

# Hywel Dda NHS Trust

## Foreword

These accounts for the year ended 31 March 2009 have been prepared by the Hywel Dda 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 Trust is responsible for the provision of hospital and community services (including mental health) for the residents of Carmarthenshire, Ceredigion and Pembrokeshire.

On the 19th December 2007, the Minister of Health and Social Services approved the merger of Pembrokeshire and Derwen, Ceredigion and Mid Wales and Carmarthenshire NHS Trusts to form Hywel Dda NHS Trust with effect from 1st April 2008.

All assets and liabilities of the former trusts as at 31st March 2008 transferred to the new organisation on 1st April 2008.

## INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2009

|                                                   | Note      | £000             | 2007-08<br>£000 |
|---------------------------------------------------|-----------|------------------|-----------------|
| <b>Income from activities</b>                     | 3         | <b>350,718</b>   | 326,364         |
| <b>Other operating income</b>                     | 4         | <b>18,496</b>    | 18,716          |
| <b>Total income</b>                               |           | <b>369,214</b>   | 345,080         |
| <b>Operating expenses</b>                         | 5         | <b>(362,670)</b> | (341,677)       |
| <b>Operating surplus/(deficit)</b>                |           | <b>6,544</b>     | 3,403           |
| Costs of fundamental reorganisation/restructuring |           | 0                | 0               |
| Profit/(loss) on disposal of fixed assets         | 8         | 0                | (184)           |
| <b>Surplus/(deficit) before interest</b>          |           | <b>6,544</b>     | 3,219           |
| Interest receivable                               | 9         | 660              | 1,076           |
| Interest payable                                  | 9         | (9)              | 0               |
| Other finance costs                               | 16        | 0                | (32)            |
| <b>Surplus/(deficit) for the financial year</b>   |           | <b>7,195</b>     | 4,263           |
| Public Dividend Capital dividends payable         |           | (7,163)          | (5,407)         |
| <b>Retained surplus/(deficit) for the year</b>    | 17 & 24.1 | <b>32</b>        | (1,144)         |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE PERIOD ENDED 31 MARCH 2009**

|                                                                                                                                                               |      | 2007-08               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-----------------------|
|                                                                                                                                                               | Note | £000                  |
|                                                                                                                                                               |      | £000                  |
| Surplus/(deficit) for the financial year before dividend payments                                                                                             |      | 4,263                 |
| Fixed asset impairment losses                                                                                                                                 | 17   | (636)                 |
| Unrealised surplus/(deficit) on fixed assets revaluations/indexation                                                                                          | 17   | (5,321)               |
| Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets                                    | 17   | 544                   |
| Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets | 17   | (642)                 |
| 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                                                                                                      |      | (1,792)               |
| Prior period adjustment                                                                                                                                       | 17   | 0                     |
|                                                                                                                                                               |      | <u>0</u>              |
| <b>Total gains and losses recognised in the financial year</b>                                                                                                |      | <b><u>4,218</u></b>   |
|                                                                                                                                                               |      | <b><u>(1,792)</u></b> |

**BALANCE SHEET AS AT 31 MARCH 2009**

|                                                            | Note | £000    | £000            | 01-Apr<br>2008<br>£000 |
|------------------------------------------------------------|------|---------|-----------------|------------------------|
| <b>Fixed assets</b>                                        |      |         |                 |                        |
| Intangible assets                                          | 10   | 237     |                 | 204                    |
| Tangible assets                                            | 11   | 224,856 |                 | 220,206                |
| Investment assets                                          | 11.4 | 0       |                 | 0                      |
|                                                            |      |         | <b>225,093</b>  | <b>220,410</b>         |
| <b>Current assets</b>                                      |      |         |                 |                        |
| Stocks and work-in-progress                                | 12   | 5,607   |                 | 5,065                  |
| Debtors                                                    | 13   | 24,605  |                 | 19,879                 |
| Investments                                                | 14   | 9,000   |                 | 0                      |
| Cash at bank and in hand                                   | 18.3 | 1,344   |                 | 3,626                  |
| <b>Total current assets</b>                                |      |         | <b>40,556</b>   | <b>28,570</b>          |
| Creditors: amounts falling due within 1 year               | 15   |         | <b>(30,601)</b> | <b>(24,287)</b>        |
| <b>Net current assets/(liabilities)</b>                    |      |         | <b>9,955</b>    | <b>4,283</b>           |
| <b>Total assets less current liabilities</b>               |      |         | <b>235,048</b>  | <b>224,693</b>         |
| Creditors: amounts falling due<br>after more than one year | 15   |         | 0               | 0                      |
| Provisions for liabilities and charges                     | 16   |         | <b>(13,823)</b> | <b>(14,283)</b>        |
| <b>Total assets employed</b>                               |      |         | <b>221,225</b>  | <b>210,410</b>         |
| <b>Financed by:</b>                                        |      |         |                 |                        |
| <b>Taxpayer's equity</b>                                   |      |         |                 |                        |
| Public dividend capital                                    | 23.2 |         | <b>215,758</b>  | 205,722                |
| Revaluation reserve                                        | 17   |         | <b>1,072</b>    | 0                      |
| Donated asset reserve                                      | 17   |         | <b>4,336</b>    | 4,688                  |
| Government grant reserve                                   | 17   |         | 0               | 0                      |
| Other reserves                                             | 17   |         | 0               | 0                      |
| Income and expenditure reserve                             | 17   |         | <b>59</b>       | 0                      |
| <b>Total taxpayer's equity</b>                             |      |         | <b>221,225</b>  | <b>210,410</b>         |

Signed on behalf of the Board on 10th June 2009

Chairman .....

Chief Executive .....

Adopted by the Board on 10th June 2009

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2009**

|                                                                                       | Note | £000     | £000     | 2007-08<br>£000 |
|---------------------------------------------------------------------------------------|------|----------|----------|-----------------|
| <b>Operating activities</b>                                                           |      |          |          |                 |
| Net cash inflow from operating activities                                             | 18.1 |          | 21,527   | 11,378          |
| <b>Returns on investments and servicing of finance</b>                                |      |          |          |                 |
| Interest received                                                                     |      | 757      |          | 1,052           |
| Interest paid                                                                         |      | 0        |          | (4)             |
| Interest element of finance leases                                                    |      | (9)      |          | 0               |
| <b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b> |      |          | 748      | 1,048           |
| <b>Capital expenditure</b>                                                            |      |          |          |                 |
| Payments to acquire tangible fixed assets                                             |      | (19,972) |          | (31,181)        |
| Receipts from sale of tangible fixed assets                                           |      | 0        |          | 167             |
| Payments to acquire/ receipts from sale of intangible assets                          |      | (72)     |          | (127)           |
| Payments to acquire/ receipts from sale of fixed asset investments                    |      | 0        |          | 0               |
| <b>Net cash inflow/(outflow) from capital expenditure</b>                             |      |          | (20,044) | (31,141)        |
| Public dividend capital dividends paid                                                |      |          | (5,546)  | (5,568)         |
| <b>Management of liquid resources</b>                                                 |      |          |          |                 |
| Purchase of current asset investments                                                 |      | (9,000)  |          | (43,000)        |
| Sale of investments                                                                   |      | 0        |          | 43,000          |
| <b>Net cash inflow/(outflow) from management of liquid resources</b>                  |      |          | (9,000)  | 0               |
| <b>Net cash inflow/(outflow) before financing</b>                                     |      |          | (12,315) | (24,283)        |
| <b>Financing</b>                                                                      |      |          |          |                 |
| Public dividend capital received                                                      |      | 13,553   |          | 24,192          |
| Public dividend capital repaid (not previously accrued)                               |      | (3,517)  |          | 0               |
| Public dividend capital repaid (accrued in previous period)                           |      | 0        |          | 0               |
| Government loans received: short term                                                 |      | 1,500    |          | 620             |
| Government loans repaid: short term                                                   |      | (1,500)  |          | (620)           |
| Loan advances/brokerage received                                                      |      | 0        |          | 2,500           |
| Loan advances/brokerage repaid                                                        |      | 0        |          | 0               |
| Other capital receipts                                                                |      | 147      |          | 70              |
| Capital element of finance leases                                                     |      | (150)    |          | 0               |
| <b>Net cash inflow/(outflow) from financing</b>                                       |      |          | 10,033   | 26,762          |
| <b>Increase/(decrease) in cash</b>                                                    | 18.2 |          | (2,282)  | 2,479           |

## Notes to the accounts

### 1. Accounting policies and other information

The Welsh Assembly Ministers have 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, except capitalised Research and Development which is carried at historic cost. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

#### 1.5 Tangible fixed assets

##### i. Capitalisation

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

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

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.

### **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.

**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 and in the intervening years by the use of indices provided from the District Valuer via the Assembly.

Professional valuations are carried out by the District Valuers of the Inland Revenue at 5 yearly intervals. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Assembly and HM Treasury. The last asset valuations were carried out as at 1 April 2007 and were 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 and indexed 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, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in value when newly constructed assets are brought into use are charged in full to the Income & Expenditure account.

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 Trusts estate.

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. 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.



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**

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

### **1.13 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. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk). The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

#### **a) Full actuarial (funding) valuation**

The purpose of this valuation 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 valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay.

On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

#### b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation. Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

#### **Scheme provisions as at 31 March 2008**

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

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to 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.

## **Scheme provisions from 1 April 2008**

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website [www.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk).

