Agenda for Change" which restructures the pay scales for the majority of NHS staff. Full implementation of the new arrangements is due by 30 September 2005. The resulting pay awards are backdated to October 2004, and hence a liability exists at the balance sheet date in respect of the increased costs of the pay scales from that date to 31 March 2005. However, implementation has been delayed and the matching and assimilation of staff onto the new scales is still continuing.

In accordance with NHS Trusts (Wales) Accounts Directions which set out how accounts should be prepared, The Assembly has issued instructions to all Welsh NHS Trusts not to create any local provisions in respect of Agenda for Change costs for 2004/5 as the Assembly considers there is insufficient information held locally to establish a sufficiently reliable estimate to meet the requirements of FRS12. The liability in respect of the backdated costs that relate to 2004/5 less any funding received from the Assembly to meet this liability, will be changed to the 2005/6 accounts.

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	100,494	8,212	0	0	(8,731)	99,975
Prior period adjustment					(122)	(122)
At 1 April 2004 as restated	100,494	8,212	0	0	(8,853)	99,853
Transfer from income and expenditure account					(1,955)	(1,955)
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	24,647	(465)	0			24,182
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		2,386	0			2,386
Depreciation, impairment and disposal of donated/government granted assets		(368)	0			(368)
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2005	125,141	9,765	0	0	(10,808)	124,098

The prior period adjustment of £0.122m to the income & expenditure reserve has been made to correctly reflect the substance of the ST Davids PFI Scheme on the Trust's Balance Sheet. The Revaluation Reserve brought forward has also been restated downwards by £2.343m for the same reason.

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)	8,300	9,660
Depreciation charge	13,789	12,690
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	(368)	(392)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	18	(589)
(Increase)/decrease in debtors	(22,395)	1,526
Increase/(decrease) in creditors	10,124	14,466
Increase/(decrease) in provisions	11,386	(4,505)
Net cash inflow from operating activities before restructuring costs	20,854	32,856
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	20,854	32,856

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	(2,100)	(2,507)
Cash outflow from debt repaid and finance lease capital payments	28	29
Cash (inflow)/outflow from (decrease)/increase in liquid resources	7,200	7,000
Change in net debt resulting from cash flows	5,128	4,522
Non-cash changes in debt	0	0
Net debt at 1 April	(6,351)	(10,873)
Net debt at 31 March	(1,223)	(6,351)

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	3,348	0	0	3,348
Bank overdrafts	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	(16,136)	(2,100)	0	(18,236)
Finance leases	(564)	28	0	(536)
Current asset investments	7,000	7,200	0	14,200
	(6,352)	5,128	0	(1,224)

Cash at bank and in hand at 31-3-05 includes £4118k in accounts with the Office of HM Paymaster General.

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £ 8,718,000 (and in 2003-04 were £ 10,644,000).

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:	£000	31 March 2004 £000
Legal claims for alleged medical or employer negligence	14,474	15,154
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	14,474	15,154
Amount recovered under insurance arrangements in the event of these claims being successful	(13,002)	(13,586)
Net contingent liability	1,472	1,568

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	43	3,850,262	23	3,521,647
Personal injury	94	1,127,551	51	1,059,966
All other losses and special payments	494	653,893	494	653,893
Total	631	5,631,706	568	5,235,506

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			
03RWMMN0016	1,474,089	1,494,089	0
00RRBMN0018	275,000	275,000	0
03RWMMN0025	240,000	240,000	0
03RWMMN0002	237,511	240,411	0
04RWMMN0043	224,000	224,000	0
03RWMMN0004	216,000	222,000	0
01RWMMN0033	50,800	136,542	0
04RWMMN0001	425,500	435,500	435,500
99RRBMN0018	43,500	173,500	173,500
99RRBMN0015	42,000	164,500	164,500
00RRBMN0019	38,271	1,400,771	1,400,771
01RWMMN0010	20,000	135,000	135,000
99RKPMN0002	15,000	235,000	235,000
00RRBMN0021	(3,147)	599,131	599,131
03RWMPI0065	138,000	138,000	0
01RWMPI0001	79,473	184,500	184,500
00RWMPI0036	40,000	215,000	215,000
Sub-total	3,555,997	6,512,944	3,542,902
All other cases	2,075,709	2,601,621	1,692,604
Total cases	5,631,706	9,114,565	5,235,506

