

Ceredigion and Mid Wales NHS Trust

Foreword

These accounts for the year ended 31 March 2006 have been prepared by the Ceredigion and Mid Wales 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.

Ceredigion and Mid Wales NHS Trust is a combined Acute and Community Trust serving the people of Ceredigion, North Pembrokeshire, Powys and South Gwynedd. The Trust was established by Statutory Instrument of the Secretary of State for Wales and became operational on 1st April 1993.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2006

	Note	£000	2004-05 £000
Income from activities	3	49,322	45,664
Other operating income	4	3,836	2,756
Total income		53,158	48,420
Operating expenses	5	-52,880	-48,366
Operating surplus/(deficit)		278	54
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	-21	0
Surplus/(deficit) before interest		257	54
Interest receivable		134	122
Interest payable	9	-19	-22
Other finance costs	16	-3	-3
Surplus/(deficit) for the financial year		369	151
Public Dividend Capital dividends payable		-710	-667
Retained surplus/(deficit) for the year	17	-341	-516

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2006**

		2004-05
		£000
	Note	£000
Surplus/(deficit) for the financial year before dividend payments		151
Fixed asset impairment losses	17	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	1,637
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	145
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	-157
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		<u>0</u>
Total recognised gains and losses for the financial year		1,776
Prior period adjustment	17	<u>0</u>
Total gains and losses recognised in the financial year		<u>848</u>

BALANCE SHEET AS AT 31 MARCH 2006

			31 March	
			2005	
	Note	£000	£000	£000
Fixed assets				
Intangible assets	10	0		0
Tangible assets	11	25,815		24,011
			<u>25,815</u>	<u>24,011</u>
Current assets				
Stocks and work-in-progress	12	829		622
Debtors	13	2,979		3,398
Investments	14	0		0
Cash at bank and in hand	18.3	215		1,021
Total current assets			<u>4,023</u>	<u>5,041</u>
Creditors: amounts falling due within 1 year	15		<u>-3,482</u>	<u>-4,097</u>
Net current assets/(liabilities)			<u>541</u>	<u>944</u>
Total assets less current liabilities			<u>26,356</u>	<u>24,955</u>
Creditors: amounts falling due after more than one year	15		-2,762	-2,762
Provisions for liabilities and charges	16		<u>-1,766</u>	<u>-818</u>
Total assets employed			<u>21,828</u>	<u>21,375</u>
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		12,201	11,886
Revaluation reserve	17		11,500	11,033
Donated asset reserve	17		1,016	1,003
Government grant reserve	17		0	0
Other reserves	17		0	0
Income and expenditure reserve	17		<u>-2,889</u>	<u>-2,547</u>
Total taxpayer's equity			<u>21,828</u>	<u>21,375</u>

Signed on behalf of the Board on

Chairman

Chief Executive

Adopted by the Board on

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	£000	£000	2004-05 £000
Operating activities				
Net cash inflow from operating activities	18.1		1,599	1,274
Returns on investments and servicing of finance				
Interest received		135		117
Interest paid		-22		-25
Interest element of finance leases		0		0
			113	92
Net cash inflow/(outflow) from returns on investments and servicing of finance				
Capital expenditure				
Payments to acquire tangible fixed assets		-2,389		-767
Receipts from sale of tangible fixed assets		0		0
Payments to acquire/ receipts from sale of intangible assets		0		0
			-2,389	-767
Net cash inflow/(outflow) from capital expenditure				
Public dividend capital dividends paid			-444	-786
Management of liquid resources				
Purchase of current asset investments		0		0
Sale of investments		0		0
			0	0
Net cash inflow/(outflow) from management of liquid resources				
Net cash inflow/(outflow) before financing				
			-1,121	-187
Financing				
Public dividend capital received		483		0
Public dividend capital repaid (not previously accrued)		-168		-286
Public dividend capital repaid (accrued in previous period)		0		0
Government loans received: short term		1,000		1,000
Government loans repaid: short term		-1,000		-1,000
Loan advances/brokerage received		0		484
Loan advances/brokerage repaid		0		0
Other capital receipts		0		0
Capital element of finance leases		0		0
			315	198
Net cash inflow/(outflow) from financing				
Increase/(decrease) in cash	18.2		-806	11

Notes to the accounts

1. Accounting policies and other information

The National Assembly for Wales has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS trust manual for accounts which shall be agreed with HM Treasury. The accounting policies contained in the manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual to the extent that they are meaningful and appropriate to the NHS, as determined by the National Assembly for Wales as approved by HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. Standard accounting policies are laid down in the manual for accounts and the Draft Capital Accounting Manual, however may vary with approval of the Assembly. If a change in accounting policy is made it will be disclosed and accounted for in accordance with FRS18 and FRS3.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the trust is from commissioners in respect of healthcare services provided under Service and Financial Framework agreements. Income for patient care provided for other NHS bodies is recognised in accordance with the terms and conditions of the NHS contracts. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

i. Capitalisation

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

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

ii. Valuation

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

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

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

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

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

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

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

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

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

iii. Depreciation

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

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

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

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

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale. Useful asset lives are not included in the proforma accounts and should be included. Where there have been any significant changes to the useful economic life or residual values of assets, the reason and effect should be disclosed in the year of change. Where, under Financial Reporting Standard 11 a fixed asset impairment is charged to the Income and Expenditure account, offsetting income is paid by the Assembly via the Trust's main commissioner, to offset the charge. The income is used to repay Public Dividend Capital.

