

Bro Morgannwg NHS Trust

Foreword

These accounts for the year ended 31 March 2006 have been prepared by the Bro Morgannwg NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form in which the National Assembly for Wales has, with the approval of Treasury, directed.

Bro Morgannwg NHS Trust manages a comprehensive range of integrated hospital and community services for a resident population living primarily in the County Boroughs of Neath Port Talbot, Bridgend and the Western Vale of Glamorgan.

The Trust also manages Welsh Health Supplies, Informing Healthcare and the National Leadership & Innovation Agency for Healthcare, and the Delivery & Support Unit.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2006

	Note	£000	2004-05 £000
Income from activities	3	276,440	248,248
Other operating income	4	35,780	33,109
Total income		312,220	281,357
Operating expenses	5	(307,665)	(277,118)
Operating surplus/(deficit)		4,555	4,239
Costs of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(138)	(218)
Surplus/(deficit) before interest		4,417	4,021
Interest receivable		1,181	936
Interest payable	9	0	0
Other finance costs	16	(99)	(81)
Surplus/(deficit) for the financial year		5,499	4,876
Public Dividend Capital dividends payable		(5,441)	(4,823)
Retained surplus/(deficit) for the year	17	58	53

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

		2004-05	
		£000	£000
	Note		
Surplus/(deficit) for the financial year before dividend payments		5,499	4,876
Fixed asset impairment losses	17	11	0
Unrealised surplus/(deficit) on fixed assets revaluations/indexation	17	2,400	7,437
Increases in the donated asset and government grant reserves due to receipt of donated and government grant finance assets	17	481	949
Reduction in the donated asset and government grant reserves due to the depreciation, impairment and disposal of donated and government grant financed assets	17	(254)	(194)
Additions/(reductions) in "other reserves"	17	500	0
Defined benefit scheme actuarial gains & losses		0	0
		<hr/>	<hr/>
Total recognised gains and losses for the financial year		8,637	13,068
Prior period adjustment	17	0	0
		<hr/>	<hr/>
Total gains and losses recognised in the financial year		8,637	13,068

BALANCE SHEET AS AT 31 MARCH 2006

				31 March 2005 £000
	Note	£000	£000	£000
Fixed assets				
Intangible assets	10	11,216		0
Tangible assets	11	172,254		171,626
Fixed asset investment	11	500		0
			<u>183,970</u>	<u>171,626</u>
Current assets				
Stocks and work-in-progress	12	3,894		3,497
Debtors	13	42,365		46,878
Investments	14	8,925		6,000
Cash at bank and in hand	18.3	400		400
Total current assets			<u>55,584</u>	<u>56,775</u>
Creditors: amounts falling due within 1 year	15		<u>(23,663)</u>	<u>(28,324)</u>
Net current assets/(liabilities)			<u>31,921</u>	<u>28,451</u>
Total assets less current liabilities			<u>215,891</u>	<u>200,077</u>
Creditors: amounts falling due after more than one year	15		(7,436)	(3,836)
Provisions for liabilities and charges	16		<u>(37,793)</u>	<u>(33,276)</u>
Total assets employed			<u>170,662</u>	<u>162,965</u>
Financed by:				
Taxpayer's equity				
Public dividend capital	23.2		121,027	116,526
Revaluation reserve	17		44,829	42,648
Donated asset reserve	17		3,062	3,301
Government grant reserve	17		450	0
Other reserves	17		500	0
Income and expenditure reserve	17		794	490
Total taxpayer's equity			<u>170,662</u>	<u>162,965</u>