23.1 Movements in Government funds

2003-04

	£000	£000
Surplus/(deficit) for the financial year	8,748	10,419
Public dividend capital dividends	(10,703)	(12,911)
Subtotal	(1,955)	(2,492)
Gains/(losses) from revaluation/indexation of purchased fixed assets	24,647	12,573
Impairment of fixed assets	0	0
New public dividend capital	12,090	3,577
Public dividend capital repaid	(612)	(333)
Public dividend capital repayable	657	372
New loans from Government	2,100	2,507
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	0	0
Net addition/(reduction) to Government funds	36,927	16,204
Opening Government funds at 1 April	319,523	305,662
Before deducting prior period adjustment of	(122)	(2,343)
Closing Government funds	356,328	319,523

23.2 Movements in public dividend capital

2003-04

	£000	£000
At 1 April 2004	211,624	208,008
New PDC issued in year	12,090	3,577
PDC due but not issued	0	1,424
PDC repaid in year	(612)	(333)
PDC repayable	657	(1,052)
At 31 March 2005	223,759	211,624

24. Financial performance targets

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

24.1 Breakeven

Target retained surplus/deficit	(2,100)
Actual retained surplus/deficit	<u>(1,955)</u>
Variance	(145)

The Trust has broken even in 2004-05.

The Cardiff and Vale Trust agreed a recovery plan with the Assembly in 2002-03 so that it will achieve underlying financial balance by 2006-07 with all deficit financing to be repaid by 2008-09.

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		13,550	5,722
Cash flow financing	17,547		8,836
Finance leases taken out in the year	0		0
Other capital receipts	<u>(3,997)</u>		<u>(3,114)</u>
External financing requirement		<u>13,550</u>	<u>5,722</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	197,108
Total number of non-NHS bills paid within target	183,115
Percentage of non-NHS bills paid within target	92.9%

The Trust has not met the target.

25. Related Party transactions

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

During the year, other than the individuals set out below, there were no other related party transactions involving other board members or key senior management staff.

Mr R Hutchings : is a Non Executive Director of the Trust and he was also a Non Executive Director of the Charter Housing Association during 2004/05. In 2004/05 payments were made to Charter Housing and its sister company Fairlake Properties for rents collected from staff who occupy accommodation provided as part of the Llandough staff residences agreement.

Lady M Webb : is a Non Executive Director of The Trust and her spouse is Vice Chancellor of The University of Glamorgan. During the year the Trust made payments to and received income from the University for the provision of training and education services services supplied both to and by Trust staff.

The material transactions involving the related parties were as follows:

	Payments to related party £	Receipts from related party £	Amounts owed to related party £	Amounts due from related party £
UWCM & Cardiff University	7,934,479	18,118,481	201,679	2,363,491
Charter Housing Association	52,840	0	0	0
University of Glamorgan	132,426	2,979	0	124
Fairlake Properties	118,993	0	10,277	0

The Trust has close links with the University of Wales College of Medicine which includes the sharing of staff as well as sharing accommodation on the University Hospital of Wales Site. The college are therefore treated as a related party and transactions involving the college are shown above.

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. Included in such entities are the Trust's main purchasers of Health Care Services , i.e. Cardiff LHB (£190M), the Vale LHB (£69M), Caerphilly LHB (£15M) and Health Commissioning Wales (£123m). The Trust also receives £30m from 18 other Local Health Boards.

The Trust is a member of the Welsh risk pool for Clinical Negligence and Personal Injury claims. The Trust has received settlement payments of £9.043m in respect of claims made

The corporate body is a registered charity and as a Corporate Trustee the Trust Board were responsible for the management of charitable expenditure of £2.565m in the year connected with the University Hospital of Wales, Llandough, Whitchurch and Community Services. The audited accounts of the Funds held on Trust are included in the annual report to the Charity Commission and are available on request.

26. Other/ Private finance transactions

26.1 PFI operational schemes deemed to be off-balance sheet

	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross	2,768
Amortisation of PFI deferred asset	0
Net charge to operating expenses	<u>2,768</u>

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

PFI scheme which expires:	£000
Within one year	
Years 2-5 (inclusive)	
Years 6-10 (inclusive)	
Years 11-15 (inclusive)	
Years 16-20 (inclusive)	
Years 21-25 (inclusive)	
Years 26-30 (inclusive)	2,842

	£000
Estimated capital value of the PFI scheme	13,847

Contract start date:	01/02/2002
Contract end date:	31/01/2033

Scheme Description

On 31st March 2000, a 31 year Private Finance Initiative (PFI) Contract was signed between the Trust and IMC (Impregilo/Macob consortium) for the provision of a new hospital to be built on the former St. David's site. The Hospital, which opened on 1st March 2002 provides a range of services but primarily services linked to the care for older people.