### **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.

### **1.24 Financial Instruments**

#### **Financial assets**

Financial assets are recognised on the balance sheet when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**o Financial assets at fair value through profit and loss**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

**o Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

**o Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

**o Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques [specify – see IAS 39 AG 74 and following paragraphs]

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset. At the balance sheet date, the Trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**• Financial liabilities**

Financial liabilities are recognised on the balance sheet when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

**o Financial liabilities at fair value through profit and loss**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

**o Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

## **2. Segmental reporting**

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

**3. Income from activities**

2007-08

|                                                      | £000           | £000           |
|------------------------------------------------------|----------------|----------------|
| Local health boards                                  | 329,298        | 309,307        |
| Health Commission Wales                              | 1,172          | 663            |
| NHS trusts                                           | 3,150          | 2,322          |
| Strategic health authorities and primary care trusts | 3,342          | 3,356          |
| Foundation Trusts                                    | 0              | 0              |
| Local authorities                                    | 2,866          | 2,567          |
| Welsh Assembly Government                            | 8,047          | 6,048          |
| Non NHS:                                             |                |                |
| Private patient income                               | 194            | 318            |
| Overseas patients (non-reciprocal)                   | 43             | 41             |
| Injury Costs Recovery (ICR) Scheme                   | 1,603          | 918            |
| Other income from activities                         | 1,003          | 824            |
| <b>Total</b>                                         | <b>350,718</b> | <b>326,364</b> |

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

**4. Other operating income**

2007-08

|                                                   | £000          | £000          |
|---------------------------------------------------|---------------|---------------|
| Patient transport services                        | 17            | 14            |
| Education, training and research                  | 7,941         | 7,867         |
| Charitable and other contributions to expenditure | 2,217         | 2,016         |
| Transfer from the donated asset reserve           | 564           | 642           |
| Transfer from the government grant reserve        | 0             | 0             |
| Non-patient care income generation schemes        | 138           | 435           |
| Rental income from finance leases                 | 0             | 0             |
| Rental income from operating leases               | 0             | 0             |
| Other income:                                     |               |               |
| Provision of laundry, pathology, payroll services | 1,854         | 2,083         |
| Accommodation and catering charges                | 2,256         | 2,299         |
| Mortuary fees                                     | 179           | 177           |
| Staff payments for use of cars                    | 273           | 331           |
| Business unit (please state)                      | 0             | 0             |
| Other                                             | 3,057         | 2,852         |
| <b>Total</b>                                      | <b>18,496</b> | <b>18,716</b> |

Other income of £3,057k includes the following sources:

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| Staff Secondments and recharges     | 528          | 494          |
| Contribution from Clients           | 111          | 178          |
| Income from design, estates & shops | 249          | 398          |
| Income from training & advice       | 320          | 362          |
|                                     | 0            | 0            |
|                                     | 0            | 0            |
| <b>Total</b>                        | <b>1,208</b> | <b>1,432</b> |



## 5. Operating expenses

### 5.1 Operating expenses comprise

2007-08

|                                                                       | £000           | £000           |
|-----------------------------------------------------------------------|----------------|----------------|
| Goods and services from other NHS bodies                              | 3,734          | 2,651          |
| Goods and services from other NHS Foundation Trusts                   | 0              | 0              |
| Purchase of healthcare from non-NHS bodies                            | 0              | 0              |
| Directors' costs                                                      | 721            | 1,993          |
| Staff costs                                                           | 269,694        | 255,443        |
| Supplies and services - clinical                                      | 44,051         | 39,430         |
| Supplies and services - general                                       | 4,277          | 4,176          |
| Consultancy Services                                                  | 425            | 508            |
| Establishment                                                         | 8,743          | 9,030          |
| Transport                                                             | 417            | 369            |
| Premises                                                              | 12,101         | 11,823         |
| Depreciation                                                          | 12,419         | 10,755         |
| Amortisation                                                          | 39             | 13             |
| Fixed asset impairments and reversals (Property, plant and equipment) | 2,025          | 0              |
| Fixed asset impairments and reversals (Intangible assets)             | 0              | 0              |
| Impairments & reversals of financial assets (by class)                | 0              | 0              |
| Audit fees                                                            | 383            | 455            |
| Other auditors' remuneration                                          | 0              | 1              |
| Losses, special payments and irrecoverable debts                      | 1,009          | 670            |
| Other operating expenses                                              | 2,632          | 4,360          |
| <b>Total</b>                                                          | <b>362,670</b> | <b>341,677</b> |

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

2007-08

|                                                              | £000           | £000           |
|--------------------------------------------------------------|----------------|----------------|
| <b>Increase/(decrease) in provision for future payments:</b> |                |                |
| Clinical negligence                                          | 5,928          | 1,569          |
| Personal injury                                              | 1,008          | 351            |
| All other losses and special payments                        | 90             | 108            |
| Defence legal fees and other administrative costs            | 19             | 147            |
| Gross increase/(decrease) in provision for future payments   | 7,045          | 2,175          |
| Contribution to Welsh Risk Pool                              | 0              | 0              |
| Premium for other insurance arrangements                     | 0              | 1              |
| Irrecoverable debts                                          | 37             | (17)           |
| <b>Less: income received/ due from Welsh Risk Pool</b>       | <b>(6,073)</b> | <b>(1,489)</b> |
| <b>Total charge</b>                                          | <b>1,009</b>   | <b>670</b>     |

Personal injury includes £45,833 (2007-08 £98,503) in respect of permanent injury benefits

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

|                                | <u>Land and buildings</u> |          | <u>Other leases</u> |              |
|--------------------------------|---------------------------|----------|---------------------|--------------|
|                                |                           | 2007-08  |                     | 2007-08      |
|                                | £000                      | £000     | £000                | £000         |
| Operating leases which expire: |                           |          |                     |              |
| Within 1 year                  | 0                         | 0        | 639                 | 666          |
| Between 1 and 5 years          | 0                         | 0        | 966                 | 1,165        |
| After 5 years                  | 0                         | 0        | 58                  | 58           |
| <b>Total</b>                   | <b>0</b>                  | <b>0</b> | <b>1,663</b>        | <b>1,889</b> |

**5.3.2 Operating expenses include:**

|                               |  | 2007-08      |
|-------------------------------|--|--------------|
|                               |  | £000         |
|                               |  | £000         |
| Other operating lease rentals |  | 1,766        |
| Hire of plant and machinery   |  | 168          |
| <b>Total</b>                  |  | <b>1,934</b> |

**5.4 Directors' remuneration**

|                                                                                         | Remuneration | Other        | Total      | 2007-08      |
|-----------------------------------------------------------------------------------------|--------------|--------------|------------|--------------|
|                                                                                         | as Director  | remuneration |            |              |
|                                                                                         | £000         | £000         | £000       | £000         |
| Non-executive directors' remuneration                                                   | 106          | 0            | 106        | 258          |
| Executive directors' remuneration:                                                      |              |              |            |              |
| basic salaries                                                                          | 501          | 0            | 501        | 1,444        |
| benefits                                                                                | 6            | 0            | 6          | 22           |
| performance related bonuses                                                             | 0            | 0            | 0          | 0            |
| pension contributions paid                                                              | 54           | 0            | 54         | 167          |
| Sub-total                                                                               | 667          | 0            | 667        | 1,891        |
| Compensation for loss of office                                                         | 0            | 0            | 0          | 2,011        |
| Pensions for directors and former directors<br>(other than from the NHS pension scheme) | 0            | 0            | 0          | 0            |
| <b>Total</b>                                                                            | <b>667</b>   | <b>0</b>     | <b>667</b> | <b>3,902</b> |

No performance related bonuses were paid to any Director of the Trust during the period to 31 March 2009.

**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<br>as director<br>£000 | Other<br>remuneration<br>£000 | Total<br>£000 | 2007-08<br>£000 |
|-------------------------------|-------------------------------------|-------------------------------|---------------|-----------------|
| <b>Chairman</b>               |                                     |                               |               |                 |
| Basic remuneration            | 42                                  | 0                             | 42            | 117             |
| Benefits                      | 0                                   | 0                             | 0             | 2               |
|                               | <u>42</u>                           | <u>0</u>                      | <u>42</u>     | <u>119</u>      |
| <b>Chief Executive</b>        |                                     |                               |               |                 |
| Basic salaries                | 174                                 | 0                             | 174           | 315             |
| Benefits                      | 0                                   | 0                             | 0             | 7               |
| Performance related bonuses   | 0                                   | 0                             | 0             | 0               |
|                               | <u>174</u>                          | <u>0</u>                      | <u>174</u>    | <u>322</u>      |
| Pension contributions         | 24                                  | 0                             | 24            | 43              |
|                               | <u>198</u>                          | <u>0</u>                      | <u>198</u>    | <u>365</u>      |
| <b>Highest paid director*</b> |                                     |                               |               |                 |
| Basic salaries                | 0                                   | 0                             | 0             | 456             |
| Benefits                      | 0                                   | 0                             | 0             | 0               |
| Performance related bonuses   | 0                                   | 0                             | 0             | 0               |
|                               | <u>0</u>                            | <u>0</u>                      | <u>0</u>      | <u>456</u>      |
| Pension contributions         | 0                                   | 0                             | 0             | 39              |
| <b>Total</b>                  | <u>0</u>                            | <u>0</u>                      | <u>0</u>      | <u>495</u>      |

\* the chief executive was the highest paid director during the period to 31 March 2009.

## 6. Employee costs and numbers

| 6.1 Employee costs                      | Permanent      | Staff on    | Agency       | Total          | 2007-08        |
|-----------------------------------------|----------------|-------------|--------------|----------------|----------------|
|                                         | Staff          | inward      | temporary    |                |                |
|                                         | second-        | and cont-   | ment         |                |                |
|                                         | ment           | tract staff |              |                |                |
|                                         | £000           | £000        | £000         | £000           | £000           |
| Salaries and wages                      | 224,207        | 266         | 2,390        | 226,863        | 216,386        |
| Social security costs                   | 17,092         | 0           | 0            | 17,092         | 16,266         |
| Employer pension contributions to NHSBA | 26,341         | 0           | 0            | 26,341         | 24,509         |
| Other pension costs                     | 0              | 0           | 0            | 0              | 0              |
| <b>Total</b>                            | <b>267,640</b> | <b>266</b>  | <b>2,390</b> | <b>270,296</b> | <b>257,161</b> |

In addition to the above the Trust incurred £843,251 of staff costs on capital schemes that were in progress during the year.