1.6 Cash Bank and Overdrafts

Cash, Bank and Overdrafts are recorded at current values and are only set-off where a formal agreement exists with the bank. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate."

1.7 Donated fixed assets

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

1.8 Government grants

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

1.9 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.

1.10 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 in operating a property and for access to the property itself .

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

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

1.11 Stocks and work-in-progress

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

1.12 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.

1.13 Provisions

The trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. In accordance with FRS 12 provisions are only recognised where the transfer of economic benefit is probable, and the amount can be reasonably estimated. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. 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.

1.14 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

- A possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the Trust's control;
- A present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or
- A present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the NHS Trust's control". Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable".

1.15 Losses and special payments

Losses and special payments are items that the National Assembly for Wales would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the income and expenditure account on an accruals basis. However, note 22 is compiled directly from the losses and compensations register which is compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the income and expenditure account on an accruals basis. However, note 22 is compiled directly from the losses and compensations register which is prepared on a cash basis.

The Trust accounts for all losses and special payments gross (including assistance from the Welsh Risk Pool). The Trust accrues or provides for the best estimate of its future payouts for certain or probable or liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

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

1.16 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 2005-06 was £3,638,000 (£3,177,000 for 2004-05).

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

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

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

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

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

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

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

1.17 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.

1.18 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.

1.19 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.

1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 27 to the accounts.

1.21 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.

1.22 Pooled budgets

The Trust has no pooled budgets.

2. Segmental reporting

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

3. Income from activities

	2004-05	
	£000	£000
Local health boards	45,749	41,519
Health Commission Wales	122	67
NHS trusts	198	801
Strategic health authorities and primary care trusts	103	117
Foundation Trusts	0	0
Local authorities	406	0
National Assembly for Wales	2,075	2,574
Non NHS:		
Private patient income	253	167
Overseas patients (non-reciprocal)	0	11
Road Traffic Act charges	341	155
Other income from activities	75	253
Total	49,322	45,664

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

4. Other operating income

	2004-05	
	£000	£000
Patient transport services	0	0
Education, training and research	949	921
Charitable and other contributions to expenditure	997	493
Transfer from the donated asset reserve	139	157
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	37	62
Other income:		
Provision of laundry, pathology, payroll services	0	0
Accommodation and catering charges	372	235
Mortuary fees	35	37
Staff payments for use of cars	44	30
Business unit (please state)	0	0
Other	1,263	821
Total	3,836	2,756
Other income of £1,263k includes the following sources:		
Services provided to other NHS bodies	743	0
Total	743	0

5. Operating expenses

5.1 Operating expenses comprise

	£000	2004-05 £000
Goods and services from other NHS bodies	1,561	1,478
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	0	0
Directors' costs	444	391
Staff costs	38,937	34,122
Supplies and services - clinical	5,972	5,618
Supplies and services - general	567	572
Establishment	1,682	1,211
Transport	81	92
Premises	1,879	2,941
Depreciation and amortisation	1,522	1,528
Fixed asset impairments and reversals	0	0
Audit fees	104	122
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	76	220
Other operating expenses	55	71
Total	52,880	48,366

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

	£000	2004-05 £000
Increase/decrease in provision for future payments:		
Clinical negligence	1,153	-238
Personal injury	-105	206
All other losses and special payments	26	17
Defence legal fees and other administrative costs	46	218
Gross increase/decrease in provision for future payments	1,120	203
Contribution to Welsh Risk Pool *	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	-3	-22
Less: income received/ due from Welsh Risk Pool	-1,041	39
Total charge	76	220

Personal injury includes £0.00 (2004-05 £162,000) in respect of permanent injury benefits

* Contribution to Welsh Risk Pool not payable directly by Trusts from 01.04.04

5.3 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2004-05 £000	£000	2004-05 £000
Operating leases which expire:				
Within 1 year	0	0	102	76
Between 1 and 5 years	0	0	143	155
After 5 years	0	0	0	0
Total	0	0	245	231

Operating expenses include £48,539 for operating lease rentals (2004-05 £43,000.00).
and £196,000 for hire of plant/machinery (2004-05 £198,000.00).

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2004-05 £000
Non-executive directors' remuneration	78	0	78	73
Executive directors' remuneration:				
basic salaries	237	100	337	330
benefits	6	0	6	6
performance related bonuses	0	0	0	0
pension contributions paid	29	0	29	28
Sub-total	350	100	450	437
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	350	100	450	437

No performance related bonuses were paid to any Director of the Trust during the financial year 2005-06.