The estimated capital value of the scheme is £13.847m and the annual payments to be made for the the provision of the site and for a range of facilities management services is £2.8m.

The Contract covers the following main areas:

Bullet Payment plus share of surplus land sale profits in 2002

The Trust pays an annual availability charge for the provision of the hospital building. A reduction in the charge was secured (value £4.457m over the 30 year period) for the payment of a bullet lump sum payment of £3.2m plus a share in land sale profits of £0.4m paid in 2002. This resulted in the need to set up a deferred asset for £4.457m which is being written back to income and expenditure over the 30 year period.

Residual interests in the assets

At the end of the 31 year period the hospital will pass to the Trust for nil consideration. The recognition of this future asset therefore needs to be built up over the period of the contract by splitting the unitary charge between the cost of the service provided under the contract and the acquisition of the residual interest. The aim of building up the residual interest is to ensure that at the end of the contract the accumulated balance should exactly match the estimated fair value of the asset(s) received. The District Valuer valued the interest as being £9.771m in 2002/03.

The present value of the residual interest is £4.061m and this has been recorded as a fixed asset investment within note 11.2. The value of this interest will be regularly reviewed in accordance with NHS valuation guidelines. The provision created by the recognition of the residual interest will be amortised over the life of the contract on an annual basis. The provision has been recorded in Note 15 as £0.044m and £1.1173m (< and > one year).

26. Other/ Private finance transactions (continued)

26.2 Public Private Partnerships

In addition to the St David's PFI Scheme set out previously in Note 26.1, the Trust has three other Public Private Partnerships (PPP) Schemes as set out below:

UHW Car Park

In 1996/7 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust with the exclusive rights for the Private Partner (Impregilo UK Ltd) to collect all car park income, (at rates set out in the contract), in exchange for the building of a multi storey car park and infrastructure works with a capital cost of £6.7m. Impregilo UK Ltd later sold their interests to VINCI Park Ltd in 2001.

At the end of 20 years, the Trust will receive the residual interest in the multi storey car parks and the reversionary interest in the land for nil consideration. These assets are included in the Trust's balance sheet (note 11) with current values of £2.426m for the buildings and £3.216m for the land

The value of these assets at the end of the 20 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2004/05 was £0.174m

Concourse

In 1998/99 the former UHW Trust granted a 20 year leasehold interest in land owned by the Trust, together with the rights for a Private Partner (Gentian Ltd) to collect rent from shop outlets, in exchange for the building of a Concourse entrance to the hospital, with a capital cost of £1.982m.

At the end of the 20 years the Trust will receive the residual interest in the Concourse building and the reversionary interest in the land for nil consideration. These assets are included in the Trust's balance sheet (note 11) with current values of £1.723m for the buildings and £0.436m for the land. The value of these assets at the end of the 20 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2004/05 was £0.064m

Sterile Services

In 1999/2000 the former UHW Trust leased land and a building to a private contractor (Sterile Services International Ltd - a member of the Impregilo SPA Group) for an initial period of 10 years, with an option to extend for a further 5 years. SSI Ltd sold this interest to In Health Limited in 2004.

The Trust pays the contractor £1.7m per annum for the services the company provides in sterilising surgical packs to be used in patient services. As part of the contract, the contractor refurbished the building and has provided service equipment at a cost of £1.8m. At the end of the 10 year period, if the Trust takes the option of not extending the contract term, then the Trust will have to pay the contractor £0.6m as payment for the capital work

The Trust is accounting for the current discounted value of the residual interest (£2.303m) in the assets in note 11 and the value of the assets at the end of the 10 year period is being built up over the period by crediting income and expenditure each year with the annual discounted value. The amount that has been credited to operating expenses in 2004/05 was £0.055m.

As part of the scheme, the Trust should have written-off certain costs in 1999/2000. This was corrected in 2001/02 by writing off costs to the value of £0.298m within operating expenses and by setting up a deferred creditor to be written back over the remainder of the 10 year period

27. Pooled budget project

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

However the Trust had the following schemes which fell under the increased flexibilities provisions set out in the NHS Act 1999:

Mental Health Reablement Project.

This is a 3 year project with revenue costs of £0.112m in 2004/5. The partners in the scheme are Cardiff Council and the Cardiff Local Health Board. The project aims "to improve the co-ordination of care for an individual from assessment, care planning, and commissioning of services, to meet the needs of the individual".

