

PUBLIC AUDIT (WALES) ACT 2004
GOVERNMENT OF WALES ACT 2006
NATIONAL HEALTH SERVICE (WALES) ACT 2006

Summarised accounts of local health boards NHS trusts and special health authorities in Wales
for the year ended 31 March 2022.

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para 1 & Para 5(2)

NHS (Wales) Summarised Accounts
Local Health Boards, NHS Trusts and
Special Health Authorities in Wales
2021-22

NHS Wales Summarised Accounts 2021-22

FOREWORD

Introduction

1. The Welsh Ministers are required to prepare Summarised Accounts from the individual accounts of NHS Wales organisations. The foreword is prepared on the audited accounts.
2. These Summarised Accounts of the Local Health Boards (LHBs) and NHS trusts and two Special Health Authorities, Health Education and Improvement Wales (HEIW) and Digital Health Care Wales (DHCW), (subsequently, collectively referred to as NHS Wales organisations) have been prepared to comply with the Accounts Direction given by HM Treasury in accordance with Section 178, Schedule 9, Para 5(4) of the National Health Service (NHS) Wales Act 2006 (the Act).
3. The Auditor General for Wales (AGW) is required to examine, certify and report on the Summarised Account (Section 178, Schedule 9 para 5(6) of the Act).
4. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2021-22 which include the results of the NHS Wales organisations.
5. The chief executives of the individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.
6. In my capacity as Additional Accounting Officer, I have financial responsibility for health service expenditure. Accordingly, I have signed the Summarised Accounts of the NHS Wales organisations.

Summarised Accounts

7. The Summarised Accounts of the NHS Wales organisations have been prepared in compliance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FRoM) issued by HM Treasury as applied to the NHS in Wales, as applicable to the Summarised Accounts and specifically excluding a Statement of Parliamentary Supply. The 2021-22 Summarised Accounts for NHS Wales have been prepared, to include seven LHBs, three NHS trusts and two Special Health Authorities.

Local Health Boards

8. LHBs were established under section 11 and Schedule 2 of the National Health Service (Wales) Act 2006.
9. In 2021-22 the seven LHBs in Wales planned, secured and delivered healthcare services in their areas:
 - Aneurin Bevan University Health Board
 - Betsi Cadwaladr University Health Board
 - Cardiff & Vale University Health Board
 - Cwm Taf Morgannwg University Health Board
 - Hywel Dda University Health Board
 - Powys Teaching Health Board
 - Swansea Bay University Health Board

NHS Trusts

10. NHS trusts were established under section 18 of the National Health Service (Wales) Act 2006. They receive most of their income from the Welsh Government, the LHBs and the Welsh Health Specialised Services Committee (WHSSC) which is hosted by Cwm Taf Morgannwg University Health Board.
11. There are currently three NHS Trusts in Wales, each with an All-Wales focus. These are the Welsh Ambulance Services Trust for emergency services, Velindre University NHS Trust offering specialist services in cancer care and a range of national support services and Public Health Wales, the unified Public Health organisation in Wales.

Special Health Authorities

12. Health Education and Improvement Wales (HEIW) was established as a Special Health Authority under the Act on the 5 October 2017.
13. Digital Health Care Wales (DHCW) was established by establishment order 2020 No 1451 (W313) under section 22 of the National Health Service (Wales) Act 2006 (“the Act”), which was made on 7 December 2020 and came into force on 30 December 2020. They are included as part of the NHS Wales Summarised Accounts for the first time in 2021-22, in accordance with the Treasury’s Accounts Direction.

Performance against statutory and administrative financial duties

14. Welsh Health Circular (2016) 054 clarifies the statutory financial duties of LHBs and NHS trusts in Wales further to the NHS Finance (Wales) Act 2014,

and is effective from 2016-17 financial year, replacing Welsh Health Circular 2015 (014). [WHC \(2016\) 054](#)

15. Section 175 6A of the NHS (Wales) Act 2006 requires the Welsh Ministers to report in relation to each three-year accounting period, to the Welsh Parliament before the end of the financial year following that period on whether each LHB has complied with the first financial duty. The LHB Statutory Financial Duties commentary below, contained within these NHS Summarised Accounts, is laid before the Welsh Parliament and accordingly discharges this duty.

Local Health Board Performance - Statutory Financial Duties

16. For LHBs, the first financial duty is to ensure, in a rolling three-year period, that its aggregate expenditure does not exceed its aggregate approved resource limit, including any other sums received. The first assessment of the rolling three-year duty took place at the end of 2016-17 and is undertaken annually.
17. The second financial duty – to prepare an Integrated Medium-Term Plan to secure compliance with the first financial duty, and for the plan to be approved by the Welsh Ministers - was effective from the 2014-15 financial year and is assessed annually. Failure to comply with the planning duty, including not submitting a plan and not having the plan approved by the Minister, is a breach of this second statutory financial duty. The plan is required to be approved prior to the Accountable Officer signing of the financial statements for the first year of each three-year plan. In practice the Minister seeks to confirm approval of plans by the 30 June in the first year of the plan. Performance against this second financial duty, including any breach of this duty, is reported in the Annual Accounts of the LHBs each year, including the Annual Governance Statement. Due to the pandemic, the process for the 2020-23 integrated plan was paused in spring 2020. As a result, the extant planning duty for 2021-22 remains the requirement to submit and have approved a 2019-22 integrated plan, as set out in the NHS Wales Planning Framework 2019-22. In October 2021, the Welsh Government signalled a return to a three-year planning approach for LHBs and NHS Trusts from 2022 to 2025 and subsequent periods.
18. In 2021-22, four LHBs (Aneurin Bevan, Cwm Taf Morgannwg, Powys and Cardiff and Vale) incurred expenditure within revenue resource allocations over the rolling three-year assessment and therefore met their first financial duty.
19. Three LHBs failed to achieve financial balance; that is to manage aggregate expenditure within aggregate revenue resource allocations over the rolling three-year assessment and therefore failed to meet the first financial duty (Betsi Cadwaladr, Hywel Dda and Swansea Bay).
20. All LHBs kept expenditure within capital resource allocations.
21. On 6 July 2020, the then Minister for Health and Social Services confirmed in a Written Statement that when an organisation that has previously been in deficit achieves its three-year break-even duty, it will not be required to repay any historic deficits incurred before it achieves the statutory duty.

22. He also confirmed that the strategic cash support provided to organisations in deficit will no longer be repayable. The Welsh Government has provided strategic cash support totalling nearly £486 million to these organisations to enable them to meet their financial obligations to staff and suppliers whilst in deficit.
23. As stated in para 17 above the process for the 2020-23 integrated plan was paused and replaced with quarterly planning arrangements. As a result, four LHBs (Aneurin Bevan, Cardiff and Vale, Cwm Taf Morgannwg and Powys) met their statutory duty to submit an integrated three-year plan for the period 2019-20 to 2021-22 based on their 2019-20 to 2021-22 plans approved by the Minister for Health and Social Services.
24. Three LHBs (Betsi Cadwaladr, Hywel Dda and Swansea Bay) were unable to develop approvable three-year plans for the period 2019-20 to 2021-22 for approval by the Minister and therefore did not meet their second financial duty.
25. Three LHBs (Betsi Cadwaladr, Hywel Dda and Swansea Bay) received qualified regularity audit opinions and a substantive narrative report placed upon their accounts, as a consequence of their failure to achieve their first financial duty. The substantive narrative reports also cover the failure of the three LHBs to achieve their second financial duty in relation to approved Integrated Medium-Term Plans.
26. In 2021-22, all LHBs and both Velindre University NHS Trust and Public Health Wales NHS Trust were subject to a qualified Regularity audit opinion from the AGW. This was in respect of the provision for liabilities arising from the Ministerial Direction issued in December 2019, for the pension scheme for clinicians who incur tax charges in relation to work undertaken in 2019-20.
27. All LHBs with the exception of Betsi Cadwaladr University Health Board received a true and fair audit opinion from the Auditor General for Wales for 2021-22, in respect of their annual accounts. Further details on the Auditor General for Wales audit opinion are contained in the Annual Governance Statement attached to these accounts.
28. At the end of March 2022 one LHB (Cwm Taf Morgannwg) remained in special measures for Maternity Services and targeted intervention for quality and governance; two LHBs, (Hywel Dda and Swansea Bay) remained in enhanced monitoring and Betsi Cadwaladr remained in Targeted Intervention. All other organisations were subject to routine arrangements. Further comment on the monitoring, escalation and intervention arrangements for LHBs is set out in the NHS Summarised Accounts Annual Governance Statement.
29. The details of the LHBs' performance against the first and second financial duties, and their surpluses and deficits are set out in Annexes 1 and 4 to this Foreword.

NHS Trust Performance - Statutory Financial Duties

30. For NHS trusts, the first financial duty is to ensure over a rolling three-year period that expenditure is covered by income. No NHS trust breached their first financial duty for the rolling three-year period to 2021-22. During 2021-22, all trusts except Velindre University NHS Trust achieved operating surpluses in the 2021-22 financial year.
31. As stated in paragraph 16, the paused planning process also applied to NHS Trusts. As a result, all three NHS trusts also met the second financial duty for 2021-22 to submit an integrated three-year plan based on the plans for the period 2019-20 to 2021-22 which were approved by the Minister for Health and Social Services.
32. Three trusts received unqualified true and fair audit opinions from the Auditor General for Wales for 2021-22.
33. The details of the NHS trusts' first and second financial duty compliance, surpluses and deficits are set out in Annexes 2 and 4 to this Foreword.

External financing limit

34. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to LHBs or the SHA's.
35. Due to the circumstances that arose as a result of COVID 19, the suspension of the National Loan Fund temporary deposit facility and the requirement to issue year-end capital adjustments, the requirement to achieve the administrative External Financing Target was suspended in 2019-20 and 2020-21 and this suspension has again been continued into the 2021-22 financial year.

Special Health Authorities- Statutory Financial Duties

36. Due to the pandemic, the process for the 2020-21 integrated plan was paused in spring 2020 and a temporary quarterly planning arrangement put in place for 2020-21. HEIW's 2020-21 plan was approved in phases by their Board in May 2020, July 2020 and November 2020. As a result, HEIW did not have a formal administrative duty to have an approved plan for 2021-22.
37. DHCW did not have a formal administrative duty to have an approved plan for 2021-22.

Prompt Payment Performance

38. All NHS Wales bodies are required to pay their non-NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay 95% of non-NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
39. The performance of each NHS Wales body, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 5 to this Foreword.
40. The number of non-NHS invoices paid within 30 days ranged from 87.5% to 97.2% for NHS bodies, with an average for the year of 94.7% (2020-21 95.4%). Full details are contained within the statutory accounts of the NHS organisations.

Statement of Financial Position Issues

Clinical Negligence Provisions

41. At 31 March 2022, known actual and anticipated liabilities for clinical negligence totalled £787.475 million (2020-21 £652.539 million) in LHBs and NHS Trusts. These provisions are calculated on the basis of claims against the organisations, where it is assessed that there is a probable chance of the claim being settled.
42. Excluded from the provision calculations included within the Summarised Accounts is a further estimated £1,251.236 million (2020-21 £1,351.431 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities, as the likelihood of settlement is assessed as possible, rather than probable.
43. The figures at paragraphs 47 and 49 reflect the gross liability for claims against the NHS trusts and LHBs before considering amounts recoverable from the Welsh Risk Pool (WRP). LHBs and NHS trusts in Wales are able (subject to managing claims in accordance with Putting Things Right guidance) to recover the costs of clinical negligence claims above £25,000 from the WRP.

Welsh Risk Pool (WRP)

44. The Welsh Risk Pool (WRP) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The WRP is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.

45. The Pool is managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre University NHS Trust. The reimbursement of claims by the Pool is managed by the Welsh Risk Pool Committee comprising representatives from NHS trusts, LHBs and the Welsh Government.
46. Velindre University NHS Trust's liability is limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the Pool for claims less than £25,000 and with the members of the pool for claims settlements exceeding the funding to the Pool by NHS Wales.
47. The Welsh Risk Pool provision is disclosed separately for clarity at note 20.2 of the NHS Wales summarised accounts. This amounted to £1,492 million at 31 March 2022 (2020-21 £1,133 million). The provision includes Structured Settlement liabilities – where claim settlements are to be paid over a future period in regular payments, usually annually, rather than by a lump sum of £633.177 million (2020-21 £467.783 million).
48. As the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist, the summarised account note 14 includes current and non-current receivables with the Welsh Government in respect of Welsh Risk Pool liabilities. The Welsh Government's Core Resource Accounts will reflect the Welsh Risk Pool liabilities at 31 March 2022 as a provision.
49. The provision increased in 2021-22 by £296.725 million (2020-21 decreased by £0.958 million). The number of new matters opened in year, assessed as probable or certain, was 514 compared to 549 in 2020-21.
50. Putting Things Right (PTR) is the NHS Wales process for raising concerns about care and treatment so that the NHS body can look into what may have gone wrong and try to make it better. Research shows that high reporting is a positive indicator of an open and supportive patient safety culture where the reporting of serious incidents enables full investigations of every case for continuous learning and improvement in the quality of services provided. NHS organisations in Wales are supported by Improvement Cymru (formerly known as 1000 Lives Improvement), which is part of Public Health Wales. The team leads national work on a range of quality improvement initiatives including healthcare associated infections, sepsis and surgical complications. During the year, the WRP made payments of £102.688 million (2020-21: £74.159 million) in relation to claims. Of this £96.324 million related to clinical negligence claims and £3.598 million related to personal injury claims (2020-21 £67.958 million and £2.328 million respectively). The additional structured settlement payment in 2021-22 was £16.645m.

Sustainability Reporting

51. Subsequent to the HMT Simplifying and Streamlining Accounts Project, there is no requirement in the Government Financial Reporting Manual (FRoM) for public sector bodies to produce a standalone Sustainability Report, although

entities may choose to include one should they so wish. Mandatory reporting requirements are retained against the high-level indicators under the Greening Government Commitments, in addition to performance against financial and non-financial reporting areas.

52. Guidance issued by HMT on Sustainability Reporting is not applicable to the devolved government of Wales, however Wales is unique in the UK in having sustainable development as its central organising principle, established in the Wellbeing of Future Generations (Wales) Act. Sustainability reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting.
53. To ease the reporting burden, in line with HM Treasury Financial Reporting Manual, NHS Wales bodies were not required to include this in 2021-22 as part of their Performance Report and were allowed to disclose the details on their websites when the relevant metrics were available as a standalone document.

Annual Quality Statement

54. In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS organisations to publish an Annual Quality Statement as part of the NHS organisations' annual reports. For 2021-22, this requirement was suspended and issues in relation to quality in NHS bodies were reported as part of the Performance Reports of each NHS body. The introduction of the Health and Social Care (Quality and Engagement) (Wales) Act 2020, requires NHS bodies to report on their Duty of Candour and Duty of Quality annually. This will be introduced in 2022-23.

COVID 19 Funding

55. Additional funding allocated to NHS Wales bodies in the financial year 2021-22 was £1,027.250 million revenue funding and £58.221 million capital funding.

Judith Paget

Director General, Health and Social Services Group,

**Chief Executive, NHS Wales and Additional Accounting Officer for the NHS
in Wales**

8 September 2022

Annex 1 Local Health Board Financial Duties

First Financial Duty

- Revenue Resource Limit

Under/(Over) spend against revenue resource allocation limit

	2019-20	2020-21	2021-22	Three year duty
	£000	£000	£000	£000
Aneurin Bevan University LHB	32	245	249	526
Betsi Cadwaladr University LHB	(38,696)	490	289	(37,917)
Cardiff and Vale University LHB	58	90	232	380
Cwm Taf Morgannwg University LHB	883	88	172	1,143
Hywel Dda University LHB	(34,943)	(24,910)	(25,000)	(84,853)
Powys Teaching LHB	55	143	80	278
Swansea Bay University LHB	(16,284)	(24,304)	(24,399)	(64,987)
All local health boards	(88,895)	(48,158)	(48,377)	(185,430)

Health Boards operating within resource allocation

Number	4	5	5	4
Percentage %	57	71	71	57

- Capital Resource Limit

Under/(Over) spend against capital resource allocation limit

	2019-20	2020-21	2021-22	Three year duty
	£000	£000	£000	£000
Aneurin Bevan University LHB	28	13	50	91
Betsi Cadwaladr University LHB	24	61	22	107
Cardiff and Vale University LHB	89	104	41	234
Cwm Taf Morgannwg University LHB	24	47	42	113
Hywel Dda University LHB	31	60	62	153
Powys Teaching LHB	3	27	67	97
Swansea Bay University LHB	28	28	32	88
All local health boards	227	340	316	883

Health Boards operating within resource allocation

Number	7	7	7	7
Percentage %	100.0	100.0	100.0	100.0

Annex 2 NHS Trust Financial Duties

First Financial Duty

- Break Even Duty

	2019-20	2020-21	2021-22	Three year duty
	£000	£000	£000	£000
Retained Surplus				
Public Health Wales NHS Trust	42	77	794	913
Velindre University NHS Trust	41	1,222	(203)	1,060
Welsh Ambulances Services NHS Trust	45	70	260	375
Adjusted Surplus				
Public Health Wales NHS Trust	42	32	143	217
Velindre University NHS Trust	24	38	41	103
Welsh Ambulances Services NHS Trust	45	70	75	190
All NHS Trusts Adjusted Surplus	<u>111</u>	<u>140</u>	<u>259</u>	<u>510</u>
All NHS Trusts operating within Break Even (Adjusted Surplus)				
No	3	3	3	3
Percentage %	100	100	100	100

The adjusted surplus takes into consideration FReM accounting treatment, that the funding element for assets donated by third parties either by gift of the asset or by way of funds to acquire assets, should be recognised as income as required by IAS 20.

The treatment of such income in public sector budgets follows Consolidated Budgeting Guidance, the impact of such income on the revenue position is accordingly adjusted for in the consideration of NHS trusts break-even position.

