

# Cardiff and Vale NHS Trust

## Foreword

These accounts for the year ended 31 March 2008 have been prepared by the Cardiff and Vale NHS Trust under schedule 9 section 178 Para 3 (1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers, with the approval of the 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 2008

	Note	£000	2006-07 £000
<b>Income from activities</b>	3	<b>535,866</b>	509,480
<b>Other operating income</b>	4	<b>104,033</b>	100,712
<b>Total income</b>		<b>639,899</b>	610,192
<b>Operating expenses</b>	5	<b>(628,026)</b>	(600,020)
<b>Operating surplus/(deficit)</b>		<b>11,873</b>	10,172
Costs of fundamental reorganisation/restructuring		<b>0</b>	0
Profit/(loss) on disposal of fixed assets	8	<b>(129)</b>	(44)
<b>Surplus/(deficit) before interest</b>		<b>11,744</b>	10,128
Interest receivable		<b>2,151</b>	1,783
Interest payable	9	<b>(302)</b>	(301)
Other finance costs	16	<b>(102)</b>	(102)
<b>Surplus/(deficit) for the financial year</b>		<b>13,491</b>	11,508
Public Dividend Capital dividends payable		<b>(13,445)</b>	(11,431)
<b>Retained surplus/(deficit) for the year</b>	17	<b>46</b>	77

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2008**

		2006-07
	£000	£000
	Note	
Surplus/(deficit) for the financial year before dividend payments		11,508
Fixed asset impairment losses	17	(83)
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	15,415
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	139
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(609)
Additions/(reductions) in "other reserves"	17	0
Defined benefit scheme actuarial gains & losses		0
		<u>0</u>
Total recognised gains and losses for the financial year		26,370
Prior period adjustment	17	0
		<u>0</u>
<b>Total gains and losses recognised in the financial year</b>		<b><u>79,204</u></b>
		<b><u>26,370</u></b>

**BALANCE SHEET AS AT 31 MARCH 2008**

	Note	£000	£000	31 March 2007 £000
<b>Fixed assets</b>				
Intangible assets	10	582		686
Tangible assets	11	480,767		402,877
Investment assets	11.4	0		0
			<b>481,349</b>	403,563
<b>Current assets</b>				
Stocks and work-in-progress	12	8,886		7,644
Debtors	13	50,117		49,634
Investments	14	16,900		19,385
Cash at bank and in hand	18.3	3,348		3,348
<b>Total current assets</b>			<b>79,251</b>	80,011
Creditors: amounts falling due within 1 year	15		<b>(75,766)</b>	(63,330)
<b>Net current assets/(liabilities)</b>			<b>3,485</b>	16,681
<b>Total assets less current liabilities</b>			<b>484,834</b>	420,244
Creditors: amounts falling due after more than one year	15		<b>(1,463)</b>	(1,745)
Provisions for liabilities and charges	16		<b>(31,645)</b>	(41,887)
<b>Total assets employed</b>			<b>451,726</b>	376,612
<b>Financed by:</b>				
<b>Taxpayer's equity</b>				
Public dividend capital	23.2		<b>254,172</b>	244,817
Revaluation reserve	17		<b>186,761</b>	121,437
Donated asset reserve	17		<b>8,050</b>	8,140
Government grant reserve	17		<b>0</b>	10
Other reserves	17		<b>0</b>	0
Income and expenditure reserve	17		<b>2,743</b>	2,208
<b>Total taxpayer's equity</b>			<b>451,726</b>	376,612

The above debtors balance contains £11.959m which is likely to be settled after one year.

Signed on behalf of the Board on .....

Chairman .....

Chief Executive .....

Adopted by the Board on .....

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008**

	Note	£000	£000	2006-07 £000
<b>Operating activities</b>				
Net cash inflow from operating activities	18.1		<b>21,891</b>	36,024
<b>Returns on investments and servicing of finance</b>				
Interest received		<b>2,152</b>		1,789
Interest paid		<b>0</b>		0
Interest element of finance leases		<b>(307)</b>		(296)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>			<b>1,845</b>	1,493
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		<b>(27,966)</b>		(24,666)
Receipts from sale of tangible fixed assets		<b>86</b>		0
Payments to acquire/ receipts from sale of intangible assets		<b>(171)</b>		(114)
Payments to acquire/ receipts from sale of fixed asset investments		<b>0</b>		0
<b>Net cash inflow/(outflow) from capital expenditure</b>			<b>(28,051)</b>	(24,780)
Public dividend capital dividends paid			<b>(11,283)</b>	(11,388)
<b>Management of liquid resources</b>				
Purchase of current asset investments		<b>(494,445)</b>		(352,875)
Sale of investments		<b>496,920</b>		346,830
<b>Net cash inflow/(outflow) from management of liquid resources</b>			<b>2,475</b>	(6,045)
<b>Net cash inflow/(outflow) before financing</b>			<b>(13,123)</b>	(4,696)
<b>Financing</b>				
Public dividend capital received		<b>12,571</b>		5,439
Public dividend capital repaid (not previously accrued)		<b>(221)</b>		(692)
Public dividend capital repaid (accrued in previous period)		<b>0</b>		(1,041)
Government loans received: short term		<b>0</b>		0
Government loans repaid: short term		<b>0</b>		0
Loan advances/brokerage received		<b>0</b>		0
Loan advances/brokerage repaid		<b>0</b>		0
Other capital receipts		<b>802</b>		1,018
Capital element of finance leases		<b>(29)</b>		(28)
<b>Net cash inflow/(outflow) from financing</b>			<b>13,123</b>	4,696
<b>Increase/(decrease) in cash</b>	18.2		<b>0</b>	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 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 Capital Accounting Manual. 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 non NHS 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 £5,000 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. 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.

Valuations are carried out by the District Valuers of the Inland Revenue at five-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 National Assembly for Wales and HM Treasury. The last asset valuations were carried out as at 1 April 2007 and are reflected in the 2007-08 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.

Adjustments arising from the five-yearly revaluations are in the first instance taken to the relevant Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses where there is a credit balance for that impaired asset in the revaluation reserve, otherwise ordinarily they will be charged to the income and expenditure statement. Falls in value when newly constructed assets are brought into use are always charged to the revaluation reserve even where there is no credit balance. 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 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 Trust's 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 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 Fixed Asset Investments**

Fixed asset investments should be disclosed where the Trust has a participating interest held for the long-term, with a view to exercising control. Each category of investment should be separately disclosed

### **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 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.

### **1.10 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.

### **1.11 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 and the guidance Land and Buildings in PFI schemes version 2. 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.