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	2004-05 £000
Chairman				
Basic remuneration	40	0	40	34
Benefits	0	0	0	0
	<u>40</u>	<u>0</u>	<u>40</u>	<u>34</u>
Chief Executive				
Basic salaries	88	0	88	85
Benefits	5	0	5	5
Performance related bonuses	0	0	0	0
	<u>93</u>	<u>0</u>	<u>93</u>	<u>90</u>
Pension contributions	12	0	12	12
	<u>105</u>	<u>0</u>	<u>105</u>	<u>102</u>
Highest paid director*				
Basic salaries	33	100	133	132
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>33</u>	<u>100</u>	<u>133</u>	<u>132</u>
Pension contributions	0	0	0	0
Total	<u>33</u>	<u>100</u>	<u>133</u>	<u>132</u>

6. Employee costs and numbers

6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2004-05
	£000	£000	£000	£000	£000
Salaries and wages	32,626	0	501	33,127	29,132
Social security costs	2,524	0	0	2,524	2,118
Pension costs	3,638	0	0	3,638	3,177
Other pension costs	0	0	0	0	0
Total	38,788	0	501	39,289	34,427

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2004-05
	Number	Number	Number	Number	Number
Medical and dental	104	0	25	129	93
Ambulance staff	0	0	0	0	0
Administrative and estates	227	0	0	227	218
Healthcare assistants and other support staff	127	0	0	127	125
Nursing, midwifery and health visiting staff	481	0	1	482	478
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	164	0	3	167	155
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	1,103	0	29	1,132	1,069

6.3 Employee benefits

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

6.4 Trust management costs	2004-05		2004-05	
	£000	Percentage of total income	£000	Percentage of total income
Trust management costs	2,593	4.9%	2,396	4.9%
Income	53,158		48,420	

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 2005-06 (prior year 2004-05) there were 3 (1) 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 £5,160 (£22,797).

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	2004-05 £000
NHS			
Total bills paid 2005-06	1,019	2,919	2,902
Total bills paid within target	999	2,811	2,805
Percentage of bills paid within target	98.0%	96.3%	96.7%
Non-NHS			
Total bills paid 2005-06	23,681	14,466	12,477
Total bills paid within target	23,219	14,313	12,191
Percentage of bills paid within target	98.0%	98.9%	97.7%
Total			
Total bills paid 2005-06	24,700	17,385	15,379
Total bills paid within target	24,218	17,124	14,996
Percentage of bills paid within target	98.0%	98.5%	97.5%

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

	2004-05	
	£	£
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	2004-05 £000
Profit on disposal of land and buildings	0	0
Loss on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	-21	0
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
	<u>-21</u>	<u>0</u>

9. Interest payable

	£000	2004-05 £000
Government borrowing	19	22
Finance leases and PFI schemes	0	0
Other	0	0
	<u>19</u>	<u>22</u>

10. Intangible fixed assets

The Trust has no intangible fixed assets.

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Buildings, excluding Land		Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000							
At 1 April 2005	2,424	20,516	1,973	184	7,449	206	1,214	0	33,966
Indexation	113	354	34	3	158	4	0	0	666
Additions									
- purchased	51	204	0	1,869	369	37	182	16	2,728
- donated	0	0	0	0	130	0	4	0	134
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	67	0	-67	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	0	0	-7	0	0	0	-7
Disposals	0	0	0	0	-1,101	-93	-285	0	-1,479
At 31 March 2006	2,588	21,141	2,007	1,989	6,998	154	1,115	16	36,008
Depreciation									
At 1 April 2005	0	3,874	130	0	4,780	188	983	0	9,955
Indexation									
- purchased	0	57	2	0	68	4	0	0	131
- donated	0	10	0	0	33	0	0	0	43
- government granted	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	-1,079	-93	-286	0	-1,458
Provided during the year	0	802	48	0	577	9	84	2	1,522
At 31 March 2006	0	4,743	180	0	4,379	108	781	2	10,193
Net book value at 1 April 2005	2,424	16,642	1,843	184	2,669	18	231	0	24,011
Net book value at 31 March 2006	2,588	16,398	1,827	1,989	2,619	46	334	14	25,815
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0

Of the totals at 31 March 2006, £0.00 related to land valued at open market value and £0.00 related to buildings, installations and fittings valued at open market value.

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

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

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

11.3 The net book value of land and buildings at the balance sheet date comprise:	31 March	
	2005	
	£000	£000
Freehold	20,813	20,909
Long leasehold	0	0
Short leasehold	0	0
Total	20,813	20,909

12. Stocks and work-in-progress	31 March	
	2005	
	£000	£000
Raw materials and consumables	829	622
Work-in-progress	0	0
Finished processed goods	0	0
Total	829	622

13. Debtors	31 March	
	2005	
	£000	£000
Amounts falling due within one year:		
Welsh Risk Pool	1,549	595
NHS debtors	577	1,976
PDC dividend debtors	0	178
Other debtors	561	425
Provision for irrecoverable debts	-24	-8
Other prepayments and accrued income	316	232
Sub-total	2,979	3,398
Amounts falling due after more than one year:		
Welsh Risk Pool	0	0
NHS debtors	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub-total	0	0
Total	2,979	3,398