Annex 3 Special Health Authority (SHA)- Financial Duties

First Financial Duty

The Statutory financial duties are set out in Section 172 of the SHA section of the National Health Services (Wales) Act 2006. Section 172(1) sets out what is referred to as the First Financial Duty - a duty to secure that SHA expenditure does not exceed the aggregate of the allotted to it for a financial year.

WHC/2019/004 clarified that the annual financial duty is set separately for revenue and capital resource allocations.

DHCW was established by establishment order 2020 No 1451 (W313) under section 22 of the National Health Service (Wales) Act 2006 ("the Act"), which was made on 7th December 2020 and came into force on the 30th December 2020.

DHCW operated in a shadow form until 1 April 2021 with all establishment and set up costs being borne by the Welsh Government, and Public Health Wales NHS Trust. The predecessor body NHS Wales Informatics Services (NWIS) hosted by Velindre University NHS Trust delivered operational activity to 31st March 2021.

On 1st April staff were transferred into DHCW and the organisation became fully operational.

These accounts, present the accounting transactions only for the period of DHCW live operation from 1st April 2021 to 31st March 2022.

- Revenue Resource Limit

Under/(Over) spend against revenue resource allocation limit

	2021-22
	£000
Digital Health and Care Wales (DHCW)	366
Health Education and Improvement Wales (HEIW)	343
All Special Health Authorities	709

- Capital Resource Limit

Under/(Over) spend against capital resource allocation limit

	2021-22
	£000
Digital Health and Care Wales (DHCW)	10
Health Education and Improvement Wales	3
All Special Health Authorities	13

Annex 4 NHS Trust & Local Health Board Financial Duties.

Second Financial Duty

- Approved Integrated Medium Term Plan

	Integrated medium term plan status
Aneurin Bevan University LHB	✓
Betsi Cadwaladr University LHB	×
Cardiff and Vale University LHB	✓
Cwm Taf Morgannwg University LHB	✓
Hywel Dda University LHB	×
Powys Teaching LHB	✓
Swansea Bay University LHB	×
Public Health Wales NHS Trust	✓
Velindre University NHS Trust	✓
Welsh Ambulances Services NHS Trust	✓

LHBs and NHS Trusts operating within approved IMTP

Number	7
%	70.0

Approved	✓
Not approved	×

The second financial duty is an annual duty. The test of duty for 2019-20 relates to IMTPs for 2019-20 to 2021-22.

As a result of the Covid 19 pandemic and the cessation of certain work to release resources, the IMTP process was paused on 11th March 2020. At that point those with approved 3 year IMTPs remained extant and those in escalation (and in annual plan territory) also remained the same.

The SHAs with the agreement of the Welsh Government, have operated under an annual operating plan.

Annex 5 Administrative Duties

NHS Trusts

- External Finance Limit Performance (EFL)

Due to circumstances that arose as a result of the COVID 19 pandemic, the requirement to achieve the External Financing Target has been suspended for 2021-2022. It is expected to be reintroduced for 2022-2023.

Local Health Boards and NHS Trusts

- Public Sector Payment Policy performance (PSPP)

	% of Non NHS bills paid within 30 days (by value and number)			
	2021-22		2020-21	
	Value of bills	No. of bills	Value of bills	No. of bills
Aneurin Bevan University LHB	95.3	95.0	95.5	96.3
Betsi Cadwaladr University LHB	97.0	95.4	97.9	96.0
Cardiff and Vale University LHB	95.6	93.1	96.4	96.2
Cwm Taf Morgannwg University LHB	93.6	95.7	94.5	93.8
Hywel Dda University LHB	96.5	95.2	96.5	95.3
Powys Teaching LHB	96.3	87.5	96.7	93.0
Swansea Bay University LHB	91.3	94.2	92.0	93.9
Public Health Wales NHS Trust	95.5	96.6	96.4	96.2
Velindre University NHS Trust	96.5	95.7	93.7	96.7
Welsh Ambulances Services NHS Trust	98.4	97.2	98.2	97.2
Digital Health and Care Wales (DHCW)	96.1	97.1		
Health Education and Improvement Wales	99.6	96.8	99.3	95.9
All (LHBs NHS trusts and Special Health Authorities)	95.5	94.7	95.7	95.4
Organisations operating within PSPP target \geq 95%				
Number		9		8
Percentage %		75.0		72.7

NHS Wales Summarised Accounts of the Local Health Boards, NHS Trusts and Special Health Authorities

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

1. As Additional Accounting Officer for the Health and Social Services Group (HSSG), I am responsible for maintaining a governance framework to support the efficient and effective production and audit of the NHS Wales Summarised Accounts (the Summarised Accounts), comprising of the Local Health Boards (LHBs) and NHS Trusts in Wales and Special Health Authorities (SHAs).
2. This Statement is prepared in accordance with the Accounts Directions issued by HM Treasury for the Summarised Accounts, which require an Annual Governance Statement to be prepared, including information about the arrangements in place to assure the quality of the financial and other information included in the Summarised Accounts.
3. The governance framework for the Summarised Accounts is exercised in practice as a single process. In 2021-22, the accounts of Digital Health Care Wales, a Special Health Authority (DHCW) established on 7 December 2020, were also included as part of the Summarised Accounts.
4. The Summarised Accounts governance framework is designed to minimise the risks to the process of preparing and publishing the accounts. The accounts of individual NHS entities included in the summarisation are each subject to their own governance frameworks, details of which can be found in the Annual Governance Statements of the three NHS Trusts and the seven LHBs, Health Education and Improvement Wales (HEIW) and DHCW.
5. The framework is intended to manage risk to a reasonable level, rather than to eliminate all risk of failure to the summarisation preparation process. It provides a high level, but not absolute, assurance of effectiveness. The framework is based on an ongoing process designed to identify and prioritise risks, to evaluate the likelihood of risks being realised and their potential impact and to manage them effectively.
6. In producing the Summarised Accounts, I rely on each Accountable Officer of the LHBs, NHS Trusts, HEIW and DHCW to manage their own risks. The Accountable Officers are required to ensure the accounts of their respective organisations are properly prepared and presented in accordance with the Accounts Directions issued to them by the Welsh Ministers.

The Summarised Accounts governance framework

7. Matters relating to the governance of the preparation and audit of the Summarised Accounts are considered by the Health and Social Services Audit and Risk Assurance Committee. The Committee met on four occasions in the 2021-22 financial year and a briefing was also organised for Independent Members of the ARAC.
8. During 2021-22, the Committee considered the following matters relating to the Summarised Account:
 - HSSG Risk Register
 - NHS Finances
 - The vaccination programmes and field hospitals
 - Ministerial Direction in relation to NHS Pension arrangements
 - HSS Internal and external Audit recommendations
 - DG Assurance Statement
9. I am satisfied that the Committee operates in an effective manner and provides good support in the monitoring of risk, control and governance processes as these affect the Summarised Accounts.
10. The Summarised Accounts governance framework has been in place for the year ended 31 March 2022 and up to the date of approval of the accounts and accords with Treasury guidance, including the relevant aspects of the *Corporate Governance in Central Government Departments; Code of Good Practice* to the extent that this is deemed relevant and practical.

Risk Management

11. Risks arise to the preparation of the Summarised Accounts from the underlying LHB, NHS Trust, HEIW and DHCW statutory accounts processes, and the Summarised Accounts preparation process.
12. Preparation and publication of the Summarised Accounts is managed within the HSSG risk management framework, which in turn is part of the Welsh Government risk and control framework. Further details are set out in the Annual Governance Statement for the Welsh Government Consolidated Resource Account, which is laid separately before the Senedd. The Director of Finance, HSSG, is responsible on a day-to-day basis for managing risk, ensuring that the activities necessary for the production of the Summarised Accounts are properly planned, resourced and performed.
13. In 2021-22 no risks in relation to the preparation of the Summarised Accounts met the risk score threshold for escalation and reporting in the HSSG Risk Register. Risks relating to the preparation of the Summarised Accounts process, are outlined in para 16 below.

14. The Summarised Accounts are prepared in accordance with the 2021-22 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or after 1 January 2018, and with the LHB / NHS Trust Manual for Accounts 2021-22. The Manual is also applicable to the Special Health Authorities.
15. The LHB and NHS trust Manual for Accounts issued by the HSSG Finance Directorate complements the FReM by providing additional advice and guidance on interpretations specific to the NHS in Wales. The Manual for Accounts is key to the management of risk as it provides sector specific guidance on how to complete the annual accounts proformas, supporting Financial Returns, and Memorandum Statements of debtor and creditor balances and income and expenditure transactions. Compliance with the Manual for Accounts is critical to ensuring the accurate and appropriate completion of the LHB, SHA and NHS Trust accounts returns for the preparation of the Summarised Accounts.
16. The key risks managed in relation to the underlying accounts submitted by the LHBs, NHS Trusts HEIW and DHCW are:
 - Inaccuracies in individual NHS entity accounts, which cumulatively result in materially mis-stated balances in the Summarised Accounts;
 - Failures to provide data;
 - Delays in submission of NHS entity accounts; and
 - Mismatching and / or non-elimination of intra-NHS entity transaction streams and balances, resulting in materially mis-stated figures.
17. HSSG Finance Directorate mitigate these risks through actions including:
 - Preparation and issue annually of the Manual for Accounts, templates and supporting papers;
 - Participation in the NHS Wales Technical Accounting Group;
 - Preparation of the Summarised Accounts from audited statutory accounts;
 - Planning and engagement with NHS Wales entities to ensure clear understanding of requirements and delivery expectations;
 - Provision of support in the accounts preparation period to advise NHS entities on issues arising; and
 - Provision of templates, guidance, training and active management of intra-NHS agreement of balances process and matrices.
18. The main risks specific to the Summarised Accounts preparation process identified and managed in year were:
 - Insufficient availability of appropriately skilled HSSG Finance staff to prepare the accounts;
 - The potential impact of COVID-19 on HSSG staff and of new disclosures to be included in the 2021-22 accounts in relation to COVID-19;
 - Inability to align timetables for NHS Wales bodies accounts with the WG Summarised Accounts process as NHS audit planning commences earlier

in the financial year than WG central planning. This is managed through HSSG liaison and co-ordination with Audit Wales, WG Financial Control and NHS bodies;

- Late submission of quality assured LHB and NHS Trust, HEIW and DHCW accounts properly presented and the lack of appropriate working papers;
- Technical queries relating to the underlying accounts and the Summarised Accounts not being resolved in a timely manner between HSSG Finance, NHS organisations and Audit Wales;
- Delayed issue of both draft and final NHS Manual for Accounts and accounts templates; and
- Insufficient level of management review and scrutiny of the draft Summarised Accounts, including the relevant accounting and disclosure requirements, consolidation journals and supporting evidence, before submission to audit.

19. The accounts preparation and audit time was agreed with Audit Wales, NHS Directors of Finance and Welsh Government colleagues. As a result of these consultations, draft accounts were submitted by 29 April 2022 (30 April 2021) and final accounts were submitted by 15 June 2022 (11 June 2021). All organisations successfully managed to meet these submission dates, with the exception of Betsi Cadwaladr University Health Board whose accounts were submitted on 26 August 2022. In difficult circumstances, this is an excellent achievement which required flexibility and adaptability in all organisations to deliver the annual accounts.
20. The financial year 2021-22, is the sixth year of assessment of the ‘first financial duty’ for LHBs and NHS Trusts in Wales. As set out in Welsh Health Circular (2016) 054¹ the ‘first financial duty’ relates to the balancing of expenditure and income or resources allocated over a three-year period of assessment.
21. The HSSG risk assessment process identified forecast deficits arising in several LHBs during 2021-22, and that consequent potential breaches of the first financial duty would lead to regularity qualifications in those LHB accounts, potentially impacting upon the regularity opinions of associated statutory accounts, including the NHS Summarised Accounts.
22. The Executive Directors Team (EDT) maintain oversight of NHS Wales organisations and their statutory, performance and regulatory duties. The EDT has experienced some significant personnel changes in 2021-22. Amongst the main changes, I became Director General Health and Social Services Group, Chief Executive NHS Wales in November 2021, Nick Wood joined the Welsh Government as Deputy Chief Executive NHS Wales in December 2021 and Steve Elliot became Interim Director of Finance in July 2021.

¹ [WHC \(2016\) 054](#)

Role of Internal Audit

23. The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector Internal Audit Standards. They undertake a full programme of work based on an analysis of the major risks facing each Group but they switched to an “agile” planning approach to meet challenges in responding to the UK’s exit from the EU and this approach has again been continued in the current year during 2021-22. The process of the preparation of the Summarised Accounts was not included in the Internal Audit programme for HSSG in 2021-22.

Role of External Audit

24. The accounts of the individual NHS organisations are transmitted to HSSG Finance by auditors on behalf of the Auditor General for Wales (AGW), together with his audit opinion on the accounts of each body. This provides an independent assurance to Welsh Government that the data to be used to prepare the Summarised Accounts is authentic and agrees with the underlying source data from the audited LHB, NHS Trust and SHA statutory accounts.

25. The AGW opinion on the financial statements discloses whether they give a true and fair view of the state of affairs of LHBs, NHS Trusts, HEIW and DHCW for the financial year ending 31 March 2022 and whether they have been prepared in accordance with paragraph 3 (1) of Schedule 9 Section 178 to the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury. The opinion on regularity states whether the expenditure and income have been applied to the purposes intended by the Welsh Parliament and the financial transactions conform to the authorities which govern them.

26. At the end of each financial year, the Accountable Officer in each statutory NHS Wales body is required to present a Governance Statement alongside the audited Financial Statements. The Governance Statement is reviewed by the auditor to identify any material inconsistencies with the audited financial statements.

27. The Summarised Account is subject to audit by the Auditor General for Wales, who issues an audit certificate and report to the Senedd on the Summarised Accounts under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. On completion of the audit annually an ‘Audit of Financial Statements Report’ is prepared by Audit Wales and issued to the Director General HSSG as Additional Accounting Officer for their consideration, prior to the approval of the Summarised Accounts.

Information Governance

28. In preparing the Summarised Accounts, HSSG Finance does not collect any personal data from NHS organisations other than that placed in the public

domain in the underlying accounts. Summarised accounts information collected from NHS organisations is held within the Welsh Government records management systems.

29. All NHS Wales organisations have programmes of action in place to achieve compliance with the requirements of the General Data Protection Regulations (GDPR) which came into force on 25 May 2018.
30. All LHBs and NHS Trusts reported significant data security lapses including those reported to the Information Commissioner during 2021-22. In all cases, appropriate subsequent action has been taken to ensure that the risks to data security are mitigated. Details of the data lapses and actions taken can be found in the Annual Governance Statements of the bodies mentioned above.

Interim changes to Governance Frameworks due to COVID-19

31. All bodies have confirmed in their Annual Governance Statements that in managing the response to the pandemic, there were limitations on Boards and Committees being able to physically meet due to the dangers of congregating in the same venues. In accordance with the Public Bodies (Admissions to Meetings) Act 1960 organisations are required to meet in public. As a result of the health risk linked to the pandemic, there were limitations on public gatherings and it was not possible to allow the public to attend meetings of Boards and Committees. In several organisations Standing Orders have been temporarily amended to enable organisations to meet their duties. The range of alternative arrangements, such as holding Board Meetings using video communication systems, ensuring only essential business is dealt with, use of consent agendas are set out in the respective Annual Reports of NHS Wales organisations.

Financial Governance

32. The maintenance of financial control and stewardship of public funds remained a critical duty throughout 2021-22 during the NHS Wales ongoing response to COVID-19. Chief Executives, Accountable Officers and Boards were expected to comply with their legal responsibilities and have regard to their duties as set out in Managing Welsh Public Money and other related guidance. Any financial mismanagement during this period was expected to be managed in the same way as under normal operating conditions.
33. Organisations were expected to ensure that systems were in place to support decision-making at pace whilst maintaining appropriate controls and governance. This related to:
 - Ensuring appropriate schemes of delegation were in place and compliance with SFIs. This included ensuring effective authorisation and signatory systems to minimise any disruption
 - Financial information should be collected in support of COVID-19 which is auditable and evidenced and supported by good documentation of key decisions

- Delegation limits and approvals should be documented and followed, having been approved by the Board. The arrangements should also be sufficiently robust and flexible to ensure that authorisation and decisions can take place in the absence of key staff.
34. To assist bodies with the financial challenges they faced additional funding in 2021-22 for treatment of COVID 19 was allocated to NHS Wales bodies amounting to £1,027.250 million for revenue and £58.221 million for capital purposes.

Core Financial Systems & Processes

35. NHS Wales Shared Services Partnership outlined the business continuity arrangements in respect of key financial processes including payroll, procurement and accounts payable. These systems were able to operate via remote working with limited disruption.
36. Organisations were required to ensure that robust business continuity arrangements were put in place covering core financial systems, monitoring and reporting. This involved maintaining control over inventory and stocks to ensure that supply chains operated effectively under pressure at times of high demand.
37. At the same time, NHS Wales organisations were required to continue to pay suppliers and other NHS bodies (including NHS England providers) on a timely basis, to ensure that the economy was protected. NHS Wales bodies have continued to adhere to the principles and processes outlined above in the 2021-22 financial year.

Significant governance issues in the underlying accounts

38. The Governance Statements of the respective LHBs, NHS Trusts and SHA's set out how successfully the organisation has coped with the challenges it faced. These Governance Statements provide evidence on the governance, risk management and control in order to provide a coherent and consistent reporting mechanism, including identification of significant control and governance issues. The full details can be found in the annual accounts of each NHS Wales organisation, which are laid separately before the Senedd.
39. The degree of change implemented across organisations since the onset of the pandemic has been remarkable, new ways of working were introduced within days and weeks which would have taken months and years to introduce prior to the pandemic. This has been an intensely challenging period where governance functions flexed dynamically to respond to the pandemic. It has required dynamic responses which have presented opportunities in addition to the risks. The learning that has been embedded throughout the revised governance arrangements will enable bodies to emerge stronger and with a focus on recovery.