### **1.12 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 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.

### **1.13 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.

### **1.14 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.

### **1.15 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 inflow of economic benefit is considered to be probable.

### **1.16 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 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 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.

### **1.17 Pension costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore the scheme is accounted for as a defined contribution scheme: the cost to the NHS body participating in the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2007-08 was £42,183,382, (£38,960,940 for 2006-07).

The Scheme is subject to a full actuarial investigation every four years. The main purpose of which is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such investigation, on the conclusions of which scheme contribution rates are currently based, had an effective date of valuation on this basis took place as at 31 March 2004 and covered the period from 1 April 1999 to that date. Between the full actuarial valuations, the Government Actuary provides an annual update of the scheme liabilities for FRS 17 purposes. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 2004 investigation was that the scheme had accumulated a notional deficit of £3.3 billion against notional assets as at 31 March 2004. This is after making some allowance for the one-off effective of pay modernisation, but before taking into account any of the scheme changes which come into effect on 1 April 2008. Taking into account the changes in the benefit and contribution structure effective from 1 April 2008, employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008 employees paid contributions of 6% (manual staff 5%) of their pensionable pay. From 1 April 2008, employees will pay contributions according to a tiered scale from 5% up to 8.5% 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 years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirement 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.

#### **1.18 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.](#)

#### **1.19 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.

#### **1.20 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.

#### **1.21 Third party assets**

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

**1.22 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.

**1.23 EU Emission Trading Scheme**

EU emission trading scheme allowances are accounted for as Government granted current asset investments, valued at open market value. As the NHS body makes emissions a provision is recognised with an offsetting transfer from the Government Grant Reserve. The provision is settled on surrender of the allowances. The current asset investment, provision and Government Grant Reserve are valued at current market value at the balance sheet date.

**2. Segmental reporting**

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

**3. Income from activities**

	2006-07	2006-07
	£000	£000
Local health boards	366,974	345,737
Health Commission Wales	144,639	140,952
NHS trusts	4,871	4,180
Strategic health authorities and primary care trusts	2,429	3,476
Foundation Trusts	0	0
Local authorities	3,222	2,321
Welsh Assembly Government	7,178	5,937
Non NHS:		
Private patient income	2,460	2,694
Overseas patients (non-reciprocal)	209	1,038
Injury Costs Recovery (ICR) Scheme	2,213	1,745
Other income from activities	1,671	1,400
<b>Total</b>	<b>535,866</b>	<b>509,480</b>

ICR income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection.

**4. Other operating income**

	2006-07	2006-07
	£000	£000
Patient transport services	0	0
Education, training and research	79,317	77,370
Charitable and other contributions to expenditure	1,403	1,504
Transfer from the donated asset reserve	583	601
Transfer from the government grant reserve	10	8
Non-patient care income generation schemes	3,628	3,247
Other income:		
Provision of laundry, pathology, payroll services	3,353	3,266
Accommodation and catering charges	2,223	2,188
Mortuary fees	97	100
Staff payments for use of cars	0	0
Business unit (please state)	0	0
Other	13,419	12,428
<b>Total</b>	<b>104,033</b>	<b>100,712</b>

Other income of £13,419k includes the following sources:

Non Staff SLA's with Cardiff University	3,749	3,672
Program Management Unit Funding	2,061	2,139
Informing Healthcare Funding	715	1,033
Funding re capital charges and minor capital schemes	830	30
Medical Physics & RASS SLA's	665	706
Funding re All Wales Oracle Team	409	511
<b>Total</b>	<b>8,429</b>	<b>8,091</b>

## 5. Operating expenses

### 5.1 Operating expenses comprise

	£000	2006-07 £000
Goods and services from other NHS bodies	12,483	12,226
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	4,422	4,309
Directors' costs	1,053	1,033
Staff costs	439,629	421,327
Supplies and services - clinical	109,634	99,730
Supplies and services - general	6,407	6,784
Consultancy Services	1,283	1,187
Establishment	11,431	11,687
Transport	873	826
Premises	22,870	22,741
Depreciation	16,937	16,618
Amortisation	264	221
Fixed asset impairments and reversals	0	72
Audit fees	267	260
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	1,715	1,973
Other operating expenses	(1,242)	(974)
<b>Total</b>	<b>628,026</b>	<b>600,020</b>

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

	£000	2006-07 £000
<b>Increase/(decrease) in provision for future payments:</b>		
Clinical negligence	2,240	5,185
Personal injury	715	(219)
All other losses and special payments	37	54
Defence legal fees and other administrative costs	504	66
Gross increase/(decrease) in provision for future payments	3,496	5,086
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	154	1,073
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(1,935)</b>	<b>(4,186)</b>
<b>Total charge</b>	<b>1,715</b>	<b>1,973</b>

Personal injury includes £0.166m (2006-07 £0.161m) in respect of permanent injury benefits

**5.3 Operating Leases****5.3.1 Commitments under non-cancellable operating leases**

	<b>Land and buildings</b>		<b>Other leases</b>	
		2006-07		2006-07
	<b>£000</b>	£000	<b>£000</b>	£000
Operating leases which expire:				
Within 1 year	<b>4</b>	951	<b>202</b>	118
Between 1 and 5 years	<b>51</b>	47	<b>338</b>	336
After 5 years	<b>420</b>	325	<b>0</b>	0
<b>Total</b>	<b>475</b>	1,323	<b>540</b>	454

**5.3.2 Operating expenses include:**

		2006-07
	<b>£000</b>	£000
Other operating lease rentals	<b>1,133</b>	1,903
Hire of plant and machinery	<b>1,642</b>	1,464
<b>Total</b>	<b>2,775</b>	3,367

**5.4 Directors' remuneration**

	<b>Remuneration as Director £000</b>	<b>Other remuneration £000</b>	<b>Total £000</b>	2006-07 £000
Non-executive directors' remuneration	137	0	137	134
Executive directors' remuneration:				
basic salaries	721	0	721	707
benefits	14	0	14	16
performance related bonuses	0	0	0	0
pension contributions paid	100	0	100	98
Sub-total	972	0	972	955
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
<b>Total</b>	<b>972</b>	<b>0</b>	<b>972</b>	<b>955</b>

No performance related bonuses were paid to any Director of the Trust during the financial year 2007-08.