Signed on behalf of the Board on 27th June 2006

Chairman Chief Executive 

Adopted by the Board on 27th June 2006



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Note	£000	£000	2004-05 £000
Operating activities				
Net cash inflow from operating activities	18.1		10,898	13,441
Returns on investments and servicing of finance				
Interest received		1,172		905
Interest paid		0		0
Interest element of finance leases		0		0
			1,172	905
Net cash inflow/(outflow) from returns on investments and servicing of finance				
Capital expenditure				
Payments to acquire tangible fixed assets		(9,030)		(6,975)
Receipts from sale of tangible fixed assets		161		487
Payments to acquire/ receipts from sale of intangible assets		0		0
			(8,869)	(6,488)
Net cash inflow/(outflow) from capital expenditure				
Public dividend capital dividends paid			(5,227)	(5,364)
Management of liquid resources				
Purchase of current asset investments		(2,925)		(6,000)
Sale of investments		0		0
			(2,925)	(6,000)
Net cash inflow/(outflow) from management of liquid resources				
Net cash inflow/(outflow) before financing				
			(4,951)	(3,506)
Financing				
Public dividend capital received		5,212		2,805
Public dividend capital repaid (not previously accrued)		(711)		0
Public dividend capital repaid (accrued in previous period)		0		0
Government loans received: short term		0		0
Government loans repaid: short term		0		0
Loan advances/brokerage received		0		0
Loan advances/brokerage repaid		0		0
Other capital receipts		450		701
Capital element of finance leases		0		0
			4,951	3,506
Net cash inflow/(outflow) from financing				
Increase/(decrease) in cash	18.2		0	0

1. Accounting policies and other information

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income recognition

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

1.4 Intangible fixed assets

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

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

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

1.5 Fixed assets

i. Capitalisation

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

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

ii. Valuation

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

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

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

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

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

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

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

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

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

iii. Depreciation

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

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

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

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

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

iv Fixed Asset Investment

The Trust has a fixed asset investment in Zoobiotic Ltd, the value of which is attributed from the spinout of the company from the Trust on the 16th May 2005. A corresponding Reserve is held in Other Reserves. The Trust is represented on the Board of Zoobiotic Ltd by Mr P M Williams (Chief Executive of the Trust) and Mrs Mary Lee (Non-Executive Director)

1.6 Cash Bank and Overdrafts

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

1.7 Donated fixed assets

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

1.8 Government grants

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

1.9 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.10 Private Finance Initiative

The NHS follows HM Treasury's 'Technical Note 1 (Revised) How to account for PFI transactions' which provides practical guidance for the application of the FRS5 amendment. PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator in operating a property and for access to the property itself .

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

1.11 Stocks and work-in-progress

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

1.12 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- * there is a clearly defined project;
- * the related expenditure is separately identifiable;
- * the outcome of the project has been assessed with reasonable certainty as to:
 - * its technical feasibility;
 - * its resulting in a product or service which will eventually be brought into use;
- * adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. The trust is unable to disclose the total amount of research and development expenditure charged in the income and expenditure account (a requirement of SSAP 13) because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.13 Provisions

The trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. In accordance with FRS 12 provisions are only recognised where the transfer of economic benefit is probable, and the amount can be reasonably estimated. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

1.14 Contingent Liabilities

Contingent liabilities are recognised where the NHS Trust has

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

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

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

1.15 Losses and special payments

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

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

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

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Where reliable estimates can be made, incidents of clinical negligence against which a claim has not, as yet, been received are provided in the same way. Expected reimbursements from the Welsh Risk Pool are included in debtors. For those claims where the probability of settlement is below 50%, and above 5% the liability is disclosed as a contingent liability.

1.16 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State. As a consequence it is not possible for the trust to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2005-06 was £18,926,667 (£17,181,813 for 2004-05).

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

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

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

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

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

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

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

1.17 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.18 Value added tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.19 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 28 to the accounts.

1.21 Public Dividend Capital Dividends

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General.

1.22 Pooled budgets

The Trust has no pooled budgets.