40. I have considered the Governance Statements, the associated audit reports on the statutory accounts of the NHS organisations in Wales and other information available to me from internal and external sources. This included the detail from the formal scrutiny undertaken of all NHS organisations as part of the Welsh Government's governance framework via the:

- Bi-annual JET process (Welsh Government/NHS body Joint Executive Team meetings),
- Regular cycle of Integrated Quality Planning and Delivery meetings (Welsh Government/NHS organisations),
- Planning and Response Group which met to ensure rapid and effective decision making in relation to COVID 19 and to manage system risks
- Monthly NHS Wales Executive Board meetings;
- Weekly Health and Social Care Group Executive Director Team (EDT) meetings aligned to EDT Contingencies to ensure continued focus on reset of business alongside continued focus on COVID 19 risk;
- Regular Welsh Government intervention meetings with organisations in escalation;
- Regular meetings with NHS Peer groups, Planners and Operational leads;

41. Information from the formal accountability mechanisms are considered alongside routine information from monthly monitoring returns and other ad hoc meetings. Through this process I have identified the following as significant governance issues in the underlying accounts.

Significant internal control or governance issues

42. All NHS Wales organisations have declared their assessment within their respective Annual Governance Statements that generally sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2021-22. However, in the Accountable Officers' assessments of effectiveness, areas of weakness or improvements required are noted and full details are contained in each individual body's own statements.

43. The three NHS Trusts have concluded that there are no significant internal control or governance issues. All LHBs acknowledge there are areas of internal control or governance where improvements are required.

44. The respective HEIW and DHCW Annual Reports did not identify any significant control or governance issues.

NHS Escalation and Intervention arrangements

45. In accordance with the Welsh Government NHS Escalation and Intervention Arrangements, seven out of eleven NHS Wales organisations

remain in routine monitoring. Two bodies are in enhanced monitoring, one body has moved from Special Measure to Targeted Intervention, and only one body now remains in Special Measures. The details are set out below:

- **Betsi Cadwaladr University Health Board** was placed in Special Measures on 8 June 2015, as a result of long-standing concerns regarding leadership, governance and progress. An improvement programme has been ongoing throughout the intervening years and on 24 November 2020, the Minister for Health and Social Services announced in a Written Statement that the Health Board would be taken out of Special Measures with immediate effect and de-escalated to Targeted Intervention status. Following discussions at the tripartite meeting held between Welsh Government, Health Inspectorate Wales (HIW) and Audit Wales in June 2022, the Welsh Government put new Targeted Intervention arrangements in place, which will now be extended to include services at Ysbyty Glan Clwyd focussing in particular on vascular services and the emergency department.
- **Swansea Bay University Health Board** and **Hywel Dda University Health Board** are in enhanced monitoring. In the case of Hywel Dda the outstanding intervention concern relates to finance and in Swansea Bay concerns remain on finance and in some performance areas. Swansea Bay University Health Board has made progress across a range of finance and planning areas and their escalation status is currently under review.
- Control issues relating to the quality and safety of maternity services were raised at the previous **Cwm Taf University Health Board** in 2018-19. Welsh Government commissioned the Royal College of Obstetrics and Gynaecologists to undertake an independent review of these services, undertaken jointly with the Royal College of Midwives. In 2019, HIW and Audit Wales undertook a Joint Review into Quality Governance of the Health Board. Following these reviews, the organisation was placed into Targeted Intervention for leadership and culture, trust and confidence and quality governance, whilst Maternity Services were placed into Special Measures. The Health Board's Improvement Programme has shown continuous sustainable improvement in response to Special Measures for Maternity Services and Neonatal Improvement and in response to Targeted Intervention for Leadership and Culture; Quality and Governance and Rebuilding Trust and Confidence. However, joint follow up work by HIW and Audit Wales was needed against all the recommendations made in the original 2019 joint review. Progress in relation to these plans continues to be monitored by the relevant Committees, the CTM Board and by Welsh Government in bi-monthly Targeted Intervention (TI) meetings.

46. Details on how each organisation in enhanced monitoring, targeted intervention or special measures has taken action in 2021-22 to address the concerns identified are set out in the Governance Statements of Hywel Dda Swansea Bay, Betsi Cadwaladr and Cwm Taf Morgannwg University Health Boards.

Assurances and compliance

47. All NHS Wales organisations have stated that they are compliant with the Corporate Governance Code to the extent it relates to NHS public sector organisations in Wales, and that they are satisfied they are complying with the main principles of the Code with no material exceptions.
48. The NHS Head of Internal Audit provides an annual overall opinion to the Board of each NHS organisation on governance, risk management and control. The role of NHS Internal Audit is to provide an independent and objective opinion on the system of control. The work of NHS Internal Audit is undertaken in accordance with public sector internal audit standards, the scope of the work is agreed with the Audit Committee of each organisation and is focussed on significant risk areas and local improvement priorities.
49. The annual assurance opinions for the Head of Internal Audit assessment on the overall adequacy of each organisation's governance, risk management and control processes are provided within a range from 'No Assurance' to 'Substantial Assurance'. All NHS Wales organisations, with the exception of Betsi Cadwaladr University Health Board, received a 'Reasonable Assurance' opinion. Betsi Cadwaladr received a limited assurance assessment from the Head of Internal Audit assessment. His report outlined that some significant matters required management attention and they would have a moderate impact on residual risk exposure until they were resolved. The Head of Internal Audit's opinion, details of the basis of that opinion, audit assignments with 'Limited Assurance' opinions, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS organisations.
50. Welsh Government requests quarterly notification from all NHS Wales organisations for No Assurance and Limited Assurance internal audit reports received in the year. Limited Assurance reports and organisational responses to them are discussed as part of the tripartite escalation and intervention arrangements between Welsh Government, HIW and Audit Wales. They are viewed as one of the indicators of the effectiveness of governance mechanisms in place in organisations.

Audit Wales Reports

51. Three LHBs received qualified audit opinions for 2021-22 in respect of the regularity opinion of the Auditor General for Wales (AGW). The qualified opinion is on the basis that the health boards did not achieve their statutory financial duty set out in the National Health Service (Wales) Act 2006 section 175 (1) *to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of three financial years*. The LHBs affected and their accumulated revenue deficits over the three-year period of assessment are as follows:

Betsi Cadwaladr	(£37.9 million)
Hywel Dda	(£84.9 million)
Swansea Bay	(£65.0 million)

52. It is anticipated that due to the qualification of these underlying LHB accounts the Summarised Accounts also receive a qualified regularity opinion. This anticipated qualification does not reflect the preparation and summarisation process of the Summarised Account, or the ‘true and fair’ opinion, it arises as a consequence of three LHBs generating financial deficits over the statutory duty assessment period 2019-20 to 2021-22. Those overall deficits constitute irregular expenditure.
53. All three NHS Trusts in Wales met their financial duty under Schedule 4 Paragraph 2 of the National Health Service (Wales) Act 2006 to ‘ensure that its revenue is not less than sufficient, taking one financial year with another’ measured over a rolling three-year period.
54. Both HEIW and DHCW met their annual duty to not exceed their respective allocated revenue resource limits.

Ministerial Direction Pensions tax annual allowance – Scheme Pays arrangements 2019-20

55. In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government took action to support circumstances where pensions tax rules are impacting upon clinical staff who want to work additional hours, and determined that:
- Clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement.
56. Welsh Government, on behalf of NHS Wales bodies, will pay the members who opt for reimbursement of their pension, a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction.
57. This scheme will be funded directly by the Welsh Government to the NHS Business Services Authority Pension Division, the administrators on behalf of the Welsh claimants.
58. Clinical staff had until 31 March 2022 to opt for this scheme and have the ability to make changes up to 31 July 2026.
59. In 2021-22 all NHS Wales organisations, except for Welsh Ambulance Services NHS Trust, HEIW and DHCW, have included a provision in their accounts for the first time for the Scheme Pays commitments. This is included in Note 20 valued at £9.503 million. The individual charges are available in their respective accounts.

60. In 2021-22, the Auditor General for Wales has qualified his Regularity Audit Opinion for all NHS Wales organisations in respect of their regularity of expenditure (except those mentioned in paragraph 59 above) with respect to the Ministerial Direction.

Betsi Cadwaladr University Health Board - Qualified opinion due to inability to obtain sufficient evidence about accruals and expenditure

61. Betsi Cadwaladr University Health Board were issued a qualified 'true and fair' audit opinion on the 2021-22 financial statements by the AGW, due to the lack of appropriate audit evidence that accruals and related expenditure has been accounted for in the correct accounting period. This matter has also been included in the Report of the Auditor General for Wales to the Senedd.

62. The AGW's initial audit testing identified significant levels of error and uncertainty about whether payables and accruals of £9.1million existed at 31 March 2022 and whether expenditure of £9.4 million occurred in the year or has been properly accounted for in the correct accounting period. The errors and uncertainties identified by the initial testing of £9.4 million represent 7.8% of the sample tested of £121.2 million.

63. In addition, the audit identified a contract valued over £1 million, which had been accrued into the 2021-22 period, without Health Board and Welsh Government approval, as per the NHS (Wales) Act 2006 and Standing Orders.

64. Given the level of identified error and uncertainty initially identified, the AGW indicated to the BCU Health Board that he needed to undertake additional testing to assess the further extent of any error in the financial statements. BCU Health Board responded that it would be unable to support the AGW in undertaking any further testing owing to 'limited resources within the finance team and the additional work they have had to manage since April; the significant impact any further delay would have on the Welsh Government Summarised Accounts and Annual Governance Statement and the resulting implications for the production of the Welsh Government Resource Accounts, as well as the requirement for the finance team to focus on the Health Board delivering its objectives for 2022-23'. Consequently, the AGW was unable to complete the necessary further testing to assess the full extent of the error and uncertainty in the financial statements.

65. The AGW recommended to BCU Health Board that:

- the Health Board undertakes a comprehensive exercise to identify, and correct for, the errors in its accounting records;
- identifies the corrections it needs to make to ensure that its 2022-23 accounts give a true and fair view; and
- undertakes a review to understand why these issues occurred and to strengthen its controls accordingly.

66. The AGW has requested that BCU Health Board write to him by 30 September 2022 setting out how they propose to respond to these recommendations.

Planning Framework

67. Under the NHS Finance (Wales) Act 2014, Schedule 4 Paragraph 2(2) of the National Health Service (Wales) Act 2006 and the NHS Wales Planning Framework health boards and NHS Trusts are required to prepare and submit an Integrated Medium-Term Plan (IMTP) to the Welsh Government for approval by the Minister for Health & Social Services by the 30 June annually.
68. The impact of COVID-19 in March 2020 meant that the IMTP process was formally paused. Even though plans had been submitted in January 2020, these were not formally reviewed or submitted to the Minister for approval as it was acknowledged that these plans were no longer deliverable in light of the emerging public health emergency. The process for the 2020-23 integrated plan was paused in spring 2020 and a temporary quarterly planning arrangement put in place for 2020-21. Where approvals had been given in relation to the 2019-22 IMTPs, these remain extant, as set out in the NHS Wales Planning Framework 2019-22.
69. Therefore, for the 2021-22 financial year Betsi Cadwaladr, Hywel Dda and Swansea Bay University Health Boards did not meet their statutory duty to have an approved IMTP in place. Aneurin Bevan, Cardiff and Vale and Cwm Taf Morgannwg University Health Boards and Powys Teaching Health Board met their statutory duty to have an approved IMTP in place.
70. All three NHS Trusts met their statutory duty to have an approved IMTP in place for the 2021-22 financial year.
71. HEIW with the agreement of the Welsh Government, has operated under an annual operating plan that was approved by their Board in June 2021. DHCW has also operated on an annual plan which was approved by the Welsh Government.

Future Planning 2021-22 to 2024-25

72. Quarterly operational plans were introduced as an interim measure for 2020-21 and a series of Operating Frameworks were issued during that year. In December 2020, the Planning Framework 2021-22 was issued requiring organisations to develop an annual plan for 2021-22. The position with COVID-19 recognised that the NHS needed to plan in the context of ongoing, significant uncertainty, with agility and flexibility. These interim arrangements of annual plans reflected the difficulty for any organisation to

produce, and achieve board approval for, a balanced three-year plan with any degree of certainty during the ongoing pandemic.

73. Organisations were required to produce one-year plans for 2021-22 and these were submitted to Welsh Government by 30 June 2021. These were subject to a review process and feedback was given through a series of ‘parameter letters’ from the Chief Executive of NHS Wales to each organisation.
74. An NHS Wales IMTP Planning Framework for 2022-2025 was issued in November 2021. Despite the challenges that are still being faced and the balance that is needed to plan for the continuing response to COVID-19 and whole system, longer term recovery and sustainability, it was considered appropriate to return to the IMTP cycle. As such the Planning Framework issued required IMTPs to be produced for 2022-2025.
75. The Minister for Health and Social Services has agreed the IMTPs from the following five bodies:
- Aneurin Bevan UHB
 - Powys tHB
 - Public Health Wales NHS Trust
 - Velindre University NHS Trust
 - Welsh Ambulance Services NHS Trust
 - Although not a statutory requirement, HEIW and DHCW have both submitted satisfactory IMTPs.

Disclosure of information to auditors

76. As the Additional Accounting Officer, I confirm that there is no relevant audit information of which the Auditor General for Wales is unaware. I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the external auditor is aware of that information.

Review of effectiveness

77. As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the HSSG Audit and Risk Assurance Committee and comments made by the external auditors in the ISA 260 report to management from the previous year.
78. I am satisfied that the risks in relation to the preparation of the Summarised Account are generally well managed and that the internal controls provide an appropriate framework to assure the process of consolidation. However, the delay in finalising the Betsi Cadwaladr University Health Boards Annual Report and Accounts has impacted on the ability to prepare these Summarised

Accounts. Furthermore, the Qualified Opinion on the accounts due to the inability to provide sufficient evidence in relation to accruals and expenditure is a major concern. The AGW has identified a number of control weaknesses and made recommendations to Betsi Cadwaladr which require a response by 30 September. I wrote to the Chief Executive of Betsi Cadwaladr University Health Board on 26 August, expressing my disappointment and concern that the AGW has had to qualify his true and fair opinion on their Annual Accounts. Maintaining proper accounting records is a key responsibility for an Accounting Officer and I require the Chief Executive of Betsi Cadwaladr to provide me with details of the action plan they put in place to address the control weaknesses identified by the AGW; this relates to both the processes for recognition of accruals, and the processes for seeking Welsh Government approval for contracts over £1m. I also require the Chief Executive to confirm the actions taken to ensure that the sufficient capacity is available to allow the Health Board to respond to auditors' queries during the 2022-23 audit, to avoid any future true and fair view qualifications on the basis of insufficient audit evidence.

79. As independent bodies that have a statutory duty to manage their finances Welsh Government expects the health bodies to take the action needed to meet their financial targets. The legislation introduced in 2014 provided LHBs and Trusts more flexibility to manage their finances over a three-year period. Four LHBs and all Trusts met this requirement in 2021-22. HEIW and DHCW also met their financial duties in year.
80. As Chief Executive NHS Wales, I continue to work closely with the NHS Wales organisations to address the significant governance issues identified, in particular to ensure that learning is shared across NHS Wales organisations.
81. The Finance Delivery Unit monitors and manages financial risk in NHS Wales and enables the Welsh Government to respond at pace where organisations are in financial failure. It provided assurance to my predecessor, the HSSG Finance Director and the Minister, on the revised plans that were put in place following the suspension of the planning process in 2021-22 which replaced the IMTPs.
82. Through the NHS Escalation and Intervention arrangements I will continue to work with the Auditor General for Wales and Healthcare Inspectorate Wales to share information and respond when issues of concern become apparent in NHS bodies in Wales.
83. 2021-22 is the third financial year in which the impacts of responding to the service delivery and financial challenges dominate the operational agenda for NHS Wales bodies. It remains a significant challenge to deliver services alongside the management of and response to Covid. Inevitably, providing healthcare services during the pandemic has meant that normal access to NHS services has been severely impacted continuing into 2021-22. This has created risks for individual NHS bodies to manage in terms of timely access

to screening, diagnosis and treatment. As part of the drive to recovery the NHS health boards have plans to increase activity and improve services with clear milestones to achieve in year. This will continue to be a challenge facing all NHS bodies as they continue to manage services, alongside surges in covid patients in hospital and the unprecedented pressures across the health and care system.

84. In 2021-22, the NHS delivery framework was reinstated but recognised that it was still a time of challenge as COVID was still impacting delivery across all areas of the NHS, for both patient care but also for NHS staff delivering services. Delivery expectations was focused on starting to reset and recover while maintaining quality and safety of services during COVID based on essential services first with routine recovery commenced support by additional targeted investment. Delivery against the national targets in the performance framework were generally not achieved but improvements were seen across some areas as services were able to reset and recover. Planned care activity started to increase in 2021-22 and in March 2022 treatment activity inpatient and day case activity was within 80% of pre covid levels.
85. All bodies considered and addressed through planning and quarterly updates from the Welsh Government, five types of harm from the pandemic following the publication of revised guidance from the Technical Advisory Group on 9 July 2021:
- Harm directly arising from COVID-19 itself;
 - Indirect harm due to pressures on the health and care system and changes in healthcare activity such as cancellation or postponement of care and treatment
 - Harms arising from population-based measures such as lockdown and shielding, including educational harm, psychological harm and isolation
 - Economic harms such as unemployment and reduced business income
 - Exacerbated or new inequalities in our society.
86. I am sincerely grateful to all NHS staff for their continued, tireless efforts since the onset of the pandemic in 2020 and over the last two years. The continued commitment and resilience, shown by many staff over the pandemic has been commendable. I would extend this gratitude to my own staff for the commitment and energy they have shown since I took up the role of Director General. As indicated throughout this statement, the need to plan and respond to the COVID-19 pandemic has continued to have a significant impact on the organisation, wider NHS and society as a whole. It has required a dynamic response which has presented a number of opportunities in addition to the risks.
87. The need to respond and recover from the pandemic will be with the Welsh Government, NHS and wider society throughout the next year and for the years ahead, as we look to address very significant backlogs of care. Plans have been developed to allow the NHS make an effective recovery from the crisis it has faced since the pandemic first struck the country in February 2020. I will ensure our Governance Framework considers and responds appropriately to this need.

faced since the pandemic first struck the country in February 2020. I will ensure our Governance Framework considers and responds appropriately to this need.