## 6.2 Average number of employees

|                                                 | Permanent    | Staff on    | Agency    | Total        | 2007-08      |
|-------------------------------------------------|--------------|-------------|-----------|--------------|--------------|
|                                                 | Staff        | inward      | temporary |              |              |
|                                                 | second-      | and cont-   | ment      |              |              |
|                                                 | ment         | tract staff |           |              |              |
|                                                 | Number       | Number      | Number    | Number       | Number       |
| Medical and dental                              | 1,012        | 0           | 10        | 1,022        | 677          |
| Ambulance staff                                 | 0            | 0           | 0         | 0            | 0            |
| Administrative and estates                      | 1,776        | 2           | 8         | 1,786        | 1,366        |
| Healthcare assistants and other support staff   | 1,355        | 0           | 0         | 1,355        | 1,550        |
| Nursing, midwifery and health visiting staff    | 2,471        | 0           | 14        | 2,485        | 2,888        |
| Nursing, midwifery and health visiting learners | 15           | 0           | 0         | 15           | 8            |
| Scientific, therapeutic and technical staff     | 769          | 0           | 4         | 773          | 831          |
| Social care staff                               | 0            | 0           | 0         | 0            | 0            |
| Other                                           | 0            | 0           | 0         | 0            | 0            |
| <b>Total</b>                                    | <b>7,398</b> | <b>2</b>    | <b>36</b> | <b>7,436</b> | <b>7,320</b> |

The figures quoted under 2007-08 are not direct comparators to the figures quoted for 2008-09. This is due to the methods of compilation that were undertaken by the three predecessor Trusts.

## 6.3 Employee benefits

The trust does not have an employee benefit scheme.

**6.4 Trust management costs**

|                        | £000    | Percentage<br>of total<br>income | 2007-08 |                                  |
|------------------------|---------|----------------------------------|---------|----------------------------------|
|                        |         |                                  | £000    | Percentage<br>of total<br>income |
| Trust management costs | 14,911  | 4.0%                             | 13,822  | 4.0%                             |
| Income                 | 369,214 |                                  | 348,215 |                                  |

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 2008-09 (prior year 2007-08) there were 19 (22) 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 £1,020,165 (£863,862).

**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    | 2007-08<br>£000 |
|----------------------------------------|---------|---------|-----------------|
| <b>NHS</b>                             |         |         |                 |
| Total bills paid                       | 3,390   | 29,619  | 33,964          |
| Total bills paid within target         | 3,087   | 28,674  | 32,984          |
| Percentage of bills paid within target | 91.1%   | 96.8%   | 97.1%           |
| <b>Non-NHS</b>                         |         |         |                 |
| Total bills paid                       | 122,750 | 120,925 | 130,318         |
| Total bills paid within target         | 118,113 | 119,234 | 127,586         |
| Percentage of bills paid within target | 96.2%   | 98.6%   | 97.9%           |
| <b>Total</b>                           |         |         |                 |
| Total bills paid                       | 126,140 | 150,544 | 164,282         |
| Total bills paid within target         | 121,200 | 147,908 | 160,570         |
| Percentage of bills paid within target | 96.1%   | 98.2%   | 97.7%           |

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

|                                                                                                                                                       | 2007-08 |   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---|
|                                                                                                                                                       | £       | £ |
| 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. Other Gains and Losses**

|                                                                                    | 2007-08  |              |
|------------------------------------------------------------------------------------|----------|--------------|
|                                                                                    | £000     | £000         |
| Profit on disposal of land and buildings                                           | 0        | 0            |
| Loss on disposal of land and buildings                                             | 0        | (8)          |
| Profit on disposal of plant and equipment                                          | 0        | 0            |
| Loss on disposal of plant and equipment                                            | 0        | (176)        |
| Profit on disposal of intangible fixed assets                                      | 0        | 0            |
| Loss on disposal of intangible fixed assets                                        | 0        | 0            |
| Profit on disposal of fixed assets investments                                     | 0        | 0            |
| Loss on disposal of fixed asset investments                                        | 0        | 0            |
| Gain/(loss) on foreign exchange                                                    | 0        | 0            |
| Change in fair value of financial assets carried at FV through profit & loss       | 0        | 0            |
| Change in fair value of financial liabilities carried at FV through profit & loss  | 0        | 0            |
| Recycling of gain/(loss) from equity on disposal of financial assets held for sale | 0        | 0            |
|                                                                                    | <u>0</u> | <u>(184)</u> |

**9. Finance Costs**

|                                 | 2007-08    |          |
|---------------------------------|------------|----------|
|                                 | £000       | £000     |
| Interest payable:               |            |          |
| Government borrowing            | 0          | 0        |
| Bank loans and overdrafts       | 0          | 0        |
| Late payment of commercial debt | 0          | 0        |
| Finance leases and PFI schemes  | 9          | 0        |
| Other                           | 0          | 0        |
| <b>Interest payable total</b>   | <u>9</u>   | <u>0</u> |
| Interest revenue:               |            |          |
| Bank accounts                   | 660        | 0        |
| Impaired financial assets       | 0          | 0        |
| Other financial assets          | 0          | 0        |
| <b>Interest revenue total</b>   | <u>660</u> | <u>0</u> |

**10. Intangible fixed assets**

|                                           | Software<br>licences<br>£000 | Licenses and<br>trademarks<br>£000 | Patents<br>£000 | Development<br>expenditure<br>£000 | Total<br>£000 |
|-------------------------------------------|------------------------------|------------------------------------|-----------------|------------------------------------|---------------|
| Gross cost at 1 April 2008                | 231                          | 0                                  | 0               | 0                                  | 231           |
| Impairments                               | 0                            | 0                                  | 0               | 0                                  | 0             |
| Reclassifications                         | 0                            | 0                                  | 0               | 0                                  | 0             |
| Other revaluations                        | 0                            | 0                                  | 0               | 0                                  | 0             |
| Additions purchased                       | 72                           | 0                                  | 0               | 0                                  | 72            |
| Additions donated                         | 0                            | 0                                  | 0               | 0                                  | 0             |
| Additions government granted              | 0                            | 0                                  | 0               | 0                                  | 0             |
| Disposals                                 | 0                            | 0                                  | 0               | 0                                  | 0             |
| Gross cost at 31 March 2009               | <b>303</b>                   | <b>0</b>                           | <b>0</b>        | <b>0</b>                           | <b>303</b>    |
| Accumulated amortisation at 1 April 2008  | 27                           | 0                                  | 0               | 0                                  | 27            |
| Impairments                               | 0                            | 0                                  | 0               | 0                                  | 0             |
| Reversal of impairments                   | 0                            | 0                                  | 0               | 0                                  | 0             |
| Reclassifications                         | 0                            | 0                                  | 0               | 0                                  | 0             |
| Other revaluations                        | 0                            | 0                                  | 0               | 0                                  | 0             |
| Provided during the year                  | 39                           | 0                                  | 0               | 0                                  | 39            |
| Disposals                                 | 0                            | 0                                  | 0               | 0                                  | 0             |
| Accumulated amortisation at 31 March 2009 | <b>66</b>                    | <b>0</b>                           | <b>0</b>        | <b>0</b>                           | <b>66</b>     |
| Net book values at 1 April 2008:          |                              |                                    |                 |                                    |               |
| Purchased                                 | 184                          | 0                                  | 0               | 0                                  | 184           |
| Donated                                   | 20                           | 0                                  | 0               | 0                                  | 20            |
| Government granted                        | 0                            | 0                                  | 0               | 0                                  | 0             |
| <b>Total</b>                              | <b>204</b>                   | <b>0</b>                           | <b>0</b>        | <b>0</b>                           | <b>204</b>    |
| Net book values at 31 March 2009:         |                              |                                    |                 |                                    |               |
| Purchased                                 | 220                          | 0                                  | 0               | 0                                  | 220           |
| Donated                                   | 17                           | 0                                  | 0               | 0                                  | 17            |
| Government granted                        | 0                            | 0                                  | 0               | 0                                  | 0             |
| <b>Total</b>                              | <b>237</b>                   | <b>0</b>                           | <b>0</b>        | <b>0</b>                           | <b>237</b>    |