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

**5.4 Directors' remuneration (continued):**

The remuneration of the Chairman, Chief Executive and (where the Chief Executive is not the highest paid director) the highest paid director is as follows:

	Remuneration as director £000	Other remuneration £000	Total £000	2006-07 £000
<b>Chairman</b>				
Basic remuneration	53	0	53	53
Benefits	0	0	0	0
	53	0	53	53
<b>Chief Executive</b>				
Basic salaries	166	0	166	162
Benefits	7	0	7	7
Performance related bonuses	0	0	0	0
	173	0	173	169
Pension contributions	23	0	23	23
	196	0	196	192
<b>Highest paid director*</b>				
Basic salaries	192	0	192	190
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	192	0	192	190
Pension contributions	27	0	27	26
<b>Total</b>	219	0	219	216

\* the Medical Director was the highest paid director during the financial year 2007-08.



## 6. Employee costs and numbers

### 6.1 Employee costs

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2006-07
	£000	£000	£000	£000	£000
Salaries and wages	366,440	18	4,534	370,992	357,398
Social security costs	27,358	0	0	27,358	25,855
Pension costs	42,183	0	0	42,183	38,961
Other pension costs	0	0	0	0	0
<b>Total</b>	<b>435,981</b>	<b>18</b>	<b>4,534</b>	<b>440,533</b>	<b>422,214</b>

In 2007-08 £412,573 of salaries were capitalised (2006-07 £428,337).

### 6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2006-07
	Number	Number	Number	Number	Number
Medical and dental	1,086	0	11	1,097	1,130
Ambulance staff	0	0	0	0	0
Administrative and estates	2,358	0	28	2,386	2,402
Healthcare assistants and other support staff	1,010	0	0	1,010	1,080
Nursing, midwifery and health visiting staff	4,864	1	32	4,897	5,202
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	2,349	0	8	2,357	1,861
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
<b>Total</b>	<b>11,667</b>	<b>1</b>	<b>79</b>	<b>11,747</b>	<b>11,675</b>

### 6.3 Employee benefits

The trust does not have an employee benefit scheme.

**6.4 Trust management costs**

	£000	Percentage of total income	2006-07	
			£000	Percentage of total income
Trust management costs	22,175	3.5%	21,716	3.6%
Income	639,899		610,192	

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 2007-08 (prior year 2006-07) there were 24 (20) 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 Business Services Authority - Pensions Division) will be £1,163,061 (£1,262,197).

**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 later.

	Number	£000	2006-07 £000
<b>NHS</b>			
Total bills paid 2007-08	3,779	31,771	30,700
Total bills paid within target	3,670	31,643	30,483
Percentage of bills paid within target	97.1%	99.6%	99.3%
<b>Non-NHS</b>			
Total bills paid 2007-08	221,620	200,493	183,701
Total bills paid within target	212,541	192,793	174,140
Percentage of bills paid within target	95.9%	96.2%	94.8%
<b>Total</b>			
Total bills paid 2007-08	225,399	232,264	214,401
Total bills paid within target	216,211	224,436	204,623
Percentage of bills paid within target	95.9%	96.6%	95.4%

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

	2006-07 £	2006-07 £
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:

	2006-07 £000	£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	14	0
Loss on disposal of plant and equipment	(131)	(44)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	(12)	0
Profit on disposal of fixed assets investments	0	0
Loss on disposal of fixed asset investments	0	0
	<b>(129)</b>	<b>(44)</b>

**9. Interest payable**

	2006-07 £000	£000
Government borrowing	0	0
Finance leases and PFI schemes	302	301
Other	0	0
	<b>302</b>	<b>301</b>

**10. Intangible fixed assets**

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	1,057	0	0	0	1,057
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions	171	0	0	0	171
Disposals	(24)	0	0	0	(24)
Gross cost at 31 March 2008	<b>1,204</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,204</b>
Accumulated amortisation at 1 April 2007	371	0	0	0	371
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	264	0	0	0	264
Disposals	(13)	0	0	0	(13)
Accumulated amortisation at 31 March 2008	<b>622</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>622</b>
Net book value at 1 April 2007	686	0	0	0	686
<b>Net book value at 31 March 2008</b>	<b>582</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>582</b>

## 11. Tangible fixed assets

### 11.1 Tangible assets at the balance sheet date:

Cost or valuation	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
At 1 April 2007	108,242	270,860	9,526	1,606	70,221	1,865	7,680	229	470,229
Additions									
- purchased	501	14,251	0	6,366	5,139	138	2,329	0	28,724
- donated	0	171	0	1,413	38	0	16	0	1,638
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	(630)	(1,125)	1,755	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	80,785	(36,405)	(1,160)	0	0	0	0	0	43,220
Disposals	0	0	27	0	(3,258)	(51)	(719)	0	(4,001)
<b>At 31 March 2008</b>	<b>189,528</b>	<b>248,247</b>	<b>7,268</b>	<b>11,140</b>	<b>72,140</b>	<b>1,952</b>	<b>9,306</b>	<b>229</b>	<b>539,810</b>
<b>Depreciation</b>									
At 1 April 2007	0	20,727	692	0	40,710	1,024	3,996	203	67,352
Reclassifications	0	(24)	(13)	37	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	(20,729)	(719)	0	0	0	0	0	(21,448)
Disposals	0	0	27	0	(3,056)	(51)	(718)	0	(3,798)
Provided during the year	0	8,812	242	0	6,649	171	1,059	4	16,937
<b>At 31 March 2008</b>	<b>0</b>	<b>8,786</b>	<b>229</b>	<b>37</b>	<b>44,303</b>	<b>1,144</b>	<b>4,337</b>	<b>207</b>	<b>59,043</b>
Net book value at 1 April 2007	108,242	250,133	8,834	1,606	29,511	841	3,684	26	402,877
<b>Net book value at 31 March 2008</b>	<b>189,528</b>	<b>239,461</b>	<b>7,039</b>	<b>11,103</b>	<b>27,837</b>	<b>808</b>	<b>4,969</b>	<b>22</b>	<b>480,767</b>
<b>Net book value of assets held under finance leases and hire purchase contracts</b>									
<b>Total</b>	<b>10</b>	<b>1,411</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,421</b>
<b>The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:</b>									
<b>Total</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69</b>

Of the totals at 31 March 2008, £nil related to land valued at open market value and £nil 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 as a result of PFI contracts at the balance sheet included in Note 11.1 comprise:

The Trust had no fixed asset investments as a result of PFI contracts at the balance sheet date.