Rehabilitation and Reablement Team.

The project expenditure in 2004/05 was £0.307m. The partners in the scheme are Cardiff Council and the Cardiff Local Health Board. The project aims to improve the provision of Community Rehabilitation and Reablement to the whole of Cardiff, with a focus on enhancing existing services currently available to patients in certain parts of Cardiff only. This will include the Cardiff Rapid Response/ Reablement team, the Elderly Care Assessment Service and the Acute Response Team.

Specialist Rehabilitation Liaison Nurse.

The project expenditure in 2004/05 was £0.032m. The partner in this scheme is the Vale of Glamorgan Council. The project aims to ensure that all patients with complex needs admitted to Llandough Hospital are given access to specialist assessment / rehabilitation in order to maximise timely recovery and independence; to improve links between the community services and specialist geriatric/rehabilitation services by providing access to urgent geriatric assessment and interventions and to reduce dependency levels and thus costs associated with long-term care/domiciliary care packages for an increasing ageing population.

Expansion of Vale Community Rehabilitation Team and Integration with Vale Short-term Intervention Service.

The project expenditure in 2004/05 was £0.092m. The partner in this scheme is the Vale of Glamorgan Council and the project aims to work with the Vale Local Authority to progress the integration of the Vale Short-Term Intervention Service and Community Rehabilitation Team; to expand the therapy element of the service in order to be able to provide for the needs of a larger range of patients; to continue to work with the Local Authority to maximise patient outcomes/potential for living at home, thus reducing costs associated with long-term/care packages and to improve the co-ordination and administration for the above.

Child and Adolescent Mental Health Services Young Offenders Team Community Psychiatric Nurse

The project expenditure in 2004/05 was £14,461. The post has been half funded for two years by the Cardiff Community Safety Partnership, with matched funding coming from The Joint Working Special Grant administered by The Cardiff Health Alliance. It represents an innovative approach to partnership work in The Young Offenders Team. The funding is allowing the development of a new type of in-house provision which not only enables in-depth mental health assessments of children and young people appropriately identified by The Young Offender's tool ASSET, but also provides training and support to The Young Offenders team on emotional and mental health issues. Focus is also given to developing robust communication and referral pathways into mainstream health services

Child Health Occupational Therapy

The post is part of a project aimed at developing an integrated Paediatric Occupational Therapy provision for children and young people with complex needs living in the Cardiff area. It is hoped that it will lead to reducing the duplication of Occupational Therapy as well as streamlining access to Paediatric Occupational Therapy. The Post is funded under the Joint Special Working Grant administered by Cardiff Health Alliance. The Occupational Therapist is employed within the Paediatric Occupational Therapy Service for Cardiff and Vale Trust and will work within the remit of provision of specialist equipment and access to Disabled Facilities as identified within Cardiff

28. Third party assets

The Trust held £214,780 cash at bank and in hand at 31 March 2005 (31 March 2004: £213,333) 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	12869	0	94	0
Welsh Local Health Boards	8480	0	519	0
Welsh NHS Trusts	3001	0	3151	0
Health Commission Wales	895	0	212	0
All English Health Bodies	786	0	4488	0
All N. Ireland Health Bodies	12	0	0	0
All Scottish Health Bodies	14	0	4	0
Miscellaneous	511	0	71	0
Credit note provision	-2968	0		
Sub total	23,600	0	8,539	0
Other Central Government Bodies				
Other Government Departments*	57	0	2	0
Inland Revenue	0	0	7365	0
Customs and Excise	1311	0	202	0
Local Authorities	491	0	72	0
Balances with Public Corporations and trading func	3	0	105	0
Balances with bodies external to Government	16070	14472	56834	20543
TOTAL	41,532	14,472	73,119	20,543

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

Please specify:

31. Recovery Plan (Service and Financial Delivery Plan)

The Cardiff and Vale Service and Financial Delivery plan was approved by the Welsh Assembly Government on 22nd July 2003. The plan outlined the financial pressures facing the Trust until 2006/07 together with the extensive service efficiencies and savings plans totalling £23.3m, that were needed to address the underlying financial pressures over the period. The original plan set out the following projected year end (deficit)/surplus positions for each year:

2003/04 - £(5.2m)
2004/05 - £(4.7m)
2005/06 - £(1.6m)
2006/07 - £1.5m

The Welsh Assembly Government agreed to provide repayable loans totalling £14.95m to cover the planned deficit of £3.450m in 2002/03 together with the £11.5m cumulative deficit which was projected between 2003/04 and 2005/06. The plan set out that financial balance would be restored by 31st March 2006 and it was agreed that all loans would need to be repaid by 31st March 2009.