14. Investments

	31 March 2005	
	£000	£000
Government securities	0	0
Local authorities	0	0
Other	0	0
Total	0	0

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

	31 March 2005	
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	0	0
NHS creditors	267	303
Non-NHS trade creditors - revenue	280	1,509
Non-NHS trade creditors - capital	450	111
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	534	477
PDC dividend payable	88	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
Other creditors - superannuation	456	403
Other creditors - all other creditors	1,208	1,294
Accruals	199	0
Deferred income	0	0
Sub-total	3,482	4,097
Amounts falling due after more than one year:		
Loan advance/brokerage	2,762	2,762
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	0	0
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	0	0
Sub-total	2,762	2,762
Total	6,244	6,859

NHS creditors include:

15.2 Loan advance/strategic assistance funding

31 March

2005

Amounts falling due:	£000	£000
In one year or less	0	0
Between one and two years	0	0
Between two and five years	2,762	2,762
In five years or more	0	0
Sub-total	<u>2,762</u>	<u>2,762</u>
Wholly repayable within five years	2,762	2,762
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Sub-total	<u>2,762</u>	<u>2,762</u>
Total repayable after five years by instalments	0	0

Details of loan/brokerage:

Note 15.2 identifies the brought forward loan finance from previous years. The three Trusts and three Local Health Boards (Ceredigion, Carmarthen and Pembrokeshire) have agreed with the Mid and West Wales Regional Office a three category plan approach for the repayment of outstanding loans prior to 2006/07 (for Ceredigion & Mid Wales NHS Trust the total is £2,762,000). Note 24.1 refers to the detail.

15.3 Finance lease obligations

31 March

2005

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

15.4 Finance lease commitments

The Trust has no finance leases.

16. Provisions for liabilities and charges

	At 1 April 2005 £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 2006 £000
Clinical negligence	350	0	0	1,487	-334	-45	0	1,458
Personal injury	419	0	0	71	-176	-70	3	247
All other losses and special payments	0	0	0	26	0	-26	0	0
Defence legal fees and other administration	29	0	0	56	-10	-28		47
Sub-total	798	0	0	1,640	-520	-169	3	1,752
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	20			0	0	-6	0	14
Restructurings	0			0	0	0		0
Other	0			0	0	0		0
Total	818	0	0	1,640	-520	-175	3	1,766

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	1,458	0	0	1,458
Personal injury	247	0	0	247
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	38	9	0	47
Pensions - former directors	0	0	0	0
Pensions - other staff	4	10	0	14
Restructuring	0	0	0	0
Other	0	0	0	0
Total	1,747	19	0	1,766

£39,300.00 of the provision movement relates to the change in discount rate from 3.5% to 2.2% on the 1 April 2005.

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 2005 as previously stated	11,033	1,003	0	0	-2,547	9,489
Prior period adjustment					-1	-1
At 1 April 2005 as restated	11,033	1,003	0	0	-2,548	9,488
Transfer from income and expenditure account					-341	-341
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	467	18	0			485
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		134	0			134
Depreciation, impairment and disposal of donated/government granted assets		-139	0			-139
Other transfers between reserves	0	0	0	0	0	0
Other reserve movements				0		0
At 31 March 2006	11,500	1,016	0	0	-2,889	9,627

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2004-05 £000
Total operating surplus/(deficit)	278	54
Depreciation charge	1,522	1,528
Fixed asset impairment and reversals	0	0
Transfer from the donated asset reserve	-139	-157
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	-207	54
(Increase)/decrease in debtors	239	-66
Increase/(decrease) in creditors	-1,042	605
Increase/(decrease) in provisions	948	-744
Net cash inflow from operating activities before restructuring costs	1,599	1,274
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	1,599	1,274

18.2 Reconciliation of net cash flow to movement in net debt	£000	2004-05 £000
Increase/(decrease) in cash in the period	-806	11
Cash inflow from new debt	-1,000	-1,000
Cash inflow from loan advance/brokerage	0	-484
Cash outflow from debt repaid and finance lease capital payments	1,000	1,000
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	-806	-473
Non-cash changes in debt	0	0
Net debt at 1 April	-1,741	-1,268
Net debt at 31 March	-2,547	-1,741

18.3 Analysis of changes in net debt

	At 1 April 2005 £000	Cash flows £000	Non-cash changes £000	At 31 March 2006 £000
Cash at OPG bank	567	-493		74
Cash at commercial bank and in hand	454	-313		141
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	-2,762	0	0	-2,762
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	-1,741	-806	0	-2,547

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £299,000.00. (There were no capital commitments at the end of 2004/2005)

20. Post balance sheet events

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

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2005-06 accounts for the following amounts:	£000	31 March 2005 £000
Legal claims for alleged medical or employer negligence	593	3,593
Doubtful debts	0	0
Other	39	0
Total value of disputed claims	632	3,593
Amount recovered under insurance arrangements in the event of these claims being successful	-168	-3,318
Net contingent liability	464	275

'Other' contingent liabilities of £39,000 is in respect of staff appeals on Agenda for Change original banding assimilation.