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2007	4,283	12,173	0	0	0	0	0	0	16,456
Revaluation	10,017	1,979	0	0	0	0	0	0	11,996
Additions	501	496	0	0	0	0	0	0	997
Disposals	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2008</b>	<b>14,801</b>	<b>14,648</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,449</b>

<b>11.3 The net book value of land and buildings at the balance sheet date comprise:</b>	31 March 2007	
	<b>£000</b>	£000
Freehold	<b>416,261</b>	351,458
Long leasehold	<b>29,814</b>	14,706
Short leasehold	<b>1,056</b>	2,651
<b>Total</b>	<b>447,131</b>	<b>368,815</b>

**11.4 Fixed asset investments at the balance sheet date excluded from Note 11.1 comprise:**

The Trust has no fixed asset investments.

	31 March 2007	
	<b>£000</b>	£000
	<b>0</b>	0
	<b>0</b>	0
	<b>0</b>	0

**12. Stocks and work-in-progress**

	31 March 2007	
	<b>£000</b>	£000
Raw materials and consumables	<b>8,886</b>	7,644
Work-in-progress	<b>0</b>	0
Finished processed goods	<b>0</b>	0
<b>Total</b>	<b>8,886</b>	<b>7,644</b>

**13. Debtors**

	31 March 2007	
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Welsh Risk Pool	<b>13,634</b>	12,003
NHS debtors	<b>13,602</b>	13,802
PDC dividend debtors	<b>0</b>	0
Other debtors	<b>11,537</b>	9,209
Provision for irrecoverable debts	<b>(2,291)</b>	(2,331)
Other prepayments and accrued income	<b>1,676</b>	2,002
Sub-total	<b>38,158</b>	34,685
<b>Amounts falling due after more than one year:</b>		
Welsh Risk Pool	<b>6,121</b>	9,412
NHS debtors	<b>0</b>	0
Other prepayments and accrued income	<b>3,905</b>	4,077
Other debtors	<b>1,933</b>	1,460
Sub-total	<b>11,959</b>	14,949
<b>Total</b>	<b>50,117</b>	<b>49,634</b>

Other debtors include £0 prepaid pension contributions at 31st March 2008 (2006-07 £0)

**14. Current Asset Investments**

		31 March 2007 £000
Government securities	<b>16,900</b>	19,375
Local authorities	<b>0</b>	0
EU Emission Trading Scheme	<b>0</b>	10
Other	<b>0</b>	0
<b>Total</b>	<b>16,900</b>	<b>19,385</b>

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

		31 March 2007 £000
<b>Amounts falling due within one year:</b>	<b>£000</b>	£000
Bank overdrafts	<b>0</b>	0
Interest payable	<b>0</b>	0
Loan advance/brokerage	<b>0</b>	0
Payments received on account	<b>862</b>	840
NHS creditors	<b>10,060</b>	10,865
Non-NHS trade creditors - revenue	<b>13,475</b>	15,803
Non-NHS trade creditors - capital	<b>9,686</b>	7,290
Non-NHS trade creditors - losses and special payments	<b>0</b>	0
Tax and social security costs	<b>9,419</b>	8,997
PDC dividend payable	<b>1,117</b>	(1,046)
Obligations under finance leases and hire purchase contracts	<b>30</b>	29
Obligations under PFI schemes	<b>254</b>	254
Other creditors - superannuation	<b>0</b>	0
Other creditors - all other creditors	<b>6,648</b>	3,448
Accruals	<b>22,436</b>	16,850
Deferred income	<b>1,779</b>	0
Sub-total	<b>75,766</b>	<b>63,330</b>
<b>Amounts falling due after more than one year:</b>		
Loan advance/brokerage	<b>0</b>	0
Obligations under finance leases and hire purchase contracts	<b>424</b>	453
Obligations under PFI schemes	<b>1,039</b>	1,292
NHS creditors	<b>0</b>	0
Non-NHS trade creditors - losses and special payments	<b>0</b>	0
Deferred income	<b>0</b>	0
Other	<b>0</b>	0
Sub-total	<b>1,463</b>	<b>1,745</b>
<b>Total</b>	<b>77,229</b>	<b>65,075</b>

## NHS creditors include:

£54,305 for payments due in future years under arrangements to buy out the liability for early retirements (none over 5 instalments); and £5,142,758 outstanding pensions contributions at 31 March 2008 (£4,852,423 at 31 March 2007).

The Other creditors figure includes £0.898m owed to WEQAS in respect of surpluses generated by that body, which have been recorded and retained on their behalf by Cardiff and Vale NHS Trust.

**15.2 Loan advance/strategic assistance funding**31 March  
2007

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

**15.3 Finance lease obligations**31 March  
2007

<b>Payable:</b>	<b>Total £000</b>	<b>£000</b>
Within one year	189	189
Between one and two years	189	189
Between two and five years	566	566
After five years	2,231	2,420
Sub-total	<u>3,175</u>	<u>3,364</u>
Less finance charges allocated to future periods	(2,721)	(2,882)
<b>Total</b>	<u><b>454</b></u>	<u><b>482</b></u>

**15.4 Finance lease commitments**

Cardiff & Vale NHS Trust has not entered into any new contracts to lease assets under finance leases during the financial year 2007/08.