In 2003/04 the Trust were successful in reducing the deficit target from the original figure of £5.2m to £2.507m. The revised target was approved by the Assembly in January 2004 and the Trust reduced the loans taken from the Assembly by £2.7m. The revised target of £2.507m became the Trust's break even duty for the year and this was duly achieved .

The Budget plan for 2004/05 was approved by the Trust Board on 22nd April 2004 for year 2 of the recovery plan. The Plan showed that the Trust wished to reduce the original "projected year end deficit" of £4.1m to a revised target of £2.1m, thus reducing the required loan assistance by a further £2m. These revised plans were conveyed to the Welsh Assembly Government on 11th May 2004 and in a letter from Dr Christine Daws, Director of Resources dated 21st May 2004 the Assembly congratulated the Trust for the savings achieved and the reduction in the loan requirement. They also confirmed that for 2004/05 the Trust would be monitored against the revised break-even target of £2.1m. Again the Trust successfully achieved this revised break even target as set out in the Trust Performance Note (24).

The Trust has already contacted the regional office to confirm that our approved deficit for 2005/6 will be £1.6m and we will require cash assistance for the same figure. The Trust Board remains committed to achieving financial recovery, including the repayment of any loans by the dates set out in the Financial Recovery Plan.

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

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

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

Date: 2005 Chief Executive

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

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

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

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

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

By Order of the Board

Signed:

Date:2005

Chairman:

Date:2005

Chief Executive:

Date:2005

Director of Finance:

STATEMENT ON INTERNAL CONTROL 2004/2005

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.

To ensure the effective management of risk in such a large Trust it is necessary to have clear lines of accountability/responsibility throughout the organisation. To assist me in the management of risk the following post holders have designated responsibilities.

- ♦ The Director of Corporate Management is responsible for ensuring that the Trust's overall duty for risk management is discharged appropriately and for ensuring that effective operational arrangements are in place.
- ♦ Executive Directors/General Managers/Directorate Managers are responsible for ensuring that risk is managed within their area of responsibility in accordance with Trust policies and procedures. They have a responsibility to identify, evaluate and manage operational risks and bring to the Board's attention emerging significant risks. Directorate Managers are ideally placed to pick up on these early warning indicators, which might identify where problems are developing; this information is then fed into Directorate and Service Group Risk Profiles.
- ♦ Specialist Central Functions including the Clinical Governance Department, Health, Safety and Environment Unit, Finance Directorate, Human Resources Directorate and others will assist Managers and myself by providing advice and support in their specialist areas.
- ♦ The Internal Audit Service work to provide annual assurance to myself and the Trust Board. They will evaluate the effectiveness of existing controls and risk management processes.

However, the most important aspect in the management of risk is the appreciation that everyone in the organisation has some responsibility for risk management and internal control in order to achieve their personal objectives and the Trust's overall aims and objectives.

In addition to the internal processes I have also communicated with the Welsh Assembly Government, South East Wales Regional Office and the appropriate Commissioners where there have been significant issues that present a risk to the Trust. These communications have either been as part of specific meetings arranged to discuss such issues or as part of the regular review meetings.

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

Leadership of the risk management process is provided by the Director of Corporate Management supported by his Executive Director colleagues and General Managers. To reflect the complexity of the organisation it is necessary to have a number of stages of risk management. During the year the Committee arrangements which support processes within the Trust have been significantly revised and there are now 9 Committees of the Trust Board. The Risk Management Committee has an overarching remit for considering risk and developing the Trusts Risk Profile. However, as it is the philosophy that risk management is integrated within the organisation each Committee will consider appropriate risk related issues.

To ensure that the Trust obtains the best possible advice it is policy that all advisors and support services staff are competent and appropriately qualified to perform their particular function. Each professional is also responsible for identifying ongoing development needs as part of the Continuing Professional Development/Individual Performance Review process.

A number of specialist training courses, mandatory training and development days take place throughout the year to ensure that staff are equipped to manage risk. This will be further strengthened in the coming year with the implementation of the Knowledge and Skills Framework.

The Trusts Mandatory Training Programme for updating staff of key legislative requirement/developments provides training for staff at agreed intervals. The release of staff to attend such sessions during the year has been a challenge to the Trust due to the competing demands that are placed on our staff. The Risk Management Committee has received regular reports regarding this issue and a project has been commissioned to review methods of delivery of such information to ensure that it is provided in ways that are accessible to staff.