## 11. Tangible fixed assets

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

| Cost or valuation                                                                                                                                                 | Land<br>£000  | Buildings,<br>excluding | Assets under<br>construction<br>and payments |                    | Plant and<br>machinery<br>£000 | Transport<br>equipment<br>£000 | Information<br>technology<br>£000 | Furniture<br>and<br>fittings | Total<br>£000  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------|----------------------------------------------|--------------------|--------------------------------|--------------------------------|-----------------------------------|------------------------------|----------------|
|                                                                                                                                                                   |               | dwellings<br>£000       | Dwellings<br>£000                            | on account<br>£000 |                                |                                |                                   | £000                         |                |
| At 1 April 2008                                                                                                                                                   | 32,135        | 159,137                 | 7,416                                        | 4,993              | 50,113                         | 705                            | 11,348                            | 1,810                        | 267,657        |
| Indexation                                                                                                                                                        | (4,820)       | 4,773                   | 222                                          | 149                | 739                            | 4                              | 0                                 | 33                           | 1,100          |
| Additions                                                                                                                                                         |               |                         |                                              |                    |                                |                                |                                   |                              |                |
| - purchased                                                                                                                                                       | 0             | 3,469                   | 10                                           | 9,568              | 3,482                          | 6                              | 1,263                             | 12                           | 17,810         |
| - donated                                                                                                                                                         | 0             | 0                       | 0                                            | 0                  | 147                            | 0                              | 0                                 | 0                            | 147            |
| - government granted                                                                                                                                              | 0             | 0                       | 0                                            | 0                  | 0                              | 0                              | 0                                 | 0                            | 0              |
| Reclassifications                                                                                                                                                 | 0             | 858                     | 70                                           | (2,197)            | 1,269                          | 0                              | 0                                 | 0                            | 0              |
| Impairments                                                                                                                                                       | (62)          | (1,073)                 | 0                                            | (743)              | (147)                          | 0                              | 0                                 | 0                            | (2,025)        |
| Other in-year revaluations                                                                                                                                        | 0             | 344                     | 0                                            | 0                  | 0                              | 0                              | 0                                 | 0                            | 344            |
| Disposals                                                                                                                                                         | 0             | 0                       | 0                                            | 0                  | (2,836)                        | 0                              | (12)                              | 0                            | (2,848)        |
| <b>At 31 March 2009</b>                                                                                                                                           | <b>27,253</b> | <b>167,508</b>          | <b>7,718</b>                                 | <b>11,770</b>      | <b>52,767</b>                  | <b>715</b>                     | <b>12,599</b>                     | <b>1,855</b>                 | <b>282,185</b> |
| <b>Depreciation</b>                                                                                                                                               |               |                         |                                              |                    |                                |                                |                                   |                              |                |
| At 1 April 2008                                                                                                                                                   |               | 4,902                   | 179                                          | 0                  | 33,852                         | 630                            | 6,977                             | 911                          | 47,451         |
| Indexation                                                                                                                                                        |               | 146                     | 5                                            | 0                  | 250                            | 2                              | 0                                 | 7                            | 410            |
| Reclassifications                                                                                                                                                 |               | 0                       | 0                                            | 0                  | 0                              | 0                              | 0                                 | 0                            | 0              |
| Impairments                                                                                                                                                       |               | 0                       | 0                                            | 0                  | 0                              | 0                              | 0                                 | 0                            | 0              |
| Reversal of impairments                                                                                                                                           |               | 0                       | 0                                            | 0                  | 0                              | 0                              | 0                                 | 0                            | 0              |
| Other in-year revaluations                                                                                                                                        |               | (103)                   | 0                                            | 0                  | 0                              | 0                              | 0                                 | 0                            | (103)          |
| Disposals                                                                                                                                                         |               | 0                       | 0                                            | 0                  | (2,836)                        | 0                              | (12)                              | 0                            | (2,848)        |
| Provided during the year                                                                                                                                          |               | 6,595                   | 242                                          | 0                  | 4,206                          | 26                             | 1,240                             | 110                          | 12,419         |
| <b>At 31 March 2009</b>                                                                                                                                           |               | <b>11,540</b>           | <b>426</b>                                   | <b>0</b>           | <b>35,472</b>                  | <b>658</b>                     | <b>8,205</b>                      | <b>1,028</b>                 | <b>57,329</b>  |
| <b>Net book value</b>                                                                                                                                             |               |                         |                                              |                    |                                |                                |                                   |                              |                |
| at 1 April 2008                                                                                                                                                   | 32,135        | 154,235                 | 7,237                                        | 4,993              | 16,261                         | 75                             | 4,371                             | 899                          | 220,206        |
| <b>Net book value</b>                                                                                                                                             |               |                         |                                              |                    |                                |                                |                                   |                              |                |
| at 31 March 2009                                                                                                                                                  | 27,253        | 155,968                 | 7,292                                        | 11,770             | 17,295                         | 57                             | 4,394                             | 827                          | 224,856        |
| <b>Net book value of assets held under finance leases and hire purchase contracts</b>                                                                             |               |                         |                                              |                    |                                |                                |                                   |                              |                |
| Total                                                                                                                                                             | 0             | 0                       | 0                                            | 0                  | 232                            | 0                              | 0                                 | 0                            | 232            |
| <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> |               |                         |                                              |                    |                                |                                |                                   |                              |                |
| Total                                                                                                                                                             | 0             | 0                       | 0                                            | 0                  | 128                            | 0                              | 0                                 | 0                            | 128            |

Of the totals at 31 March 2009, £70,048 related to land valued at open market value and £164,952 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.



**11.3 The net book value of land and buildings at the balance sheet date comprise:**

|                 |                | 31 March<br>2008 |
|-----------------|----------------|------------------|
|                 | £000           | £000             |
| Freehold        | 189,430        | 192,528          |
| Long leasehold  | 1,083          | 1,079            |
| Short leasehold | 0              | 0                |
| <b>Total</b>    | <b>190,513</b> | <b>193,607</b>   |

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

The Trust has no fixed asset investments.

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

|                               |              | 31 March<br>2008 |
|-------------------------------|--------------|------------------|
|                               | £000         | £000             |
| Raw materials and consumables | 5,607        | 5,065            |
| Work-in-progress              | 0            | 0                |
| Finished processed goods      | 0            | 0                |
| <b>Total</b>                  | <b>5,607</b> | <b>5,065</b>     |

**13. Debtors**

31 March

|                                                      | £000                 | £000                 |
|------------------------------------------------------|----------------------|----------------------|
| <b>Amounts falling due within one year:</b>          |                      |                      |
| Welsh Risk Pool                                      | 11,014               | 6,063                |
| NHS debtors                                          | 8,343                | 7,102                |
| Non-NHS trade debtors                                | 3,553                | 0                    |
| PDC dividend debtors                                 | 0                    | 557                  |
| Other debtors                                        | 604                  | 3,704                |
| Provision for irrecoverable debts                    | (269)                | (261)                |
| Other prepayments and accrued income                 | 1,360                | 2,490                |
| Sub-total                                            | <u>24,605</u>        | <u>19,655</u>        |
| <b>Amounts falling due after more than one year:</b> |                      |                      |
| Welsh Risk Pool                                      | 0                    | 224                  |
| NHS debtors                                          | 0                    | 0                    |
| Non-NHS trade debtors                                | 0                    | 0                    |
| Other prepayments and accrued income                 | 0                    | 0                    |
| Other debtors                                        | 0                    | 0                    |
| Sub-total                                            | <u>0</u>             | <u>224</u>           |
| <b>Total</b>                                         | <u><b>24,605</b></u> | <u><b>19,879</b></u> |

**Provision for irrecoverable debts (impairment of receivables):**

|                            |                   |                 |
|----------------------------|-------------------|-----------------|
| Balance at 1 April         | 261               | 0               |
| Provided in year           | 31                | 0               |
| Written-off in year        | 0                 | 0               |
| Recovered during year      | -23               | 0               |
| <b>Balance at 31 March</b> | <u><b>269</b></u> | <u><b>0</b></u> |

**Debtors past due date but not impaired:**

|                    |                     |                 |
|--------------------|---------------------|-----------------|
| Up to 3 months     | 23683               | 0               |
| 3 to 6 months      | 764                 | 0               |
| More than 6 months | 158                 | 0               |
| <b>Total</b>       | <u><b>24605</b></u> | <u><b>0</b></u> |

**14. Current Asset Investments**

|                            |              | 31 March<br>2008 |
|----------------------------|--------------|------------------|
|                            | £000         | £000             |
| Government securities      | 9,000        | 0                |
| Local authorities          | 0            | 0                |
| EU Emission Trading Scheme | 0            | 0                |
| Other                      | 0            | 0                |
| <b>Total</b>               | <b>9,000</b> | <b>0</b>         |

**Other financial asset investments****Current**

|                                                                | £000     | £000     |
|----------------------------------------------------------------|----------|----------|
| Financial assets carried at fair value through profit and loss | 0        | 0        |
| Held to maturity investments at amortised cost                 | 0        | 0        |
| Available for sale financial assets carried at fair value      | 0        | 0        |
| Loans carried at amortised costs                               | 0        | 0        |
| <b>Total</b>                                                   | <b>0</b> | <b>0</b> |

**Non current**

|                                                                | £000     | £000     |
|----------------------------------------------------------------|----------|----------|
| Financial assets carried at fair value through profit and loss | 0        | 0        |
| Held to maturity investments at amortised cost                 | 0        | 0        |
| Available for sale financial assets carried at fair value      | 0        | 0        |
| Loans carried at amortised costs                               | 0        | 0        |
| <b>Total</b>                                                   | <b>0</b> | <b>0</b> |

**15. Creditors****15.1 Creditors at the balance sheet date are made up of:**31 March  
2008

| <b>Amounts falling due within one year:</b>                  | <b>£000</b>          | <b>£000</b>          |
|--------------------------------------------------------------|----------------------|----------------------|
| Bank overdrafts                                              | 0                    | 0                    |
| Interest payable                                             | 0                    | 0                    |
| Loan advance/brokerage                                       | 0                    | 0                    |
| Payments received on account                                 | 0                    | 0                    |
| NHS creditors                                                | 6,147                | 2,520                |
| Non-NHS trade creditors - revenue                            | 2,205                | 4,079                |
| Non-NHS trade creditors - capital                            | 3,973                | 6,699                |
| Non-NHS trade creditors - losses and special payments        | 0                    | 0                    |
| Tax and social security costs                                | 5,799                | 2,704                |
| VAT                                                          | 0                    | 0                    |
| PDC dividend payable                                         | 1,082                | 22                   |
| Obligations under finance leases and hire purchase contracts | 182                  | 0                    |
| Obligations under PFI schemes                                | 0                    | 0                    |
| Other creditors - superannuation                             | 0                    | 500                  |
| Other creditors - all other creditors                        | 9,178                | 6,076                |
| Accruals                                                     | 1,991                | 1,547                |
| Deferred income                                              | 44                   | 140                  |
| Sub-total                                                    | <u>30,601</u>        | <u>24,287</u>        |
| <b>Amounts falling due after more than one year:</b>         |                      |                      |
| Loan advance/brokerage                                       | 0                    | 0                    |
| Obligations under finance leases and hire purchase contracts | 0                    | 0                    |
| Obligations under PFI schemes                                | 0                    | 0                    |
| NHS creditors                                                | 0                    | 0                    |
| Non-NHS trade creditors - losses and special payments        | 0                    | 0                    |
| Deferred income                                              | 0                    | 0                    |
| Other                                                        | 0                    | 0                    |
| Sub-total                                                    | <u>0</u>             | <u>0</u>             |
| <b>Total</b>                                                 | <u><b>30,601</b></u> | <u><b>24,287</b></u> |

Other creditors include:

£nil for payments due in future years under arrangements to buy out the liability for early retirements over 5 instalments and £3,301,471 outstanding pensions contributions at 31 March 2009 (£2,466,597 at 31 March 2008).