## 16. Provisions for liabilities and charges

	At 1 April 2007 £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 2008 £000
Clinical negligence	20,415	0	0	13,038	(10,798)	(4,284)	0	18,371
Personal injury	2,982	0	0	1,278	(563)	(475)	48	3,270
All other losses and special payments	0	0	0	37	0	(37)	0	0
Defence legal fees and other administration	847	0	0	1,011	(507)	(485)		866
<b>Sub-total</b>	<b>24,244</b>	<b>0</b>	<b>0</b>	<b>15,364</b>	<b>(11,868)</b>	<b>(5,281)</b>	<b>48</b>	<b>22,507</b>
Pensions relating to:								
former directors	0			0	0	0	0	0
other staff	2,446			84	0	(216)	54	2,368
Restructurings	0			0	0	0		0
Other	15,197			5,519	(6,598)	(7,348)		6,770
<b>Total</b>	<b>41,887</b>	<b>0</b>	<b>0</b>	<b>20,967</b>	<b>(18,466)</b>	<b>(12,845)</b>	<b>102</b>	<b>31,645</b>

### Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	12,213	6,158	0	18,371
Personal injury	1,118	542	1,610	3,270
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	661	205	0	866
Pensions - former directors	0	0	0	0
Pensions - other staff	210	800	1,358	2,368
Restructuring	0	0	0	0
Other	6,770	0	0	6,770
<b>Total</b>	<b>20,972</b>	<b>7,705</b>	<b>2,968</b>	<b>31,645</b>

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

Other provisions include £6.084m for Agenda for Change. The reversed unused balance for other provisions contains £5.541m for items previously treated as provisions which now better fit the criteria for being treated as accruals.



## 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 2007 as previously stated	121,437	8,140	10	0	2,208	131,795
Prior period adjustment					0	0
At 1 April 2007 as restated	121,437	8,140	10	0	2,208	131,795
Transfer from income and expenditure account					46	46
Impairments	0	0	0			0
Surplus (deficit) on revaluation / indexation of fixed assets	65,813	(1,144)	0			64,669
Transfer of realised profits/ (losses)	(103)	0	0		103	0
Receipt of donated/government granted assets		1,638	0			1,638
Depreciation, impairment and disposal of donated/government granted assets		(584)	(10)			(594)
Other transfers between reserves	(386)	0	0	0	386	0
Other reserve movements				0		0
<b>At 31 March 2008</b>	<b>186,761</b>	<b>8,050</b>	<b>0</b>	<b>0</b>	<b>2,743</b>	<b>197,554</b>

## 18. Notes to the cash flow statement

<b>18.1 Reconciliation of operating surplus to net cash inflow from operating activities:</b>	<b>£000</b>	2006-07 £000
Total operating surplus/(deficit)	<b>11,873</b>	10,172
Depreciation charge	<b>17,201</b>	16,839
Fixed asset impairment and reversals	<b>0</b>	72
Transfer from the donated asset reserve	<b>(584)</b>	(601)
Transfer from the government grant reserve	<b>(10)</b>	(8)
(Increase)/decrease in stocks	<b>(1,242)</b>	(241)
(Increase)/decrease in debtors	<b>(2,728)</b>	(2,810)
Increase/(decrease) in creditors	<b>7,623</b>	6,109
Increase/(decrease) in provisions	<b>(10,242)</b>	6,492
Net cash inflow from operating activities before restructuring costs	<b>21,891</b>	36,024
Payments in respect of fundamental reorganisation/restructuring	<b>0</b>	0
<b>Net cash inflow from operating activities</b>	<b>21,891</b>	36,024

<b>18.2 Reconciliation of net cash flow to movement in net debt</b>	<b>£000</b>	2006-07 £000
Increase/(decrease) in cash in the period	<b>0</b>	0
Cash inflow from new debt	<b>0</b>	0
Cash inflow from loan advance/brokerage	<b>0</b>	0
Cash outflow from debt repaid and finance lease capital payments	<b>29</b>	28
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<b>(2,475)</b>	6,045
Change in net debt resulting from cash flows	<b>(2,446)</b>	6,073
Non-cash changes in debt	<b>0</b>	19,865
Net debt at 1 April	<b>22,255</b>	(3,683)
<b>Net debt at 31 March</b>	<b>19,809</b>	22,255

**18.3 Analysis of changes in net debt**

	At 1 April 2007 £000	Cash flows £000	Non-cash changes £000	At 31 March 2008 £000
OPG cash at bank	3,770	(29)	■	3,741
Commercial cash at bank and in hand	(422)	29	■	(393)
Bank overdrafts	0	0	■	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	0	0	0
Finance leases	(479)	29	0	(450)
Current asset investments	19,385	(2,475)	0	16,910
	<b>22,254</b>	<b>(2,446)</b>	<b>0</b>	<b>19,808</b>

**19. Capital commitments**

Commitments under capital expenditure contracts at the balance sheet date were £21,907,000 (and in 2006-07 were £9,272,000).

**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 2007-08 accounts for the following amounts:

31 March  
2007

	£000	£000
Legal claims for alleged medical or employer negligence	17,522	10,813
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	17,522	10,813
Amount recovered under insurance arrangements in the event of these claims being successful	(16,216)	(9,205)
Net contingent liability	1,306	1,608

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.

**Equal Pay Claims**

The process of assessing these claims is at an early stage and as a result there is significant uncertainty regarding both the likelihood of success of any claims and the liability of the Trust if any claims were to be successful. No cases have yet been heard at an employment tribunal and it is unlikely that any of these cases will be settled in the short term. As a result of this uncertainty, no provision has been made for any potential costs which may arise.

**Contingent assets**

The Trust has no contingent assets

## 22. Losses and special payments

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. Therefore this note is compiled on a cash basis.

### Gross loss to the Exchequer

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

	<u>Amounts paid out in year</u>		<u>Approved to write-off in year</u>	
	Number	£	Number	£
Clinical negligence	47	4,283,805	25	1,401,782
Personal injury	71	475,089	40	384,047
All other losses and special payments	296	276,439	296	276,439
<b>Total</b>	<b>414</b>	<b>5,035,333</b>	<b>361</b>	<b>2,062,268</b>

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

	<u>Amounts paid out in year</u>	<u>Cumulative amount</u>	<u>Approved to write-off in year</u>
	£	£	£
<b>Cases exceeding £250,000</b>			
00RRBMN0018	375,000	940,000	0
03RWMMN0038	854,000	868,000	868,000
04RWMMN0010	29,000	404,000	0
04RWMMN0012	162,500	542,500	0
04RWMMN0031	250,050	415,915	0
06RWMMN0050	403,000	403,000	0
07RWMMN0037	599,112	634,112	0
07RWMMN0047	315,000	315,000	0
	0	0	0
	0	0	0
<b>Sub-total</b>	<b>2,987,662</b>	<b>4,522,527</b>	<b>868,000</b>
<b>All other cases</b>	<b>2,047,671</b>	<b>2,803,744</b>	<b>1,194,268</b>
<b>Total cases</b>	<b>5,035,333</b>	<b>7,326,271</b>	<b>2,062,268</b>