4. THE RISK AND CONTROL FRAMEWORK

In the Statement of Internal Control for 2003/2004 it was reported that improvements were required to help ensure that the risk management processes in place within the Service Groups and Directorates were consistent, as well as ensuring that there were the appropriate linkages to the Trusts operational plans.

A considerable amount of activity has taken place throughout the year to improve these processes. The highlights were as follows:-

- The Trust Board agreed the top risks to the organisation in April 2004.
- These risks were reflected in the Trusts Operational Plan and actions were agreed to mitigate the risks.
- The Assurance Framework which provided assurance to the Board that these top risks were being managed was approved in September 2004.
- The Trust Board received regular updates advising of the progress during the year to mitigate the risks and any areas that were causing concern.
- In April 2005 the Trust Board received a report outlining the end of year position with respect to the top risks identified for 2004/2005.

This process has been further refined during the year and in February 2005 the revised Risk Management Policy and Strategic Framework was approved. This contained a specific procedure outlining the methodology for rating risks within the organisation and ensuring their communication to an appropriate level. The Corporate Risk Profile for 2005/2006 has utilised this process and it will continue to be developed and managed by the Risk Management Committee.

The Trust is further able to demonstrate that it has robust processes in place as part of the ongoing compliance with the Welsh Risk Management Standards. The Internal Audit function reviews the 5 core standards and there has been a substantial improvement on the scores when compared to the 2003/2004 assessment. Failure to achieve 75% for each of the 5 core standards suggests shortfalls in standards of internal control. The Internal Audit Scores for 2004/2005 are as follows:-

Risk Management Policy & Strategy	75%
Risk Assessment and Treatment	95.2%
Adverse Incident and Hazard Reporting	94%
Governance	94%
Financial Management	96%

The Welsh Risk Pool also review a further 17 of the 35 standards that apply to the Trust. This review was undertaken between the 22nd and 27th June 2005. The provisional score is 79%. The 2003/2004 score was 88%. Early indications are that the reduction is in line with other Trusts within Wales and is also due to the changes to the scoring methodology.

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 Directors 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 Management Committee and a plan to ensure continuous improvement of the system is in place.

The Trust Board Committee structures have been reviewed to improve the workings of the organisation. As previously stated each Committee has defined Terms of Reference which identify its aims and functions. Each of these Committees provides either minutes or a report to the Trust Board to advise of any key risks and developments which they should be aware. The Committees and functions that

have defined responsibility for risk and compliance have operated in the following way.

- ◆ The Audit Committee – The Audit Committee met on a quarterly basis. It received regular reports on compliance and risk management, reports from the Trust’s Internal Auditors and External Auditors. It reported its findings to the Trust Board.
- ◆ The Clinical Governance Committee provided the Trust Board with assurance relating to issues of a clinical nature.
- ◆ Trust Health and Safety Committee – the Trust has a statutory responsibility to consult with staff representatives on matters relating to health and safety. The membership of the Trust Health and Safety Committee is made up of accredited staff side health and safety representatives, managers of the Trust and various risk advisors. It met on a bi-monthly basis and was chaired during 2004/2005 by the Director of Corporate Management bringing Health and Safety, and Corporate Risk Management under one Director. During the year it has received a number of reports and policies relating to health, safety and welfare. In December 2004 a Time-Out was held which reviewed the working practices of the Committee and the outcomes are now being implemented, including the development of a Trust Health and Safety Strategy.
- ◆ Internal Audit provides an annual statement of assurance, which sets out an overall conclusion as to the adequacy of the systems of internal control operating within the organisation. The statement is based upon the work undertaken by Internal Audit as set out in the audit committee approved plan.

6. CONTINUED DEVELOPMENT OF RISK MANAGEMENT IN THE TRUST IN 2005/06

It has been possible to demonstrate that during the year risk management has been higher up the agenda of the organisation than in previous years. The Trust Board is now regularly provided with assurance and key decisions have been influenced. In 2005/2006 this momentum will be maintained to ensure that the operation of the Trust continues to be based on sound systems of internal control.

Signed Chief Executive
(On behalf of the Board)

Date:.....

**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.

Cardiff and Vale NHS Trust 2004/05 Audit Opinion

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 36 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 pages 37 and 38 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 39 to 42 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 or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Cardiff and Vale 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
4th August 2005

Wales Audit Office
2-4 Park Grove
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