Judith Paget

**Director General, Health and Social Services Group,
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in
Wales**

8 September 2022

Summarised Financial Statement
Local Health Boards, NHS Trusts
and Special Health Authorities in Wales

Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales.

Section 126 (6) of the Government of Wales Act 2006 requires that the Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Government. Section 133 (2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Government staff as Additional Accounting Officers.

Under these arrangements, the Director General, Health and Social Services Group, Chief Executive NHS Wales has been appointed as an Additional Accounting Officer (AAO). The relevant AAO responsibilities for the Summarised Account of Local Health Boards, NHS Trusts and Special Health Authorities in Wales includes responsibilities for the propriety and regularity of public finances for which the AAO is answerable, for the keeping of proper records and the preparation of accounts. These have been assigned to the Director General, Health and Social Services Group, Chief Executive NHS Wales through the Memorandum for Additional Accounting Officers.

Section 178, Schedule 9, Para 5(2) of the National Health Service (Wales) Act 2006 requires the Welsh Government to prepare a statement of accounts for each financial year in the form and on the basis directed by HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Local Health Boards, NHS Trusts and Special Health Authorities in Wales at the year end and their net operating costs and cash flows for the financial year.

I confirm that the Foreword, Annual Governance Statement and Accounts as a whole are fair, balanced and understandable and I take personal responsibility for these and the judgement required for doing so.

In preparing the accounts Welsh Ministers are required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to do so.

Judith Paget,
Director General, Health and Social Services Group, Chief Executive NHS Wales
8 September 2022

The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd

Opinion on financial statements

I certify that I have audited the Summarised Financial Statement, Local Health Boards, NHS Trusts and Special Health Authorities in Wales for the year ended 31 March 2022 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayer's Equity and the related notes including a summary of significant accounting policies, and the financial duties notes in Annexes 1, 2, 3 and 4. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion on the financial statements section below, the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards, NHS Trusts, and Special Health Authorities in Wales collectively as at 31 March 2022 and of their net expenditure for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Basis for qualified opinion on the financial statements

The NHS Summarised accounts include in Note 2.3, 'Expenditure on Hospital, Community Health Services and by Special Health Authorities' an amount of £122.2 million relating to Betsi Cadwaladr University Health Board. I have been unable to obtain sufficient appropriate audit evidence that this expenditure was incurred in the year or has been properly accounted for in the correct accounting period because the Health Board was not able to provide the necessary information. Consequently, I was unable to determine whether any adjustment to this amount was necessary

Further detail is set out in my attached report.

Qualified Opinion on regularity

In my opinion, except for matters described in the Basis for qualified opinion on regularity section set out below, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

I have qualified my opinion on the regularity of the NHS Summarised financial statements because:

- those statements include a provision of £9.5 million representing the total estimated liability held by health bodies in Wales arising from the Ministerial Direction dated 18 December 2019 on senior clinicians' pensions. In my view, this expenditure is irregular and material by its nature.
- Hywel Dda and Swansea Bay University Health Boards have breached their revenue resource limits by collectively spending £149.840 million over the amount they were authorised to spend in the three-year period 2019-20 to 2021-22. This spend constitutes irregular expenditure.
- Betsi Cadwaladr University Health Board also breached their revenue resource limit by spending £37.917 million over the amount they were authorised to spend in the three-year period 2019-20 to 2021-22. The amount by which the Health Board breached their revenue resource limit is subject to the uncertainty over expenditure reported by the Health Board, referred to in the Basis for qualified opinion on the financial statements section above.

Further detail is set out in my attached report.

Basis of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Local Health Boards, NHS Trusts and Special Health Authorities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Local Health Boards, NHS Trusts or Special Health Authorities to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Additional Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Summarised Financial Statement, Local Health Boards, NHS Trusts and Special Health Authorities in Wales other than the financial

statements and my auditor's report thereon. The Additional Accounting Officer is responsible for the other information contained within the Summarised Financial Statement, Local Health Boards, NHS Trusts and Special Health Authorities in Wales. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Foreword for the financial year for which the financial statements have been prepared is consistent with the financial statements and the Foreword has been prepared in accordance with directions issued by HM Treasury; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with directions issued by HM Treasury.

Matters on which I report by exception

Except for the possible effects of the matters described in the Basis for qualified opinion on the financial statements section above, in the light of the knowledge and understanding of the Local Health Boards, NHS Trusts and Special Health Authorities in Wales and their environment obtained in the course of the audit, I have not identified material misstatements in the Foreword or Annual Governance Statement.

In respect solely of the limitations in receiving sufficient and appropriate evidence regarding the occurrence of expenditure consolidated into the NHS Summarised accounts from Betsi Cadwaladr University Health Board described in my basis for qualified opinion on the financial statements section above:

- adequate accounting records have not been kept by Betsi Cadwaladr University Health Board; and
- I have not received all the information and explanations I require for my audit.

I have nothing further to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities

Responsibilities of the Additional Accounting Officer for the financial statements

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out on page 2, the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 and directions made by HM Treasury there under, for being satisfied that they give a true and fair view and for such internal control as the Additional Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Additional Accounting Officer is responsible for assessing the ability of the Local Health Boards, NHS Trusts, and Special Health Authorities in Wales to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Obtaining an understanding of the framework of authority for the Local Health Boards, NHS Trusts and Special Health Authorities as well as other legal and regulatory frameworks that they operate in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Reviewing the 2021-22 accounts and audit opinions of each of the Local Health Boards, NHS Trusts and Special Health Authorities.

In addition to the above, my procedures to respond to identified risks included the following:

- addressing the risk of fraud through management override of controls, checking transactions and balances to the underlying audited NHS accounts and testing the appropriateness of journal entries and consolidation adjustments.

I also communicated potential fraud risks to the audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the controls operated by the Local Health Boards NHS Trusts and Special Health Authorities, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

The Additional Accounting Officer is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Report

Please see my Report on pages 8 to 10.

Adrian Crompton
Auditor General for Wales
13 September 2022

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the Senedd

Introduction

Under paragraph 5 of Schedule 9 to the NHS (Wales) Act 2006, I am responsible for auditing, certifying and reporting on the Summarised Financial Statement, Local Health Boards, NHS Trusts and Special Health Authorities in Wales. I am reporting on these financial statements for the year ended 31 March 2022 to draw attention to four key matters for my audit, as follows:

- qualification of my opinion on whether the accounts give a true and fair view owing to an inability to obtain sufficient appropriate evidence relating to expenditure recognised in the financial statements through consolidation into the NHS Summarised accounts from Betsi Cadwaladr University Health Board;
- qualification of my regularity opinion relating to expenditure recognised as a result of the Ministerial Direction on senior clinicians' pensions;
- qualification of my regularity opinion resulting from failure of three of the Local Health Boards to meet their first financial duty; and
- failure by three of the Local Health Boards to meet their second financial duty.

Qualified opinion due to inability to obtain sufficient evidence about expenditure

I qualified my true and fair audit opinion on the financial statements of Betsi Cadwaladr University Health Board because my audit identified a high level of error in the expenditure reported by the Health Board.

I was unable to undertake the work necessary to fully assess the impact of any error in the Health Board's financial statements and consequently was unable to obtain sufficient and appropriate audit evidence that expenditure totalling £122.2 million was incurred in the year or has been properly accounted for in the correct accounting period.

This expenditure has been consolidated into the NHS Summarised financial statements. Since the amount is material to the consolidated financial statements, I am also issuing a qualified true and fair audit opinion over the NHS Summarised financial statements.

Ministerial direction on senior clinicians' pensions

NHS Pension scheme and pension tax legislation is not devolved to Wales. HM Treasury's changes to the tax arrangements on pension contributions in recent years included the reduction in the Annual Allowance limit from over £200,000 in 2011-12 to £40,000 in 2018-19. As a result, in cases where an individual's pension contributions exceed certain annual and / or lifetime pension contribution allowance limits, then they are taxed at a higher rate on all their contributions, creating a sharp increase in tax liability.

In a Written Statement on 13 November 2019, the Minister for Health and Social Services had noted that NHS Wales bodies were: 'regularly reporting that senior clinical staff are unwilling to take on

additional work and sessions due to the potentially punitive tax liability'. In certain circumstances this could lead to additional tax charges in excess of any additional income earned.

On 18 December 2019, the First Minister (mirroring earlier action by the Secretary of State for Health and Social Care for England) issued a Ministerial Direction to the Permanent Secretary to proceed with plans to commit to making payments to clinical staff to restore the value of their pension benefits packages. If NHS clinicians opted to use the 'Scheme Pays' facility to settle annual allowance tax charges arising from their 2019-20 NHS pension savings (i.e. settling the charge by way of reduced annual pension, rather than by making an immediate one-off payment), then their NHS employers would meet the impact of those tax charges on their pension when they retire.

The Ministerial Direction was required because this solution could be viewed by HMRC to constitute tax planning and potentially tax avoidance, hence making the expenditure irregular. Managing Welsh Public Money (which mirrors its English equivalent) specifically states that 'public sector organisations should not engage in...tax evasion, tax avoidance or tax planning'.

A Ministerial Direction does not make regular what would otherwise be irregular, but it does move the accountability for such decisions from the Accounting Officer to the Minister issuing the direction.

The solution applies only to annual allowance tax charges arising from an increase in the benefits accrued in the NHS Pension Scheme during the tax year ended 5 April 2020. For the tax year ended 5 April 2021, the Chancellor increased the thresholds for the tapered annual allowance and, as a result, it is anticipated that the risk to the supply of clinical staff has been mitigated.

The Local Health Boards, NHS Trusts and Special Health Authorities have received sufficient information during the year to calculate and recognise an estimate of the potential costs of compensating senior clinical staff for pension benefits that they would otherwise have lost, by using the 'Scheme Pays' arrangement. As a result, expenditure has been recognised as a provision as shown in Note 20 of the financial statements.

All NHS bodies will be held harmless for the impact of the Ministerial Direction, however in my opinion, the transactions included in the Summarised Financial statements to recognise this liability are irregular and material by their nature. This is because the payments are contrary to paragraph 5.6.1 of Managing Public Money and constitute a form of tax planning which will leave the Exchequer as a whole worse off. The Minister's direction alone does not regularise the scheme. Furthermore, the arrangements are novel and contentious and potentially precedent setting. As a result, I have qualified my 'regularity' opinion for 2021-22.

Financial duties

Local Health Boards (LHBs) and NHS Trusts are required to meet two statutory financial duties – known as the first and second financial duties. Special Health Authorities are required to meet one statutory financial duty.

For 2021-22 four of the seven LHBs and all three NHS Trusts met both of these duties. The Special Health Authorities also met their one financial duty.

For 2021-22 three of the seven LHBs failed to meet both financial duties. As a result, I qualified my regularity opinions on each of the three LHBs that failed the first financial duty and issued narrative reports alongside my audit certificates for each of them.

Failure of the first financial duty

The first financial duty gives additional flexibility to LHBs and NHS Trusts by allowing them to balance their income with their expenditure over a three-year rolling period. The three-year period being measured under this duty this year is 2019-20 to 2021-22.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Hywel Dda and Swansea Bay University Local Health Boards did not manage their revenue expenditure within their resource allocation over this three-year period. Their combined cumulative revenue resource limits of £11.375 billion over the three years were exceeded by £187.757 million.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the resource allocation (i.e. spending limit) for those three years exceeds the LHB's authority to spend and is therefore 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend.

Failure of the second financial duty

The second financial duty requires LHBs and NHS Trusts to prepare and have approved by the Welsh Ministers a rolling three-year integrated medium-term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB or NHS Trust will be deemed to have met this duty for 2021-22 if it submitted a 2019-20 to 2021-22 plan approved by its Board to the Welsh Ministers who then approved it by the 30 June 2019. This duty is unchanged from 2019-20 as the duty to prepare a new three-year plan for the period 2021-22 to 2023-24 was paused due to the pandemic, leaving the previous year's duty in place.

As shown in Annex 4 to the Foreword, Betsi Cadwaladr, Hywel Dda and Swansea Bay University Health Boards did not meet their second financial duty to have an approved three-year integrated medium-term plan in place for the period 2019-20 to 2021-22.

Adrian Crompton
Auditor General for Wales
13 September 2022

24 Cathedral Road
Cardiff
CF11 9LJ

Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

	Note	2021-22 £000	2020-21 £000
Expenditure on Primary Healthcare Services	2.1	1,600,894	1,559,627
Expenditure on healthcare from other providers	2.2	1,140,708	1,093,042
Expenditure on Hospital, Community Health Services and by Special Health Authorities	2.3	7,466,570	6,931,798
		10,208,172	9,584,467
Less: Income	3	(1,291,927)	(1,034,767)
Net operating costs before interest and other gains and losses		8,916,245	8,549,700
Investment Income	4	(72)	(22)
Other (Gains)	5	(179)	(297)
Finance costs	6	7,758	7,201
Net operating costs for the financial year		8,923,752	8,556,582
		2021-22 £000	2020-21 £000
Other Comprehensive Net Expenditure			
Net loss/(gain) on revaluation of property, plant and equipment		(74,622)	(36,370)
Loss/(gain) on other reserve movements		(10)	-
Net loss/(gain) on revaluation of PPE & Intangible assets held for sale		(206)	(10)
Impairment and reversals		-	4
Transfers to / (from) other bodies within the Resource Accounting Boundary		-	-
Other comprehensive net expenditure for the year		(74,838)	(36,376)
Total comprehensive net expenditure for the year		8,848,914	8,520,206

The notes on pages 16 to 64 form part of these accounts

Statement of Financial Position as at 31 March 2022

	Notes	31 March 2022 £000	31 March 2021 £000
Non-current assets			
Property, plant and equipment	10.1	4,068,388	3,766,781
Intangible assets	11	53,796	47,063
Trade and other receivables	14	1,104,732	823,763
Other financial assets	15	521	554
Total non-current assets		5,227,437	4,638,161
Current assets			
Inventories	13.1	145,021	175,597
Trade and other receivables	14	735,437	713,618
Other financial assets	15	33	32
Cash and cash equivalents	16	132,578	109,496
Sub total		1,013,069	998,743
Non-current assets classified as "Held for Sale"	10.2	543	2,402
Total current assets		1,013,612	1,001,145
Total assets		6,241,049	5,639,306
Current liabilities			
Trade and other payables	17	(1,563,869)	(1,460,540)
Borrowings	18	(1,364)	(1,624)
Provisions	20	(391,844)	(365,336)
Total current liabilities		(1,957,077)	(1,827,500)
Net current assets/ (liabilities)		(943,465)	(826,355)
Non-current liabilities			
Trade and other payables	17	(53,023)	(58,446)
Borrowings	18	-	(1,059)
Provisions	20	(1,143,539)	(868,568)
Total non-current liabilities		(1,196,562)	(928,073)
Total assets employed		3,087,410	2,883,733
Financed by :			
Taxpayers' equity			
PDC		223,431	222,208
General Fund		2,242,986	2,097,616
Revaluation reserve		620,993	563,909
Total taxpayers' equity		3,087,410	2,883,733

The notes on pages 16 to 64 form part of these accounts

Judith Paget, Director General, Health and Social Services Group, Chief Executive NHS Wales
8 September 2022

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2022

	Public Dividend Capital £000	General Fund £000	Revaluation reserve £000	Total reserves £000
Balance at 1 April 2022	222,208	2,097,616	563,909	2,883,733
Net operating cost for the year		(8,923,752)	-	(8,923,752)
Net gain/(loss) on revaluation of property, plant and equipment		-	74,622	74,622
Net gain/(loss) on revaluation of PPE and Intangible assets held for sale		-	206	206
Movements in other reserves		13	(3)	10
Transfers between reserves		17,738	(17,738)	-
Release of reserves to SoCNE		3	(3)	-
Transfers (to) / from other bodies NHS Wales bodies		-	-	-
Total recognised income and expense for 2021-22		(8,905,998)	57,084	(8,848,914)
New Public Dividend Capital received	15,374			15,374
Public Dividend Capital repaid in year	(14,151)			(14,151)
Net Welsh Government funding (LHB and SHA only)		8,876,821		8,876,821
Notional Welsh Government Funding (LHB and SHA only)		174,547		174,547
Balance at 31 March 2022	223,431	2,242,986	620,993	3,087,410

The notes on pages 16 to 64 form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2021

	Public Dividend Capital £000	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2020-21				
Balance at 1 April 2020	202,871	2,250,057	546,430	2,999,358
Net operating cost for the year		(8,556,582)	-	(8,556,582)
Net gain/(loss) on revaluation of property, plant and equipment		-	36,370	36,370
Net gain/(loss) on revaluation of PPE and Intangible assets held for sale		-	10	10
Impairments and reversals		-	(4)	(4)
Transfers between reserves		18,896	(18,896)	-
Release of reserves to SoCNE		1	(1)	-
Total recognised income and expense for 2020-21		(8,537,685)	17,479	(8,520,206)
New Public Dividend Capital received	20,262			20,262
Public Dividend Capital repaid in year	(925)			(925)
Net Welsh Government funding (LHB and SHA only)		8,222,958		8,222,958
Notional Welsh Government Funding (LHB and SHA only)		162,286		162,286
Balance at 31 March 2021	222,208	2,097,616	563,909	2,883,733

The notes on pages 16 to 64 form part of these accounts

Statement of Cash Flows for year ended 31 March 2022

	2021-22 £000	2020-21 £000
Cash flows from operating activities	Notes	
Net operating costs for the financial year	(8,923,752)	(8,556,582)
Movements in Working Capital	27 (218,498)	287,353
Other cash flow adjustments	28 890,561	610,670
Provisions utilised	20 (178,749)	(137,338)
Net cash outflow from operating activities	(8,430,438)	(7,795,897)
Cash flows from investing activities		
Purchase of property, plant and equipment	(413,256)	(414,026)
Proceeds from disposal of property, plant and equipment	3,427	9,665
Purchase of intangible assets	(14,720)	(14,671)
Proceeds from disposal of intangible assets	-	23
Net cash outflow from investing activities	(424,549)	(419,009)
Net cash outflow before financing	(8,854,987)	(8,214,906)
Cash flows from financing activities		
Welsh Government LHB funding (including LHB and SHA capital)	8,876,821	8,222,958
Capital grants received	25	-
Public Dividend Capital received	15,374	20,262
Public Dividend Capital repaid	(14,151)	(925)
Cash transferred (to) / from other NHS bodies	-	(318)
Net financing	8,878,069	8,241,977
Net increase in cash and cash equivalents	23,082	27,071
Cash and cash equivalents at 1 April	109,496	82,425
Cash and cash equivalents at 31 March	132,578	109,496

The notes on pages 16 to 64 form part of these accounts

Notes to the Accounts

1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Local Health Boards, NHS Trusts and Special Health Authorities in Wales (subsequently, collectively referred to as NHS Wales' organisations), shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2021-22. 1 Manual for Accounts. The accounting policies contained in that manual follow the 2021-22 Financial Reporting Manual (FReM), conformity with the requirements of the Companies Act 2006, except for IFRS 16 Leases, which is deferred until 1st April 2022; to the extent that they are meaningful and appropriate to the NHS in Wales.

Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NHS Wales organisation for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS Wales' organisations are described below. They have been applied consistently in dealing with items considered material in relation to the accounts

1.1. Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2. Accounts Format

The NHS (Wales) Summarised Account combine the accounts of the seven Local Health Boards (LHBs), the three NHS Wales Trusts (NHSTs) and the two Special Health Authorities. In preparing the summarised financial statements, where appropriate adjustments for the effects of interparty transactions have been made.

1.3. Acquisitions and discontinued operations

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

1.4. Income and funding

The main source of funding for the LHBs and SHAs are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the LHB and SHA. Welsh Government funding is recognised in the financial period in which the cash is received.

Non-discretionary funding outside the Revenue Resource Limit is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, or ophthalmic services identified by the Welsh Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the Revenue Resource Limit.

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the General Fund.

Miscellaneous income is income which relates directly to the operating activities of the LHB/SHA and is not funded directly by the Welsh Government. The income of the NHS Wales Trusts is recorded in the income note.

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.

Where income is received from Non NHS bodies for a specific activity that is to be delivered in the following year that income is deferred. Only non-NHS income may be deferred.

From 2018-19, IFRS 15 Revenue from Contracts with Customers has been applied, as interpreted and adapted for the public sector, in the FREM. It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. The potential amendments identified as a result of the adoption of IFRS 15 are significantly below materiality levels.

1.5. Employee benefits

1.5.1. Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

1.5.2. Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as 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 latest NHS Pension Scheme valuation results indicated that an increase in benefit required a 6.3% increase (14.38% to 20.68%) which was implemented from 1 April 2019.

As an organisation within the full funding scope, the joint (in NHS England and NHS Wales) transitional arrangement operated in 2019-20 where employers in the Scheme would continue to pay 14.38% employer contributions under their normal monthly payment process, in Wales the additional 6.3% being funded by Welsh Government directly to the Pension Scheme administrator, the NHS Business Services Authority (BSA the NHS Pensions Agency).

However, NHS Wales' organisations are required to account for **their staff** employer contributions of 20.68% in full and on a gross basis, in their annual accounts. Payments made on their behalf by Welsh Government are accounted for on a notional basis. For detailed information see Note 32 Other (Note 32.4) within these accounts.

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 expenditure at the time the NHS Wales organisation commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be

identified and are recognised in the NHS Wales organisation's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs.

1.5.3. NEST Pension Scheme

An alternative pensions scheme for employees not eligible to join the NHS Pensions scheme has to be offered. The NEST (National Employment Savings Trust) Pension scheme is a defined contribution scheme and therefore the cost to the NHS body of participating in the scheme is equal to the contributions payable to the scheme for the accounting period.

1.6. Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.7. Property, plant and equipment

1.7.1. Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the NHS Wales organisation;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

1.7.2. Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for services or for administrative purposes are stated in the Statement of Financial Position (SoFP) at their revalued amounts, being the fair value at the date of revaluation less any subsequent

accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales' organisations have applied these new valuation requirements from 1 April 2009.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

In 2017-18 a formal revaluation exercise was applied to land and properties. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that the impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure (SoCNE).

From 2015-16, IFRS 13 Fair Value Measurement must be complied with in full. However IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Where there is no single class of asset that falls within IFRS 13, disclosures should be for material items only.

In accordance with the adaptation of IAS 16 in table 6.2 of the FReM, for non-specialised assets in operational use, current value in existing use is interpreted as market value for existing use which is defined in the RICS Red Book as Existing Use Value (EUV).

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the NHS organisation or the asset which would prevent access to the market at the reporting date. If the NHS organisation could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus,

an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

1.7.3. Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any carrying value of the item replaced is written-out and charged to the SoCNE. As highlighted in previous years the NHS in Wales does not have systems in place to ensure that all items being "replaced" can be identified and hence the cost involved to be quantified. The NHS in Wales has thus established a national protocol to ensure it complies with the standard as far as it is able to which is outlined in the capital accounting chapter of the Manual For Accounts. This dictates that to ensure that asset carrying values are not materially overstated. For All Wales Capital Schemes that are completed in a financial year, NHS Wales organisations are required to obtain a revaluation during that year (prior to them being brought into use) and also similar revaluations are needed for all Discretionary Building Schemes completed which have a spend greater than £0.5m. The write downs so identified are then charged to operating expenses.

1.8. Intangible assets

1.8.1. Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the NHS Wales organisation; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.8.2 Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.9. Depreciation, amortisation and impairments

Freehold land, assets under construction and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS Wales organisation expects to obtain economic benefits or service potential from the asset. This is specific to the NHS Wales organisation and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives.

At each reporting period end, the NHS Wales organisation checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

1.10. Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from patient care activity and benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.11 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the SoCNE. On disposal, the balance for the asset on the revaluation reserve, is transferred to the General Fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead it is retained as an operational asset and its economic life adjusted. The asset is derecognised when it is scrapped or demolished.

1.12. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

1.12.1. The NHS Wales organisation as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the SoCNE.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.12.2. The NHS Wales organisation as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS Wales organisation net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the NHS Wales organisation's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.13. Inventories

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the weighted average or "first-in first-out" cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is considered to be a reasonable approximation to fair value 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.

1.14. Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition

and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash flows (SoCF), cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.15. Provisions

Provisions are recognised when the NHS Wales organisation has a present legal or constructive obligation as a result of a past event, it is probable that the NHS Wales organisation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the discount rate supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the NHS Wales organisation has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the NHS Wales organisation has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.15.1. Clinical negligence and personal injury costs

The Welsh Risk Pool Services (WRPS) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option has been implemented since 2019-20. The WRP is hosted by Velindre NHS Trust.

1.15.2. Future Liability Scheme (FLS) - General Medical Practice Indemnity (GMPI)

The FLS is a state backed scheme to provide clinical negligence General Medical Practice Indemnity (GMPI) for providers of GMP services in Wales.

In March 2019, the Minister issued a Direction to Velindre NHS Trust to enable Legal and Risk Services to operate the Scheme. The GMPI is underpinned by new secondary legislation, The NHS (Clinical Negligence Scheme) (Wales) Regulations 2019 which came into force on 1 April 2019.

GMP Service Providers are not direct members of the GMPI FLS, their qualifying liabilities are the subject of an arrangement between them and their relevant LHB, which is a member of the scheme. The qualifying reimbursements to the LHB are not subject to the £25,000 excess.

1.16. Financial Instruments

From 2018-19 IFRS 9 Financial Instruments has applied, as interpreted and adapted for the public sector, in

the FReM. The principal impact of IFRS 9 adoption by NHS Wales' organisations, was to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM recognised the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that included the date of initial application in the opening general fund within Taxpayer's equity.

1.17. Financial assets

Financial assets are recognised on the SoFP when the NHS Wales organisation 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.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

IFRS 9 requirements required a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS 9 to construct a provision matrix.

1.17.1. Financial assets are initially recognised at fair value

Financial assets are classified into the following categories: financial assets 'at fair value through SoCNE'; '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.

1.17.2. Financial assets at fair value through SoCNE

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 SoCNE. They are held at fair value, with any resultant gain or loss recognised in the SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.17.3 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.

1.17.4. 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 SoCNE on de-recognition.

1.17.5. 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.

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 SOFP date, the NHS Wales organisation 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 SoCNE and the carrying amount of the asset is reduced directly, or through a provision of 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 SoCNE 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.

1.18. Financial liabilities

Financial liabilities are recognised on the SOFP when the NHS Wales organisation 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.

1.18.1. Financial liabilities are initially recognised at fair value

Financial liabilities are classified as either financial liabilities at fair value through the SoCNE or other financial liabilities.

1.18.2. Financial liabilities at fair value through the SoCNE

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 SoCNE. The net gain or loss incorporates any interest earned on the financial asset.

1.18.3. 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.

1.19. Value Added Tax (VAT)

Most of the activities of the NHS Wales organisation 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 currencies

Transactions 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 SoCNE. At the SoFP date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

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 NHS Wales organisation has no beneficial interest in them. Details of third party assets are given in the Notes to the accounts.

1.22. Losses and Special Payments

Losses and special payments are items that the Welsh Government 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 relevant functional headings in the SoCNE on an accruals basis, including losses which would have been made good through insurance cover had the NHS Wales organisation not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

The NHS Wales organisation accounts for all losses and special payments gross (including assistance from the WRP).

The NHS Wales organisation accrues or provides for the best estimate of future pay-outs for certain 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. Due to the interparty eliminations required for the summarisation process, expected reimbursements from the WRP are included within the debtor balance due from the Welsh Government. For those claims where the probability of settlement is between 5- 50%, the liability is disclosed as a contingent liability.

1.23. Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying

assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.24. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the SoFP date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors. Any material changes in liabilities associated with these claims would be recoverable through the Welsh Risk Pool.

Significant estimations are also made for continuing care costs resulting from claims post 1 April 2003. An assessment of likely outcomes, potential liabilities and timings of these claims are made on a case by case basis. Material changes associated with these claims would be adjusted in the period in which they are revised.

Estimates are also made for contracted primary care services. These estimates are based on the latest payment levels. Changes associated with these liabilities are adjusted in the following reporting period.

Covid 19 has had a significant impact on staff to take annual leave, which has resulted in an estimate of untaken annual leave being included within the account

1.24.1. Provisions

The NHS Wales organisation provides for legal or constructive obligations for clinical negligence, personal injury and defence costs 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.

Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Following settlement to individual claimants by the NHS Wales organisation, the full cost is recognised in year and matched to income (less a £25K excess) via a WRPS debtor, until reimbursement has been received from the WRPS Committee.

1.24.2. Probable & Certain Cases – Accounting Treatment

A provision for these cases is calculated in accordance with IAS 37.

The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership.

The solicitors estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of minus 0.25%.

Future liabilities for certain & probable cases with a probability of 95%-100% and 50% - 94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

Further details re the calculation of provisions and the periodical payment orders are contained within the accounts of Velindre NHS Trust.

1.25 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The NHS Wales organisation therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

1.25.1. Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

1.25.2. PFI asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the NHS Wales organisation's approach for each relevant class of asset in accordance with the principles of IAS 16.

1.25.3. PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the SoCNE.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the SoCNE.

1.25.4. Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the NHS Wales organisation's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised

respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

1.25.5. Assets contributed by the NHS Wales organisation to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the NHS Wales organisation's SoFP.

1.25.6. Other assets contributed by the NHS Wales organisation to the operator

Assets contributed (e.g. cash payments, surplus property) by the NHS Wales organisation to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the NHS Wales organisation, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the NHS Wales organisation through the asset being made available to third party users.

1.26. Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS Wales organisation, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS Wales organisation. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.27. Absorption accounting

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required.

Where transfer of function is between LHBs the gain or loss resulting from the assets and liabilities transferring is recognised in the SoCNE and is disclosed separately from the operating costs.

1.28. Accounting standards that have been issued but not yet been adopted

The following accounting standards have been issued and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM.

IFRS14 Regulatory Deferral Accounts Not EU-endorsed.*
Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable.

IFRS 16 Leases is to be effective from 1st April 2022.

IFRS 17 Insurance Contracts, Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

1.29. Accounting standards issued that have been adopted early

During 2021-22 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

1.30. Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.31. Public Dividend Capital (PDC) and PDC dividend

PDC represents taxpayers' equity in the NHS Wales Trusts. At any time the Minister for Health and Social Services with the approval of HM Treasury can issue new PDC to, and require repayments of, PDC from the NHS Wales organisation. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

From 1 April 2010 the requirement to pay a public dividend over to the Welsh Government ceased.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £000	Non-cash limited £000	2021-22 Total £000	2020-21 £000
General Medical Services	606,824	-	606,824	589,505
Pharmaceutical Services	166,035	(25,818)	140,217	139,184
General Dental Services	195,146	-	195,146	172,387
General Ophthalmic Services	11,347	35,397	46,744	42,604
Other Primary Health Care expenditure	48,148	-	48,148	46,707
Prescribed drugs and appliances	563,815	-	563,815	569,240
Total	1,591,315	9,579	1,600,894	1,559,627

2.2 Expenditure on healthcare from other providers

	2021-22 £000	2020-21 £000
Goods and services from other non Welsh NHS bodies	331,936	311,460
Local Authorities	175,796	185,920
Voluntary organisations	62,815	51,814
NHS Funded Nursing Care	45,814	48,582
Continuing Care	430,873	415,617
Private providers	93,094	77,887
Specific projects funded by the Welsh Assembly Government	380	319
Other	-	1,443
Total	1,140,708	1,093,042

2021-22

2.3 Expenditure on Hospital, Community Health Services and by Special Health Authorities

	2021-22	2020-21
	£000	£000
Directors' costs	21,570	20,312
Operational Staff costs	4,708,243	4,576,994
Non operational trainee staff costs	137,379	62,340
Non operational collaborative bank staff costs	234	-
Single lead employer Staff Trainee Cost	43,793	10,422
Collaborative Bank Staff Cost	1,446	203
Supplies and services - clinical	928,893	848,647
Supplies and services - general	234,466	184,146
Consultancy Services	19,610	15,497
Establishment	108,479	87,005
Transport	32,815	29,345
Premises	304,953	388,296
DHCW - General Medical Services	17,588	-
HEIW - Non Medical Education and Training	98,303	89,614
HEIW - Post Graduate Medical Dental & Pharmacy Education	5,312	3,325
External Contractors	12,760	5,138
Depreciation	230,435	201,999
Amortisation	15,251	13,116
Fixed asset impairments and reversals (Property, plant & equipment)	(4,093)	94,331
Impairments and reversals of non-current assets held for sale	11	209
Audit fees	3,583	3,346
Losses, special payments and irrecoverable debts	481,691	145,956
Research and Development	6,532	5,466
NWSSP centrally purchased Covid assets issued free of charge to other organisations	-	100,247
Other operating expenses	57,316	45,844
Total	7,466,570	6,931,798

2.4 Losses, special payments and irrecoverable debts: charges to expenses

	2021-22	2020-21
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence		
- Secondary care	299,722	134,890
- Primary care	144	70
- Redress Secondary Care	1,178	2,184
- Redress Primary Care	182	(182)
Personal injury	3,554	7,842
All other losses and special payments	30,354	10,219
Defence legal fees and other administrative costs	7,542	7,632
WRPS Structured Settlements	123,967	(11,977)
Gross increase/(decrease) in provision for future payments	466,643	150,678
Irrecoverable debts	2,507	(106)
Less: income received/ due for reimbursement	12,541	(4,616)
Total	481,691	145,956

	£	£
Permanent injury included within personal injury:	1,266,781	2,665,896

3. Income

	2021-22	2020-21
	£000	£000
Foundation Trusts	1,231	789
Other NHS England bodies	33,246	24,649
Other NHS bodies	771	380
Local authorities	71,704	65,715
Welsh Government	289,748	238,272
Welsh Government Funding - Welsh Risk Pool Reimbursements		
NHS Wales Secondary Health Sector	424,563	120,386
NHS Wales Primary Sector Future Liability Scheme Reimbursement	93	-
NHS Wales Redress	1,679	2,491
Welsh Government Income for Hosted bodies	165,681	334,699
Non NHS:		
Prescription charge income	22	132
Dental fee income	19,336	8,991
Private patient income	3,203	2,762
Overseas patients (non-reciprocal)	351	420
Injury Costs Recovery (ICR) Scheme	7,282	6,535
Other income from activities	21,294	17,774
Income Generation	989	1,272
Education, training and research	63,668	54,945
Charitable and other contributions to expenditure	9,488	10,749
Receipt of Covid centrally purchased assets from other organisations	1,724	2,577
Receipt of donated assets	3,299	2,103
Receipt of Government granted assets	2,507	7,732
Non-patient care income generation schemes	5,311	3,190
Deferred income released to revenue	1,566	2,350
Contingent rental income from finance leases	-	127
Rental income from operating leases	1,146	462
Other income:		
Provision of laundry, pathology, payroll services	13,187	7,332
Accommodation and catering charges	14,884	10,749
Mortuary fees	2,265	2,372
Staff payments for use of cars	5,241	4,617
Business units	-	21
Scheme Pays Reimbursement Notional	7,310	-
Other	119,138	100,174
Total	<u>1,291,927</u>	<u>1,034,767</u>

ICR income is subject to a provision for impairment to reflect expected rates of collection. The exact provision varies between NHS bodies. Details may be found in the underlying accounts

2021-22

4. Investment Income

	2021-22	2020-21
	£000	£000
Interest revenue :		
Bank accounts	56	5
Other financial assets	16	17
Total	72	22

5. Other gains and losses

	2021-22	2020-21
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	58	69
Gain/(loss) on disposal of intangible assets	(35)	(5)
Gain/(loss) on disposal of assets held for sale	156	233
Total	179	297

6. Finance costs

	2021-22	2020-21
	£000	£000
Interest on obligations under finance leases	46	73
Interest on obligations under PFI contracts		
main finance cost	3,575	3,900
contingent finance cost	3,550	3,157
Total interest expense	7,171	7,130
Provisions unwinding of discount	(556)	(477)
Periodical Payment Order unwinding of discount	1,143	548
Total	7,758	7,201

7. Operating leases

LHB, NHS Trust and SHA as lessee

Detailed disclosures are made in the individual LHB, Trust and SHA accounts.