**15.2 Loan advance(strategic assistance funding)**31 March  
2008**Amounts falling due:****£000****£000**

|                                                               |          |          |
|---------------------------------------------------------------|----------|----------|
| In one year or less                                           | 0        | 0        |
| Between one and two years                                     | 0        | 0        |
| Between two and five years                                    | 0        | 0        |
| In five years or more                                         | 0        | 0        |
| Sub-total                                                     | <u>0</u> | <u>0</u> |
| Wholly repayable within five years                            | 0        | 0        |
| Wholly repayable after five years, not by instalments         | 0        | 0        |
| Wholly or partially repayable after five years by instalments | 0        | 0        |
| Sub-total                                                     | <u>0</u> | <u>0</u> |
| Total repayable after five<br>years by instalments            | 0        | 0        |

**Other financial liabilities****Current****£000****£000**

Financial liabilities carried at fair value through profit and loss

0

0

**Non Current**

Financial liabilities carried at fair value through profit and loss

0

0

**15.3 Finance lease obligations**

31 March

|                                                  | <b>Total</b> | 2008     |
|--------------------------------------------------|--------------|----------|
| <b>Payable:</b>                                  | <b>£000</b>  | £000     |
| In one year or on demand                         | <b>92</b>    | 0        |
| In more than 1 year but no longer than 2         | <b>90</b>    | 0        |
| In more than 2 years but no longer than 5        | <b>0</b>     | 0        |
| After five years                                 | <b>0</b>     | 0        |
| Sub-total                                        | <b>182</b>   | 0        |
| Less finance charges allocated to future periods | <b>0</b>     | 0        |
| <b>Total Net Obligations</b>                     | <b>182</b>   | <b>0</b> |

**15.4 Finance lease commitments**

Hywel Dda NHS Trust has not entered into any new contracts to lease (building assets) under finance leases during the period 1 April 2008 to 31 March 2009.

## 16. Provisions for liabilities and charges

|                                                   | At 1 April<br>2008<br>£000 | Structured<br>settlement<br>cases trans-<br>ferred to<br>Risk Pool<br>£000 | Transfer<br>of prov-<br>isions to<br>creditors<br>£000 | Arising<br>during<br>the year<br>£000 | Reversed<br>unused<br>£000 | Utilised<br>during<br>the year<br>£000 | Unwinding<br>of<br>discount<br>£000 | At<br>31 March<br>2009<br>£000 |
|---------------------------------------------------|----------------------------|----------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------|----------------------------|----------------------------------------|-------------------------------------|--------------------------------|
| Clinical negligence                               | 6,161                      | 5                                                                          | 0                                                      | 7,561                                 | (1,633)                    | (1,990)                                | 0                                   | 10,104                         |
| Personal injury                                   | 2,290                      |                                                                            | 0                                                      | 1,140                                 | (132)                      | (470)                                  | 0                                   | 2,828                          |
| All other losses and<br>special payments          | 0                          | 0                                                                          | 0                                                      | 90                                    | 0                          | (90)                                   | 0                                   | 0                              |
| Defence legal fees<br>and other<br>administration | 652                        | (19)                                                                       | 0                                                      | 388                                   | (369)                      | (215)                                  |                                     | 437                            |
| Sub-total                                         | 9,103                      | (14)                                                                       | 0                                                      | 9,179                                 | (2,134)                    | (2,765)                                | 0                                   | 13,369                         |
| Pensions relating to:                             |                            |                                                                            |                                                        |                                       |                            |                                        |                                     |                                |
| former directors                                  | 0                          |                                                                            |                                                        | 0                                     | 0                          | 0                                      | 0                                   | 0                              |
| other staff                                       | 153                        |                                                                            |                                                        | 12                                    | 0                          | (14)                                   | 0                                   | 151                            |
| Restructurings                                    | 0                          |                                                                            |                                                        | 0                                     | 0                          | 0                                      |                                     | 0                              |
| Other                                             | 5,027                      |                                                                            |                                                        | 301                                   | (2,690)                    | (2,335)                                |                                     | 303                            |
| <b>Total</b>                                      | <b>14,283</b>              | <b>(14)</b>                                                                | <b>0</b>                                               | <b>9,492</b>                          | <b>(4,824)</b>             | <b>(5,114)</b>                         | <b>0</b>                            | <b>13,823</b>                  |

### Expected timing of cash flows:

|                                             | Between                  |                          |                          | Totals<br>£000 |
|---------------------------------------------|--------------------------|--------------------------|--------------------------|----------------|
|                                             | Within<br>1 year<br>£000 | 2 and 5<br>years<br>£000 | After 5<br>years<br>£000 |                |
| Clinical negligence                         | 9,647                    | 457                      | 0                        | 10,104         |
| Personal injury                             | 1,008                    | 183                      | 1,637                    | 2,828          |
| All other losses and special payments       | 0                        | 0                        | 0                        | 0              |
| Defence legal fees and other administration | 366                      | 71                       | 0                        | 437            |
| Pensions - former directors                 | 0                        | 0                        | 0                        | 0              |
| Pensions - other staff                      | 12                       | 48                       | 91                       | 151            |
| Restructuring                               | 0                        | 0                        | 0                        | 0              |
| Other                                       | 303                      | 0                        | 0                        | 303            |
| <b>Total</b>                                | <b>11,336</b>            | <b>759</b>               | <b>1,728</b>             | <b>13,823</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 £300,890 for Agenda for Change

## 17. Movements on reserves

Movements on reserves in the year comprised the following:

|                                                                            | Revaluation<br>reserve<br>£000 | Donated<br>asset<br>reserve<br>£000 | Govern-<br>ment<br>grant<br>reserve<br>£000 | Other<br>reserves<br>£000 | Income &<br>expenditure<br>reserve<br>£000 | Total<br>£000 |
|----------------------------------------------------------------------------|--------------------------------|-------------------------------------|---------------------------------------------|---------------------------|--------------------------------------------|---------------|
| At 1 April 2008 as previously stated                                       | 41,026                         | 4,688                               | 0                                           | 0                         | (37,302)                                   | 8,412         |
| Prior period adjustment                                                    | (41,026)                       |                                     |                                             |                           | 37,329                                     | (3,697)       |
| At 1 April 2008 as restated                                                | 0                              | 4,688                               | 0                                           | 0                         | 27                                         | 4,715         |
| Transfer from income and expenditure account                               |                                |                                     |                                             |                           | 32                                         | 32            |
| Impairments                                                                | 0                              | 0                                   | 0                                           |                           |                                            | 0             |
| Surplus (deficit) on revaluation / indexation of fixed assets              | 1,072                          | 65                                  | 0                                           |                           |                                            | 1,137         |
| Transfer of realised profits/ (losses)                                     | 0                              | 0                                   | 0                                           |                           | 0                                          | 0             |
| Receipt of donated/government granted assets                               |                                | 147                                 | 0                                           |                           |                                            | 147           |
| Depreciation, impairment and disposal of donated/government granted assets |                                | (564)                               | 0                                           |                           |                                            | (564)         |
| Reserves eliminated on dissolution                                         | 0                              |                                     |                                             | 0                         | 0                                          | 0             |
| Other transfers between reserves                                           | 0                              | 0                                   | 0                                           | 0                         | 0                                          | 0             |
| Other reserve movements                                                    |                                |                                     |                                             | 0                         |                                            | 0             |
| <b>At 31 March 2009</b>                                                    | <b>1,072</b>                   | <b>4,336</b>                        | <b>0</b>                                    | <b>0</b>                  | <b>59</b>                                  | <b>5,467</b>  |

Prior period adjustments relate to adjustments to Reserve balances as agreed with Welsh Assembly Government on creation of Hywel Dda NHS Trust and to the impact of reclassifying some of the Trust's operating leases into finance leases

Revaluation reserve for intangible assets (included above):

|                    |          |
|--------------------|----------|
| At 1 April         | 0        |
| No changes         | 0        |
| <b>At 31 March</b> | <b>0</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>   | <b>2007-08<br/>£000</b> |
|-----------------------------------------------------------------------------------------------|---------------|-------------------------|
| Total operating surplus/(deficit)                                                             | 6,544         | 3,403                   |
| Depreciation and amortisation charge                                                          | 12,458        | 10,768                  |
| Fixed asset impairment and reversals                                                          | 2,025         | 0                       |
| Transfer from the donated asset reserve                                                       | (564)         | (642)                   |
| Transfer from the government grant reserve                                                    | 0             | 0                       |
| (Increase)/decrease in stocks                                                                 | (542)         | (528)                   |
| (Increase)/decrease in debtors                                                                | (5,380)       | (3,069)                 |
| Increase/(decrease) in creditors                                                              | 7,446         | 87                      |
| Increase/(decrease) in provisions                                                             | (460)         | 1,359                   |
| <b>Net cash inflow from operating activities before restructuring costs</b>                   | <b>21,527</b> | <b>11,378</b>           |
| Payments in respect of fundamental reorganisation/restructuring                               | 0             | 0                       |
| <b>Net cash inflow from operating activities</b>                                              | <b>21,527</b> | <b>11,378</b>           |

| <b>18.2 Reconciliation of net cash flow to movement in net debt</b> | <b>£000</b>   | <b>2007-08<br/>£000</b> |
|---------------------------------------------------------------------|---------------|-------------------------|
| Increase/(decrease) in cash in the period                           | (2,282)       | 2,479                   |
| Cash inflow from new debt                                           | (1,500)       | (620)                   |
| Cash inflow from loan advance/brokerage                             | 0             | (2,500)                 |
| Cash outflow from debt repaid and finance lease capital payments    | 1,650         | 620                     |
| Cash (inflow)/outflow from (decrease)/increase in liquid resources  | 9,000         | 0                       |
| Change in net debt resulting from cash flows                        | 6,868         | (21)                    |
| Non-cash changes in debt                                            | 40,137        | 0                       |
| Net debt at 1 April                                                 | (36,843)      | (36,822)                |
| <b>Net debt at 31 March</b>                                         | <b>10,162</b> | <b>(36,843)</b>         |

**18.3 Analysis of changes in net debt**

|                                      | At 1 April<br>2008<br>£000 | Cash<br>flows<br>£000 | Non-cash<br>changes<br>£000 | At 31 March<br>2009<br>£000 |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------------|
| Cash at OPG                          | 3,362                      | (2,445)               | ■                           | 917                         |
| Cash at commercial bank and in hand  | 264                        | 163                   | ■                           | 427                         |
| 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 | (40,469)                   | 0                     | 40,469                      | 0                           |
| Finance leases                       | 0                          | 150                   | (332)                       | (182)                       |
| Current asset investments            | 0                          | 9,000                 | 0                           | 9,000                       |
|                                      | <u>(36,843)</u>            | <u>6,868</u>          | <u>40,137</u>               | <u>10,162</u>               |

**19. Capital commitments**

Commitments under capital expenditure contracts at the balance sheet date were £10,762,391 (and in 2007-08 were £1,132,729).