**23.1 Movements in Government funds**

2006-07

	£000	£000
Surplus/(deficit) for the financial year	13,491	11,508
Public dividend capital dividends	<u>(13,445)</u>	<u>(11,431)</u>
<b>Subtotal</b>	<b>46</b>	<b>77</b>
Gains/(losses) from revaluation/indexation of purchased fixed assets	65,710	15,988
Impairment of fixed assets	0	(83)
New public dividend capital	9,576	18,613
Public dividend capital repaid	(221)	(692)
Public dividend capital repayable	0	0
New loans from Government	0	0
Government loans repaid	0	(10,179)
Transfers from the donated asset reserve	0	0
Additions to/ transfers from the government grant reserve	(10)	10
Addition/(reduction) in other reserves	<u>0</u>	<u>0</u>
Net addition/(reduction) to Government funds	<b>75,101</b>	<b>23,734</b>
Opening Government funds at 1 April	<b>366,992</b>	<b>343,258</b>
Before deducting prior period adjustment of	<u>0</u>	<u>0</u>
<b>Closing Government funds</b>	<b><u>442,093</u></b>	<b><u>366,992</u></b>

**23.2 Movements in public dividend capital**

2006-07

	£000	£000
At 1 April 2007	244,817	226,896
New PDC issued in year	12,571	5,439
PDC due but not issued	(2,995)	13,174
PDC repaid in year	(221)	(1,733)
PDC repayable	<u>0</u>	<u>1,041</u>
<b>At 31 March 2008</b>	<b><u>254,172</u></b>	<b><u>244,817</u></b>

## 24. Financial performance targets

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

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	<u>46</u>
Variance	(46)

The Trust has broken even in 2007-08.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2007		
	£000	£000	£000
External financing limit set by the Assembly		12,321	3,678
Cash flow financing	13,123		4,696
Finance leases taken out in the year	0		0
Other capital receipts	<u>(802)</u>		<u>(1,018)</u>
External financing requirement		<u>12,321</u>	<u>3,678</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 2007-08	<b>2007-08</b> <b>221,620</b>
Total number of non-NHS bills paid within target	<b>212,541</b>
Percentage of non-NHS bills paid within target	<b>95.9%</b>

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

Two Non Executive Directors, MR S Jones (Chairman) and Mr R Hutchings are also unpaid Council members of Cardiff University.

Mr S Harries is Director of Development and is also an unpaid Trustee of Cardiff University pension fund.

Lady M Webb is a Non Executive Director of The Trust and her spouse is a Non Executive Director of the Welsh Assembly Government.

Mr M Pendlebury is a Non Executive Director of the Trust and is also a professor at Cardiff Business School (part of Cardiff University).

Dr PEM Smith was the Associate Medical Director for Post Graduate Education during 2007/8. He is sometimes paid expenses to attend meetings and occasionally paid honoraria for lecturing by the following companies; UCB Pharma, Janssen Cilag Ltd. and Pfizer.

The material transactions involving the related parties were as follows:

	Payments to related party £'000	Receipts from related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Cardiff University	9,101	7,738	1,844	947
UCB Pharma	55	0	0	0
Janssen Cilag	1,458	3	19	1
Pfizer	6	20	0	0

The Trust has close links with Cardiff University 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 as part of Cardiff University their 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 (£232m) the Vale LHB (£77m), Caerphilly LHB (£19m) and Health Commission Wales (£145m). The Trust also receives £41m from 19 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 £4.317m 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 £2.5m 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 The Trust has one PFI operational scheme deemed to be off-balance sheet

	<b>£000</b>
Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross	<b>3,199</b>
Amortisation of PFI deferred asset	<b>0</b>
Net charge to operating expenses	<b>3,199</b>

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

	<b>£000</b>
PFI scheme which expires:	
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)	<b>3,371</b>

	<b>£000</b>
Estimated capital value of the PFI scheme	<b>13,847</b>

Contract start date:	<b>01/02/2002</b>
Contract end date:	<b>31/01/2033</b>

#### 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 provision of the site and for a range of facilities management services is £3.2m.

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. At April 1st 2007 the District Valuer reported that the property is currently valued as being worth £15.54m to the Trust at the end of the contract.

The present value of the residual interest is £6.139m 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 £1.041m (< 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 four 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 £5.524m for the buildings and £13.893m 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 2007/08 was £0.657m

#### 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 £1.928m for the buildings and £0.908m 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 2007/08 was £0.096m

#### 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 £1.8m 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 (£1.056m) 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 2007/08 was £0.036m.

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.

## 26. Other/ Private finance transactions (continued)

### 26.2 Public Private Partnerships (continued)

#### Llandough Hospital Staff Accommodation

On 28th October 1999, The former University Hospital and Llandough NHS Trust entered into an agreement with Charter Housing for the design, construction, fit out and the subsequent operation of its staff accommodation at Llandough Hospital. The Contact period is 25 years; however Charter Housing have since undergone a restructure which has seen a transfer of its interest in the Contract to Fairlake Properties Limited. This transfer was completed during 2007/8.

In return for the provision of the new serviced accommodation, the Trust transferred a parcel of surplus land to Charter on which seven of its existing properties resided. These properties were subsequently demolished and the land sold off by Charter. The accommodation is located on the remaining land, which had previously housed three additional properties. This is granted to Charter under a 99 year head lease for a peppercorn rent, Charter then leases the properties back to the Trust in return for an annual unitary payment of £0.037m. The Trust then leases the property back to Charter under a 27 year sub-underlease.

The value of the property transferred to Charter in 1999/2000 was £0.763m. In return the Trust established a prepayment in its accounts of £0.694m equivalent to the premium on the underlease. This prepayment is being released over the 25 year life of the contract effectively reducing the annual unitary charge, the annual effect of which is £0.028m.

## 27. Third party assets

The Trust held £296,384 cash at bank and in hand at 31 March 2008 (31 March 2007: £337,446) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

## 28. Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationships that the NHS Trust has previously had with Health Authorities and now with Health Commission Wales and Local Health Boards, and the way those Health bodies are financed, NHS Trusts are not exposed to the degree of financial risk faced by business entities.

Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. NHS Trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing NHS Trusts in undertaking its activities.