Payments recognised as an expense	2021-22	2020-21
	£000	£000
Minimum lease payments	39,363	42,844
Total	39,363	42,844
Total future minimum lease payments		
Payable	£000	£000
Not later than one year	32,310	30,829
Between one and five years	72,043	62,359
After 5 years	65,971	66,571
Total	170,324	159,759

LHB SHA & NHS Trust as lessor

Rental revenue	£000	£000
Rent	1,387	1,311
Other	143	121
Total revenue rental	1,530	1,432
Total future minimum lease payments		
Receivable	£000	£000
Not later than one year	1,697	1,649
Between one and five years	5,952	4,666
After 5 years	3,531	4,472
Total	11,180	10,787

8. Employee benefits and staff numbers

8.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Specialist Trainee (SLE) Staff	Collaborative Bank Staff	Other	Total	
	£000	£000	£000	£000	£000	£000	2021-22	2020-21
Salaries and wages	3,605,096	20,727	226,784	87,395	199	66,885	4,007,086	3,831,133
Social security costs	359,075	59	-	7,311	12	1,454	367,911	336,969
Employer contributions to NHS Pension Scheme	611,780	75	-	8,552	24	489	620,920	590,288
Other pension costs	2,153	-	-	-	-	-	2,153	2,365
Other employment benefits	2,256	-	-	-	-	5	2,261	(3)
Termination benefits	2,416	-	-	-	-	-	2,416	568
Total	4,582,776	20,861	226,784	103,258	235	68,833	5,002,747	4,761,320

Charged to capital							11,362	10,399
Charged to revenue							4,991,385	4,750,921
							5,002,747	4,761,320

Net movement in accrued employee benefits (untaken staff leave accrual included in above)							15,244	90,063
Covid 19 - Net movement in accrued employee benefits (untaken staff leave accrual included in above)							17,213	
All non Covid 19 - Net movement in accrued employee benefits (untaken staff leave accrual included in above)							(1,969)	

The 2020-21 annual leave accrual of £90,063k includes the leave accruals for both Non Covid and Covid activity. The latter being the major contributor in both years. The full employee costs reported above are included in note 2.1 Expenditure on Primary Healthcare Services and note 2.3 Expenditure on Hospital, Community Health Services and by Special Health Authorities.

8.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Specialist Trainee (SLE) Staff	Collaborative Bank Staff	Other	Total	
	Number	Number	Number	Number	Number	Number	2021-22	2020-21
Administrative, clerical and board members	20,020	199	415	-	-	47	20,681	19,018
Medical and dental	5,603	63	170	1,585	-	315	7,736	7,762
Nursing, midwifery registered	23,813	17	1,672	-	7	8	25,516	24,469
Professional, Scientific, and technical staff	2,712	18	12	-	-	8	2,750	3,786
Additional Clinical Services	18,392	-	341	-	-	25	18,758	17,371
Allied Health Professions	6,647	9	90	-	-	63	6,809	6,172
Healthcare Scientists	2,207	6	43	-	-	31	2,287	1,829
Estates and Ancillary	7,106	-	342	-	-	95	7,543	7,548
Students	94	-	-	-	-	-	94	456
Total	86,594	312	3,085	1,585	7	592	92,174	88,411

8.3. Retirements due to ill-health	2021-22	2020-21
Number	76	99
Estimated additional pension costs £	3,823,326	3,560,990

The estimated additional pension costs of these ill-health retirements have been calculated on an average basis and are borne by the NHS Pension Scheme. The above early retirement information relates to the LHBs and NHS Trusts, there were no early retirements in the SHA.

8.4 Employee benefits

LHBs do not disclose any employee benefit schemes. Two of the NHS Trusts and both the Special Health Authorities disclose employee benefit schemes. Please refer to their underlying accounts for further details.

8.5 Pension costs

PENSION COSTS

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS

Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at <https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports>.

c) National Employment Savings Trust (NEST)

NEST is a workplace pension scheme, which was set up by legislation and is treated as a trust-based scheme. The Trustee responsible for running the scheme is NEST Corporation. It's a non-departmental public body (NDPB) that operates at arm's length from government and is accountable to Parliament through the Department for Work and Pensions (DWP).

NEST Corporation has agreed a loan with the Department for Work and Pensions (DWP). This has paid for the scheme to be set up and will cover expected shortfalls in scheme costs during the earlier years while membership is growing.

NEST Corporation aims for the scheme to become self-financing while providing consistently low charges to members.

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 8% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 3% of this.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,240 and £50,000 for the 2021-2022 tax year (2020-2021 £6,240 and £50,000).

Restrictions on the annual contribution limits were removed on 1st April 2017.

9. The Late Payment of Commercial Debts (Interest) Act 1998

	2021-22	2020-21
	£	£
Amounts included within finance costs from claims made under this legislation	6	221
Compensation paid to cover debt recovery costs under this legislation	192	3,061
Total	198	3,282

10.1 Property, plant and equipment

2021-22

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Asset under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2021	367,934	3,076,334	51,878	190,060	789,036	92,274	288,865	41,963	4,898,344
Indexation	5,811	73,593	2,171	-	-	-	-	-	81,575
Additions - purchased	95	48,906	115	264,219	92,579	3,057	42,689	2,300	453,960
Additions - donated	-	138	-	1,391	1,634	65	42	-	3,270
Additions - government granted	-	-	-	27	2,382	-	-	-	2,409
Reclassifications	400	134,095	927	(156,849)	10,749	1,863	3,638	32	(5,145)
Revaluations	(47)	(10,517)	(11)	-	-	-	-	-	(10,575)
Reversal of impairments	1,556	68,404	254	-	-	-	-	-	70,214
Impairments	(81)	(70,661)	-	(700)	(541)	-	-	-	(71,983)
Reclassified as held for sale	109	(87)	(94)	-	(209)	(4,227)	-	-	(4,508)
Disposals	137	(495)	-	-	(43,926)	(795)	(22,524)	(4,146)	(71,749)
At 31 March 2022	375,914	3,319,710	55,240	298,148	851,704	92,237	312,710	40,149	5,345,812
Depreciation at 1 April 2021	-	365,268	6,590	-	500,502	56,278	179,057	23,768	1,131,563
Indexation	-	12,037	287	-	-	-	-	-	12,324
Reclassifications	-	(13)	2	11	51	(51)	-	-	-
Revaluations	-	(15,863)	(11)	-	(72)	-	-	-	(15,946)
Reversal of impairments	-	(116)	6	-	-	-	-	-	(110)
Impairments	-	(5,660)	-	(2)	(90)	-	-	-	(5,752)
Reclassified as held for sale	-	-	-	-	(118)	(4,227)	-	-	(4,345)
Disposals	-	(149)	-	-	(43,219)	(795)	(22,438)	(4,144)	(70,745)
Provided during the year	-	111,766	1,787	2	66,351	9,766	36,796	3,967	230,435
At 31 March 2022	-	467,370	8,661	11	523,405	60,971	193,415	23,591	1,277,424
Net book value at 1 April 2021	367,934	2,710,966	45,288	190,060	288,534	35,996	109,808	18,195	3,766,781
Net book value at 31 March 2022	375,914	2,852,340	46,579	298,137	328,299	31,266	119,295	16,558	4,068,388
Net book value at 31 March 2022 comprises:									
Purchased	371,680	2,803,595	46,579	298,107	314,583	31,041	118,758	16,051	4,000,394
Donated	4,234	46,778	-	30	8,065	225	514	499	60,345
Government Granted	-	1,967	-	-	5,651	-	23	8	7,649
Total	375,914	2,852,340	46,579	298,137	328,299	31,266	119,295	16,558	4,068,388
Asset financing:									
Owned	373,071	2,764,751	44,334	298,012	328,043	31,266	117,204	16,558	3,973,239
Held on finance lease	-	1,216	-	-	-	-	2,091	-	3,307
On-Su/FP PFI contracts	2,843	86,373	2,245	125	256	-	-	-	91,842
Total	375,914	2,852,340	46,579	298,137	328,299	31,266	119,295	16,558	4,068,388

The net book value of land, buildings and dwellings at 31 March 2022 comprises:

	£000
Freehold	3,152,303
Long Leasehold	120,183
Short Leasehold	2,347
	3,274,833

The land and buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition. LHBs, NHSTs and SHA are required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

10.1 Property, plant and equipment

2020-21

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2020	375,627	2,653,556	50,079	452,431	690,111	82,281	247,792	36,381	4,588,258
Indexation	(5,773)	44,318	1,296	-	-	-	-	-	39,841
Additions - purchased	7,272	47,350	18	207,732	111,464	2,447	44,570	7,788	428,641
Additions - donated	-	213	-	9	1,714	11	141	12	2,100
Additions - government granted	-	-	-	-	4,763	-	3	-	4,766
Transfer from into other NHS bodies	-	-	-	-	1,346	(1,346)	-	-	-
Reclassifications	-	440,574	339	(469,277)	5,969	13,798	7,227	18	(1,052)
Revaluations	(4)	(7,862)	(11)	-	5	-	-	-	(7,872)
Reversal of impairments	-	35,445	157	-	-	-	-	-	35,602
Impairments	(1,639)	(137,199)	-	-	(574)	-	(62)	-	(139,474)
Reclassified as held for sale	(387)	(207)	-	-	(493)	(4,260)	-	-	(5,347)
Disposals	(7,162)	(154)	-	(835)	(25,269)	(657)	(10,806)	(2,236)	(47,119)
At 31 March 2021	367,934	3,076,334	51,878	190,060	789,036	92,274	288,865	41,963	4,898,344
Depreciation at 1 April 2020	-	280,222	4,762	1,792	469,298	51,708	156,581	22,287	986,650
Indexation	-	9,005	135	-	-	-	-	-	9,140
Transfers from into other NHS bodies	-	-	-	-	(974)	974	-	-	-
Reclassifications	-	1,792	-	(1,792)	(2)	-	-	2	-
Revaluations	-	(13,530)	(11)	-	-	-	-	-	(13,541)
Reversal of impairments	-	7	3	-	-	-	-	-	10
Impairments	-	(9,266)	-	-	(280)	-	(5)	-	(9,551)
Reclassified as held for sale	-	(152)	-	-	(210)	(4,260)	-	-	(4,622)
Disposals	-	(102)	-	-	(24,794)	(641)	(10,749)	(2,236)	(38,522)
Provided during the year	-	97,392	1,701	-	57,464	8,497	33,230	3,715	201,999
At 31 March 2021	-	365,368	6,590	-	500,502	56,278	179,057	23,768	1,131,563
Net book value at 1 April 2020	375,627	2,373,334	45,317	450,639	220,813	30,573	91,211	14,094	3,601,608
Net book value at 31 March 2021	367,934	2,710,966	45,288	190,060	288,534	35,996	109,808	18,195	3,766,781
Net book value at 31 March 2021 comprises:									
Purchased	363,785	2,663,712	45,288	190,020	275,036	35,985	109,023	17,525	3,700,374
Donated	4,149	45,369	-	40	9,070	11	748	659	60,046
Government Granted	-	1,885	-	-	4,428	-	37	11	6,361
	367,934	2,710,966	45,288	190,060	288,534	35,996	109,808	18,195	3,766,781
Asset financing:									
Owned	365,147	2,628,094	43,074	190,060	287,995	35,996	107,150	18,195	3,675,711
Held on finance lease	-	1,264	-	-	-	-	2,658	-	3,922
On-SOFP PFI contracts	2,787	81,608	2,214	-	539	-	-	-	87,148
Total	367,934	2,710,966	45,288	190,060	288,534	35,996	109,808	18,195	3,766,781

The net book value of land, buildings and dwellings at 31 March 2021 comprises:

	£000
Freehold	3,010,930
Long Leasehold	99,373
Short Leasehold	13,885
	<u>3,124,188</u>

10. Property, plant and equipment (continued)**10.2 Non-current assets held for sale**

	Land	Buildings, including dwelling	Other property, plant and equipment	Total
	£000	£000	£000	£000
Balance brought forward 1 April 2021	1,338	978	86	2,402
Plus assets classified as held for sale in the year	76	181	91	348
Revaluation	66	140	-	206
Less assets sold in the year	(1,062)	(978)	(177)	(2,217)
Less impairment of assets held for sale	(11)	-	-	(11)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(185)	-	-	(185)
Balance carried forward 31 March 2022	222	321	-	543
Balance brought forward 1 April 2020	1,652	990	-	2,642
Plus assets classified as held for sale in the year	387	55	283	725
Revaluation	10	-	-	10
Less assets sold in the year	(711)	(55)	-	(766)
Less impairment of assets held for sale	-	(12)	(197)	(209)
Balance carried forward 31 March 2021	1,338	978	86	2,402

2021-22

11. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	Assets Under Construction	Total
2021-22	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2021	88,452	7,708	20,739	1,415	-	118,314
Reclassifications	3,727	591	602	-	225	5,145
Additions- purchased	6,992	1,055	1,304	1,291	2,674	13,316
Additions- internally generated	-	743	-	-	2,774	3,517
Additions- donated	29	-	-	-	-	29
Additions- government granted	12	-	-	-	-	12
Disposals	(14,429)	(55)	(1,627)	-	-	(16,111)
Gross cost at 31 March 2022	84,783	10,042	21,018	2,706	5,673	124,222
Amortisation at 1 April 2021	56,774	2,039	12,220	218	-	71,251
Provided during the year	10,595	1,178	3,353	125	-	15,251
Disposals	(14,426)	(55)	(1,595)	-	-	(16,076)
Amortisation at 31 March 2022	52,943	3,162	13,978	343	-	70,426
Net book value at 1 April 2021	31,678	5,669	8,519	1,197	-	47,063
Net book value at 31 March 2022	31,840	6,880	7,040	2,363	5,673	53,796
NBV at 31 March 2022						
Purchased	31,712	4,496	7,035	2,206	2,899	48,348
Donated	103	-	5	-	-	108
Government Granted	25	-	-	-	-	25
Internally generated	-	2,384	-	157	2,774	5,315
Total at 31 March 2022	31,840	6,880	7,040	2,363	5,673	53,796

11. Intangible non-current assets

	Software (purchased)	Software (internally generated)	Licences and trademarks	Development expenditure- internally generated	Carbon Reduction Commitment	Total
2020-21	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2020	89,108	8,135	19,411	729	30	117,413
Reclassifications	1,052	-	-	-	-	1,052
Additions- purchased	11,533	1,447	2,886	686	-	16,552
Additions- donated	28	-	-	-	-	28
Transfers	531	191	-	-	-	722
Disposals	(13,800)	(2,065)	(1,558)	-	(30)	(17,453)
Gross cost at 31 March 2021	88,452	7,708	20,739	1,415	-	118,314
Amortisation at 1 April 2020	61,489	3,090	10,888	93	-	75,560
Provided during the year	9,086	1,015	2,890	125	-	13,116
Disposals	(13,801)	(2,066)	(1,558)	-	-	(17,425)
Amortisation at 31 March 2021	56,774	2,039	12,220	218	-	71,251
Net book value at 1 April 2020	27,619	5,045	8,523	636	30	41,853
Net book value at 31 March 2021	31,678	5,669	8,519	1,197	-	47,063
NBV at 31 March 2021						
Purchased	31,545	5,669	8,512	915	-	46,641
Donated	112	-	7	-	-	119
Government Granted	21	-	-	-	-	21
Internally generated	-	-	-	282	-	282
Total at 31 March 2021	31,678	5,669	8,519	1,197	-	47,063

12. Impairments

	2021-22	2020-21
	Property, plant & equipment £000	Property, plant & equipment £000
Impairments arising from :		
Abandonment in the course of construction	171	38
Unforeseen obsolescence	-	106
Changes in market price	3,445	506
Others	60,543	130,980
Reversal of impairments	<u>(68,241)</u>	<u>(35,055)</u>
Total of all impairments	<u>(4,082)</u>	<u>96,575</u>

Analysis of impairments charged to reserves in year :

Charged to the Statement of Comprehensive Net Expenditure	(4,082)	94,540
Charged to Revaluation Reserve	-	2,035
Total	<u>(4,082)</u>	<u>96,575</u>

13.1 Inventories

	31 March	31 March
	2022	2021
	£000	£000
Drugs	32,843	29,988
Consumables	104,513	140,153
Energy	1,787	1,042
Other	5,878	4,414
Total	<u>145,021</u>	<u>175,597</u>
Of which held at realisable value	2,290	-

13.2 Inventories recognised in expenses

	31 March	31 March
	2022	2021
	£000	£000
Inventories recognised as an expense in the period	177,011	184,433
Write-down of inventories (including losses)	13,124	5,870
Total	<u>190,135</u>	<u>190,303</u>