**20. Post balance sheet events**

The Minister of Health and Social Security has announced the merger of Hywel Dda NHS Trust with Pembrokeshire, Carmarthenshire and Ceredigion Local Health Boards to create Hywel Dda Local Health Board with effect from 1st October 2009.

**21. Contingencies****Contingent Liabilities**

|                                                                                             | 31 March        |                 |
|---------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                             | £000            | £000            |
| Provision has not been made in the 2008-09 accounts for the following amounts:              |                 |                 |
| Legal claims for alleged medical or employer negligence                                     | 17,271          | 20,990          |
| Doubtful debts                                                                              | 0               | 0               |
| Other                                                                                       | 0               | 0               |
| Total value of disputed claims                                                              | <u>17,271</u>   | <u>20,990</u>   |
| Amount recovered under insurance arrangements in the event of these claims being successful | <u>(14,770)</u> | <u>(19,503)</u> |
| Net contingent liability                                                                    | <u>2,501</u>    | <u>1,487</u>    |

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.

The Trust has received 4 formal claims under equal pay legislation. There is significant uncertainty regarding both the likelihood of success and the financial liability to the Trust if these claims were successful. It is unlikely that these cases will be settled within the next 12 months.

**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

|                                       | Amounts paid out in year |                  | Approved to write-off in year |                  |
|---------------------------------------|--------------------------|------------------|-------------------------------|------------------|
|                                       | Number                   | £                | Number                        | £                |
| Clinical negligence                   | 32                       | 1,989,904        | 12                            | 1,091,762        |
| Personal injury                       | 42                       | 470,298          | 11                            | 149,163          |
| All other losses and special payments | 125                      | 89,977           | 132                           | 126,705          |
| <b>Total</b>                          | <b>199</b>               | <b>2,550,179</b> | <b>155</b>                    | <b>1,367,630</b> |

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

|                                 | Amounts paid out in year<br>£ | Cumulative amount<br>£ | Approved to write-off in year<br>£ |
|---------------------------------|-------------------------------|------------------------|------------------------------------|
| <b>Cases exceeding £250,000</b> |                               |                        |                                    |
| 04RR6MN0002                     | 15,000                        | 425,000                | 425,000                            |
| 04RR6MN0024                     | 339,000                       | 340,000                | 0                                  |
| 05RKUMN0006                     | 230,278                       | 260,278                | 0                                  |
| 05RR6MN0017                     | 367,500                       | 367,500                | 367,500                            |
| 06RR6MN0023                     | 362,471                       | 438,471                | 0                                  |
|                                 | 0                             | 0                      | 0                                  |
|                                 | 0                             | 0                      | 0                                  |
|                                 | 0                             | 0                      | 0                                  |
|                                 | 0                             | 0                      | 0                                  |
|                                 | 0                             | 0                      | 0                                  |
| <b>Sub-total</b>                | <b>1,314,249</b>              | <b>1,831,249</b>       | <b>792,500</b>                     |
| <b>All other cases</b>          | <b>1,235,930</b>              | <b>2,584,139</b>       | <b>575,130</b>                     |
| <b>Total cases</b>              | <b>2,550,179</b>              | <b>4,415,388</b>       | <b>1,367,630</b>                   |

**23.1 Movements in Government funds**

2007-08

|                                                                      | £000                  | £000                  |
|----------------------------------------------------------------------|-----------------------|-----------------------|
| Surplus/(deficit) for the financial year                             | 7,195                 | 4,263                 |
| Public dividend capital dividends                                    | <u>(7,163)</u>        | <u>(5,407)</u>        |
| <b>Subtotal</b>                                                      | <b>32</b>             | <b>(1,144)</b>        |
| Gains/(losses) from revaluation/indexation of purchased fixed assets | 1,072                 | (5,378)               |
| Impairment of fixed assets                                           | 0                     | (636)                 |
| New public dividend capital                                          | 13,553                | 24,192                |
| Public dividend capital repaid                                       | (3,517)               | 0                     |
| Public dividend capital repayable                                    | 0                     | 0                     |
| Public dividend capital extinguished                                 | 0                     | 44,193                |
| New loans from Government                                            | 1,500                 | 3,120                 |
| Government loans repaid                                              | (1,500)               | (620)                 |
| Government loans extinguished                                        | 0                     | (40,469)              |
| Transfers from the donated asset reserve                             | 0                     | 0                     |
| Additions to/ transfers from the government grant reserve            | 0                     | 0                     |
| Addition/(reduction) in other reserves                               | 0                     | 0                     |
| Net addition/(reduction) to Government funds                         | <u>11,140</u>         | <u>23,258</u>         |
| Opening Government funds at 1 April                                  | 209,446               | 186,188               |
| Before deducting prior period adjustment of                          | <u>(3,697)</u>        | <u>0</u>              |
| <b>Closing Government funds</b>                                      | <b><u>216,889</u></b> | <b><u>209,446</u></b> |

**23.2 Movements in public dividend capital**

2007-08

|                         | £000                  | £000                  |
|-------------------------|-----------------------|-----------------------|
| At 1 April 2008         | 205,722               | 137,337               |
| New PDC issued in year  | 13,553                | 24,192                |
| PDC due but not issued  | 0                     | 0                     |
| PDC repaid in year      | (3,517)               | 0                     |
| PDC repayable           | 0                     | 0                     |
| <b>At 31 March 2009</b> | <b><u>215,758</u></b> | <b><u>161,529</u></b> |

The PDC balance at 31 March 2008 relates to the former Carmarthen, Ceredigion and Pembrokeshire & Derwen NHS Trusts. These three organisations were dissolved and on 1 April 2008 Hywel Dda NHS Trust was formed. In accordance with HM Treasury approval the PDC was extinguished and re-established as follows:

|                                                  |                  |
|--------------------------------------------------|------------------|
|                                                  | £000             |
| Extinguished non repayable PDC bf @ 1 April 2008 | (161,529)        |
| Extinguished repayable PDC b/f 1 April 2008      | (40,469)         |
| Re-established Revaluation Reserve               | (41,026)         |
| Re-established I&E Reserve                       | 37,302           |
| Total Extinguished PDC                           | <u>(205,722)</u> |
| Re-established non repayable PDC at 1 April 2008 | 205,722          |
| Re-established Repayable PDC at 1 April 2008     | 0                |
| Total re-established PDC                         | <u>205,722</u>   |

## 24. Financial performance targets

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

| 24.1 Breakeven          | £'000 |
|-------------------------|-------|
| Target retained surplus | 0     |
| Actual retained surplus | 32    |
| Variance                | (32)  |

The Trust has met Part 2 of the breakeven duty.

Throughout 2008/09 the Trust has faced significant financial challenges as a consequence of underlying deficit pressures brought forward from its predecessor Trusts (Carmarthenshire NHST, Ceredigion NHST and Pembrokeshire & Derwen NHST) and a shortfall in available cost pressure funding in 2008/09. In total these cost pressures totalled £21.077m. During the financial year recurring (£8.786m) and non-recurring savings (£2.518m) totalling £11.304m, were achieved leaving a deficit balance of £9.773m in the financial plan. Further in-year cost pressures of £1.461m led to a forecast end of year deficit, before losses and special payments, at the beginning of February 2009 of £11.234m.

In February and March 2009 the Trust received 3 tranches of cost pressure funding through the host Local Health Boards (Carmarthen, Ceredigion and Pembrokeshire) totalling £11.951m. Similarly the accounts of the host Local Health Boards are reflecting the source of funding in their accounts. The surplus reported at year-end is therefore £0.032m as detailed above

The Trust has broken even in 2008-09.

| 24.2 External financing                                                            | 31 March |        |        |
|------------------------------------------------------------------------------------|----------|--------|--------|
| The Trust is given an external financing limit which it is permitted to undershoot | £000     | £000   | £000   |
| External financing limit set by the Assembly                                       |          | 12,506 | 24,222 |
| Cash flow financing                                                                | 12,315   |        | 24,283 |
| Finance leases taken out in the year                                               | 332      |        | 0      |
| Other capital receipts                                                             | (147)    |        | (70)   |
| External financing requirement                                                     |          | 12,500 | 24,213 |
| Undershoot (overshoot)                                                             |          | 6      | 9      |

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:

|                                                  | 2008-09 |
|--------------------------------------------------|---------|
| Total number of non-NHS bills paid               | 122,750 |
| Total number of non-NHS bills paid within target | 118,113 |
| Percentage of non-NHS bills paid within target   | 96.2%   |

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 the following board members or members of the key management staff or parties related to them has undertaken transactions with the Trust

Mrs MP Barnaby was a Governor of Pembrokeshire College during 2008-09. During the year the Trust made payment of £18,539 to, and received income of £14,539 from Pembrokeshire College

Mr Eifion Griffiths, Mr Martin Morris and Rev Randolph Thomas were Non Executive Members of Gwalia Housing Group during 2008-09. During the year the Trust made payment of £26,276 to, and received income of £17,262 from Gwalia Housing.

Mr G Morgan was a Trustee of Children in Wales during 2008-09. During the year the Trust made payment of £375 to Children in Wales. Mr Morgan was also Head of the School of Medicine in Swansea University and the Trust during the year made payment £309,145 to, and received income of £59,663 from Swansea University.

Mr C Martin was an Executive Advisor to Unichem Ltd during 2008-09. During the year the Trust made payment of £3,386,776 to Unichem Ltd.

Mrs B Rees, Chief Executive of Pembrokeshire, Ceredigion and Carmarthenshire LHB was appointed as an Associate Member of the Hywel Dda NHS Trust Board in September 2008 the value of transactions between the Trust and the LHB's are listed below.