### Liquidity Risk

NHS trusts' net operating costs are incurred under annual service agreements with various Health bodies, which are financed from resources voted annually by Parliament. NHS Trusts also largely finance their capital expenditure from funds made available from Government under agreed borrowing limits. NHS Trusts are not, therefore, exposed to significant liquidity risks.

### Interest-rate risks

The great majority of NHS Trusts' financial assets and financial liabilities carry nil or fixed rates of interest. NHS Trusts are not, therefore, exposed to significant interest-rate risk.

### Foreign currency risk

NHS Trusts have no or negligible foreign currency income or expenditure and therefore are not exposed to significant foreign currency risk.

The NHS Trust may hold any of the following financial assets and liabilities:

**Assets:** investments, long-term debtors and accrued income, short-term debtors and accrued income (not disclosed in this note as permitted by FRS 13), cash.

**Liabilities:** loans and overdrafts, long-term creditors, short-term creditors (not disclosed in this note as permitted by FRS 13), provisions arising from contractual arrangements, finance lease obligations, Public Dividend Capital

The powers of NHS Trusts to invest and borrow are limited. The Board has determined that in order to maximise income from cash balances held, any balance of cash which is not required will be invested. The amount of investment is capped by Direction of the Assembly at an average daily cleared balance of £50,000 and NHS Trusts may only invest in instruments and institutions approved by the Assembly. The Trust does not borrow from the private sector. All other financial instruments are held for the sole purpose of managing the cash flow of the Trust on a day to day basis or arise from the operating activities of the Trust. The management of risks around these financial instruments therefore relates primarily to the Trust's overall arrangements for managing risks to their financial position, rather than the Trust's treasury management procedures.

**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
<b>2007-08:</b>				
Welsh Assembly Government	1,351	0	0	0
Welsh Local Health Boards	8,768	0	1,614	0
Welsh NHS Trusts	3,821	0	2,609	0
Health Commission Wales	622	0	0	0
All English Health Bodies	856	0	5,594	0
All N. Ireland Health Bodies	8	0	2	0
All Scottish Health Bodies	39	0	7	0
Miscellaneous	305	0	234	0
Credit note provision	-856	0		
Sub total	<b>14,914</b>	<b>0</b>	<b>10,060</b>	<b>0</b>
Other Central Government Bodies				
Other Government Departments*	2,202	1,922	124	0
Revenue & Customs	401	0	4	0
Local Authorities	1,758	0	675	0
Balances with Public Corporations & trading funds	0	0	188	0
Balances with bodies external to Government	18,883	10,037	64,715	1,463
<b>TOTAL</b>	<b>38,158</b>	<b>11,959</b>	<b>75,766</b>	<b>1,463</b>
<b>2006-07:</b>				
Welsh Assembly Government	6,192	0	70	0
Welsh Local Health Boards	4,458	0	3,695	0
Welsh NHS Trusts	2,875	0	1,835	0
Health Commission Wales	736	0	0	0
All English Health Bodies	1,433	0	5,165	0
All N. Ireland Health Bodies	8	0	0	0
All Scottish Health Bodies	59	0	12	0
Miscellaneous	447	0	89	0
Credit note provision	(1,394)	0	0	0
Sub total	<b>14,814</b>	<b>0</b>	<b>10,866</b>	<b>0</b>
Other Central Government Bodies				
Other Government Departments*	1,978	1,450	212	0
Revenue & Customs	1,060	0	9,000	0
Local Authorities	928	0	571	0
Balances with Public Corporations & trading funds	42	0	192	0
Balances with bodies external to Government	15,863	13,499	42,489	1,745
<b>TOTAL</b>	<b>34,685</b>	<b>14,949</b>	<b>63,330</b>	<b>1,745</b>

### **30. Pooled budgets**

The Trust had no pooled budget projects in 2007-8.

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 £0.155m in 2007/8. 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 2007/08 was £0.290m. 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 2007/08 was £0.037m. 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 2007/08 was £0.084m. 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 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 County Council criteria. The project expenditure for the year was £0.042m.

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

The Welsh Ministers have 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: ..... 2008 ..... Chief Executive

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

The directors are required under the National Health Service (Wales) Act 2006 to prepare accounts for each financial year. The Welsh Ministers, 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 Welsh Ministers 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 Welsh Ministers.

**By Order of the Board**

**Signed:**

Date: .....2008

Chairman: .....

Date: .....2008

Chief Executive: .....

Date: .....2008

Director of Finance: .....

## STATEMENT OF INTERNAL CONTROL 2007/2008

### 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 Support 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 2008 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.



## STATEMENT OF INTERNAL CONTROL 2007/2008

### 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. Whilst the Risk Management Committee has an overarching remit for considering risk and developing the Trusts Risk Profile it is the philosophy of the Trust that risk management is integrated within the organisation. Each of the Committees of the Trust Board has therefore considered appropriate risk related issues and provided assurance to the Trust Board accordingly.

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 will identify in association with their manager ongoing development needs as part of their Individual Performance Review and Knowledge and Skills Framework.

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. The Trusts Mandatory Training Programme for updating staff of key legislative requirement/developments provides training for staff at agreed intervals. It has been recognised that the release of staff to attend such sessions can prove challenging and e-learning packages have been introduced.

The Trust is also committed to improving the safety and quality of patient care. In February 2007 the Trust joined with Gwent Healthcare NHS Trust in the Safer Patient Initiative. This programme is funded by the Healthcare Foundation. The initiative aims to improve patient safety and clinical outcomes through implementing evidence based processes and to drive forward system wide changes creating a safer environment for patients and staff.

### 4. THE RISK AND CONTROL FRAMEWORK

During the year the Trust again ensured that the Operational Plan was linked to the Corporate Risk Profile. The Risk Profile is developed utilising the Trusts Risk Rating and Profiling Procedure. This document allows for all risks to be assessed using a consistent approach. The Risk Management Committee considers the detail of the risk register and report regularly to the Trust Board. The highlights were as follows:-

- > The Trust Board agreed the top risks to the organisation in July 2007. Further additions were made during the year as new risks became apparent.
- > The Assurance Framework which provided assurance to the Board that these top risks were being managed was also approved in July 2007.
- > The Trust Board received updates advising of the progress during the year to mitigate the risks and any areas that were causing concern.