2. Segmental Reporting

The following information segments the results of the Trust by:-

	Informing Healthcare		National Leadership & Innovation Agency for Healthcare		Welsh Health Supplies		Delivery & Support Unit		Healthcare Activities		Inter-segment trading (see note below)		Trust Total (per main I&E statement)	
	2005/6 £000	2004/5 £000	2005/6 £000	2004/5 £000	2005/6 £000	2004/5 £000	2005/6 £000	2004/5 £000	2005/6 £000	2004/5 £000	2005/6 £000	2004/5 £000	2005/6 £000	2004/5 £000
Segment income	19,070	16,585	10,386	2,958										
WAG Creditor *	205	39	0	302										
Segment income	18,865	16,546	10,386	2,656	28,267	27,741	539	0	258,069	237,341	-3,906	-2,927	312,220	281,357
Costs directly attributable to segment:-														
Pay	2,111		3,474		2,533		250							
Funded programme payments for NHS bodies	10,658		3,906		0		0							
Supplies & services	3		7		24		0							
Establishment	799		1,462		231		52							
Transport	5		53		360		2							
Premises	562		341		531		24							
Other operating expenses	4,618		929		24,324		186							
Total directly attributable	18,756	16,454	10,172	2,610	28,003	27,473	514	0	249,829	229,957	-3,906	-2,927	303,368	273,567
Surplus / deficit	109	92	214	46	264	268	25	0	8,240	7,384			8,852	7,790
Common costs	109	92	214	46	224	251	25	0	3,863	3,380			4,435	3,769
Surplus before inter-segment trading	0	0	0	0	40	17	0	0	4,377	4,004			4,417	4,021
Segment average	920	-336	-677	-488	5,961	4,970	-14	0	149,579	156,334			155,769	160,480

* WAG creditor relates to Trading Agency underspends in line with agreement between the Trust and the WAG.

For the business segments, "other operating expenses" shown above for 2005/6 includes the following material items:-

Informing Healthcare - External Consultancy costs £3,753k and Depreciation £590k
(External Consultancy costs include specialist technical expertise in the design of the National Architecture, development of healthcare portals, security and access)

National Leadership & Innovations Agency External Consultancy costs £860k

Welsh Health Supplies - Cost of stock issues £23.949m

Delivery & Support Unit - External Consultancy costs £186k

NOTE: The following inter-segment trading amounts have been "netted-off" in the consolidated position shown in the main I&E Account:-

WHS related - £2,963,080

IHC related - £682,686

NLIAH related - £260,000

Total inter-segment trading - £3,905,766

In addition to the revenue funding shown above, Informing Healthcare received a capital funding allocation of £8.030m from WAG during 2005/6.

Additional information regarding the accounting and governance arrangements for Informing Healthcare, the National Leadership & Innovation Agency for Healthcare (NLIAH) and the Delivery & Support Unit (DSU) is given in Note 31 to the Accounts.

3. Income from activities

2004-05

	£000	£000
Local health boards	221,576	205,467
Health Commission Wales	11,978	9,511
NHS trusts	897	835
Strategic health authorities and primary care trusts	0	0
Foundation Trusts		0
Local authorities	0	0
National Assembly for Wales	35,878	26,341
Non NHS:		
Private patient income	1,525	1,534
Overseas patients (non-reciprocal)	22	0
Road Traffic Act charges	615	743
Other income from activities	3,949	3,817
Total	276,440	248,248

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

Income from National Assembly for Wales includes £nil (2004-05 £nil) in respect of a funding adjustment to off-set the effect of FRS11 on the accounts.

4. Other operating income

2004-05

	£000	£000
Patient transport services	0	0
Education, training and research	5,273	4,712
Charitable and other contributions to expenditure	415	320
Transfer from the donated asset reserve	254	194
Transfer from the government grant reserve	0	0
Non-patient care income generation schemes	669	986
Other income:		
Provision of laundry, pathology, payroll services	0	0
Accommodation and catering charges	744	644
Mortuary fees	98	94
Staff payments for use of cars	0	0
Business unit Welsh Health Supplies	25,304	24,814
Other	3,023	1,345
Total	35,780	33,109