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

|                            | INCOME<br>RECEIVED/DUE<br>£000<br>2008-09 | EXPENDITURE<br>WITH<br>£000<br>2008-09 |
|----------------------------|-------------------------------------------|----------------------------------------|
| Welsh Assembly Government  | 22,176                                    | 5,017                                  |
| Health Commission Wales    | 961                                       | -                                      |
| ABMU NHS Trust             | 2,607                                     | 4,470                                  |
| Cardiff & Vale NHS Trust   | 435                                       | 479                                    |
| Cwm Taf NHS Trust          | 280                                       | 52                                     |
| Hywel Dda NHS Trust        | -                                         | -                                      |
| Gwent Healthcare NHS Trust | 206                                       | 291                                    |
| North Wales NHS Trust      | 192                                       | 42                                     |
| North West Wales NHS Trust | 34                                        | 71                                     |
| Velindre NHS Trust         | 1,995                                     | 2,571                                  |
| Welsh Ambulance NHS Trust  | 79                                        | 1,977                                  |
| <b>LHB's/BSC</b>           |                                           |                                        |
| Carmathenshire             | 137,451                                   | 451                                    |
| Ceredigion                 | 64,307                                    | 151                                    |
| Pembrokeshire              | 111,736                                   | 373                                    |
| Powys                      | 7,668                                     | 61                                     |
| Neath/Port Talbot          | 1,676                                     |                                        |
| Swansea                    | 3,703                                     |                                        |
| Gwynedd                    | 3,432                                     | 60                                     |
| Vale of Glamorgan          | 810                                       |                                        |
| Other Welsh LHB's          | 1,118                                     |                                        |
| <b>TOTAL</b>               | <b>360,866</b>                            | <b>16,066</b>                          |

## 26. Other/ Private finance transactions

The Trust has one PFI schemes deemed to be off balance sheet.

### 26.1 The Trust has one PFI operational schemes deemed to be off-balance sheet

|                                                                                                                         |     |
|-------------------------------------------------------------------------------------------------------------------------|-----|
| Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross | 137 |
| Amortisation of PFI deferred asset                                                                                      |     |
| Net charge to operating expenses                                                                                        |     |

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

PFI scheme which expires:

|                         |     |
|-------------------------|-----|
| Within one year         |     |
| Years 2-5 (inclusive)   | 137 |
| Years 6-10 (inclusive)  |     |
| Years 11-15 (inclusive) |     |
| Years 16-20 (inclusive) |     |
| Years 21-25 (inclusive) |     |
| Years 26-30 (inclusive) |     |

|                                           |     |
|-------------------------------------------|-----|
| Estimated capital value of the PFI scheme | 300 |
|-------------------------------------------|-----|

|                      |            |
|----------------------|------------|
| Contract start date: | 29/04/1996 |
| Contract end date:   | 08/04/2011 |

#### Scheme Description

The scheme is a Contract Energy Management scheme which provides heating, hot water, steam and locally generated electricity to Prince Philip Hospital.

The contract does result in commitment from the private sector provider (Dalkia) and the Trust  
The commitments are set out in significant details within a formal contract signed by both parties to the agreement

**26. Other/ Private finance transactions continued**

**26.2 The Trust has no PFI operational schemes deemed to be on-balance sheet**



## **26. Other/ Private finance transactions continued**

### **26.3 The Trust has no Public Private Partnerships**

## 27. Third party assets

The Trust has no Third Party Assets.

The Trust held £524,607 cash at bank and in hand at 31 March 2009 (31 March 2008: £457,027) 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

### 28.1 Financial Risk Management

FRS 29, Financial Instruments: disclosures, 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 this standard 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.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

#### Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March are in receivables from customers, as disclosed in the Debtors note.

#### 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.

**28.2 Financial Assets**

|                                      | At fair value<br>through Profit<br>& Loss<br>£000 | Loans and<br>receivables<br>£000 | Available<br>for sale<br>£000 | Total<br>£000 |
|--------------------------------------|---------------------------------------------------|----------------------------------|-------------------------------|---------------|
| Embedded derivatives                 | 0                                                 | 0                                | 0                             | 0             |
| NHS receivables                      | 0                                                 | 0                                | 0                             | 0             |
| Cash at bank and in hand             | 0                                                 | 0                                | 0                             | 0             |
| Other financial assets               | 0                                                 | 0                                | 0                             | 0             |
| <b>At 31 March 2009</b>              | <b>0</b>                                          | <b>0</b>                         | <b>0</b>                      | <b>0</b>      |
| Embedded derivatives                 | 0                                                 | 0                                | 0                             | 0             |
| NHS receivables                      | 0                                                 | 0                                | 0                             | 0             |
| Cash at bank and in hand             | 0                                                 | 0                                | 0                             | 0             |
| Other financial assets               | 0                                                 | 0                                | 0                             | 0             |
| <b>At 31 March 2008 (Prior year)</b> | <b>0</b>                                          | <b>0</b>                         | <b>0</b>                      | <b>0</b>      |

**28.3 Financial liabilities**

|                                      | At fair value<br>through Profit<br>& Loss<br>£000 | Other<br>£000 | Total<br>£000 |
|--------------------------------------|---------------------------------------------------|---------------|---------------|
| Embedded derivatives                 | 0                                                 | 0             | 0             |
| Borrowings                           | 0                                                 | 0             | 0             |
| PFI and finance lease obligations    | 0                                                 | 0             | 0             |
| Other financial liabilities          | 0                                                 | 0             | 0             |
| <b>At 31 March 2009</b>              | <b>0</b>                                          | <b>0</b>      | <b>0</b>      |
| Embedded derivatives                 | 0                                                 | 0             | 0             |
| Borrowings                           | 0                                                 | 0             | 0             |
| PFI and finance lease obligations    | 0                                                 | 0             | 0             |
| Other financial liabilities          | 0                                                 | 0             | 0             |
| <b>At 31 March 2008 (Prior year)</b> | <b>0</b>                                          | <b>0</b>      | <b>0</b>      |

**29. Intra Government balances**

|                                                    | <b>Debtors:<br/>Amounts<br/>falling due<br/>within one<br/>year<br/>£000</b> | <b>Debtors:<br/>Amounts<br/>falling<br/>due after<br/>more<br/>than one<br/>year<br/>£000</b> | <b>Creditors:<br/>Amounts<br/>falling due<br/>within one<br/>year<br/>£000</b> | <b>Creditors:<br/>Amounts<br/>falling due<br/>after more<br/>than one<br/>year<br/>£000</b> |
|----------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>2008-09</b>                                     |                                                                              |                                                                                               |                                                                                |                                                                                             |
| Welsh Assembly Government                          | 3,231                                                                        | 0                                                                                             | 1,082                                                                          | 0                                                                                           |
| Welsh Local Health Boards                          | 3,680                                                                        | 0                                                                                             | 859                                                                            | 0                                                                                           |
| Welsh NHS Trusts                                   | 11,551                                                                       | 0                                                                                             | 1,953                                                                          | 0                                                                                           |
| Health Commission Wales                            | 388                                                                          | 0                                                                                             | 0                                                                              | 0                                                                                           |
| All English Health Bodies                          | 487                                                                          | 0                                                                                             | 33                                                                             | 0                                                                                           |
| All N. Ireland Health Bodies                       | 0                                                                            | 0                                                                                             | 0                                                                              | 0                                                                                           |
| All Scottish Health Bodies                         | 20                                                                           | 0                                                                                             | 0                                                                              | 0                                                                                           |
| Miscellaneous                                      | 0                                                                            | 0                                                                                             | 3,302                                                                          | 0                                                                                           |
| Credit note provision                              | 0                                                                            | 0                                                                                             |                                                                                |                                                                                             |
| <b>Sub total</b>                                   | <b>19,357</b>                                                                | <b>0</b>                                                                                      | <b>7,229</b>                                                                   | <b>0</b>                                                                                    |
| Other Central Government Bodies                    |                                                                              |                                                                                               |                                                                                |                                                                                             |
| Other Government Departments*                      | 35                                                                           | 0                                                                                             | 1                                                                              | 0                                                                                           |
| Revenue & Customs                                  | 467                                                                          | 0                                                                                             | 5,799                                                                          | 0                                                                                           |
| Local Authorities                                  | 384                                                                          | 0                                                                                             | 20                                                                             | 0                                                                                           |
| Balances with Public Corporations and trading fund | 0                                                                            | 0                                                                                             | 0                                                                              | 0                                                                                           |
| Balances with bodies external to Government        | 4,362                                                                        | 0                                                                                             | 17,552                                                                         | 0                                                                                           |
| <b>TOTAL</b>                                       | <b>24,605</b>                                                                | <b>0</b>                                                                                      | <b>30,601</b>                                                                  | <b>0</b>                                                                                    |
| <b>2007-08</b>                                     |                                                                              |                                                                                               |                                                                                |                                                                                             |
| Welsh Assembly Government                          | 4,375                                                                        | 0                                                                                             | 30                                                                             | 40,469                                                                                      |
| Welsh Local Health Boards                          | 1,691                                                                        | 0                                                                                             | 264                                                                            | 0                                                                                           |
| Welsh NHS Trusts                                   | 4,019                                                                        | 224                                                                                           | 778                                                                            | 0                                                                                           |
| Health Commission Wales                            | 150                                                                          | 0                                                                                             | 0                                                                              | 0                                                                                           |
| All English Health Bodies                          | 413                                                                          | 0                                                                                             | 22                                                                             | 0                                                                                           |
| All N. Ireland Health Bodies                       | 0                                                                            | 0                                                                                             | 0                                                                              | 0                                                                                           |
| All Scottish Health Bodies                         | 38                                                                           | 0                                                                                             | 0                                                                              | 0                                                                                           |
| Miscellaneous                                      | 3                                                                            | 0                                                                                             | 12                                                                             | 0                                                                                           |
| Credit note provision                              | (13)                                                                         | 0                                                                                             | 0                                                                              | 0                                                                                           |
| <b>Sub total</b>                                   | <b>10,676</b>                                                                | <b>224</b>                                                                                    | <b>1,106</b>                                                                   | <b>40,469</b>                                                                               |
| Other Central Government Bodies                    |                                                                              |                                                                                               |                                                                                |                                                                                             |
| Other Government Departments*                      | 30                                                                           | 0                                                                                             | 1,439                                                                          | 0                                                                                           |
| Revenue & Customs                                  | 525                                                                          | 0                                                                                             | 2,701                                                                          | 0                                                                                           |
| Local Authorities                                  | 1,017                                                                        | 0                                                                                             | 15                                                                             | 0                                                                                           |
| Balances with Public Corporations and trading fund | 0                                                                            | 0                                                                                             | 101                                                                            | 0                                                                                           |
| Balances with bodies external to Government        | 8,329                                                                        | 0                                                                                             | 18,925                                                                         | 0                                                                                           |
| <b>TOTAL</b>                                       | <b>20,577</b>                                                                | <b>224</b>                                                                                    | <b>24,287</b>                                                                  | <b>40,469</b>                                                                               |

**30. Pooled budgets**

The previous Carmarthenshire NHS Trust during 2007-08 entered into an agreement for a Joint Equipment Store with Carmarthenshire County Council and Carmarthenshire Local Health Board. No transactions occurred under this agreement during 2007-08 or 2008-09.