The Trust has completed its Self Assessment against the Healthcare Standards which was submitted to Health Inspectorate Wales in accordance with specified timescales. The Trust has identified that it is 'Developing' in most areas assessed. Four Standards have been identified as key to supporting the risk management process and these are as follows:-

**STATEMENT OF INTERNAL CONTROL 2007/2008****Standard Number      Criteria**

Standard 14      Healthcare organisations continuously and systematically review and improve all aspects of their activities that directly affect the safety and health of patients, service users, staff and the public. They will not only comply with legislation, but apply to best practice in assessing and managing risk.

Standard 16      Healthcare organisations have systems in place to:

- a) identify and learn from all patient safety incidents and other reportable incidents;
- b) report incidents to the National Patient Safety Agency's (NSPA) Reporting and Learning System and other bodies in line with existing guidance;
- c) demonstrate improvements in practice based on shared local and national experience and information derived from the analysis of incidents; and
- d) ensure that patient safety notices, alerts and other communications concerning safety are acted upon within required time-scales.

Standard 27      Governance arrangements representing best practice are in place which:

- a) apply the principles of sound clinical and corporate governance;
- b) ensure sound financial management and accountability in the use of resources;
- c) actively support all employees to promote openness, honesty, probity, accountability, and the economic, efficient and effective use of resources;
- d) include systematic risk assessment and risk management; and
- e) are integrated across all health communities and clinical networks.

Standard 28      Healthcare organisations:

- a) ensure that the principles of clinical governance underpin the work of every team and every clinical service;
- b) have a cycle of continuous improvement, including clinical audit; and
- c) ensure effective clinical and managerial leadership and accountability

The Internal Audit Department have undertaken a review of these standards which has confirmed that the Trust has established a mechanism for the self assessment process. The review of the four standards detailed above has indicated that the Trust will be at Level three – Developing. It has also been identified that a number of improvements have been made in the standards that only achieved Level two - Responding in the previous review.

A small team of Lead Managers have co-ordinated the self assessment and each Director has been allocated a number of standards. They have each approved the information submitted prior to its submission by the Chair and Chief Executive.

The Trust has been working to ensure that the items identified within the Healthcare Standards Improvement Plan have been actioned. During the year this has been monitored by the Clinical Governance Committee. Updates have also been submitted to the Regional Office via the Performance Management process.

The Healthcare Standards Improvement Plan following the 2007/2008 assessment will be approved by the Trust Board in July 2008. Where appropriate action required for meeting the standards will be incorporated into Trust and individual objectives. These will be monitored as part of the individual performance review process.

## STATEMENT OF INTERNAL CONTROL 2007/2008

### 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 the Risk Management Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations."

The Trust Board has a number of Committees which must ensure that risk is effectively managed. Each Committee has defined Terms of Reference which identify its aims and functions. They all provide either minutes or a report to the Trust Board to advise of any key risks and developments of which they should be aware.

In June 2007 the Trust received its report following the Governance Review Baseline Assessment which was commissioned by the Welsh Assembly Government. The report was favourable and no areas of concern were raised.

The Committees and functions that have specific responsibility for risk and compliance have operated in the following way.

- The Audit Committee – The Audit Committee met 5 times during the year. It received reports on compliance and risk management, reports from the Trust's Internal Auditors, Counter Fraud Specialists and External Auditors.
- The Performance and Use of Resources Committee considered reports produced by the Wales Audit Office relating to performance and Value for Money reviews. As part of this process it agreed action that was required to address any shortfalls highlighted and seek to ensure best practice.
- The Clinical Governance Committee provided the Trust Board with assurance relating to issues of a clinical nature. The membership consists of Trust employees and other stakeholders including service commissioners. It is chaired by a Non Executive Director. Its Terms of Reference were reviewed in 2006/2007 and during the 2007/2008 General Managers became members.
- The Trust Health and Safety Committee facilitates the statutory responsibility imposed upon the Trust 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 by the Director of Corporate Management.

## **STATEMENT OF INTERNAL CONTROL 2007/2008**

- 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. The fundamental systems of internal control operating within the Trust, covered by the plan, are in general, soundly based and adequate, although there were certain reports issued during the course of the year that identified specific areas of weak control and areas of non compliance with existing controls. Management actions plans have been developed to strengthen the control weaknesses identified in the audit reports.

Signed ..... Chief Executive

Date:..... (on behalf of the Board)

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

I certify that I have audited the financial statements of Cardiff and Vale NHS Trust for the year ended 31 March 2008 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as being audited.

### **Respective responsibilities of Directors, the Chief Executive and the Auditor**

The Directors and the Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with paragraph 3 of schedule 9 of the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made there under. I also report 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.

In addition I report to you if in my opinion, Cardiff and Vale NHS Trust has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Cardiff and Vale NHS Trust's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Cardiff and Vale NHS Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement and the remaining elements of the Operating and Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinions**

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of Remuneration Report to be audited. 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 most appropriate to Cardiff and Vale NHS Trust's circumstances, and are 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 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 also evaluated the overall adequacy of the presentation of information in the financial statements and that part of Remuneration Report to be audited.

## **Opinion**

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of the affairs of Cardiff and Vale NHS Trust as at 31 March 2008 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

## **Opinion on Regularity**

In my opinion 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.

## **Report**

I have no observations to make on these financial statements.

My conclusion on Cardiff and Vale NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Annual Audit Letter.

Jeremy Colman

Auditor General for Wales

27 June 2008

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

**THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY**

**NHS TRUSTS**

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2008 and subsequent financial years in respect of the NHS Wales Trusts. The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

**BASIS OF PREPARATION**

2. The account of the NHS Wales Trusts shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FRM), as detailed in the NHS Wales Trust Manual for Accounts;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

**FORM AND CONTENT**

- 3. The account of the Trust for the year ended 31 March 2008 and subsequent years shall comprise a foreword, an income and expenditure account, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.
- 4. For the financial year ended 31 March 2006 and subsequent years, the account of the Trust shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.
- 5. The account shall be signed and dated by the Chief Executive and Chairman of the Trust.

**MISCELLANEOUS**

- 6. The direction shall be reproduced as an appendix to the published accounts.
- 7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.
- 8. Notes providing further explanations of figures in the accounts shall be made where it is considered appropriate for a proper understanding of the accounts.

Signed by the authority of Welsh Ministers

Signed :

Dated :