5. Operating expenses

5.1 Operating expenses comprise

	£000	2004-05 £000
Goods and services from other NHS bodies	6,619	6,510
Goods and services from other NHS Foundation Trusts	0	0
Purchase of healthcare from non-NHS bodies	0	0
Directors' costs	1,038	716
Staff costs	192,293	170,852
Supplies and services - clinical	20,493	22,370
Supplies and services - general	6,186	5,722
Establishment	8,804	7,160
Transport	1,116	902
Premises	13,700	12,568
Depreciation and amortisation	8,239	7,496
Fixed asset impairments and reversals	7	0
Audit fees	178	214
Other auditors' remuneration	0	0
Losses, special payments and irrecoverable debts	949	2,473
Other operating expenses	48,043	40,135
Total	307,665	277,118

Directors cost 05/06 include Non-Executive Directors and Employers NIC, and Employers Pension costs relating to Directors and Non-Executive Directors. In 2004/05 Non-Executive Directors were included in Staff costs. The 2004/05 restated figure for Directors Costs including Non Executive Directors costs would be £949k in 2004/05 and Staff Costs £170619K

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

	£000	2004-05 £000
Increase/decrease in provision for future payments:		
Clinical negligence	1,554	13,895
Personal injury	548	1,543
All other losses and special payments	21	18
Defence legal fees and other administrative costs	15	83
Gross increase/decrease in provision for future payments	2,138	15,539
Contribution to Welsh Risk Pool	0	0
Premium for other insurance arrangements	0	0
Irrecoverable debts	21	13
Less: income received/ due from Welsh Risk Pool	(1,210)	(13,079)
Total charge	949	2,473

Personal injury includes £286k (2004-05 £670k) in respect of permanent injury benefits

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

5.3 Commitments under non-cancellable operating leases

	Land and buildings		Other leases	
	£000	2004-05 £000	£000	2004-05 £000
Operating leases which expire:				
Within 1 year	0	0	232	321
Between 1 and 5 years	0	0	664	496
After 5 years	0	0	0	0
Total	0	0	896	817

Operating expenses include £701,721 for operating lease rentals (2004-05 £692,315).

5.4 Directors' remuneration

	Remuneration as Director £000	Other remuneration £000	Total £000	2004-05 £000
Non-executive directors' remuneration	94	0	94	88
Executive directors' remuneration:				
basic salaries	745	0	745	679
benefits	4	0	4	3
performance related bonuses	0	0	0	0
pension contributions paid	104	0	104	95
Sub-total	947	0	947	865
Compensation for loss of office	0	0	0	0
Pensions for directors and former directors (other than from the NHS pension scheme)	0	0	0	0
Total	947	0	947	865

The Trust does not operate a Performance Related Bonus Scheme and therefore no performance related bonuses were paid to any Director of the Trust during the financial year 2005-06. £nil was waived by directors and £nil allowances were paid in lieu.

5.4 Directors' remuneration (continued):

The remuneration of the chairman, chief executive and (where the chief executive is not the highest paid member) the highest paid director is as follows:

	Remuneration as director £000	Other remuneration £000	Total £000	2004-05 £000
Chairman				
Basic remuneration	40	0	40	35
Benefits	0	0	0	0
	<u>40</u>	<u>0</u>	<u>40</u>	<u>35</u>
Chief Executive				
Basic salaries	143	0	143	138
Benefits	0	0	0	0
Performance related bonuses	0	0	0	0
	<u>143</u>	<u>0</u>	<u>143</u>	<u>138</u>
Pension contributions	20	0	20	19
	<u>163</u>	<u>0</u>	<u>163</u>	<u>157</u>
Highest paid director*				
Basic salaries	156	0	156	0
Benefits	3	0	3	0
Performance related bonuses	0	0	0	0
	<u>159</u>	<u>0</u>	<u>159</u>	<u>0</u>
Pension contributions	22	0	22	0
Total	<u>181</u>	<u>0</u>	<u>181</u>	<u>0</u>

The Chief Executive was not the highest paid director during the financial year 2005-06, as arrears were paid to the Medical Director. The Chief Executive was the highest paid Director in 2004-05