**31. Other**

## STATEMENT ON INTERNAL CONTROL

### Context

On 1st April 2008 Hywel Dda NHS Trust was formed, comprising the former trust of Carmarthenshire, Ceredigion and Mid Wales, and Pembrokeshire & Derwen.

Non Executive directors were appointed to the Board during April 2008, with the exception of the substantive Chair appointment which was made on 1st August 2008. At that time, an interim Chief Executive was in place together with the Medical Director, HR Director and Director of Nursing and Quality. Substantive appointments to the posts of Director of Finance, Director of Performance and Director of Planning were completed between the period 1st September and 31st October 2008.

The initial existence of the Trust was characterised by the maintenance of existing policies, procedures and processes of its predecessor organisation in the interest of maintaining business continuity in the short to medium term whilst the complete Board began working on creating a corporate Hywel Dda NHS Trust organisational framework.

This resulted in the organisation operating in effect as three divisions until later in the calendar year when the Interim Chief Executive created a new Directorate structure which spanned the Trust's total area and activities. Subsequent to this decision, General Managers were appointed to each Directorate and the process of appointing Associate Medical Directors was also completed. Implementation of structures to support the General Managers is continuing. The Trust is also working through its key policies and procedures on a Trust wide basis and work is ongoing to embed these within the Trust's activities.

The Trust has also faced a very challenging financial situation which was fully reviewed by the incoming Chair towards the end of 2008 and during the beginning of 2009. The results of this review have been reported to the Chief Executive NHS Wales.

The above circumstances and issues have created a difficult control environment for the Trust in its first year of operations.

This statement of internal control relates to arrangements within Hywel Dda NHS Trust during 2008/09.

### 1. Scope of responsibility

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

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

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

The framework distinguishes between the performance management roles of the Audit Committee and the Quality and Governance Committee structures to ensure all Business and Clinical risks are minimised.

## STATEMENT ON INTERNAL CONTROL

The adoption of the National Performance Reporting Framework as the tool for organisational and individual performance management ensures compliance with the principles outlined in the Accountable Officer Memorandum.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and 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 2009 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

### 3. Capacity to handle risk

The accountable officer for risk management is the Chief Executive. The Executive Nurse Director has delegated responsibility for risk management across the Hywel Dda NHS Trust during 2008-2009. Associate Medical Directors, general managers and heads of departments had delegated responsibility for risk management in their service areas.

A comprehensive risk management training programme is in place for all staff. The training begins on induction into the Trust for all new staff including junior doctors. Staff then have access to a broad range of training commensurate with their role in the organisation and the contribution they are expected to make to the risk management process. Training offered includes:

- Risk Management
- Risk Assessment
- Roles & Responsibilities
- Root Cause Analysis (RCA)
- Consent
- Health & Safety
- Medical Equipment
- Conflict Management
- Manual Handling

In addition the Trust has comprehensive policies in place to manage identified risk and comply with legislation.

Learning from good practice is integral to the systems the Trust has in place for managing risk. Information from external sources such as National Patient Safety Agency (NPSA), NCEPOD, Audit and National Service Framework (NSF) is distributed to appropriate staff and compliance is monitored through the Quality and Governance Framework, which includes the Directorate clinical performance reviews. Failings identified through claims and complaints are monitored and used where appropriate for learning and sharing.

## STATEMENT ON INTERNAL CONTROL

### 4. The risk and control framework

Hywel Dda NHS Trust assesses and prioritises all significant risks. This process leads to the formulation of a Trust wide risk profile that identifies the risks within the organisation which are significantly difficult to control.

The risk profile is a register of risks known to the Trust through a process of risk assessments across the whole organisation. Risk profiling underpins the overall risk management process and involves:

- The collection of information from all stakeholders about areas of perceived risk
- The willingness to report examples of latent and active errors soon after the event
- The management and reduction/elimination where possible of identified areas of risk

The identification, assessment, documentation and prioritisation of risks are vital to the success of the risk management effort. Risk management is a framework designed to identify the various causes of risk and hazards with the key objective of maintaining the safety of the stakeholders. It does this by proactively identifying risks and planning to meet new legislation and guidance.

A key contribution to the effective management of risk is made by the Healthcare Standards for Wales, and in particular standards 14, 16, 27 and 28. In 2008/09 these standards have been internally assessed as follows:

Standard 14 – Developing  
Standard 16 –Developing  
Standard 27 – Developing  
Standard 28 - Developing

Internal Audit reviewed the internal assessments of HIW standards and concluded that a consistent and robust internal assessment was undertaken by the Trust, and that assurance can be gained from the process used to assess the Standards. Internal audit have confirmed that the self-assessed scores for the core HCSW were reasonable based on the evidence presented.

All Healthcare Standards have been internally assessed by the Trust, and this year some 4 standards have been assessed overall as practising, with the remaining standards being assessed overall as developing. A Healthcare Standards Improvement Plan (HCSIP) was put in place for each Standard for 2008-2009. An end of year exception report against this action plan has been submitted to the Regional Office. The majority of actions identified have been achieved. In line with WHC (2008) 01, the Hywel Dda NHS Trust has developed a HCSIP for 2009-2010

The Trust identified executive, Quality Improvement Support Unit (QISU), and Trust leads for each standard in order to ensure that the standards were thoroughly reviewed. Certain standards were also identified as requiring a non executive lead.



## STATEMENT ON INTERNAL CONTROL

All standards were, in the main, scored by either the standard lead or by a member of QISU, following discussion and agreement. They have been presented to the Quality and Improvement sub committee of the Board for formal approval.

Minutes of Board meetings show that papers or discussions regarding the Healthcare Standards took place in meetings throughout the year.

The Terms of Reference of the main Quality Improvement Committees have been developed in line with the requirements of the Standards. A revised Quality Improvement structure has been agreed and approved by the Quality and Improvement sub committee of the Board.

The Clinical Performance Committee, under the guidance of an Associate medical Director (Clinical Governance), has used the themes within the Healthcare Standards for Wales, in order to focus on key performance issues within directorates. At their review, Directorates are also expected to update the committee, on progress with the implementation of the Standards within the Directorate.

In previous years note has been made of problems encountered within the ESR payroll system. Over time these problems have diminished, and during the 2008/09 year a monthly payroll report was introduced which contrasted one months payroll with another, highlighting payments that differ from each other over a given tolerance.

Risk management is embedded in the organisation through:

- Directorate led integration of all areas of Quality Improvement, within existing processes/strategies and presentation of this in operational plans
- Systematic and timely risk profiling and review of action plans by Directorates and the Board
- Comprehensive risk management systems for reporting and reviewing all incidents, serious incidents and near misses are utilised by all directorates/services and departments to identify hazards and risks, and trends analysis
- Training in RCA provided by the NPSA, as well as in-house, for all senior Directorate staff to enable a systematic approach to the review of unintended or unexpected patient outcome
- Compliance with the requirements of the NPSA
- Monitoring of action plans arising from risk assessments and incident reviews
- Monitoring of action plans arising from external reviews
- Directorates/services and departments complying with the requirements of the Health and Safety at Work etc Act 1974 (HSWA) and all other UK and EC statutes, legislation and regulations covering the Trusts activities
- Achievement of the Corporate Health Standard within the three legacy Trusts

Risk Management, under the Director of Nursing and Quality Improvement, became part of the QISU

The Welsh Risk Pool undertook an audit against four standards at the request of the Chief Executive. The Hywel Dda NHS Trust achieved an overall score of 82%

The Trust ran two very successful Patient Safety awareness days during 2008. The objective of the days was to elicit service users views of their key concerns in relation to health care risk, and provide information and examples of how the Trust was managing the risks.

## STATEMENT ON INTERNAL CONTROL

The Trust has fully implemented the EIDO healthcare patient information system that enables service users to obtain information on the risks/benefits of undergoing a range of procedures.

### 5. Review of effectiveness

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

The Board is accountable for maintaining a sound system of internal control that supports the achievement of the organisations objectives. This is based on an ongoing risk management process that is designed to identify the principal risks to the organisation's objectives, to evaluate the nature and extent of those risks and to manage them.

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The Quality and Governance Committee and Audit Committee report to the Board and provide oversight of many of the internal control mechanisms, including all internal and external audit reports to provide assurance to the Board that internal risk management controls, systems and processes are effective.

Internal Audit provides management with an opinion of the effectiveness of the system of internal control. This opinion is derived from work completed as part of the agreed internal audit plan for 2008/09 which was developed by the Head of Internal Audit in conjunction with the Director of Finance and Executive team to provide management with independent assurance on the adequacy of the systems of internal control across a range of financial and business areas. The audits were conducted in accordance with the mandatory standards and good practice contained within the NHS Internal Audit Manual.

The Head of Internal Audit concluded that:

"Our overall opinion is that internal controls within financial systems can be considered fundamentally sound".

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.

Signed:.....  
Chief Executive  
(on behalf of board)

Date: 10th June 2009

**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: 10th June 2009

..... 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: 10th June 2009

Chairman: .....

Date: 10th June 2009

Chief Executive: .....

Date: 10th June 2009

Director of Finance: .....

## **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 Hywel Dda NHS Trust for the year ended 31 March 2009 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 required to be 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 thereunder 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 thereunder. 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, Hywel Dda 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 Hywel Dda 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 Hywel Dda NHS Trust's corporate governance procedures or its risk and control procedures.

I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

### **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 Hywel Dda 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 Hywel Dda NHS Trust as at 31 March 2009 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 Hywel Dda NHS Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Annual Audit Letter.

Jeremy Colman  
Auditor General for Wales

15 June 2009

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 (FRaM), 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 :