14. Trade and other receivables

	31 March 2022 £000	31 March 2021 £000
Current		
Welsh Government	551,801	522,206
Non - Welsh Trusts	5,859	3,876
Other NHS	3,057	3,107
2019-20 Scheme Pays - Welsh Government Reimbursement	4,318	-
Local Authorities	33,930	44,036
Capital debtors - tangibles	69	624
Other debtors	98,109	86,496
Provision for irrecoverable debts	(25,596)	(23,210)
Other prepayments	57,226	67,731
Other accrued income	6,664	8,752
Sub total	735,437	713,618
Non-current		
Welsh Government	1,091,598	816,440
Other NHS	23	22
2019-20 Scheme Pays - Welsh Government Reimbursement	5,185	-
Local Authorities	128	-
Other debtors	4,700	4,614
Provision for irrecoverable debts	(1,346)	(1,269)
Other prepayments	2,069	1,199
Other accrued income	2,375	2,757
Sub total	1,104,732	823,763
Total	1,840,169	1,537,381
Receivables past their due date but not impaired		
By up to three months	45,866	43,813
By three to six months	5,064	4,353
By more than six months	9,846	9,596
	60,776	57,762
Expected Credit Losses (ECL)/ Provision for Impairment of Receivables		
Balance at 1 April	(24,479)	(23,757)
Amount written off during the year	812	507
Amount recovered during the year	2,317	675
(Increase) / decrease in receivables impaired	(6,266)	(1,910)
Bad debts recovered during year	674	6
Balance at 31 March	(26,942)	(24,479)
Receivables VAT		
Trade receivables	9,001	7,243
Other	3,130	5,365
Total	12,131	12,608

15. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2022	2021	2022	2021
	£000	£000	£000	£000
Financial assets				
Loans at amortised cost	33	32	521	554
Total	33	32	521	554

16. Cash and cash equivalents

	2021-22	2020-21
	£000	£000
Balance at 1 April	109,496	82,425
Net change in cash and cash equivalent balances	23,082	27,071
Balance at 31 March	132,578	109,496
Made up of:		
Cash held at Government Banking Service (GBS)	131,673	108,632
Commercial banks	433	523
Cash in hand	472	341
Total Cash	132,578	109,496
Cash and cash equivalents as in Statement of Financial Position	132,578	109,496
Cash and cash equivalents as in Statement of Cash Flows	132,578	109,496

17. Trade and other payables

	31 March 2022 £000	31 March 2021 £000
Current		
Welsh Government	51,458	120,736
Other NHS	94,689	78,460
Taxation and social security payable / refunds	23,174	23,126
Refunds of taxation by HMRC	(8)	-
VAT payable to HMRC	82	2,136
Other taxes payable to HMRC	11,830	8,857
NI contributions payable to HMRC	40,623	38,690
Non-NHS payables revenue	286,360	204,425
Local Authorities	82,157	86,222
Capital Creditors - Tangibles	121,088	80,754
Capital Creditors - Intangibles	6,132	4,007
Rentals due under operating leases	282	206
Obligations under finance leases, HP contracts	50	1
Imputed finance lease element of on SoFP PFI contracts	4,498	4,801
Pensions: staff	42,853	31,505
Non NHS Accruals	760,302	733,424
Deferred Income:		
Deferred Income brought forward	7,455	8,551
Deferred Income Additions	6,366	2,887
Transfer to / from current/non current deferred income	-	(301)
Released to SoCNE	(3,325)	(3,682)
Other creditors	46,069	63,036
PFI assets – deferred credits	18	18
Payments on account	(18,284)	(27,319)
Total	1,563,869	1,460,540
Non-current		
Welsh Government	7,000	7,000
Local Authorities	-	321
Rentals due under operating leases	1,562	1,723
Obligations under finance leases, HP contracts	446	-
Imputed finance lease element of on SoFP PFI contracts	43,647	48,249
Non NHS Accruals	-	699
Deferred Income:		
Deferred Income brought forward	301	-
Deferred Income Additions	35	301
Other creditors	-	103
PFI assets – deferred credits	32	50
Sub-total	53,023	58,446
Total	1,616,892	1,518,986

18. Borrowings

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2022	2021	2022	2021
	£000	£000	£000	£000
Finance lease liabilities	1,364	1,624	-	1,059
Total	1,364	1,624	-	1,059

19. Other financial liabilities

No other financial liabilities were reported by the summarised organisations.

20. Provisions

20.1 Consolidated

	At 1 April 2021	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence									
Secondary Care	290,571	(45,896)	(9,821)	71,812	167,902	(83,632)	(75,528)	(50)	315,358
Primary Care	70	-	-	-	186	(81)	(42)	-	133
Redress Secondary care	3,076	-	186	(9)	3,276	(2,011)	(2,098)	-	2,420
Redress Primary care	(139)	-	-	-	219	(43)	(37)	-	-
Personal injury	11,743	-	(241)	3,848	9,117	(7,568)	(6,440)	(130)	10,329
All other losses and special payments	1,232	-	(2,868)	-	30,761	(26,364)	(407)	-	2,354
Defence legal fees and other administration	10,635	-	-	1,603	9,501	(6,209)	(4,762)	-	10,768
Structured Settlements - WRPS	15,111	1,700	-	-	18,568	(16,645)	(1,807)	1,143	18,070
Pensions relating to other staff	1,577	-	(6)	741	578	(1,695)	(263)	(65)	867
2019-20 Scheme Pays - Reimbursement	-	-	-	-	140	-	-	-	140
Other	31,460	-	(582)	23	20,432	(13,154)	(6,774)	-	31,405
Total	365,336	(44,196)	(13,332)	78,018	260,680	(157,402)	(98,158)	898	391,844
Non Current									
Clinical negligence									
Secondary Care	358,956	(11,033)	(314)	(71,812)	247,658	(13,593)	(40,310)	-	469,552
Redress Secondary care	5	-	-	9	10	(2)	(10)	-	12
Personal injury	37,073	-	-	(3,848)	938	(602)	(61)	(144)	33,356
Defence legal fees and other administration	5,541	-	-	(1,603)	3,101	(777)	(298)	-	5,964
Structured Settlements - WRPS	452,672	55,229	-	-	108,342	-	(1,136)	-	615,107
Pensions relating to other staff	9,586	-	-	(741)	1,951	(6,293)	(141)	(55)	4,307
2019-20 Scheme Pays - Reimbursement	-	-	-	-	9,363	-	-	-	9,363
Other	4,735	-	-	(23)	1,970	(80)	(724)	-	5,878
Total	868,568	44,196	(314)	(78,018)	373,333	(21,347)	(42,680)	(199)	1,143,539
TOTAL									
Clinical negligence									
Secondary Care	649,527	(56,929)	(10,135)	-	415,560	(97,225)	(115,838)	(50)	784,910
Primary Care	70	-	-	-	186	(81)	(42)	-	133
Redress Secondary care	3,081	-	186	-	3,286	(2,013)	(2,108)	-	2,432
Redress Primary care	(139)	-	-	-	219	(43)	(37)	-	-
Personal injury	48,816	-	(241)	-	10,055	(8,170)	(6,501)	(274)	43,685
All other losses and special payments	1,232	-	(2,868)	-	30,761	(26,364)	(407)	-	2,354
Defence legal fees and other administration	16,176	-	-	-	12,602	(6,986)	(5,060)	-	16,732
Structured Settlements - WRPS	467,783	56,929	-	-	126,910	(16,645)	(2,943)	1,143	633,177
Pensions relating to other staff	11,163	-	(6)	-	2,529	(7,988)	(404)	(120)	5,174
2019-20 Scheme Pays - Reimbursement	-	-	-	-	9,503	-	-	-	9,503
Other	36,195	-	(582)	-	22,402	(13,234)	(7,498)	-	37,283
Total	1,233,904	-	(13,646)	-	634,013	(178,749)	(140,838)	699	1,535,383

Expected timing of cash flows:

	In year to 31 March 2023	Between 1 April 2023 - 31 March 2027	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence				
Secondary Care	315,358	353,651	115,901	784,910
Primary Care	133	-	-	133
Redress Secondary care	2,420	12	-	2,432
Personal injury	10,329	9,033	24,323	43,685
All other losses and special payments	2,354	-	-	2,354
Defence legal fees and other administration	10,768	5,964	-	16,732
Structured Settlements - WRPS	18,070	77,846	537,261	633,177
Pensions relating to other staff	867	4,105	202	5,174
2019-20 Scheme Pays - Reimbursement	140	216	9,147	9,503
Other	31,405	4,665	1,213	37,283
Total	391,844	455,492	688,047	1,535,383

In accordance with a Ministerial Direction issued on 18 December 2019, Welsh Government have taken action to support circumstances where pensions tax rules impacted upon NHS Wales clinical staff who worked additional hours.

Welsh Government will reimburse clinical staff members of the NHS Pension Scheme, who as a result of work undertaken in the 2019-20 tax year, faced a tax charge on the growth of their NHS pension benefits.

In 2021-22, a 2019-20 Scheme Pays Provision has been recognised in the accounts of NHS Wales. Welsh Government will pay the members who opt for a Scheme Pays reimbursement of their pension, a corresponding amount on retirement, ensuring that they are fully compensated for the effect of the deduction.

Provisions continued

20.2 Welsh Risk Pool

	At 1 April 2021	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence									
Secondary Care	286,397	(56,929)	(8,495)	(9,360)	285,096	(94,728)	(93,540)	(50)	308,391
Primary Care	122	-	-	-	134	(81)	(42)	-	133
Redress Secondary care	2,843	-	218	(10)	3,194	(1,722)	(2,224)	-	2,301
Personal injury	6,410	-	(229)	1,292	5,910	(1,911)	(7,695)	-	3,777
Defence legal fees and other administration	5,532	-	-	420	3,655	(1,967)	(2,324)	-	5,316
Structured Settlements - WRPS	15,111	1,700	-	-	18,568	(16,645)	(1,807)	1,143	18,070
Total	316,415	(55,229)	(8,506)	(7,658)	316,557	(117,052)	(107,632)	1,093	337,988
Non Current									
Clinical negligence									
Secondary Care	359,188	-	-	9,195	130,985	(3,100)	(23,443)	-	472,825
Redress Secondary care	6	-	-	9	10	(2)	(11)	-	12
Personal injury	1,292	-	-	(1,292)	-	-	-	-	-
Defence legal fees and other administration	3,289	-	-	(254)	1,025	(112)	(293)	-	3,655
Structured Settlements - WRPS	452,672	55,229	-	-	108,342	-	(1,136)	-	615,107
Total	816,447	55,229	-	7,658	240,362	(3,214)	(24,883)	-	1,091,599
TOTAL									
Clinical negligence									
Secondary Care	645,585	(56,929)	(8,495)	(165)	416,081	(97,828)	(116,983)	(50)	781,216
Primary Care	122	-	-	-	134	(81)	(42)	-	133
Redress Secondary care	2,849	-	218	(1)	3,204	(1,722)	(2,235)	-	2,313
Personal injury	7,702	-	(229)	-	5,910	(1,911)	(7,695)	-	3,777
Defence legal fees and other administration	8,821	-	-	166	4,680	(2,079)	(2,617)	-	8,971
Structured Settlements - WRPS	467,783	56,929	-	-	126,910	(16,645)	(2,943)	1,143	633,177
Total	1,132,862	-	(8,506)	-	556,919	(120,266)	(132,515)	1,093	1,429,587

Expected timing of cash flows:

	In year to 31 March 2023	Between 1 April 2023 - 31 March 2027	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence				
Secondary Care	308,391	356,924	115,901	781,216
Primary Care	133	-	-	133
Redress Secondary care	2,301	12	-	2,313
Personal injury	3,777	-	-	3,777
Defence legal fees and other administration	5,316	3,655	-	8,971
Structured Settlements - WRPS	18,070	77,846	537,261	633,177
Total	337,988	438,437	653,162	1,429,587

Provisions continued

20.3 Prior Year Consolidated

	At 1 April 2020	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence									
Secondary Care	251,052	(43,456)	(12,908)	116,551	109,903	(81,696)	(48,692)	(183)	290,571
Primary Care	-	-	-	-	70	-	-	-	70
Redress Secondary care	3,418	-	(664)	20	4,046	(1,878)	(1,866)	-	3,076
Redress Primary care	-	-	-	-	(219)	43	37	-	(139)
Personal injury	11,735	-	(134)	(1,219)	8,124	(4,781)	(1,848)	(134)	11,743
All other losses and special payments	102	-	(1,325)	-	10,227	(7,764)	(8)	-	1,232
Defence legal fees and other administration	8,906	-	-	2,385	8,737	(5,562)	(3,831)	-	10,635
Structured Settlements - WRPS	14,555	988	-	-	15,785	(14,873)	(1,892)	548	15,111
Pensions relating to other staff	1,701	-	(6)	797	1,316	(1,748)	(414)	(69)	1,577
Other	21,487	-	(590)	55	17,883	(4,085)	(3,290)	-	31,460
Total	312,956	(42,468)	(15,627)	118,589	175,872	(122,344)	(61,804)	162	365,336
Non Current									
Clinical negligence									
Secondary Care	429,768	(9,566)	(4,521)	(116,531)	82,623	(13,873)	(8,944)	-	358,956
Redress Secondary care	41	-	-	(40)	5	-	(1)	-	5
Personal injury	34,634	-	-	1,219	1,975	(259)	(409)	(87)	37,073
Defence legal fees and other administration	5,941	-	-	(2,385)	3,113	(741)	(387)	-	5,541
Structured Settlements - WRPS	426,508	52,034	-	-	3,866	-	(29,736)	-	452,672
Pensions relating to other staff	10,278	-	-	(797)	111	-	(2)	(4)	9,586
Other	2,237	-	-	(55)	2,784	(121)	(110)	-	4,735
Total	909,407	42,468	(4,521)	(118,589)	94,477	(14,994)	(39,589)	(91)	868,568
TOTAL									
Clinical negligence									
Secondary Care	680,820	(53,022)	(17,429)	20	192,526	(95,569)	(57,636)	(183)	649,527
Primary Care	-	-	-	-	70	-	-	-	70
Redress Secondary care	3,459	-	(664)	(20)	4,051	(1,878)	(1,867)	-	3,081
Redress Primary care	-	-	-	-	(219)	43	37	-	(139)
Personal injury	46,369	-	(134)	-	10,099	(5,040)	(2,257)	(221)	48,816
All other losses and special payments	102	-	(1,325)	-	10,227	(7,764)	(8)	-	1,232
Defence legal fees and other administration	14,847	-	-	-	11,850	(6,303)	(4,218)	-	16,176
Structured Settlements - WRPS	441,063	53,022	-	-	19,651	(14,873)	(31,628)	548	467,783
Pensions relating to other staff	11,979	-	(6)	-	1,427	(1,748)	(416)	(73)	11,163
Other	23,724	-	(590)	-	20,667	(4,206)	(3,400)	-	36,195
Total	1,222,363	-	(20,148)	-	270,349	(137,338)	(101,393)	71	1,233,904

21. Contingencies

21.1 Contingent liabilities

Provisions have not been made in the accounts for the following amounts :

	2021-22 £000	2020-21 £000
Legal claims for alleged medical or employer negligence		
Clinical negligence- Secondary care	1,248,819	1,350,006
Clinical negligence- Primary care	1,130	270
Clinical negligence- Redress Secondary care	1,287	1,155
Defence costs	19,767	18,463
Continuing Care health costs	1,523	2,847
Other	135	3,138
Total value of disputed claims	<u>1,272,661</u>	<u>1,375,879</u>
Less amounts recovered in the event of claims being successful	<u>(1,249,237)</u>	<u>(1,351,196)</u>
Net contingent liability	<u>23,424</u>	<u>24,683</u>

21.2 Contingent assets

The summarised organisations have no contingent asset disclosures.

22. Capital commitments

Contracted capital commitments at 31 March for	2021-22 £000	2020-21 £000
Property, plant and equipment	265,041	246,596
Intangible assets	6,393	7,159
Total	<u>271,434</u>	<u>253,755</u>

23. Losses and special payments**LHB, NHS Trusts and SHA**

Losses and special payments are charged to the SoCNE in accordance with IFRS but are recorded in the losses and special payments register when payment is made. Therefore this note is prepared on a cash basis.

Gross loss to the Exchequer

Number of cases and associated amounts paid out during the financial year

	Amounts paid out during period to 31 March 2022	
	Number	£
Clinical negligence	865	104,623,248
Personal injury	413	7,707,093
All other losses & special payments	1,398	34,425,609
Structured Settlements managed by WRP	235	16,644,570
Total	2,911	163,400,520

Analysis of cases in excess of £300,000

Case Type	In year claims in excess of £300,000		Cumulative claims in excess of £300,000	
	Number	£	Number	£
Clinical Negligence	56	75,104,219	161	260,339,968
Personal Injury	3	1,193,711	15	10,693,141
Bad Debt	1	374,838	1	374,838
Ex-Gratia	2	1,257,823	2	1,257,823
Fruitless Payment	1	527,094	1	527,094
Other Losses	2	25,811,657	2	25,811,657
Stock write-offs	1	2,148,670	1	2,148,670
	66	106,418,012	183	301,153,191
All other cases		40,337,938		84,223,260
Total		146,755,950		385,376,451

24. Finance leases obligations (as lessee)**24.1 Amounts payable under finance leases:**

	31 March	31 March
	2022	2021
	£000	£000
Minimum lease payments		
Within one year	1,427	1,659
Between one and five years	217	1,066
After five years	248	-
Less finance charges allocated to future periods	(32)	(42)
Minimum lease payments	<u>1,860</u>	<u>2,683</u>
Present value of minimum lease payments		
Within one year	1,414	1,624
Between one and five years	204	1,059
After five years	242	-
Present value of minimum lease payments	<u>1,860</u>	<u>2,683</u>

The finance lease information disclosed above relates to IT infrastructure held at two of the consolidated bodies (in a LHB and NHS trust).

24.2 Finance lease receivables (as lessor)**Amounts receivable under finance leases:**

The LHBs, NHSTs and SHA have no amounts receivable under finance leases as lessor.