22. Losses and special payments

Losses and special payments are items that the National Assembly for Wales would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the income and expenditure account in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made.

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	5	45,200	5	45,200
Personal injury	3	70,575	3	85,575
All other losses and special payments	123	25,810	121	25,810
Total	131	141,585	129	156,585

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

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
01RKUMN007	0	1,258,202	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
	0	0	0
Sub-total	0	1,258,202	0
All other cases	141,585	226,321	156,585
Total cases	141,585	1,484,523	156,585

23.1 Movements in Government funds

2004-05

	£000	£000
Surplus/(deficit) for the financial year	369	151
Public dividend capital dividends	-710	-667
Subtotal	-341	-516
Gains/(losses) from revaluation/indexation of purchased fixed assets	467	1,589
Impairment of fixed assets	0	0
New public dividend capital	483	0
Public dividend capital repaid	-168	-286
Public dividend capital repayable	0	0
New loans from Government	1,000	1,484
Government loans repaid	-1,000	-1,000
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	441	1,271
Opening Government funds at 1 April	23,134	21,863
Before deducting prior period adjustment of	-1	0
Closing Government funds	23,574	23,134

23.2 Movements in public dividend capital

2004-05

	£000	£000
At 1 April 2005	11,886	12,172
New PDC issued in year	483	0
PDC due but not issued	0	0
PDC repaid in year	-168	-286
PDC repayable	0	0
At 31 March 2006	12,201	11,886

24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained deficit	0
Actual retained deficit	341
Variance	-341

The Trust has not broken even in 2005-06.

The Trust agreed a Strategic Change and Efficiency Plan (SCEP1) with the Assembly in 2003/04, so that it would achieve financial balance in 2005/06 with the loans advanced to support the SCEP required to be repaid by 31/03/09. When SCEP1 was produced a number of major initiatives were in development (e.g. Agenda for Change, Consultant Contract and General Medical Services) and had not been introduced. These have had a significant detrimental impact on the delivery of SCEP1. The Trust identified at Month 06 (September) a total deficit of £1,399,000. This deficit was transferred in its entirety to the Ceredigion LHB in October 2005. At the time the Trust was experiencing significant increases in energy costs and had identified an increase in Agenda for Change costs, the total of these two issues was £360,000. Against this position the Trust is reporting a £341,000 deficit at the end of 2005/06.

The Trust has been working with the health community to develop a revised SCEP that will address the total health community deficit (including the £341,000 and £1,399,000) and provide repayment of loans by 2011/12. Therefore in discussions with Ceredigion LHB the Trust, as part of the Ceredigion Health Community has presented a Strategic Change and Efficiency Plan to the Mid and West Wales Regional Office identifying **recurrent** plans to address the deficit. Ceredigion LHB has yet to commence a public consultation process on schemes therefore the Ceredigion Health Community will need to address a £500,000 **non-recurrent issue** in 2006/07.

The **recurrent** SCEP has been agreed in principle by the Mid and West Wales Regional Office however, due to the non-recurrent shortfall in 2006/07 and the requirement to finalise the plans for repayment of existing loans across Dyfed the Trust has technically not achieved its break-even duty for 2005/06 and not secured a revised break-even deficit target of £341,000 for 2005/06 from the Welsh Assembly Government.

The Trust is fully committed to the achievement of sustainable financial recovery and recognises that service modernisation will be the key principal underpinning all SCEP schemes included with the Ceredigion Health Community. To this end the Trust and its Dyfed wide community partners have agreed with the Mid and West Wales Regional Office three category approach to the delivery of the SCEP and repayment of loans.

Category 1: Operational schemes across the 3 Trusts and 3 LHBs (Ceredigion, Carmarthen and Pembrokeshire) that do not require either organisational change or public consultation.

Category 2: Tactical schemes that are dependant upon the creation of a single Trust and a single commissioning function.

Category 3: Strategic schemes that involve service reconfiguration requiring public consultation.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	£000	£000	2005 £000
External financing limit set by the Assembly		1,136	198
Cash flow financing	1,121		187
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		1,121	187
Undershoot (overshoot)		15	11

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 2005-06	23,681
Total number of non-NHS bills paid within target	23,219
Percentage of non-NHS bills paid within target	98.0%

The Trust has met the target.

25. Related Party transactions

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

During the year none of the board members or members of the key management staff or parties related to them has undertaken any material transactions with the Trust

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

	INCOME RECEIVED/DUE £'000	
	2005-06	2004-05
Welsh Assembly Government	1,423	1,814
Health Commission Wales	133	51
Bro Morgannwg NHS Trust	335	452
Cardiff & Vale NHS Trust	0	0
Carmarthenshire NHS Trust	6	9
Ceredigion & Mid Wales NHS Trust	0	0
Conwy & Denbighshire NHS Trust	0	0
Gwent Healthcare NHS Trust	0	0
North East Wales NHS Trust	0	0
North Glamorgan NHS Trust	0	0
North West Wales NHS Trust	0	0
Pembrokeshire & Derwen NHS Trust	351	368
Pontypridd & Rhondda NHS Trust	0	0
Powys Healthcare NHS Trust	718	629
Swansea NHS Trust	35	28
Velindre NHS Trust	231	254
University of Wales College of Medicine LHB's/BSC	28 41,285	0 40,753
TOTAL	<u>44,545</u>	<u>44,358</u>

26. Other/ Private finance transactions

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

27. Third party assets

The Trust held £34.13 cash at bank and in hand at 31 March 2006 (31 March 2005: £119.13) which relates to monies held by the Trust on behalf of patients.

28. 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.

29. Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
National Assembly for Wales	95	0	88	2762
Welsh Local Health Boards	388	0	81	0
Welsh NHS Trusts	1625	6	159	0
Health Commission Wales	19	0	0	0
All English Health Bodies	54	0	9	0
All N. Ireland Health Bodies	0	0	0	0
All Scottish Health Bodies	0	0	0	0
Miscellaneous	5	0	473	0
Credit note provision	-60	0	0	0
Sub total	<u>2,126</u>	<u>6</u>	<u>810</u>	<u>2,762</u>
Other Central Government Bodies				
Other Government Departments*	0	0	0	0
Revenue & Customs	113	0	534	0
Local Authorities	21	0	0	0
Balances with Public Corporations and trading func	0	0	0	0
Balances with bodies external to Government	713	0	2138	0
TOTAL	<u><u>2,973</u></u>	<u><u>6</u></u>	<u><u>3,482</u></u>	<u><u>2,762</u></u>

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

Please specify:

30. Pooled budgets

The Trust has no pooled budgets.

**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: 2006 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:2006

Chairman:

Date:2006

Chief Executive:

Date:2006

Director of Finance:

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

The overall Trust performance over the past 4 years has demonstrated continuous improvement in systems and processes underpinning the management of risk. These improvements have been validated by internal and external audits

The Trust continues to maintain a detailed risk assessment resulting in prioritised risk registers being proactively managed at Corporate and Directorate level. The risk registers are utilised to prioritise management action, discretionary capital investment and revenue allocations. The performance management of improvements against the identified risks has been built into the audit processes of the Trust Board sub-committee structures, regular Directorate Business meetings and is discussed on a quarterly basis with the Mid & West Wales Regional Office of the Welsh Assembly Government.

The framework distinguishes between the performance management roles of the Audit Committee and the clinical governance / risk management structures to ensure all Business and Clinical risks are minimised.

The adoption of the Balanced Scorecard as the tool for organisational and individual performance management ensures compliance with the principles outlined in the Accountable Officer Memorandum.

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 priorities 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 2006 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Director of Nursing is the Executive Lead for risk management within the Trust. He chairs the Risk Management Committee which reports directly to the Clinical Governance Committee of the Board.

Clinical Directors are accountable for risk within the Directorate structures and each Directorate has its own detailed risk register against which performance improvement is managed through the committee structures.

The Chief Executive Officer is a member of the Risk Management Committee and provides sponsorship at the highest level to the management of risk. Action planning and performance management are key to the need to learn from both positive and negative risk management issues and this is shared corporately through the committee structures.

Management accountabilities for action (at all levels) are identified within the risk registers as appropriate and via the identified corporate leads for each WRP Standard.

4. The risk and control framework

The system of internal control is based on an ongoing risk management process designed to identify the principal risks to the achievement of the organisation's objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The system of internal control is underpinned by compliance with the requirements of the Welsh Risk Management Standards and within these Standards, those deemed to be a core to the management of risk within NHS organisations:

- * Risk Management Policy and Strategy - Score 75%
- * Risk Profile - Score 89%
- * Adverse Incident and Hazard Reporting - Score 96%
- * Governance - Score 94%
- * Financial Management - Score 97%

Compliance in excess of 75% against the 5 core standards is essential to provide reassurance regarding systems of internal control. The above ratings exceed this minimum requirement.

In terms of the broader Welsh Risk Pool standards compliance, despite significant changes to the content of many of the standards and a shift in the rating methodology to place greater emphasis on staff interviews in the overall scoring, the fact that all standards exceeded the minimum requirements provides further reassurance on the risk and control framework.

5. Review of effectiveness

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

I am satisfied that the organisation has had in place a sound system of internal control during 2005/06 which is ongoing. This is evidenced by the performance against the Welsh Risk Pool Standards in 2005/06 with all audited standards exceeding the baseline requirements.

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

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 2 to 34 under Section 61 of the Public Audit (Wales) Act 2004. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 to 11.

Respective responsibilities of Directors, the Chief Executive and Auditor.

As described on page 2 the Directors and the Chief Executive are responsible for the preparation of the financial statements in accordance with Section 98(2) of the National Health Service Act 1977 and 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 3 and 4 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 judgments 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 fraud or other irregularity or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements that part of the remuneration report to be audited.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Ceredigion and Mid Wales NHS Trust as at 31 March 2006 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;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by 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.