25. Private Finance Initiative contracts

The NHSTs and SHA have no PFI Contracts, the information below relates to LHBs only.

25.1 Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2022	31 March 2021
	£000	£000
Total payments due within one year	887	861
Total payments due between 1 and 5 years	<u>2,412</u>	<u>3,200</u>
Total future payments in relation to PFI contracts	3,299	4,061
 Total estimated capital value of off-SoFP PFI contracts	 3,300	 3,300

25.2 Total obligations for on-Statement of Financial Position PFI contracts due

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2022	31 March 2022	31 March 2022
	£000	£000	£000
Total payments due within one year	4,498	6,291	11,617
Total payments due between 1 and 5 years	21,547	25,664	39,761
Total payments due thereafter	<u>22,100</u>	<u>24,627</u>	<u>32,684</u>
Total future payments in relation to PFI contracts	48,145	56,582	84,062

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2021	31 March 2021	31 March 2021
	£000	£000	£000
Total payments due within one year	4,801	6,782	9,899
Total payments due between 1 and 5 years	20,120	25,407	41,281
Total payments due thereafter	<u>28,129</u>	<u>31,189</u>	<u>42,591</u>
Total future payments in relation to PFI contracts	53,050	63,378	93,771

	£000
Total present value of obligations for on-SoFP PFI contracts	166,333

25. Private Finance Initiative contracts

25.3 Charges to expenditure	2021-22	2020-21
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	7,919	7,749
Total expense for Off Balance sheet PFI contracts	869	1,109
The total charged in the year to expenditure in respect of PFI contracts	8,788	8,858

LHB are committed to the following annual charges by PFI scheme expiry date:	31 March 2022	31 March 2021
	£000	£000
Not later than one year	2,726	2,368
Later than one year, not later than five years	13,153	11,551
Later than five years	25,110	29,371
Total	40,989	43,290

The estimated annual payments in future years will vary from those which the LHBs are committed to make during the next year by the impact of movement in the Retail Prices Index.

25.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	8	1
Number of PFI contracts which individually have a total commitment > £500m	-	-

26. Financial risk management

Financial Reporting Standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHBs, NHSTs and SHAs are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply.

The LHBs, NHSTs and SHAs have limited powers to invest and NHSTs have limited powers to borrow, their financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs, NHSTs and SHAs in undertaking their activities.

Currency risk

The LHBs, NHSTs and SHAs are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHBs, NHSTs and SHA therefore have low exposure to currency rate fluctuations.

Interest rate risk

LHBs and SHAs are not permitted to borrow and the great majority of NHSTs' financial assets and financial liabilities carry nil or fixed rates of interest. LHBs, NHSTs and SHAs are not, therefore, exposed to significant interest-rate fluctuation risk.

Credit risk

The majority of the LHBs' and SHAs' funding derives from funds voted by the Welsh Government and the majority of the NHSTs' income comes from contracts with other public sector bodies. Therefore the LHBs, NHSTs and SHAs have low exposure to credit risk. The maximum exposures are in receivables from customers as disclosed in the trade and other receivables note.

Liquidity risk

The LHBs and SHAs are required to operate within cash limits set by the Welsh Government for the financial year and draw down funds from the Welsh Government as the requirement arises.

The Trusts' net operating costs are incurred under annual service agreements with various Health bodies, which are financed from resources voted annually by Parliament. NHSTs also largely finance their capital expenditure from funds made available from the Welsh Government under agreed borrowing limits.

The LHBs, NHSTs and SHAs are not, therefore, exposed to significant liquidity risks.

27. Movements in working capital

	2021-22 £000	2020-21 £000
Decrease / (increase) in inventories	30,576	(90,914)
(Increase) in trade and other receivables - non-current	(280,936)	48,435
(Increase) / decrease in trade and other receivables -current	(21,820)	(159,816)
(Decrease) in trade and other payables- non-current	(6,464)	2,176
Increase / (decrease) in trade and other payables- current	103,069	501,435
Total	(175,575)	301,316
Adjustment for accrual movements in fixed assets -creditors	(42,459)	(16,738)
Adjustment for accrual movements in fixed assets -debtors	(555)	197
Other adjustments	91	2,578
Total	(218,498)	287,353

28. Other cash flow adjustments

	2021-22 £000	2020-21 £000
Depreciation	230,435	201,999
Amortisation	15,251	13,116
(Gains)/Loss on Disposal	(179)	(297)
Impairments and reversals	(4,082)	94,540
Release of PFI deferred credits	(18)	(18)
Donated assets received credited to revenue but non-cash	(3,114)	(2,103)
Government Grant assets received credited to revenue but non-cash	(2,507)	(7,732)
Non-cash movements in provisions	480,228	148,879
Other movements	174,547	162,286
Total	890,561	610,670

Other movements relate to the LHB and SHA notional 6.3% Staff Employer Pension Contributions funded directly to the NHSBA Pensions Division by Welsh Government. (see Note 32 Other for further details.)

29. Events after the end of the Reporting Period

29.1 Closure of Covid Mass Testing Centres

The majority of the COVID-19 mass testing centres, the "Lighthouse Laboratories", are now closing or closed. The capacity is no longer required since general access to free COVID-19 testing has ceased. The Lighthouse Laboratory at the NWSSP IP5 site closed on the 30th June 2022.

This has resulted in an asset transfer free of charge from the UK Health Security Agency to NHS Wales. The value of these assets at transfer is £484,472.

The assets have been donated to Aneurin Bevan UHB, NWSSP/TRAMS project at IP5, Pathology Network based at Cardiff and Vale UHB and PHW NHST across multiple sites.

29.2 £100,000 Interim Compensation Payment - Infected Blood Registered Claimants

The UK Government announced on the 17 August, that an interim compensation payment of £100,000 would be paid to the victims of the infected blood scandal, to meet the recommendations set out by inquiry chairman, Sir Brian Langstaff, in his interim report published in July 2022. Infected individuals and bereaved partners who are registered with any of the four UK infected blood support schemes will receive payment.

Registered Welsh claimants have been advised of this payment.

The interim payment in Wales is estimated to be £21.3m.

29.3 Financial statements authorised for issue date

These financial statements were authorised for issue by the Director General, Health and Social Services Group, Chief Executive NHS Wales on 13th September 2022 the date they were certified by the Auditor General for Wales.

30. Related Party Transactions

The Welsh Government was regarded as a related party. During the year the LHBs, NHSTs and SHA had a significant number of material transactions with the Welsh Government and with other NHS bodies. All NHS Wales Bodies undertook related party transactions. The details of these can be found in the underlying accounts.

31. Third Party Assets

The details of the third party assets held by LHBs, NHSTs and SHA can be found in the underlying accounts .

32. Other

32.1 Impact of Covid 19

The need to plan and respond to the COVID-19 pandemic has had a significant impact on the NHS Wales organisations, the wider other UK NHS and society as a whole during 2020-21 and 2021-22.

COVID-19 has presented the NHS Wales organisations with a number of opportunities in addition to the risks. The transition from pandemic to endemic needs to be determined by the public health conditions at the time. Emphasis is being placed upon

- Protecting the vulnerable from severe disease by enabling access to vaccination, treatments; and safeguarding against the risk of infection.
- Maintaining capacity to respond to localised outbreaks and in high-risk settings.
- Retaining effective surveillance systems to identify any deterioration in the situation such as from harmful variants and mutations of concern; and
- Preparing for the possible resurgence of the virus.

This Covid response will be in conjunction with reducing the backlogs in routine care that built up during the Covid pandemic.

The need to respond and recover from the pandemic will be with the organisations and wider society beyond 2021-22.

Of the stock balance at 31st March 2022, approximately £48m is due to COVID in response to the Welsh Government request for NWSSP to hold 16 weeks stock of PPE to meet NHS Wales' demand. This is a reduction from the 24 weeks stock held at 31st March 2021.

The continued high value of inventories recognised as an expense in the period is reported due to the significant quantities of PPE that continue to be issued from NWSSP stores to support the pandemic during 2021-22.

During 2021/2022 donations were made to other countries to support their COVID responses. £0.522m of equipment was donated to India, and PPE, test kits and ventilators totalling £11.147m were provided to Namibia. In addition an aid package totalling £0.131m was made to support Ukraine which included both COVID and medical items.

During 2021-22 legal ownership of the DHSSC tangible equipment was transferred to NHS Wales organisation by way of a non-cash backed Government Grant of £2.457m (2020-21 £7.732m) based on weighted average costs agreed with the DHSSC. Ownership was initially transferred to Velindre University NHS Trusts, host of NWSSP, through a signed memorandum of understanding. The ownership of the assets together with the associated element of the Government Grant was then transferred from Velindre to the relevant NHS Wales organisation utilising the assets. The total value of this asset transfer across the two years was £10.189m.

32. Other

Legal ownership of two assets valued at £1.2m, purchased by NHS England transferred to Betsi Cadwaladr and Hywel Dda University Health Boards in October 2021.

A further asset donation valued at £0.651m was received by PHW from DHSC.

32.2 Accounting Losses re Covid Contracts

Covid 19 contract costs should include all the costs negotiated in determining that cost. During Covid 19 pandemic these have included additional costs required to provide the service or purchase the equipment required.

Included in the write down of inventories is a loss of £10.25m in respect of the revaluation of stocks to net realisable value, the write off of £0.603m of expired COVID test kits. A provision of £1.981m has been recognised for the potential write off of items nearing their expiry date that are unlikely to be utilised.

32. Other (continued)

32.3 Welsh Government Covid 19 Funding

Details of Covid 19 Pandemic Welsh Government funding amounts provided to NHS Wales bodies:

	2021-22	2020-21	
	£000	£000	
Capital			
Capital Funding Field Hospitals	-	50,022	
Capital Funding Equipment & Works	58,221	77,013	
Capital Funding other (Specify)	-	6,077	
Welsh Government Covid 19 Capital Funding	<u>58,221</u>	<u>133,112</u>	
			As previously reported in 2020-21
Revenue			
Sustainability Funding			331,181
C-19 Pay Costs Q1 (Future Quarters covered by SF)			53,846
Field Hospital (Set Up Costs, Decommissioning & Consequential losses)			136,080
Bonus Payment			104,939
Independent Health Sector			<u>27,677</u>
Stability Funding	446,962	653,723	
Covid Recovery	164,508	-	
Cleaning Standards	10,949	-	
PPE (including All Wales Equipment via NWSSP)	72,494	194,262	
Testing / TTP- Testing & Sampling - Pay & Non Pay	92,058	55,232	
Tracing / TTP - NHS & LA Tracing - Pay & Non Pay	79,093	37,839	
Extended Flu Vaccination / Vaccination - Extended Flu Programme	7,059	4,592	
Mass Covid-19 Vaccination / Vaccination - COVID-19	90,087	27,728	
Annual Leave Accrual - Increase due to Covid	-	92,075	
Urgent & Emergency Care	23,534	25,578	
Private Providers Adult Care / Support for Adult Social Care Providers	14,870	27,201	
Hospices	4,500	9,300	
Other Mental Health / Mental Health	3,177	-	
Other Primary Care	-	10,203	
Social Care	13,490	10,776	
Other	4,469	21,975	
Welsh Government Covid 19 Revenue Funding	<u>1,027,250</u>	<u>1,170,484</u>	

The funding has been disclosed to represent the allocated amounts as issued by Welsh Government. Further details as to how this revenue was utilised may be found in the underlying accounts.

32. Other (continued)**32.4 6.3% Staff Employer Pension Contributions - Notional Element**

The notional transactions are based on estimated costs for the twelve month period, calculated from actual Welsh Government expenditure for the 6.3% staff employer pension contributions as at month eleven and the actual employer staff payments for month 12.

Transactions include notional expenditure in relation to the 6.3% paid to NHS BSA by Welsh Government and notional funding to cover that expenditure.

6.3% Notional NHS Pension Primary Statement Transactions				2021-22	2020-21
	LHBs	SHAs	NHSTs	Total	Total
	£000	£000	£000	£000	£000
Statement of Comprehensive Net Expenditure for the year ended 31 March					
Expenditure on Primary Healthcare Services	3,227	-	-	3,227	3,167
Expenditure on healthcare from other providers	-	-	-	-	5
Expenditure on Hospital, Community Health Services and by Special Health Authorities	167,295	4,025	24,134	195,454	177,982
	170,522	4,025	24,134	198,681	181,154
Less: Income	-	-	(24,134)	(24,134)	(18,868)
Net operating costs before interest and other gains a	170,522	4,025	-	174,547	162,286
Statement of Changes in Taxpayers' Equity					
For the year ended 31 March					
Net operating cost for the year	(170,522)	(4,025)	-	(174,547)	(162,286)
Notional Welsh Government Funding (LHB and SHA o	170,522	4,025	-	174,547	162,286
Balance at 31 March	-	-	-	-	-
Statement of Cash Flows for year ended 31 March					
Net operating cost for the financial year	(170,522)	(4,025)	-	(174,547)	(162,286)
Other cash flow adjustments	170,522	4,025	-	174,547	162,286
Net cash outflow from operating activities	-	-	-	-	-

32. Other (continued)**32.5 IFRS 16 Implementation**

The Financial Reporting Advisory Board (FRAB) and HM Treasury have agreed that the mandatory effective date for IFRS 16 in central government will be 1 April 2022. This represents a delay from the timeline previously agreed by FRAB and HM Treasury in March 2020, and is in light of the continuing unprecedented resource pressures caused by the COVID-19 pandemic.

Early adoption is permitted by HMT, from 1 April 2021 however in agreement with Welsh Government Finance, this approach is not being adopted for NHS Wales bodies.

All NHS Wales bodies will implement IFRS 16 from 1 April 2022.

Right of Use (RoU) Assets Impact

	Property £000	Non Property £000	Total £000
Statement of financial Position			
RoU Asset Recognition			
+ Transitioning Adjust	135,609	44,642	180,251
+ As at 1 April 2022	135,609	44,642	180,251
+ Renewal / New RoU Assets 2022-23	20,274	71,549	91,823
- Less (Depreciation)	-17,737	-15,519	-33,256
+ As at 31 March	138,146	100,672	238,818
RoU Asset Liability			
	Property £000	Non Property £000	Total £000
- Transitioning Adjust	-126,556	-44,560	-171,116
- As at 1 April 2022	-126,556	-44,560	-171,116
- Renewal / New RoU Liability 2022-23	-20,379	-71,573	-91,952
+ Working Capital	15,952	16,162	32,114
- Interest	-1,199	-969	-2,168
- As at 31 March	-132,182	-100,940	-233,122
Charges			
	Property £000	Non Property £000	Total £000
Expenditure			
RoU Asset depreciation	16,873	15,519	32,392
RoU Asset AME depreciation	864	0	864
Interest on obligations under RoU Asset leases	1,236	969	2,205
	18,973	16,488	35,461

The new ROU assets for 2022/23 are estimated, there may be additional leases identified/changes during the year.

THE NATIONAL HEALTH SERVICE IN WALES

ACCOUNTS DIRECTION GIVEN BY HM TREASURY UNDER PARAGRAPH 5(4) OF SCHEDULE 9 TO THE NATIONAL HEALTH SERVICE (WALES) ACT 2006

SUMMARISED ACCOUNTS OF NHS BODIES

1. HM Treasury directs that summarised accounts prepared by the Welsh Ministers under paragraph 5(2) of Schedule 9 to the National Health Service (Wales) Act 2006 (“the Summarised Accounts”) be prepared in respect of the financial year ended 31 March 2020 and subsequent financial years in the form specified in paragraphs 3 to 6 below.
2. In this direction, “NHS bodies” means-
 - a. those bodies to which paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 applies, or
 - b. if the Welsh Ministers elect to include Special Health Authorities in the Summarised Accounts prepared for a financial year, those bodies specified in paragraph 1 of that Schedule.

BASIS OF PREPARATION

3. The Summarised Accounts must be prepared from the audited accounts prepared by the NHS bodies for the relevant financial year to which the Summarised Accounts relate, and such supplementary material as is, in the Welsh Ministers’ view, reasonably necessary to produce the Summarised Accounts.

FORM AND CONTENT

4. The Summarised Accounts must be prepared in compliance with the relevant accounting principles and disclosure requirements of the version in force for the relevant financial year of:
 - a. The edition of the Government Financial Reporting Manual (FReM) issued by HM Treasury, to the extent that this direction specifies the content of the Summarised Accounts.
 - b. The NHS Manual for Accounts issued by the Welsh Government.
5. The Summarised Accounts must be prepared so as to:
 - a. give a true and fair view of the state of affairs of the NHS bodies collectively as at the end of the relevant financial year, and of the net

- expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year then ended; and
- b. provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

6. The Summarised Accounts must be accompanied by:

a. A Foreword

The foreword shall include a statement that the Summarised Accounts have been prepared to comply with a direction given by HM Treasury in accordance with paragraph 5(4) of Schedule 9 to the National Health Service (Wales) Act 2006.

The foreword shall also contain a description of the statutory background and main functions of NHS bodies, together with a fair review of their operational and financial activities, and a summary of their performance against targets.

b. An Annual Governance Statement

The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the Summarised Accounts. The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the Summarised Accounts, including the role of Internal Audit.

The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and the official appointed by the Health and Social Services Group to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).

The Governance Statement shall include a statement by the Additional Accounting Officer confirming that there is no relevant audit information of which the Auditor General for Wales is unaware and that all the necessary steps have been taken to make the Additional Accounting Officer aware of any relevant audit information and to establish that the external auditor is aware of that information.

c. A Statement of the Responsibilities of the Additional Accounting Officer for the NHS in Wales.

d. A Statement of Financial Position.

All of the material listed in a-d above must be signed and dated by the person serving as the Additional Accounting Officer for the NHS in Wales.

7. This direction supersedes all previous directions issued under paragraph 5(4) of Schedule 9 to the National Health Service (Wales) Act 2006.



Vicky Rock

Director, Public Spending Group

HM Treasury

July 2020