Jeremy Colman
Auditor General for Wales
29 June 2006

Wales Audit Office
Deri House
2-4 Park Grove, Cardiff

**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 in Wales.

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.

TRUST MEMORANDUM STATEMENT

	Creditors (Due to)		Debtors (Due from)	
	Total £000	Of which over 12 months £000	Total £000	Of which over 12 months £000
Balance with WAG & HCW				
National Assembly	88	0	95	0
Health Commission Wales	0	0	19	0
TOTAL	88	0	114	0
Balances with Welsh local health boards				
Anglesey	0	0	0	0
Blaenau Gwent	0	0	0	0
Bridgend	0	0	0	0
Caerphilly	0	0	0	0
Cardiff	0	0	0	0
Carmarthenshire	0	0	4	0
Ceredigion	81	0	219	0
Conwy	0	0	0	0
Denbighshire	0	0	0	0
Flintshire	0	0	0	0
Gwynedd	0	0	27	0
Merthyr	0	0	0	0
Monmouthshire	0	0	0	0
Neath Port Talbot	0	0	1	0
Newport	0	0	0	0
Pembrokeshire	0	0	13	0
Powys				
Commissioning	0	0	119	0
Providing	0	0	0	0
BSC Mid & West Wales	0	0	0	0
BSC North Wales	0	0	0	0
BSC South East Wales	0	0	6	0
CHC	0	0	0	0
Rhondda Cynon Taff	0	0	0	0
Swansea	0	0	1	0
Torfaen	0	0	0	0
Vale of Glamorgan	0	0	0	0
Wrexham	0	0	0	0
Adjustment for roundings	0	0	(2)	0
TOTAL	81	0	388	0

NOTE: ONLY COMPLETE FOR BALANCES > £1K Total

ANALYSIS OF EXPENDITURE BY TYPE

(A) REVENUE - PAY EXPENDITURE	£000
Executive board members and senior managers	1,450
Medical staff	
Consultants	5,329
Other career grades	1,872
All registrars and senior registrars	0
SHO s and HO s	3,653
Other medical hospital grades	0
Total medical staff (including locums)	<u>10,854</u>
Dental staff	
Consultants	0
Other career grades	152
All registrars and senior registrars	0
SDHO s and DHO s	0
Other dental hospital grades	0
Total dental staff (including locums)	<u>152</u>
Nursing, midwifery and health visiting staff	
Nurse consultants	52
Nurse managers	77
Qualified	11,967
Unqualified	2,521
Total nursing, midwifery and health visiting staff	<u>14,617</u>
Scientific, therapeutic & technical staff	
Professions allied to medicine (excl. speech therapists)	2,168
Scientific and professional staff (incl. speech therapists)	820
Professional and technical	2,002
Other scientific, therapeutic & technical staff	94
Total scientific, therapeutic & technical staff	<u>5,084</u>
Administrative and clerical	3,195
Health care assistants & other support staff (incl. ancillary)	1,912
Maintenance & works staff	587
Ambulance staff	71
Other employees	867
TOTAL NHS STAFF SALARIES AND WAGES	<u>38,789</u>
Non NHS staff (agency etc)	
Medical	375
Dental	0
Nursing, midwifery and health visiting staff	37
Scientific, therapeutic & technical staff	41
Administrative and clerical	3
Health care assistants & other support staff (incl. ancillary)	0
Maintenance & works staff	0
Ambulance staff	0
Other employees	44
TOTAL NON NHS STAFF SALARIES AND WAGES	<u>500</u>
Chairman's and non-executive members' remuneration	92
TOTAL REVENUE EXPENDITURE ON SALARIES AND WAGES	<u>39,381</u>

	£000
(B) REVENUE - NON-PAY EXPENDITURE	
Clinical supplies and services	
Drugs	1,890
Dressings	78
Medical & surgical equipment - purchase	2,868
Medical & surgical equipment - maintenance	119
X - ray equipment - purchase	3
X - ray film & chemicals - purchase	9
X - ray equipment - maintenance	205
Appliances	326
Laboratory equipment - purchase	402
Laboratory equipment - maintenance	59
Other clinical supplies	13
Total clinical supplies	<u>5,972</u>
General supplies and services	
Provisions & kitchen	436
Contract & hotel services (incl. cleaning & catering)	6
Uniforms & clothing	39
Laundry & cleaning equipment	59
Bedding & linen	23
Other general supplies and services	4
Total general supplies and services	<u>567</u>
Establishment expenditure	
Printing & stationery	210
Postage	81
Telephones	336
Advertising	62
Travel, subsistence & removal expenses	682
Other transport costs (includes transport & moveable plant)	81
Other establishment expenditure	310
Total establishment expenditure	<u>1,762</u>
Premises and fixed plant	
Electricity	263
Gas	21
Other fuels (including oil & coal)	280
Water & sewerage	88
External general services contracts	111
Furniture, office & computer equipment	476
Computer hardware maintenance contracts & data processing contracts	263
Business rates	57
Rent	89
Building & engineering equipment	112
Building & engineering contracts	0
Total premises and fixed plant	<u>1,879</u>
Depreciation	
Depreciation on owned assets (capital charges)	1,382
Depreciation on donated assets	140
Total depreciation	<u>1,522</u>
Sub-total non-pay revenue expenditure	<u><u>11,702</u></u>

(B) REVENUE - NON-PAY EXPENDITURE (cont.)

Sub-total brought forward	<u>11,702</u>
Fixed asset impairments and reversals	0
Total purchase of healthcare from non-NHS bodies	0
Total external consultancy staffing and consultancy	0
Miscellaneous expenditure	
Auditors remuneration	104
Other miscellaneous	132
Total miscellaneous	<u>236</u>
TOTAL NON-PAY REVENUE EXPENDITURE	<u>11,938</u>

(C) SUMMARY**£000**

TOTAL salaries and wages	39,381
TOTAL non-pay revenue expenditure	11,938
Sub-total	51,319
Services from other NHS bodies (not recharges) non-healthcare	1,561
Services from other NHS bodies (not recharges) subcon'd healthcare	0
Services from foundation Trusts	<u>0</u>
TOTAL REVENUE EXPENDITURE	<u>52,880</u>

Ceredigion and Mid Wales NHS Trust annual accounts 2005-06

Reconciliation to annual accounts

<u>Note 5 Operating expenses:</u>	<u>TFR3:</u>	<u>Difference</u>
Directors' costs	444	
Staff costs	38937	
	39381	
	Total salaries & wages	39,381
		0
Supp. & serv.clin	5972	
	Total clin supp.	5,972
		0
Supp. & serv.gen	567	
	Total gen serv.	567
		0
Establishment	1682	
Transport	80	
	1762	
	Est.& transport	1,762
		0
Premises	1879	
	Prem & plant	1,879
		0
Depreciation	1522	
	Total Deprec.	1,522
		0
Impairments & reversals	0	
	Impairments & reversals	0
		0
Audit fees	104	
Other Miscellaneous	132	
	Auditors	104
	Other misc	132
		0
	236	
		0
Services from other NHS bodies	1561	
		1561
Total	52880	
	Total	52,880
		0

LOSSES AND SPECIAL PAYMENTS FINANCIAL RETURN

CASES EXCEEDING HEALTH BODY'S DELEGATED LIMITS

PART 3a :

Analysis of losses and special payments cases managed outside health body's delegated limit for which Welsh Assembly Government approval for case write-off was necessary and has been obtained in the financial year.

Case Reference	Type of loss or payment (items 1(a) to 12(c))	Date of Approval to Offer Settlement	Limit of the amount of settlement to be offered £	Date of Approval to Write-off Case	Total Amount Approved £	Case Status
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TOTAL APPROVED CASES

0

0

PART 3b:

Analysis of losses and special payments cases managed outside health body's delegated limit for which Welsh Assembly Government approval for case write-off is necessary and is either awaited or has been obtained in the financial year.

Case Reference	Type of loss or payment (items 1(a) to 12(c))	Date of Claim	Actual /Estimated Case Settlement Date	Amount paid out in financial year £	Amount paid to date £	Case Status
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TOTAL UNAPPROVED CASES

0 0

LOSSES AND SPECIAL PAYMENTS FINANCIAL RETURN**FR5**

	Number of cases Number	Excess met by Health Body £	Settlement from Risk Pool £	Total £
d: Analysis of total losses and special payments provisions				
(i). Total loss or special payment provisions				
At 1st April 2005				531,959
Structured settlement cases transferred to the Welsh Risk Pool				0
Transfer of provisions to creditors				0
Arising during the year				1,569,600
Utilised during the year				-141,585
Reversed unused				-513,145
Unwinding of discount				3,000
At 31st March 2006				1,449,829
(ii) Total defence costs provisions				
At 1st April 2005				23,935
Structured settlement cases transferred to the Welsh Risk Pool				0
Transfer of provisions to creditors				0
Arising during the year				56020
Utilised during the year				-27570
Reversed unused				-10026
Unwinding of discount				0
At 31st March 2006				42,359
(iii) Total losses and special payment provisions				
At 1st April 2005	22	57,435	498,459	555,894
Structured settlement cases transferred to the Welsh Risk Pool	0	0	0	0
Transfer of provisions to creditors	0	0	0	0
Arising during the year	131	112,545	1,513,075	1,625,620
Utilised during the year (a)	-129	-100,675	-68,480	-169,155
Reversed unused (b)	-5	-8,446	-514,725	-523,171
Unwinding of discount		3,000	0	3,000
At 31st March 2006	19	63,859	1,428,329	1,492,188
Expected timing of cash flows				
Within 1 year		54,859	1,428,329	1,483,188
Between 1 and 5 years		9,000	0	9,000
After 5 years		0	0	0

(a) Number of cases column only includes cases that were utilised and closed during the financial year.

(b) Number of cases column only includes cases that were cancelled during the financial year.

